



# **Comprehensive Annual Financial Report**

Botetourt County  
Virginia

Fiscal Year Ended June 30, 2018



COUNTY OF BOTETOURT, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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Prepared By:  
Department of Financial Services

COUNTY OF BOTETOURT, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

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## INTRODUCTORY SECTION

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## Botetourt County, Virginia *Board of Supervisors*

1 West Main Street, No. 1  
Fincastle Virginia 24090  
Phone (540) 928-2006  
Fax (540) 473-8225

### Board of Supervisors

T. W. Ieffel, Jr.  
*Chairman*

Todd L. Dodson  
*Vice Chairman*

Billy W. Martin Sr.

Donald M. Scothorn

John B. Williamson, III

November 30, 2018

To the Honorable Board of Supervisors and Citizens of the County of Botetourt, Virginia:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018.

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Botetourt County for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must establish an easily readable and efficiently organized comprehensive annual report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Robinson, Farmer, Cox Associates, LLC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the County of Botetourt's financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with same.

### Profile of Botetourt County

The County of Botetourt was founded in 1770 and named for Lord Botetourt, Governor of Virginia. After the Revolutionary War, the County's jurisdiction extended to the Mississippi River, encompassing what is now West Virginia, Kentucky, Ohio, Indiana, and part of Illinois.

Botetourt County is located along Interstate 81, within easy access to Interstate 64, in the west-central portion of Virginia in the Roanoke Valley, between the Blue Ridge and Allegheny Mountains. It is 233 miles southwest of the nation's capital, Washington D.C., 176 miles west of the state capital, Richmond, and is close to the City of Roanoke. Botetourt County consists of 548 square miles and is part of the Roanoke Metropolitan Statistical Area (MSA). The County of Botetourt is a political subdivision of the Commonwealth of Virginia that is administered by a five member Board of Supervisors and has a County Administrator to oversee its general administration.

The County provides a full range of services, including police protection, education, parks and recreation, planning and inspections, general services and utilities, libraries, social services, and general government administration. Local volunteer fire and rescue companies provide fire and rescue protection for the citizens, complemented by paid County supplemental fire and rescue employees. The County provides support to the volunteers through cash contributions for operations and capital expenditures. The Commonwealth of Virginia provides the construction and maintenance of highways, streets, and related infrastructure located within the County.

### **Local Economics and Demographics**

Based upon the U. S. Census Bureau's 2010 census, Botetourt County's population was 33,148, representing a 9% increase since the 2000 Census. Botetourt County enjoys a diverse economy, with the services sector accounting for 40% of the jobs in the County, manufacturing 16%, trade 20%, government 15%, construction 7%, and all others 2%. The civilian labor force totals approximately 17,603 (June 2018). With regard to the County domiciled workforce, roughly 25% work for the County's top twenty employers. Unemployment remains below the State average.

With respect to demographics relating to economic factors, Botetourt County seemingly appeals to higher income residents, as evidenced by a median household income figure of \$59,441, which is above the state average and ranks first in a comparison to six other surrounding localities. This ranking also holds true for the home ownership rate (87%), which is well above the state's average of 69%. Yet again, the median housing value in the County (\$189,900) places first as compared locally and is below the state average of \$247,100. These figures are as of the 2010 U.S. Census.

Botetourt County compares favorably to most Virginia counties economically in the area of fiscal stress, as reported by the Virginia Commission on Local Government. This agency has developed a composite fiscal stress index, which takes into consideration each locality's revenue capacity per capita, the revenue effort, and the magnitude of median adjusted gross income for individuals and married couples. The County's composite index falls into the classification "Below Average Stress", and within a short reach of "Low Stress" for the most recent period reported (2016). The County's ranking was 103 out of 133 localities, placing Botetourt County in the lower 25% quartile. This is an indication that on a comparable basis, Botetourt County and its residents continue to experience a relatively low level of fiscal strain, which adds to quality of life in the County for its citizens, and indicates responsible management of the County's financial activities.



The County's Comprehensive Plan provides the framework for managing growth, along with proper zoning and subdivision ordinances. The most recent Comprehensive Plan was updated in FY17. With respect to building activity, FY18 building permit activity for residential and commercial construction exceeded FY17 results in terms of number of permits (+ 6%). In terms of total dollar value, FY18's total figure of \$67.3 million was 80% greater than FY17's figure, and FY18's permit dollar value was 83% greater than the 3 year average value from FY15 to FY17.

With respect to residential building construction, FY18's average permit value (\$220,000) decreased 12% vs. FY17 and the average value was 2% less than the previous three year average. This was the sixth consecutive year that average residential permit values exceeded \$200,000. In reviewing permit applications for FY18, residential growth is being experienced in all districts of the County, and the number of FY18 permit applications (107) is the highest amount since FY08. The total value of FY18 residential permit applications totaled \$23.6 million, which is the highest level since FY07.

Regarding commercial construction, FY18's number of permits (81) were 13% less than FY17 permits (93). However, the average value was 3.4 times the average value for FY17. Total FY18 commercial permit value (\$38.6 million) was 2.7 times greater than the previous three year average. There were several large commercial permits / applications, including the Eldor Corporation building, the Daleville YMCA, and the Altec plant expansion.

### Economic Development

Economic development activity for Botetourt County during FY18 and leading into FY19 continued the growth and momentum trend in the community. Specifically:

- There was a groundbreaking ceremony in October 2017 for the Botetourt Family YMCA in Daleville Town Center. This 45,000 square foot project will include swimming and therapeutic pools, exercise studios, a basketball court, state-of-the art wellness equipment and amenities that will enhance community health and wellness. The \$10 million facility, which was supported by a successful fund raising drive, is expected to open in January, 2019.
- Arkay Packaging, also located in EastPark, announced in February 2016 a \$15 million investment in equipment and will add fifty (50) jobs within 5 years. To date, the capital investment has been completed, and 50 new jobs have been created.
- Headquartered in Italy, ELDOR Corporation, an ignition coil and automotive component manufacturer, announced in March 2016 the location of their first North America manufacturing center in Botetourt Center at Greenfield. The announcement involves a new private investment of \$75.2 million and the creation of 350 jobs in phase 1. During summer 2017, construction commenced on the 280,000 square foot facility, which was completed during 2018. Production commenced in early 2018. Through September 2018 Eldor has hired 100 employees.

- In May 2016, San Diego-based Ballast Point Brewing and Spirits announced its decision to locate its first East Coast production facility in Botetourt County at Greenfield. The announcement involves new private investment of \$47.8 million and the creation of 178 jobs as well as purchasing an existing building and placing it back into manufacturing vs. distribution use. The restaurant opened in June 2017, and brewing began in 2017 as well.

- The Virginia Community College System (VCCS) announced in July 2016 its decision to locate a shared services center in Botetourt County at the former Lumos headquarters building. While the announcement does not involve new private taxable investment, the project will bring 190 jobs to the community. VCCS is currently making strides in adding to its employment base, as approximately one-half of the jobs target has been hired.

- In December 2016, Canadian-headquartered Canatal Steel USA, manufacturer of steel structures, announced an expansion of 38 jobs and an investment of \$1.5 million. The company relies heavily on welders and fitters and multiple positions have been supplied by the Botetourt Technical Education Center's American Welding Society (AWS) welding lab.

With respect to business activity at Botetourt Center at Greenfield, the Botetourt County Board of Supervisors approved an option and performance agreement for a planned expansion of Altec Industries. Altec, which is a provider of products and services primarily to utility and communication businesses, announced a \$4 million business expansion in 2014/2015 and the creation of 100 jobs (by December 2016) at above-average wages. Altec has undergone a number of expansions and the company continues to be one of the largest employers in the County. In September 2015, Altec exercised an option to purchase 30 acres in Greenfield as they work on the next phase of their master plan. In October 2017, Altec announced its plans for a fifth expansion (announcement of a \$30 million investment, 65,000 square feet). To date, 180 new jobs have been created, which was the targeted amount..

The Botetourt Center at Greenfield successfully competed with all localities in the Roanoke Valley and was chosen by the Greater Roanoke Valley Development Foundation (GRVDF), in conjunction with the Roanoke Regional Partnership, for a public-private shell building project. The County worked closely with the Foundation to design the shell building. Phase 1 will be 100,000 square feet, expandable to 200,000 square feet. Both aspects of the project will result in increased product and development opportunities at Botetourt Center at Greenfield. Construction of the initial 100,000 square foot shell building commenced October 2016 and was completed in mid-2017. Several companies have visited the building and interest in the building continues.

## Public School System

The Botetourt County School System is composed of seven elementary schools serving students in grades kindergarten through fifth grade; two middle schools serving grades six through eight; two high schools serving grades nine through twelve; and a vocational technical school. All schools are accredited by the Virginia State Board of Education. March ADM enrollment over the last three years has averaged 4,592 and has been on a consistent decline since FY2011-2012. However, the most recent enrollment figure of 4,548 approximates the prior year figure (4,553). With respect to academic achievement, the Virginia Department of Education released its listing of public schools that are fully accredited based on achievement results during 2017-2018. All of Botetourt County's public schools comprising its school division were fully accredited. Another notable achievement was the 2017-2018 on-time graduation rates. This rate measures how many students earn a Virginia Board of Education diploma in four years. Botetourt County's on-time graduation rate of 95.3% was exceptional and well above the state average of 91.6%. In addition, Botetourt County Public Schools earned the Virginia Board of Education Distinguished Achievement Award for the most recently completed school year. In October 2018, Colonial Elementary School was named a National Blue Ribbon School, among eight Virginia schools recognized for that distinction.

The County's CTE (Career and Technical Education) Program is a flourishing career-oriented program that begins its foundation with the use of an Academic Career Plan, which receives updates and follows the students through their middle school years. This is a credentialing initiative for high school students that has grown significantly, including workplace readiness skills that focus on personal, professional, and technology knowledge and skills. A Mechatronic Program offering makes BTEC the first secondary school to offer a mechatronic engineering program for high school students. In May 2018 BTEC held its first Career Signing Day, as thirteen students signed offers with seven different companies, moving from BTEC School To Work and apprenticeship programs to full time employment.

The County's STEM-H Academy (Science, Technology, Engineering, Mathematics, Healthcare) is an initiative that came to fruition in the 2013–2014 school year. STEM-H incorporates programs that teach independent innovation and greater exploration of learning content as a means of preparing students for opportunities in these fields which represent the fastest growing career areas. The program utilizes both the Greenfield Education and Training Center and Virginia Western Community College (see note that follow) as classroom sites. Enrollment is based on a competitive application process

In terms of advancements in technical education, the school system began an effort during the 2015-2016 school year to create the area's only American Welding Society-accredited testing facility at the Botetourt Technical Education Center. This facility opened the 2016-2017 school year, with a welding course, and when passed, allows for the student to sit for the certified exam for the American Welding Society.

As for school facilities, the School System recently completed \$6.5 million of equipment installation relating to an energy savings project that impacted most of the school buildings inventory. There is also a \$22.5 million school construction project financed through VPSA (Virginia Public School Authority) for replacement of the aged existing Colonial Elementary School which will take place at a new site in the County. Earth moving is to begin in November 2018 with building construction to begin thereafter.

The County's School Board places a high value on continuing education and use of management practices to increase the skill level and teaching proficiency of its professional teaching base. The County school system continues to be a valuable element in efforts to attract and retain quality business concerns and providing those businesses with an educated and skilled employment base.

### Higher Education

Two community colleges offer a wide spectrum of education for numerous degrees, as well as adult education programs. In addition, the community colleges operate an in-County education and training center, which supports workforce training for businesses and residents. The County, along with five other regional localities, participates in a CCAP (Community College Access Program) initiative through Virginia Western Community College (VWCC). This program makes attending college a reality for a selected, qualified group of public school students that have financial challenges. Also, Virginia Western Community is currently in construction mode for its \$30+ million investment in the form of a STEM facility. The building will exceed 72,000 square feet, and will be the largest building on campus. It will house engineering fabrication, mechatronics, computer, organic chemistry and microbiology labs and other features promoting STEM learning. Completion of the STEM facility is scheduled to take place on or around the Spring 2019 semester.

Dabney S. Lancaster Community College (DSLCC) also plays a role in preparing students for career jobs in Botetourt County, as its Promise Program helps to strengthen the local workforce by providing tuition assistance to as many students as possible, based on need and available funding. DSLCC also has a welding certificate program (an 80 hour Flux Core Arc Welding course), and this offering and the resulting certified students assist in meeting the job market requirements for those specific skills required by County businesses.

These community colleges are presenting viable alternatives to four-year institutions and continue to experience increases in attendance. There are also numerous four-year colleges in the near vicinity of Botetourt County including Virginia Tech.

### Long-Term Financial Planning and Policies

With respect to long-term financial planning, Botetourt County utilized a five-year capital improvement plan for the Primary Government and its related components. This tool assists in identifying potential funding requirements on the horizon for capital spending and associated operating

costs. Consideration for future levels of revenues and expenditures is an element in the annual budget process and assists in the projection of fund balance levels for the current budget year and for outgoing years as well.

The County's financial policies play a significant role in the development of the annual budget and consideration of ongoing operations. A Fund Balance Policy is utilized to assist in determining the ability to adequately cover proposed budgeted expenditures as well as identifying proper levels of unassigned fund balance. Strategic use of this policy is part of the annual budget process and is used to assist in right-sizing budgeted expenditures given certain levels of projected revenues.

### Major Initiatives and Goals

In 2014, the Botetourt County Board of Supervisors made a decision to enhance their long-term planning outlook with a strategic planning process. In November 2014, key historical and current data for the Board's areas of interest was presented to the Board by County staff. In December 2014, a facilitator led the Board through a visioning session and the Board adopted a Vision Statement projected to the year 2040. The Vision statement is sub-titled "Honoring Our History, Enjoying the Present, and Shaping the Future." Key elements contained in the Vision statement are as follows:

*Thriving Business Environment*  
*Botetourt Cool Experience*  
*Ample & Reliable Infrastructure & Facilities*  
*Lifelong Learning Excellence*

*The Gateway Center (Exit 150)*  
*Responsible Governance*  
*Responsive Government*  
*Strategic Land Use*

In January 2015, work plans were developed to begin implementing the goals identified for each of the 8 key elements. Several of the goals have already been completed, and while some of the goals have a multi-year timeline. An update of process regarding the goals was presented to the Board of Supervisors in FY17. Since inception, the Strategic Plan has been a driving component of the County's annual budget process. A two-day strategic planning session is scheduled for January 2019.

### Current and Future Initiatives

The Virginia Department of Transportation has continued its work on the Interstate 81, Exit 150 and Gateway Crossing project. In December 2016, Gateway Crossing opened, completing Phase 1 of the project. Throughout 2017, construction continued on Phase 2 and the roundabout interchange. The roundabout opened in September 2017, allowing VDOT to move forward to the final phase of the project. Completion of the road portion of the project took place in August 2018, with remaining minor signage and signal work completed shortly thereafter.

VDOT had begun work on improving US 220 north of Eagle Rock in 2017. The multi-year project will provide safety enhancements and bridge replacements along the stretch of road between Eagle Rock and Iron Gate.

Internally, with respect to the Exit 150 project, the Department of Community Development continues to identify opportunities to promote and enhance the growth and development of the area around the interchange. In November 2016, the Board of Supervisors established the Urban Development Areas (UDAs) at Exit 150 and in Daleville in order to assist with the planning efforts of those areas. Staff have continued to work with consultants in order to formalize the development guidelines of the UDAs.

Recognizing that there is a distinct need for expanding internet broadband communication capability in the County, the Botetourt County Broadband Advisory Commission was established in 2018. In September 2018 a two day Rural Broadband Technology Solutions Summit was held at the Greenfield Education and Training Center. There were 100 participants and 40 speakers that had experience in the legal, economic, and financial issues that must be addressed in order to place and expand high-speed internet service to rural portions of a community. The summit brought together providers, distributors, equipment manufacturers, consultants, and political representatives from the surrounding areas. The Broadband Commission will follow up with speakers and other interested parties. It has been announced that Lumos Networks plans to invest approximately \$1 million in broadband expansion in Botetourt County.

With respect to planned capital improvement projects (CIP), the FY19 County budget is heavily invested in Community and Economic Development projects, as this largest component is 35% (\$350,000) of the total CIP budget of \$1,009,500. There is also \$222,000 set aside for Public Safety projects funding, specifically including Fire and EMS equipment replacement programs for portable and mobile radios. There is also support for Maintenance Services projects (\$204,000) which includes County infrastructure and equipment repairs, as well as \$135,000 for Parks, Recreation, and Cultural projects, including \$100,000 for matching funds for County greenway development. The balance of funding (\$98,000) is spread among General Services, Technology Services, and Libraries.

The County's Recreation & Facilities Department plays a significant role in making Botetourt County a cool place to visit and live. The Department connects people to scenic rivers, hiking and wine trails, youth sports, NCAA Softball, and many other activities for people of all ages.

FY18 recreation highlights included:

- The entire 45-mile stretch of the James River now has the Scenic River Destination, subject to action by the Virginia General Assembly. The County purchased a 4 acre tract it had previously leased that will further enhance the Gala Boat Access point.
- Botetourt County was accepted into the Roanoke Valley Greenway Commission in FY16 and is actively planning future greenway routes including Daleville and Tinker Creek.

- Participation in active and passive recreation programs continues to increase. FY18 activities resulted in an increase of 100 youths. The highly acclaimed Greenfield Disc Golf Course is meeting the needs of local residents and through tournaments and everyday play is bringing people to Botetourt County from other localities and states. The course has been designated a Virginia Treasure by the Virginia Secretary of Nature.

- The Botetourt Sports Complex continues to represent the County as a first-class destination site for regional and national softball tournaments. The County has just completed its twelfth year of operations. Twenty-five (25) events were scheduled at the Complex for 2018.

Finally, Botetourt County continues to maintain AA bond ratings with all three rating agencies--Fitch Ratings, Moody's, and Standard & Poor's. Currently, Botetourt County remains the highest rated county in Virginia for its population size. It is believed that these ratings reflect proper, continued executive management, support staff, and financial practices which will assist the County to move forward and meet future fiscal challenges.

#### Acknowledgements

The preparation of this annual financial report could not have been accomplished without the dedicated effort of both the County and School administration and their respective staffs. In addition, sincere thanks to the Board of Supervisors for their leadership and support.

Respectfully submitted,



Gary Larowe  
County Administrator



Anthony G. Zerrilla  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**County of Botetourt  
Virginia**

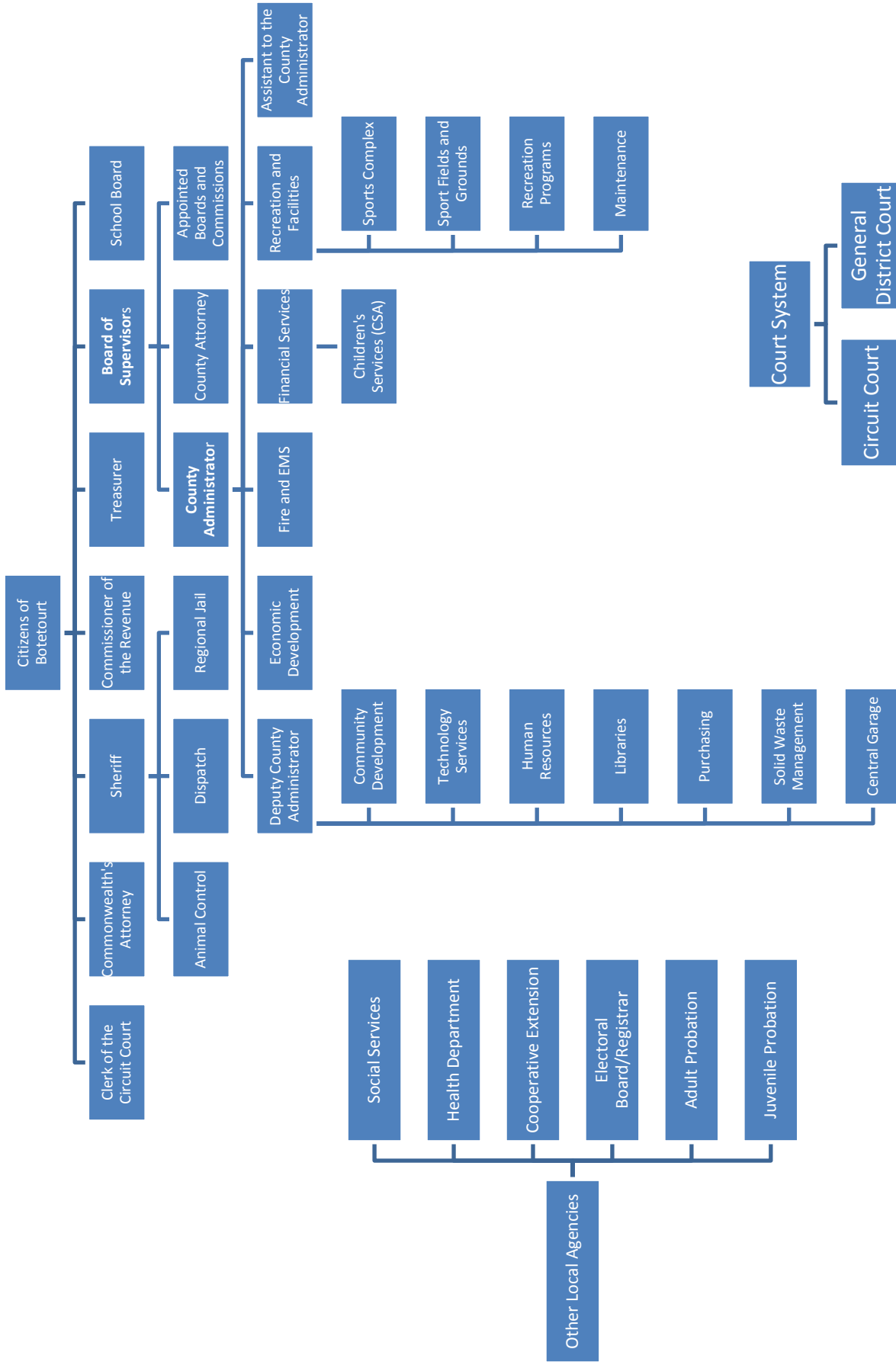
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO





Botetourt County Organization Chart

Updated April 2018

## COUNTY OF BOTETOURT, VIRGINIA

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### BOARD OF SUPERVISORS

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L. W. "Jack" Leffel, Chair	
Donald M. "Mac" Scothorn, Vice Chair	Stephen P. Clinton
Billy W. Martin, Sr.	I. Ray Sloan

### COUNTY SCHOOL BOARD

---

Michelle Crook, Chair	
D. Scott Swortzel, Vice Chair	John Alderson
Michael Beahm	Anna Weddle

### SOCIAL SERVICES BOARD

---

William Burleson, Chair	
Joseph Obenshain, Vice Chair	Jan E. Smith
Billy W. Martin, Sr.	Betty Painter

### OTHER OFFICIALS

---

Judge of the Circuit Court .....	Charles L. Ricketts III
Clerk of the Circuit Court .....	Tommy L. Moore
Judge of the General District Court .....	William Harrison Cleaveland
Judge of the Juvenile & Domestic Relations Court .....	Paul A. Tucker
Commonwealth's Attorney .....	John Alexander
Commissioner of the Revenue .....	Rodney Spickard
Treasurer .....	William P. Arney
Sheriff .....	Ronald N. Sprinkle
Superintendent of Schools .....	John Busher
Director of Social Services .....	Susan Goad
County Administrator .....	Gary Larrowe
County Attorney .....	Michael W. S. Lockaby

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

The Honorable Members of the Board of Supervisors  
County of Botetourt, Virginia  
Fincastle, Virginia

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

## *Opinions*

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

## *Change in Accounting Principle*

As described in Note 27 to the financial statements, in 2018, the County of Botetourt, Virginia adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

## *Restatement of Beginning Balances*

As described in Note 27 to the financial statements, in 2018, the County of Botetourt, Virginia restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 16-31, 136-139, and 140-155 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.

### *Supplementary and Other Information*

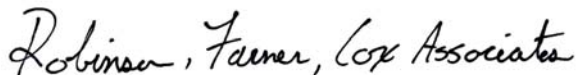
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Botetourt, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional 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 and statistical sections 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 19, 2018, on our consideration of the County of Botetourt, 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 Botetourt, 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 Botetourt, Virginia's internal control over financial reporting and compliance.



Blacksburg, Virginia  
November 19, 2018

## Management's Discussion and Analysis

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The following is a narrative overview and analysis of the financial activities of the County of Botetourt, Virginia for the fiscal year ended June 30, 2018. This narrative is included to provide insights as to financial results of operations for the above-mentioned fiscal year, and, in certain cases, provide comparative comments as they relate to the prior fiscal year. In addition, comments are included which address the economic factors considered in developing Botetourt County's budget for the fiscal year ending June 30, 2019.

### Financial Highlights

#### Government-wide Financial Statements

The assets and deferred outflows of the County of Botetourt, Virginia exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$47,643,713 (net position). Of this amount, \$10,298,650 is unrestricted and may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was a deficit of \$33,855,091 (See Exhibit 1); the deficit position is due primarily to an FY16 recording of a net pension liability in accordance with Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The amount of the net pension liability recorded in FY17 for the School Board was \$50,213,107, which decreased to \$43,312,433 for FY18 (see Note 9).

The Government's FY18 net position for governmental activities increased by \$187,609, as revenues exceeded expenses by less than 1%. While General Revenues decreased \$1.4 million (2%), net expenses decreased \$4.1 million (6%). General revenues decreased primarily due to a \$3.5 million (34%) revenue decline for Operating Grants and Contributions. Net Expenses decreased primarily due reductions realized in Public Safety (\$700,000, 4%), Public Works (\$1.2 million, 39%), and Community Development (\$2.8 million, 54%).

The School Board's FY18 net position resulted in an increase of \$1,373,749. Revenues exceeded net expenses due in part to a \$900,000 (3%) increase in Operating Grants and Contributions.

#### Fund Financial Statements

At the end of the current fiscal year, fund balance for the general fund was \$49,839,906 or 75% of total general fund expenditures (See Exhibit 5). This amount includes taxes and accounts receivable reflected in the fiscal year 2018 budget as well as funds allocated to the School Board and County capital improvement projects for fiscal year 2018.

As of the close of the current fiscal year, the County's governmental fund reported an ending fund balance of \$49,839,906, which is an increase of \$26,581,434 versus ending fund balance of \$23,258,472 for fiscal year ended June 30, 2017. The FY18 Budget was a balanced budget. The significant increase (\$26.6 million) in FY18 fund balance was assisted by restricted funds from the issuance of bonds for school projects. The unassigned portion of fund balance is \$25,517,069, which is 51% of total fund balance at 6/30/18. (See Exhibit 3). The unassigned portion of fund balance increased \$2.5 million (11%).

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Local government accounting and financial reporting originally focused on funds, which are designed to enhance and demonstrate fiscal accountability. Now accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with justification from the government that A) public monies have been used to comply with public decisions and B) whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

### Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the preparation of these financial statements in a manner similar to a private-sector business. Two financial statements are used to present this information: 1) the statement of net position and 2) the statement of activities.

The statement of net position presents all of the County's permanent accounts or assets, deferred outflows, liabilities, deferred inflows and net position. The difference between assets and deferred outflows and liabilities and deferred inflows is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The statement of activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions, which are supported by general tax and other revenues. The statement of activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end to themselves.

Both government-wide financial statements separate governmental activities and business-type activities of the County. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. Effective July 1, 2015 (FY16) the County sold its interest in the Water and Sewer Enterprise Fund, which in previous years showed as a business-type activity.



## Management's Discussion and Analysis

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The government-wide financial statements include, in addition to the primary government or County, two component units: 1) the Botetourt County School Board and 2) the Economic Development Authority of Botetourt County. Although the component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. Further, a primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures, and/or provide significant funding for operations of the component unit. The latter is the case for Botetourt County for the School Board.

### Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, a reconciliation between the two methods is provided on the exhibits following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

### Proprietary funds

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

### Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities. A separate Statement of Fiduciary Net Position (Exhibit 10) is provided in the report.

## Management's Discussion and Analysis

### Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

### Government-wide Financial Analysis

As previously noted, net position may serve as a useful indicator of a government's financial position. For the County of Botetourt, assets and deferred outflows exceeded liabilities and deferred inflows by \$47,643,713 at the end of the fiscal year. The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

County of Botetourt's Net Position		
	Governmental activities	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 56,295,475	\$ 28,732,102
Capital assets	62,322,130	60,977,723
Total assets	<u>118,617,605</u>	<u>89,709,825</u>
Deferred outflows of resources	\$ 1,881,948	\$ 2,976,520
Long-term liabilities	\$ 65,236,960	\$ 39,370,805
Other liabilities	5,347,241	3,894,326
Total liabilities	<u>\$ 70,584,201</u>	<u>\$ 43,265,131</u>
Deferred inflows of resources	\$ 2,271,639	\$ 930,405
Net position:		
Net investment in capital assets	\$ 36,914,554	\$ 34,392,020
Restricted	430,509	122,663
Unrestricted	10,298,650	13,976,126
Total net position	<u>\$ 47,643,713</u>	<u>\$ 48,490,809</u>

For the County's governmental activities, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 77.5% of total net position. The County uses these capital assets to provide services to citizens; therefore, the assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents resources that are subject to external restrictions on how they may be used. For governmental activities, these assets represent less than 1% of total net position. The remaining balance

## Management's Discussion and Analysis

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of unrestricted net position, which is \$10,298,650 or 22% of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year, the government's net position increased \$187,609 (less than 1%). Total assets and deferred outflows increased \$27,813,208 (30%) due primarily to restricted investments totaling \$22.6 million consisting of proceeds from debt issuance for the construction of a new Colonial Elementary School. The majority of the balance of the increase is reflected in unrestricted cash, cash equivalents and investments, which increased a combined \$3.4 million (14%).

With respect to total liabilities and deferred inflows, there was a \$28,660,304 (65%) increase due primarily to a \$25.9 million (66%) increase in long-term liabilities. This was primarily due to a) a \$21.3 million VPSA (Virginia Public School Authority) obligation for new school construction, b) a \$6.5 million obligation for a school system energy performance project, and c) a \$1.2 million loan for fire trucks. In addition, deferred inflows increased \$1.3 million due primarily to an increase in pension related items. The County's estimated landfill closure / post-closure liability increased \$107,000 (2%). Net investment in capital assets increased by approximately \$2.5 million (7.3%) which is primarily related to a reduction in asset related debt and a net increase of \$1.3 million in capital assets.

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## Management's Discussion and Analysis

### Changes in Net Position:

The following tables present the revenues and expenses of the Governmental and Business-type Activities. Following the table is a brief discussion on key elements of the changes in net position.

County of Botetourt's Changes in Net Position		
	Governmental activities	
Revenues:	<u>2018</u>	<u>2017</u>
Program revenues:		
Charges for services	\$ 1,155,177	\$ 1,141,443
Operating grants & contributions	6,904,529	10,392,900
General revenues:		
General property taxes	39,698,191	38,120,606
Other local taxes	7,535,122	7,433,479
Use of money and property	959,680	584,924
Other	185,589	236,602
Grants and contributions not restricted to specific programs	4,695,818	4,647,481
Total revenues	<u>\$ 61,134,106</u>	<u>\$ 62,557,435</u>
Expenses:		
General government	\$ 3,271,312	\$ 3,262,898
Judicial administration	1,387,205	1,447,717
Public safety	14,814,140	15,488,180
Public works	1,844,947	3,037,535
Health and welfare	3,521,856	3,670,110
Education	29,253,247	28,951,576
Parks, recreation and cultural	2,850,232	2,908,049
Community development	2,432,431	5,287,116
Interest on long-term debt	1,571,127	1,039,664
Total expense	<u>\$ 60,946,497</u>	<u>\$ 65,092,845</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ 187,609</u>	<u>\$ (2,535,410)</u>
Increase (decrease) in net position	\$ 187,609	\$ (2,535,410)
Net position, beginning	47,456,104	51,026,219
Net position, ending	<u>\$ 47,643,713</u>	<u>\$ 48,490,809</u>

Note: FY17 figures shown in this table were unadjusted for the impact of GASB 75.

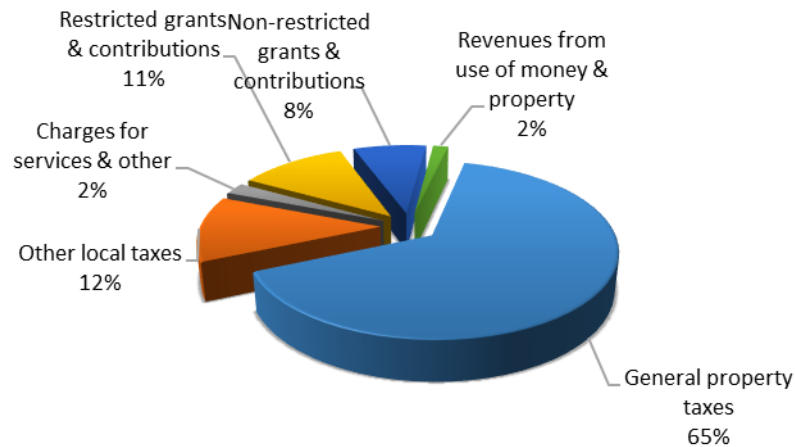
## Management's Discussion and Analysis

### Governmental Activities

Governmental activities increased the County's net position by \$187,609. Key elements relating to FY18 activities as compared to the prior year (FY17) will be discussed below.

The following chart provides a breakdown of the various FY18 revenue components. The largest source is general property taxes (\$39.7 million), which accounts for 65% of total governmental revenues (\$61.1 million).

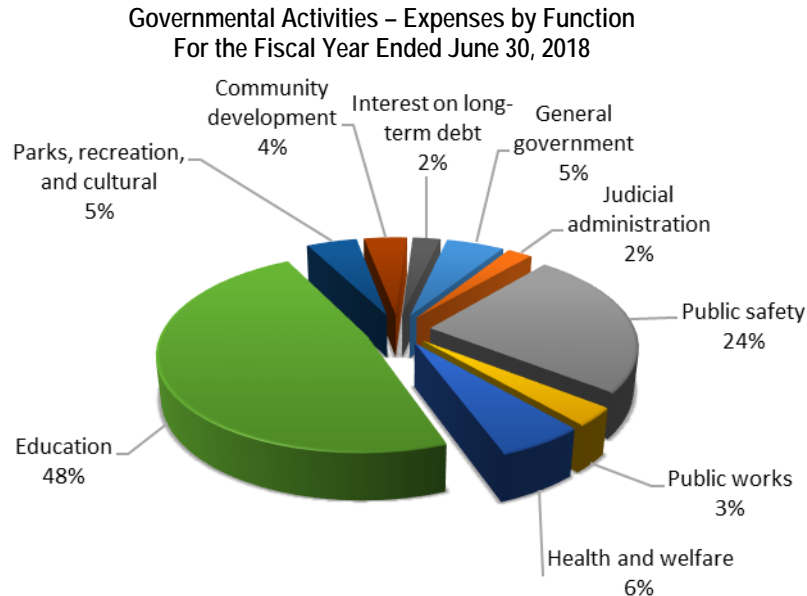
Governmental Activities – Revenues by Source  
For the Fiscal Year Ended June 30, 2018



- Revenues: General property taxes increased \$1.6 million (4%). The largest contributor to this increase was Public Service Corporation taxes, which increased \$694,000 (30%) due primarily to an multi-year electric utility project. Real Property Taxes increased \$498,000 (2%) due to real growth. Personal Property taxes increased \$365,000 (6%) as a result of growth and related vehicle values. Machinery & Tools taxes increased \$150,000 (4%) due to an increase in reported values.
- Revenues: Revenues from the use of money and property increased \$375,000 (64%) due primarily to increased investment balances and improving rates of return on funds invested.
- Revenues: Operating Grants and Contributions decreased \$3.5 million (34%) due primarily to the non-recurrence of \$3 million of Governor's Opportunity funds relating to economic incentives for new companies in the County..
- Revenues: All other revenue categories totaling \$13.6 million increased \$113,000, or less than 1%.
- Overall, revenues for governmental activities decreased \$1.4 million (2%).

## Management's Discussion and Analysis

The following chart reflects the distribution of FY18 governmental expenses. As shown, education expenditures account for 48% of total expenditures, and when combined with public safety, expenditures for these two categories are 72% of total expenditures of \$60.9 million.



- Expenses: General Government Administration expenses totaling \$3,271,000 increased \$8,000 (0.2%) vs. FY17. On a departmental basis, while there were increased costs for the majority of the departments, Technology Services experienced a \$79,000 (9%) decrease due primarily to non-recurrence of equipment costs. In addition, the Registrar's department's FY18 expenses were \$43,000 (14%) less than FY17 expenses due to reduced purchases of supplies, printing, and equipment.
- Expenses: Public Safety expenses decreased \$674,000 (4%). On a departmental basis, Volunteer Fire & Rescue Services decreased \$436,000 (22%) for non-capital items due primarily to non-recurring equipment costs. additional operation and equipment support costs. Sheriff's Department non-capital expenses decreased \$151,000 (3%) due primarily to costs associated with wages, fringe benefits, and equipment and supplies costs. Emergency Communications costs decreased \$160,000 (39%) due to non-recurring equipment costs. In addition, Juvenile Detention costs decreased \$41,000 (60%) due to less youth detention activity. Career Fire & EMS FY18 expenses of \$3.4 million were approximately at the same level as FY17 expenses.
- Expenses: Public Works expenses decreased \$1,193,000 (39%). The primary reason for the decrease in cost is due to two large dollar FY17 capital improvement projects that did not recur in FY18. This led to a reduction in total Public Works project costs of \$770,000. General Service's expenses decreased \$69,000 (24%) due to a reduction in wage and benefit costs. Waste Management expenses decreased \$61,000 (8%) due to reduced costs for professional services and equipment. Maintenance department expenses were \$151,000 (16%) less than FY17 expenses due to reductions in wage, benefit, and project costs.

## Management's Discussion and Analysis

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- Expenses: Community Development costs decreased \$2,855,000 (54%). This was primarily due to a \$3.3 million decrease in Contributions to the Economic Development Authority of Botetourt County. This reduction includes a \$1.1 million re-class of the cost of land purchased by the EDA and transferred to the School Division. In terms of increased costs, Industrial Development expenses increased \$204,000 compared to FY17 costs. In addition, there was a \$108,000 increase in FY18 capital related costs compared to the prior year (FY17).
- Expenses: Interest on Long-Term Debt increased \$531,000 (51%) due to a) interest expense relating to two new School projects and b) the net impact of an interest adjustment relating to premium amortization.
- Expenses: Health & Welfare expenses decreased \$148,000 (4%). This was primarily due to a) a \$300,000 (20%) decrease in Children's Services Act (CSA) activity and b) an \$82,000 (6%) increase in the cost of Welfare Services..
- Expenses: Parks, Recreation and Cultural expenses decreased \$57,000 (2%). This was primarily due a) a reduction in operating costs for the Botetourt Sports Complex, and b) a reduction in operating costs for the Library system.
- Expenses: Education expenses increased \$302,000 (1%). This increase relates to additional contributions to the School Board.
- Overall, for reasons cited above, expenses for governmental activities decreased \$4.1 million (6%).

### Financial Analysis of the Government's Funds

As earlier mentioned, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements.

In comparing unassigned fund balances as a percentage of governmental fund expenditures, it can be noted that FY18's figure of 38% represents an increase compared to FY17's figure of 36%..

At the end of the fiscal year, the County's governmental funds reported an ending fund balance of \$49,839,906, an increase of \$26,581,434 (114%) versus the prior year. When the impact of proceeds invested from the Colonial School construction project (\$22.5 million) are excluded, FY18 ending fund balance of \$27.3 million represents a 4 million (17%) increase from FY17. Revenues decreased \$1.1 million (2%), while FY18 expenditures were \$3.5 million (5%) greater than FY17 expenditures (Exhibit 5). When compared to FY17, the FY18 unassigned portion (\$25,517,069) of ending fund balance represents a \$2.5 million (11%) increase. Unassigned fund balance provides significant flexibility with respect to future discretionary spending.

## Management's Discussion and Analysis

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As previously stated, the County's FY18 governmental fund balance increased \$26,581,434. Fiscal Year 2018 operational highlights include the following:

Revenues: Total FY18 revenues for the Primary Government decreased \$1.1 million (2%).

- Local Revenues: (A) General property taxes increased \$1.7 million (4%). Real Property taxes increased \$498,000 (2%) due to real growth. Public Service Corporations taxes increased \$694,000 (30%) due to a multi-year utility project. Personal property taxes increased \$365,000 (6%) due to an increase in reported values. (B) Revenue from Use of Money and Property increased \$375,000 (64%) due to an increase in available funds and increasing interest rates. (C) Recovered costs increased \$259,000 (14%) due primarily to a) a \$126,000 (11%) increase in revenue from the Emergency Services Cost Recovery program and b) a \$105,000 (37%) increase in other recovered costs. In total, FY18 Local Revenues increased \$2.4 million (5%).
- State Revenues: FY18 revenues of \$10.6 million from the State represents a \$3.6 million (25%) decrease from the previous year. This decrease is due primarily to: a) \$3 million of (G.O.F.) Governor's Opportunity Funds that did not recur, a non-recurring \$264,000 VDOT grant, and c) a non-recurring \$250,000 Virginia Department of Housing grant. All of these items are reflected in results for Other Categorical Aid.
- Federal Revenues: totaled \$1,032,000, which represented a \$110,000 (12%) increase. This increase was due to: a) an increase of \$58,000 (33%) received for Payments In Lieu of Taxes (PILT), b) a \$34,000 (5%) increase in welfare receipts, and c) .FEMA disaster funds.
- These subject revenues are shown in Schedule 1.

Expenditures: Total expenditures for the Primary Government for FY18 increased \$3.5 million (5%). Most functional areas experienced decreased costs, with the net increase due to capital projects for the School Component reflected as contributions from the Primary Government. Wages and benefits were impacted by an average wage increase of 1.4% effective 9/1/17 at an estimated cost of \$228,000. The raise impact will be reflected in all departments containing County and Constitutional employees. Explanations of cost variances as compared to FY17 are as follows:

- General Government Administration's costs of \$3,489,000 for FY18 increased \$59,000 (2%). This increase is contained in several departments for professional services. The overall cost increase in this function was minimized by savings experienced in the Technology and Electoral / Registrar departments.
- Public Safety costs of \$15,759,000 were \$524,000 (3%) less than FY17. Increased costs in the Correction & Detention area was offset by cost savings in the Sheriff's Department area. The overall decrease of \$524,000 is due to reduced costs in Fire and Rescue services, which experienced a \$595,000 (25%) cost decrease. This sizable cost decrease was reflected in a) a \$323,000 reduction in equipment purchases, b) a \$67,000 reduction in instruction and training costs, and c) a \$151,000 reduction in purchases of emergency communication equipment. Emergency Services costs for FY17 of \$3.4 million was on par with these costs for FY17. A \$58,000 (32%) increase in professional services



## Management's Discussion and Analysis

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for Animal Control was due to allocated costs relating to the operations of the regional animal shelter, which benefitted from facility improvements.

- Public Works costs of \$1,714,000 were \$281,000 (14%) less than FY17 costs. Refuse collection and disposal costs decreased \$61,000 (8%) due to reduced costs for professional services and refuse disposal costs. Public Works departmental costs decreased \$69,000 (24%) due to reduced wages and benefit costs. General Properties costs decreased \$151,000 (16%), due to a) decreased building repair costs and b) a decrease in maintenance project costs.
- Parks, Recreation, and Cultural expenses of \$2,631,000 were \$60,000 (2%) less than FY17. This was primarily due to a reduction in operating costs for both the Sports Complex and the County's Library system. The \$60,000 reduction in this functional area was achieved despite the Year 1 contribution of \$100,000 to the Daleville Family YMCA.
- Health and Welfare costs of \$3,546,000 were \$193,000 (5%) less than in FY17. Comprehensive Services Act expenses decreased \$300,000 (20%) due to a decrease in costs for the providing of mandated youth services. Also, there was a \$23,000 (5%) increase in Tax Relief for the Elderly. Finally, Welfare Services costs increased \$82,000 (6%) due to an increase in operating costs.
- Judicial administration costs of \$1,427,000 were approximately \$81,000 (5%) less than costs incurred in FY17. Approximately \$64,000 of this decrease is reflected in Commonwealth's Attorney department due to a) the nonrecurring FY17 renovation of a leasehold building (\$50,000), and b) a reduction in wages and benefits costs due to turnover. The majority of the balance of the decrease is due to the nonrecurring FY17 project costs for the Circuit Court.
- Community Development costs totaling \$2,043,000 decreased \$3.2 million (61%) compared to FY17 costs. The entire reduction is due to the \$3.3 million decrease in contributions to the Economic Development Authority. Industrial and economic development costs combined increased \$69,000 (9%) due to an increase in activity.
- Education expense of \$23,922,000 resulted in a \$130,000 (0.5%) decrease primarily due to decreased contributions to the County School Board on a governmental basis.
- Debt Service costs of \$3,614,000 increased \$245,000 (7%) due to bond issuance costs of \$262,000 netted against an increase in principal retirements and a decrease in interest and other fiscal charges. The bond issuance costs related to school projects.
- Capital Projects – FY18 spending for capital projects totaled \$8.7 million, which represents a \$7.7 million increase compared to FY17 capital project spending. Approximately \$7.5 million, or 97% of the increase in spending was contained in a) initial costs for the School construction project and b) capital project spending for the energy savings project, which encompassed a significant amount of the school system buildings. The additional \$200,000 of increased capital project spending was spread among various projects.
- Expenditure categorization and activity is reflected in Schedule 2.

## Management's Discussion and Analysis

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### General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final budgeted expenditures for the General Fund totaled \$5,704,977. This difference was primarily due to supplemental appropriations. Major components of this difference are as follows:

- Appropriations of \$1,782,713 for CIP capital project activity.
- Appropriations of budgeted carryover funds from the fiscal year ended June 30, 2017 for programs and capital projects in the amount of \$1,128,626.
- Appropriations of \$1,641,189 for fire & rescue agency's programs and projects
- Appropriation of \$506,800 from revenues for tax relief for the elderly.
- Appropriation of \$390,025 to the Economic Development Authority of Botetourt County.
- Additional appropriation of \$118,187 for career fire & rescue programs.

The above-mentioned appropriations for amended budget expenditures total \$5,567,540, or 98% of the difference between the original budget appropriation and the amended budget.

With respect to FY18 amended budget vs. actual results, general fund revenues for the primary government were approximately \$491,000 (1%) over budget for the year. Results for revenues from local sources accounted for a \$429,000 (1%) positive variance, due primarily to results vs. budget in Recovered Costs, most notably Emergency Services cost recoveries and other recovered costs. State revenues were approximately \$87,000 (1%) under budget due to a shortfall vs. budget for Children's Services Act reimbursements. Federal revenues were approximately \$148,000 (17%) over budget primarily due to a) a supplemental PPTRA payment, and b) positive variance results for Categorical Aid.

Amended budget vs. actual results for general fund government expenditures for FY18 reflected a \$1 million (2%) positive variance due to significant savings in several categories. Most notably, there were significant positive variances vs. budget in the functional areas of General Government Administration, Public Safety, and Community Development. Capital Projects reflected a \$5 million shortfall due to a lack of budgeted funds specifically appropriated for the School Energy Saving project, the aforementioned positive variances served to more than offset the budget negative variance for Capital Projects.

## Management's Discussion and Analysis

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### Capital Asset and Debt Administration

#### Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2018 is \$62,322,130 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, and construction in progress. The total represents a \$1.3 million (2%) increase from the prior year.

Major capital asset transactions included the following for FY18:

A net \$2.1 million decrease in values for buildings & improvements, attributed to a \$2.1 million increase in accumulated depreciation.

A \$1.5 million (37%) increase in net machinery & equipment assets. Construction in progress activity yielded a \$785,000 (73%) increase, while there was a \$1.2 million addition to land.

#### County of Botetourt, Virginia Capital Assets for Governmental Activities (net of depreciation)

	Governmental activities	
	<u>2018</u>	<u>2017</u>
Land	\$ 12,180,238	\$ 11,014,465
Buildings	42,863,661	44,933,684
Machinery and equipment	5,412,050	3,948,609
Construction in progress	<u>1,866,181</u>	<u>1,080,965</u>
Total	<u>\$ 62,322,130</u>	<u>\$ 60,977,723</u>

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## Management's Discussion and Analysis

### Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

County of Botetourt's Outstanding Debt		
	Governmental activities	
	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ 53,471,360	\$ 24,845,517
Literary Loans	1,509,650	2,161,580
Capital Leases	239,315	353,964
Landfill closure / post-closure	5,891,017	5,783,581
Compensated absences	670,504	711,883
Net pension liability	2,509,114	5,514,280
Net OPEB liability	946,000	-
Total	<u>\$ 65,236,960</u>	<u>\$ 39,370,805</u>

Note: FY17 figures shown in this table were unadjusted for the impact of GASB 75.

Botetourt County's FY18 outstanding debt for governmental activities totaled \$65,236,960, which represented a \$25.9 million (66%) increase. This was primarily due to a \$28.6 million (115%) increase in General obligation bonds (net of retirements). This activity included a \$21.3 million issuance for construction of a new Colonial Elementary School, a \$6.5 million issuance for the School system Energy Performance project, and a \$1.2 million issuance for fire apparatus equipment. In addition, there was a \$1.1 million (73%) increase in unamortized premium on issuances. Literary Fund loans and capital lease debt decreased a combined \$767,000 (30%) with no new issuances. With respect to landfill obligations, cost estimates provided by an independent consulting firm resulted in a \$107,000 (2%) increase in the liability. Net pension liability decreased \$3 million (54%) (Please see Note 12). Net OPEB liability increased \$946,000 excluding a restated 7/1/18 balance of \$1,095,000. If the restated 7/1/17 net OPEB liability is used, there would be a \$149,000 (14%) decrease in the liability (Please see Note 8).

The County's debt policy establishes debt affordability limits. Results vs. these limits were as follows:

- Net bonded debt-per-capita, limit \$2,000, actual \$1,649
- Net bonded debt to assessed value, limit 4%, actual 1.28%
- Ratio of debt service to total general governmental expenditures, limit 10%, actual 5.44%.
- The County continues to maintain its AA bond ratings with all three credit rating agencies.

Additional information on the County's capital asset activity (Note 18) and long-term debt (Notes 8, 9, 10 and 11) can be found in the notes to the financial statements.

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### Economic Factors and Next Year's Budgets and Rates

As has been the case since the most recent recession, the FY19 budget process was challenging. After several rounds of revenue estimates and forecasts, a County revenue budget was developed, which included a \$1.1 million (2%) revenue increase. Approximately \$874,000 of the total increase was reflected in local revenues, with the largest impacts shown in Machinery and Tools taxes (\$250,000 increase) and Personal Property taxes (\$197,000 increase). General Property taxes and Recovered Costs are also expected to contribute to the overall Local revenue increase. State revenues are expected to decrease slightly (\$31,000), while Federal revenues are expected to grow \$209,000 due primarily to a \$176,000 interest rate subsidy relating to debt financing for the School Energy Performance project.

The expenditure portion of the County FY19 budget reflected a \$1.3 million (4%) increase in operational costs, which included a 2% wage increase for employees effective 7/1/18 at a cost of \$330,000. Also included in the budget is \$600,000 for personnel compensation adjustments, a \$425,000 increase vs. what was provided for this multi-year initiative in the FY18 budget. In addition, a \$328,000 (28%) increase is included in the FY19 budget for operational support and an increase in capital outlay spending. In terms of the County's next real estate reassessment process, FY19 is Year 1 of a two-year budget cycle, and \$211,000 has been included for the Assessor's budget. The above-mentioned four items constitutes approximately 75% of the total operational cost increase in the FY19 budget. The budget also included \$1 million for capital improvement projects (CIP), a decrease of \$800,000 (44%), and was heavily invested in community and economic development projects, along with public safety and Maintenance initiatives.

Botetourt County has an Economic Development Authority (EDA) which relies heavily on County funding. With a continuing increase in economic development activity, and the need to provide for local incentives in addition to providing for future projects, \$750,000 was included in the budget as a contribution to the Botetourt County EDA.

The Debt Service portion of the FY19 budget reflected a \$1.2 million (35%) increase, due to the inclusion of debt service for two new school projects: the Energy Performance project and the construction of the new Colonial Elementary School, which will replace its aged, outdated version.

The School portion of the FY19 budget called for funding of \$24.5 million, a \$310,000 (1%) increase.

The total FY19 budget of \$97 million (2% increase) was approved in April 2018.

Factors and finer points regarding the FY19 Budget are as follows:

- The most recent unemployment rate published (September, 2018) for the County is 2.4%, which is a decrease from the rate of 3.4 percent from the same month a year ago. This compares favorably to the State's September 2018 unemployment rate of 2.8 percent and the current national rate of 3.5 percent. .
- The School Board preliminary budget identified approximately \$700,000 in new needs. The School budget process then prioritized needs and addressed operational priorities. With respect to

## Management's Discussion and Analysis

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employee compensation, there was an addition of two (2) staff, a one-step increase in pay scale and ongoing step corrections, and a 2% increase for administrative personnel. Also, funding was included for continuation of the bus replacement program. The \$700,000 of new needs was netted against \$390,000 of expected energy performance project savings in utility costs, rendering a \$310,000 (1.3%) increase vs. the FY18 budget.

- FY19 County revenues from the State are budgeted to decrease \$31,000 (0.3%), while Federal revenues budgeted for FY19 reflect a \$209,000 (24%) increase. An increase in PPTRA (Personal Property Tax Relief Act) funds and a federal interest rate subsidy on a bond issuance constitutes the majority of the increase.
- In terms of personnel additions, there were minimal requests presented by department managers. One position was included in FY19, which was for a Combination Inspector for the Community Development department. This position is budgeted to start in January, 2019, with an associated cost of half-year wages and benefits of \$23,900.
- o The total General Fund FY19 capital project (CIP) budget of \$1,009,500 represents an \$800,000 (44%) decrease in relation to capital project dollars budgeted for FY18. The budget includes \$350,000 for Community and Economic development areas, with the largest component being \$150,000 for economic development projects. There is \$222,000 included in the budget for Public Safety for Fire & EMS for multi-year replacement programs for portable and mobile radios, cardiac monitors, and planning for future-year replacement of the County's radio system infrastructure. Also included in the FY19 CIP budget is \$204,000 for maintenance projects and \$135,000 for recreation projects. Finally, \$98,000 in total is set aside for General Services, Library, and Technology Services projects.
- As has been detailed, there are many initiatives incorporated into the FY19 Budget, including an overall increase in the operations budget, an increase in debt service, and an increase in School funding. At the end of the process, the FY19 Budget was balanced, with no requirement to supplement the budget with fund balance.

All of these factors were considered in preparation, development, and approval of Botetourt County's budget for the 2019 fiscal year.

### Contacting the County's Financial Management

This financial report is designed to provide readers with a general overview of the County of Botetourt's finances. The Component Unit Economic Development Authority (EDA) issues separate financial statements, while the Component Unit School Board does not. The EDA's financial statements may be obtained from the Botetourt County Financial Services Department (address below). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Services Department, 6 East Main Street, #6, Fincastle, Virginia 24090. Also, please visit the County's website at [www.co.botetourt.va.us](http://www.co.botetourt.va.us)

## Basic Financial Statements

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

	Primary Government		Component Units	
	Governmental			
	Activities	School Board	EDA	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,903,394	\$ 7,947,218	\$ 90,809	
Investments	9,025,972	-	-	
Receivables (net of allowance for uncollectibles):				
Taxes receivable	956,115	-	-	
Accounts receivable	667,273	51,074	-	
Note receivable	-	-	654,315	
Due from primary government	-	-	52,391	
Due from other governmental units	1,419,884	1,088,254	-	
Inventories	-	45,251	-	
Prepaid items	1,317,058	-	-	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	430,509	40,692	14,646	
Investments	22,575,270	-	-	
Capital assets (net of accumulated depreciation):				
Land	12,180,238	2,115,631	541,796	
Buildings and improvements	42,863,661	15,822,899	2,573,529	
Machinery and equipment	5,412,050	2,249,452	-	
Construction in progress	1,866,181	-	-	
Total assets	<u>\$ 118,617,605</u>	<u>\$ 29,360,471</u>	<u>\$ 3,927,486</u>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	\$ 725,335	\$ -	\$ -	
Pension related items	1,093,114	5,643,675	-	
OPEB related items	63,499	666,204	-	
Total deferred outflows of resources	<u>\$ 1,881,948</u>	<u>\$ 6,309,879</u>	<u>\$ -</u>	
<b>LIABILITIES</b>				
Accounts payable	\$ 1,093,768	\$ 323,584	\$ 52,070	
Accrued wages and health claims	501,716	5,117,187	-	
Accrued interest payable	699,366	7,401	3,362	
Due to component unit	52,391	-	-	
Unearned revenue	3,000,000	-	28,750	
Amounts held for others	-	-	14,646	
Long-term liabilities:				
Due within one year	3,254,323	668,500	379,506	
Due in more than one year	61,982,637	56,515,949	925,271	
Total liabilities	<u>\$ 70,584,201</u>	<u>\$ 62,632,621</u>	<u>\$ 1,403,605</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes paid in advance	\$ 277,305	\$ -	\$ -	
Pension related items	1,889,334	6,362,820	-	
OPEB related items	105,000	366,000	-	
Total deferred inflows of resources	<u>\$ 2,271,639</u>	<u>\$ 6,728,820</u>	<u>\$ -</u>	
<b>NET POSITION</b>				
Net investment in capital assets	\$ 36,914,554	\$ 19,420,295	\$ 2,464,863	
Restricted	430,509	40,692	-	
Unrestricted	10,298,650	(53,152,078)	59,018	
Total net position	<u>\$ 47,643,713</u>	<u>\$ (33,691,091)</u>	<u>\$ 2,523,881</u>	

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



County of Botetourt, Virginia  
Statement of Activities  
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	School Board	EDA
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 3,271,312	\$ 84,938	\$ 281,888	\$ -	\$ (2,904,486)	\$ -	\$ -
Judicial administration	1,387,205	126,667	764,893	-	(495,645)	-	-
Public safety	14,814,140	592,072	3,813,130	-	(10,408,938)	-	-
Public works	1,844,947	200,839	-	-	(1,644,108)	-	-
Health and welfare	3,521,856	-	1,893,076	-	(1,628,780)	-	-
Education	29,253,247	-	-	-	(29,253,247)	-	-
Parks, recreation, and cultural	2,850,232	150,661	150,792	-	(2,548,779)	-	-
Community development	2,432,431	-	750	-	(2,431,681)	-	-
Interest on long-term debt	1,571,127	-	-	-	(1,571,127)	-	-
Total governmental activities	\$ 60,946,497	\$ 1,155,177	\$ 6,904,529	\$ -	\$ (52,886,791)	\$ -	\$ -
<b>COMPONENT UNITS:</b>							
School Board	\$ 50,690,685	\$ 943,505	\$ 28,026,186	\$ -	\$ -	\$ (21,720,994)	\$ 131,927
Economic Development Authority	895,327	363,988	663,266	-	-	-	-
Total component units	\$ 51,586,012	\$ 1,307,493	\$ 28,689,452	\$ -	\$ -	\$ (21,720,994)	\$ 131,927
General revenues:							
General property taxes					\$ 39,698,191	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					2,744,051	-	-
Consumers' utility taxes					572,118	-	-
Business license taxes					910,399	-	-
Motor vehicle taxes					653,037	-	-
Restaurant food taxes					1,431,301	-	-
Other local taxes					1,224,216	-	-
Unrestricted revenues from the use of money and property					959,680	27,878	28,271
Miscellaneous					185,589	261,849	-
Grants and contributions not restricted to specific programs					4,695,818	22,805,016	-
Total general revenues					\$ 53,074,400	\$ 23,094,743	\$ 28,271
Change in net position					\$ 187,609	\$ 1,373,749	\$ 160,198
Net position - beginning, as restated					47,456,104	(35,064,840)	2,363,683
Net position - ending					\$ 47,643,713	\$ (33,691,091)	\$ 2,523,881

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

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

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	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 18,694,678
Investments	9,025,972
Receivables (net of allowance for uncollectibles):	
Taxes receivable	956,115
Accounts receivable	640,202
Due from other governmental units	1,419,884
Prepaid items	1,317,058
Restricted assets:	
Cash and cash equivalents	430,509
Investments	22,575,270
Total assets	<u>\$ 55,059,688</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,093,768
Due to component unit	52,391
Unearned revenue	3,000,000
Total liabilities	<u>\$ 4,146,159</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue-property taxes	\$ 796,318
Property taxes paid in advance	277,305
Total deferred inflows of resources	<u>\$ 1,073,623</u>
<b>FUND BALANCES</b>	
Nonspendable	
Prepaid items	\$ 1,317,058
Restricted	23,005,779
Unassigned	25,517,069
Total fund balances	<u>\$ 49,839,906</u>
Total liabilities, deferred outflows of resources, and fund balances	<u>\$ 55,059,688</u>

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

County of Botetourt, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 49,839,906

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

Land	\$ 12,180,238	
Buildings and improvements	42,863,661	
Machinery and equipment	5,412,050	
Construction in progress	<u>1,866,181</u>	62,322,130

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

Unavailable revenue - property taxes		796,318
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 1,093,114	
OPEB related items	<u>63,499</u>	1,156,613

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

734,071

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/refunding bonds/literary fund loans	\$ (52,380,058)	
Deferred charges on refunding (to be amortized as interest expense)	725,335	
Bond premium (to be amortized over life of debt)	(2,600,952)	
Capital leases	(239,315)	
Accrued interest payable	(699,366)	
Landfill postclosure liability	(5,891,017)	
Compensated absences	(670,504)	
Net pension liability	(2,509,114)	
Net OPEB liability	<u>(946,000)</u>	(65,210,991)

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

Pension related items	\$ (1,889,334)	
OPEB related items	<u>(105,000)</u>	(1,994,334)

Net position of governmental activities		<u><u>\$ 47,643,713</u></u>
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The notes to the financial statements are an integral part of this statement.

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

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	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 39,686,234
Other local taxes	7,535,122
Permits, privilege fees, and regulatory licenses	475,519
Fines and forfeitures	77,064
Revenue from the use of money and property	959,680
Charges for services	602,594
Miscellaneous	185,589
Recovered costs	2,072,357
Intergovernmental	11,600,347
Total revenues	<u>\$ 63,194,506</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 3,489,398
Judicial administration	1,426,771
Public safety	15,758,959
Public works	1,714,161
Health and welfare	3,546,407
Education	23,922,434
Parks, recreation, and cultural	2,630,626
Community development	2,043,143
Capital projects	8,712,817
Debt service:	
Principal retirement	2,199,943
Bond issuance cost	261,812
Interest and other fiscal charges	1,152,285
Total expenditures	<u>\$ 66,858,756</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,664,250)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Issuance of bonds	\$ 28,965,329
Premium on bonds issued	1,280,355
Total other financing sources (uses)	<u>\$ 30,245,684</u>
Net change in fund balances	\$ 26,581,434
Fund balances - beginning	23,258,472
Fund balances - ending	<u><u>\$ 49,839,906</u></u>

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

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

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

Net change in fund balances - total governmental funds	\$	26,581,434
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$ 4,620,375	
Depreciation expenses	(3,267,144)	1,353,231

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(8,824)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		11,957
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Issuance of bonds	\$ (28,965,329)	
Premium on bonds	(1,280,355)	
(Increase) decrease in accrued landfill closure/postclosure liability	(107,436)	
Principal repayments:		
General obligation bonds/literary loans/capital leases	2,199,943	(28,153,177)

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

Change in compensated absences	\$ 41,379	
Change in accrued interest payable	(293,484)	
Pension expense	738,906	
OPEB expense	47,204	
Amortization of bond premium	186,477	
Amortization of deferred charge on refunding	(50,023)	670,459

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

(267,471)

Change in net position of governmental activities	\$	187,609
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The notes to the financial statements are an integral part of this statement.

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

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	Internal Service <u>Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,208,716
Accounts receivable, net of allowance for uncollectibles	27,071
Total assets	<u>\$ 1,235,787</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued health claims	\$ 501,716
Total liabilities	<u>\$ 501,716</u>
<b>NET POSITION</b>	
Unrestricted	\$ 734,071
Total net position	<u><u>\$ 734,071</u></u>

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

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

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	Internal Service <u>Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Insurance premiums	\$ 3,101,190
Total operating revenues	<u>\$ 3,101,190</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	\$ 3,368,661
Total operating expenses	<u>\$ 3,368,661</u>
 Operating income (loss)	 <u>\$ (267,471)</u>
 Total net position - beginning	 <u>1,001,542</u>
Total net position - ending	<u><u>\$ 734,071</u></u>

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

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

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	<b>Internal Service <u>Fund</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 3,090,445
Payments for health claims	(3,285,518)
Net cash provided by (used for) operating activities	<u>\$ (195,073)</u>
Net increase (decrease) in cash and cash equivalents	\$ (195,073)
Cash and cash equivalents - beginning	1,403,789
Cash and cash equivalents - ending	<u><u>\$ 1,208,716</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (267,471)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	\$ (10,745)
Increase (decrease) in health claims payable	83,143
Total adjustments	<u>\$ 72,398</u>
Net cash provided by (used for) operating activities	<u><u>\$ (195,073)</u></u>

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



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

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,393,676
Total assets	<u>\$ 1,393,676</u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 48,140
Amounts held for employees	227
Amounts held for other agencies	1,162,422
Amounts held for performance bond	77,160
Amounts held for inmates	105,727
Total liabilities	<u>\$ 1,393,676</u>

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

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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**Note 1-Summary of Significant Accounting Policies:**

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

**A. Financial Reporting Entity**

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

Blended component units - None

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

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

The Botetourt County Economic Development Authority ("EDA") encourages and provides financing for industrial development in the County. The EDA board members are appointed by the Board of Supervisors. The EDA is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the EDA does not have separate taxing powers. The EDA is presented as an enterprise fund type. Complete financial statements for the EDA may be obtained at the County's administrative offices: 1 West Main Street, Fincastle, VA 24090.

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

Jointly Governed Organizations - The County, in conjunction with other localities, participates in supporting the Blue Ridge Community Services Board and the Roanoke Center for Animal Control and Protection (Pound). The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$38,743 to the Blue Ridge Community Services Board and \$239,720 to the Pound.

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

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The interfund services provided by and used for in the internal services fund are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of net position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component 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 government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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

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

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

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

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

Agency funds use the accrual basis of accounting, but have no measurement focus as they do not report equity.

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

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

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

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

The government reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It is used to account for and report for all financial resources of the general government, except those required to be accounted for and reported in other funds.

The government reports the following major proprietary funds:

The *Internal Service Fund* accounts for and reports 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 and reported in this fund.

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

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

Additionally, the government reports the following fund types:

*Fiduciary funds* account for and report 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 Roanoke Valley Regional Board, Special Welfare, Cafeteria Plan, Inmate Trust and Canteen, and Escrow Funds.

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

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

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

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

1. Cash and cash equivalents

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

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity 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 in accordance with GASB 79. All other investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

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

3. Receivables and payables

Activity between funds that 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 "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on November 1<sup>st</sup>. Personal property taxes are due and collectible annually on November 1<sup>st</sup>. 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 \$19,394 at June 30, 2018 consisting of delinquent taxes.

6. Use of Estimates

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

7. Compensated Absences

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

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

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

8. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	10-20*
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

\* up to the remaining life of the building

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's 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 Post Employment Benefit(OPEB) Programs

*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, 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 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, 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 School Board (nonprofessional) and VRS Teacher Employee HIC Programs; and the additions to/deductions from the 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.

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.



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

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

11. Long-term obligations (Continued)

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

12. Fund equity

The County reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County of Botetourt, Virginia evaluated its funds at June 30, 2018 and classified fund balance into the following five categories:

Nonspendable -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory, or are required to 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 -The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The County Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned -Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Board of Supervisors (Board) has by resolution authorized the Finance Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. At year end the assigned fund balance represents an amount necessary to balance the subsequent year's budget (i.e. budgeted use of reserves).

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

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

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

12. Fund equity (Continued)

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.

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. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used in governmental funds to report prepaid items.

16. Restricted Assets

Restricted assets consist of cash and cash equivalents that are legally restricted for use by enabling state legislation, grant awards or debt agreements.

17. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

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

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

18. Self-Insurance

The County was self-insured for health insurance beginning with the fiscal year ending June 30, 2012. The School Board was self-insured for health insurance beginning with the fiscal year ending June 30, 2015. Estimates for the accrued liability at the end of the year have been recorded.

19. 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) until then. The County only has two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

**Note 2-Stewardship, Compliance, and Accountability:**

**A. Budgetary information**

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or fund level (School Board). Only the Board of Supervisors can revise the appropriation for each department or fund. 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 fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

**B. Excess of expenditures over appropriations**

For the fiscal year ended June 30, 2018, expenditures exceeded appropriations for the School Energy Savings Capital Project.

**C. Deficit fund equity**

At June 30, 2018, there were no funds with negative 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).

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
Local Government Investment Pool	\$ 9,025,972	\$ 9,025,972	\$ -
SNAP	22,575,257	22,575,257	-
First American Government Obligations Fund	13	13	-
Totals	\$ 31,601,242	\$ 31,601,242	\$ -

Credit Risk of Debt Securities

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

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 9,025,972
SNAP	22,575,257
First American Government Obligation Fund	13

**Note 3-Deposits and Investments: (Continued)**

**External Investment Pools**

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

**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. As of June 30, 2018, the County and Component Unit School Board did not hold any investments that were subject to custodial credit risk.

**Concentration of Credit Risk**

At June 30, 2018, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

**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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**Note 4-Fair Value Measurements: (Continued)**

The County has the following recurring fair value measurements as of June 30, 2018:

Investment	6/30/2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
First American Government Obligation Fund	\$ 13	\$ 13	\$ -	\$ -

**Note 5-Due from Other Governmental Units:**

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

	Primary Government	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 477,060	\$ -
Categorical aid-State sales tax	-	664,495
Categorical aid-Other	572,208	39,890
Non-categorical aid	148,196	-
Categorical aid-Virginia Public Assistance	33,562	-
Categorical aid-Comprehensive Services Act	120,322	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	68,536	-
Categorical aid-Other	-	383,869
Totals	<u>\$ 1,419,884</u>	<u>\$ 1,088,254</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**Note 6-Interfund/Component Unit Obligations:**

At year end, there were no interfund obligations.

Component unit obligations at June 30, 2018, consisted of the following:

<u>Fund</u>	<u>Due to Component Unit</u>	<u>Due from Primary Government</u>
Primary Government:		
Governmental Activities	\$ 52,391	\$ -
Component Unit		
EDA	-	52,391
Total	<u>\$ 52,391</u>	<u>\$ 52,391</u>

**Note 7-Interfund Transfers/Component Unit Contributions:**

At year end, there were no interfund transfers.

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

Component Unit:	
School Board	\$ 23,885,294
EDA	663,266
Total	<u>\$ 24,548,560</u>

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



COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

Note 8-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

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

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General Obligation				
Bonds	\$ 23,338,443	\$ 28,965,329	\$ (1,433,364)	\$ 50,870,408
Unamortized Premium	1,507,074	1,280,355	(186,477)	2,600,952
Literary Fund Loans	2,161,580	-	(651,930)	1,509,650
Capital leases	353,964	-	(114,649)	239,315
Landfill closure/ post-closure liability	5,783,581	107,436	-	5,891,017
Compensated absences	711,883	492,533	(533,912)	670,504
Net pension liability	5,514,280	4,685,369	(7,690,535)	2,509,114
Net OPEB liability	1,095,000	16,000	(165,000)	946,000
Total	<u>\$ 40,465,805</u>	<u>\$ 35,547,022</u>	<u>\$ (10,775,867)</u>	<u>\$ 65,236,960</u>

For governmental activities, compensated absences, landfill closure/post-closure liability, net pension liability, and net OPEB liability are generally liquidated in the General Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018Note 8-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)

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

Year Ending June 30,	General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2019	\$ 1,981,560	\$ 1,866,907	\$ 651,930	\$ 45,290
2020	2,008,153	2,024,068	401,930	25,732
2021	2,820,487	1,911,836	401,930	13,674
2022	2,958,585	1,777,904	53,860	2,424
2023	3,102,473	1,638,646	-	-
2024-2028	16,063,509	5,893,130	-	-
2029-2033	13,465,641	2,790,088	-	-
2034-2038	6,930,000	902,473	-	-
2039	1,540,000	27,335	-	-
Totals	<u>\$ 50,870,408</u>	<u>\$ 18,832,387</u>	<u>\$ 1,509,650</u>	<u>\$ 87,120</u>

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

Note 8-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
School construction	4.1% - 5.225%	4/30/1998	2019	1,545,000	\$ 75,000	\$ 75,000
School construction	4.1% - 5.1%	5/11/2006	2026	15,890,000	9,095,000	825,000
Fire Truck Loan	4.25%	8/6/2013	2029	446,372	300,079	24,378
Jail Construction Refunding Bond	2.011%-5.125%	8/14/2014	2033	13,150,000	12,435,000	580,000
2017 School Energy Program (1)	3.75%	7/5/2017	2033	6,512,144	6,512,144	321,635
2018 Fire Truck Loan	2.8769%	5/1/2018	2025	1,188,185	1,188,185	155,547
School construction - VPSA	3.05%-5.05%	5/15/2018	2039	21,265,000	21,265,000	-
Total General Obligation Bonds					<u>\$ 50,870,408</u>	<u>\$ 1,981,560</u>
Add:						
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	2,600,952	-
Net General Obligation Bonds					<u>\$ 53,471,360</u>	<u>\$ 1,981,560</u>
Literary Fund Loans:						
School construction	3.00%	12/1/2000	2021	\$ 7,500,000	\$ 1,125,000	\$ 375,000
School construction	3.00%	2/1/1999	2019	5,000,000	250,000	250,000
School construction	3.00%	1/15/2003	2023	538,600	134,650	26,930
Total Literary Fund Loans					<u>\$ 1,509,650</u>	<u>\$ 651,930</u>
Capital Leases:						
Equipment		5/29/2015		\$ 473,288	\$ 195,584	\$ 96,407
Equipment		6/30/2015		53,016	21,867	10,775
Equipment		7/31/2015		53,130	21,864	10,773
Total Capital Leases					<u>\$ 239,315</u>	<u>\$ 117,955</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 670,504	\$ 502,878
Landfill closure/post-closure liability	n/a	n/a	n/a	n/a	5,891,017	-
Net pension liability	n/a	n/a	n/a	n/a	2,509,114	-
Net OPEB liability	n/a	n/a	n/a	n/a	946,000	-
Total Other Obligations					<u>\$ 10,016,635</u>	<u>\$ 502,878</u>
Total Long-term obligations					<u>\$ 65,236,960</u>	<u>\$ 3,254,323</u>

1. This bond is considered an operating debt as same was used for energy savings improvements for the Component Unit School Board.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018Note 9-Long-Term Obligations-Component Unit:Discretely Presented Component Unit School Board Obligations:

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

	Balance July 1, 2017, as restated	Increases	Decreases	Balance June 30, 2018
Capital leases	\$ 400,991	\$ 586,000	\$ (219,304)	\$ 767,687
Compensated absences	614,388	454,732	(460,791)	608,329
Net OPEB liabilities	12,682,000	813,000	(999,000)	12,496,000
Net pension liability	50,213,107	8,555,416	(15,456,090)	43,312,433
Total	<u>\$ 63,910,486</u>	<u>\$ 10,409,148</u>	<u>\$ (17,135,185)</u>	<u>\$ 57,184,449</u>

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Capital Leases:						
School Buses		2/2/2017		\$ 505,586	\$ 303,293	\$ 99,378
School Buses		11/21/2017		586,000	464,394	112,875
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	608,329	456,247
Net OPEB Liabilities	n/a	n/a	n/a	n/a	12,496,000	-
Net Pension Liability	n/a	n/a	n/a	n/a	43,312,433	-
Total long-term obligations					<u>\$ 57,184,449</u>	<u>\$ 668,500</u>

Capital leases, compensated absences, pension liabilities, and net OPEB liabilities of the Component Unit School Board are liquidated by the School Operating Fund.

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

The County has entered into three capital leases for the purchase of County-wide communications equipment. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

Total capital assets acquired through capital leases are as follows:

County-wide communication equipment	\$ 579,434
Total capital assets	<u>\$ 579,434</u>
Accumulated Depreciation	<u>(342,263)</u>
Net Book Value of Capital Assets	<u><u>\$ 237,171</u></u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2019	\$ 124,281
2020	<u>124,281</u>
Total minimum lease payments	\$ 248,562
Less: amount representing interest	<u>(9,247)</u>
Present value of future minimum lease payments	<u><u>\$ 239,315</u></u>

**Note 11-Capital Lease-Component Unit:****Discretely Presented Component Unit School Board Capital Lease:**

The School Board has entered into capital leases for the purchase of school buses. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

Total capital assets acquired through capital leases are as follows:

School buses	\$ 1,091,405
Total capital assets	<u>\$ 1,091,405</u>
Accumulated Depreciation	<u>(113,995)</u>
Net Book Value of Capital Assets	<u><u>\$ 977,410</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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Note 11-Capital Lease-Component Unit: (Continued)

Discretely Presented Component Unit School Board Capital Lease: (Continued)

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2019	\$ 226,201
2020	226,201
2021	226,201
2022	121,606
Total minimum lease payments	\$ 800,209
Less: amount representing interest	(32,522)
Present value of future minimum lease payments	\$ 767,687

**Note 12-Pension Plan:*****Plan Description***

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

**Note 12-Pension Plan: (Continued)***Plan Description (Continued)*

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



**Note 12-Pension Plan: (Continued)*****Plan Description (Continued)***

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

**Note 12-Pension Plan:** (Continued)*Plan Description (Continued)*

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

**Note 12-Pension Plan: (Continued)*****Plan Description (Continued)***

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

**Note 12-Pension Plan:** (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.)  <u>Defined Contribution Component:</u> (Cont.)            Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>            The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b>            See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u>Defined Benefit Component:</u>            See definition under Plan 1</p>

**Note 12-Pension Plan: (Continued)****Plan Description (Continued)**

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

**Note 12-Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 12-Pension Plan: (Continued)***Plan Description (Continued)*

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

**Note 12-Pension Plan:** (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>



**Note 12-Pension Plan: (Continued)***Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	<b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	<b>Disability Coverage</b> Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.  Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
<b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>•Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <u><b>Defined Contribution Component:</b></u> Not applicable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**Note 12-Pension Plan:** (Continued)*Pension Plan Data*

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

*Employees Covered by Benefit Terms*

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	113	153
Inactive members:		
Vested inactive members	38	40
Non-vested inactive members	69	65
Inactive members active elsewhere in VRS	82	31
Total inactive members	189	136
Active members	265	127
Total covered employees	567	416

*Contributions*

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

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 9.78% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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**Note 12-Pension Plan: (Continued)**

*Contributions (Continued)*

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,093,114 and \$1,112,944 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 9.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$238,816 and \$229,281 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability*

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

*Actuarial Assumptions - General Employees*

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

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

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

Note 12-Pension Plan: (Continued)

*Actuarial Assumptions - General Employees (Continued)*

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

**Note 12-Pension Plan: (Continued)*****Actuarial Assumptions - General Employees (Continued)***

Largest 10 - Non-Hazardous Duty:

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

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

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

***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits***

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

**Note 12-Pension Plan: (Continued)**

***Actuarial Assumptions - Public Safety Employees (Continued)***

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

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

**Mortality rates:**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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**Note 12-Pension Plan: (Continued)*****Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)***

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

## Largest 10 - Hazardous Duty:

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

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

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

**Note 12-Pension Plan: (Continued)*****Long-Term Expected Rate of Return***

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

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

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018Note 12-Pension Plan: (Continued)*Discount Rate*

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

*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 46,853,381	\$ 41,339,101	\$ 5,514,280
Changes for the year:			
Service cost	\$ 1,444,742	\$ -	\$ 1,444,742
Interest	3,207,090	-	3,207,090
Changes of assumptions	(246,558)	-	(246,558)
Differences between expected and actual experience	(696,038)	-	(696,038)
Contributions - employer	-	1,112,944	(1,112,944)
Contributions - employee	-	579,692	(579,692)
Net investment income	-	5,055,303	(5,055,303)
Benefit payments, including refunds of employee contributions	(2,075,626)	(2,075,626)	-
Administrative expenses	-	(29,044)	29,044
Other changes	-	(4,493)	4,493
Net changes	\$ 1,633,610	\$ 4,638,776	\$ (3,005,166)
Balances at June 30, 2017	\$ 48,486,991	\$ 45,977,877	\$ 2,509,114

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018Note 12-Pension Plan: (Continued)*Changes in Net Pension Liability (Continued)*

	Component Unit-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 12,456,990	\$ 10,527,883	\$ 1,929,107
Changes for the year:			
Service cost	\$ 244,440	\$ -	\$ 244,440
Interest	844,304	-	844,304
Changes of assumptions	(14,323)	-	(14,323)
Differences between expected and actual experience	(325,615)	-	(325,615)
Contributions - employer	-	229,281	(229,281)
Contributions - employee	-	119,757	(119,757)
Net investment income	-	1,260,114	(1,260,114)
Benefit payments, including refunds of employee contributions	(791,011)	(791,011)	-
Administrative expenses	-	(7,564)	7,564
Other changes	-	(1,108)	1,108
Net changes	\$ (42,205)	\$ 809,469	\$ (851,674)
Balances at June 30, 2017	\$ 12,414,785	\$ 11,337,352	\$ 1,077,433

Note 12-Pension Plan: (Continued)*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County's			
Net Pension Liability (Asset)	\$ 9,034,630	\$ 2,509,114	\$ (2,888,579)
Component Unit School Board's (nonprofessional)			
Net Pension Liability	\$ 2,418,084	\$ 1,077,433	\$ (59,843)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018Note 12-Pension Plan: (Continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$352,028 and \$(266,837), respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,022,186	\$ -	\$ 157,609
Changes of assumptions	-	186,157	-	6,824
Net difference between projected and actual earnings on pension plan investments	-	681,021	-	157,387
Employer contributions subsequent to the measurement date	1,093,114	-	238,816	-
Total	<u>\$ 1,093,114</u>	<u>\$ 1,889,364</u>	<u>\$ 238,816</u>	<u>\$ 321,820</u>

\$1,093,114 and \$238,816 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2019	\$ (874,490)	\$ (272,240)
2020	(254,821)	54,359
2021	(306,315)	3,848
2022	(453,738)	(107,787)
Thereafter	-	-

**Note 12-Pension Plan: (Continued)**

**Component Unit School Board (professional)**

***Plan Description***

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

***Contributions***

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

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school divisions were \$4,305,859 and \$3,923,194 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$42,235,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.34343% as compared to 0.34454% at June 30, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018Note 12-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

For the year ended June 30, 2018, the school division recognized pension expense of \$2,905,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,990,000
Changes of assumptions	616,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,534,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	483,000	1,517,000
Employer contributions subsequent to the measurement date	<u>4,305,859</u>	<u>-</u>
Total	\$ <u>5,404,859</u>	\$ <u>6,041,000</u>

\$4,305,859 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 fiscal the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (1,870,000)
2020	(481,000)
2021	(897,000)
2022	(1,524,000)
Thereafter	(170,000)

Note 12-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

*Actuarial Assumptions*

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

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018Note 12-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Actuarial Assumptions (Continued)*

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

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

*Net Pension Liability*

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

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

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



Note 12-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Long-Term Expected Rate of Return*

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

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

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

**Note 12-Pension Plan: (Continued)****Component Unit School Board (professional) (Continued)*****Discount Rate***

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability	\$ 63,071,000	\$ 42,235,000	\$ 25,000,000

***Pension Plan Fiduciary Net Position***

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

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan):**

***Plan Description***

All full-time, salaried permanent employees of state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City School Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****Plan Description (Continued)***

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <b><u>Natural Death Benefit</u></b> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b><u>Accidental Death Benefit</u></b> - The accidental death benefit is double the natural death benefit.</li> <li>• <b><u>Other Benefit Provisions</u></b> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Safety belt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

***Contributions***

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Contributions (Continued)***

Contributions to the Group Life Insurance Program from the County were \$59,499 and \$60,295 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were \$13,323 and \$12,850 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (professional) were \$138,836 and \$139,985 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the County reported a liability of \$946,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit School Board (nonprofessional) reported a liability of \$201,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit School Board (professional) reported a liability of \$2,196,000 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2017, the County's proportion was 0.06286% as compared to 0.06256% at June 30, 2016.

At June 30, 2017, the Component Unit School Board (nonprofessional) proportion was 0.01340% as compared to 0.01308% at June 30, 2016.

At June 30, 2017, the Component Unit School Board (professional) proportion was 0.14595% as compared to 0.14619% at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$12,000. 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.

For the year ended June 30, 2018, the Component Unit School Board (nonprofessional) recognized GLI OPEB expense of \$3,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB***

For the year ended June 30, 2018, the Component Unit School Board (professional) recognized GLI OPEB expense of \$24,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	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	\$ -	\$ 20,000	\$ -	\$ 4,000	\$ -	\$ 48,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	36,000	-	8,000	-	83,000
Change in assumptions	-	49,000	-	10,000	-	113,000
Changes in proportion	4,000	-	5,000	-	-	3,000
Employer contributions subsequent to the measurement date	59,499	-	13,323	-	138,836	-
Total	<u>\$ 63,499</u>	<u>\$ 105,000</u>	<u>\$ 18,323</u>	<u>\$ 22,000</u>	<u>\$ 138,836</u>	<u>\$ 247,000</u>

\$59,499, \$13,323, and \$138,836 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's, Component Unit School Board (Nonprofessional), and Component Unit School Board (Professional), respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (Nonprofessional)	Component Unit School Board (Professional)
2019	\$ (21,000)	\$ (4,000)	\$ (51,000)
2020	(21,000)	(4,000)	(51,000)
2021	(21,000)	(4,000)	(51,000)
2022	(21,000)	(4,000)	(50,000)
2023	(13,000)	(1,000)	(30,000)
Thereafter	(4,000)	-	(14,000)

**Note 13-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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - General State Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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



**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - Teachers**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - SPORS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - VaLORS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - JRS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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



**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****NET GLI OPEB Liability***

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

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

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

**Note 13-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

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

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

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

***Discount Rate***

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

**Note 13-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 (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,223,000	\$ 946,000	\$ 721,000
Component Unit-School Board (Nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 260,000	\$ 201,000	\$ 153,000
Component Unit-School Board (Professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 2,841,000	\$ 2,196,000	\$ 1,674,000

***Group Life Insurance Program Fiduciary Net Position***

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

**Note 14-Health Insurance Credit (HIC) Program:****Component Unit School Board (Nonprofessional)*****Plan Description***

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

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p><b>Eligible Employees</b> The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees of participating employers are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.</li> </ul>
<p><b>Benefit Amounts</b> The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b><u>At Retirement</u></b> - 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.</li> <li>• <b><u>Disability Retirement</u></b>- 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.</li> </ul>
<p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>• No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.</li> <li>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</li> </ul>

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Note 14-Health Insurance Credit (HIC) Program: (Continued)Component Unit School Board (Nonprofessional) (Continued)*Employees Covered by Benefit Terms*

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>28</u>
Inactive members:	
Vested inactive members	2
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>2</u>
Active members	<u>127</u>
Total covered employees	<u><u>157</u></u>

*Contributions*

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Component Unit School Board's (Nonprofessional) contractually required employer contribution rate for the year ended June 30, 2018 was 0.65% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Component Unit School Board (Nonprofessional) to the Health Insurance Credit Program were \$16,654 and \$16,090 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Note 14-Health Insurance Credit (HIC) Program:** (Continued)

**Component Unit School Board (Nonprofessional)** (Continued)

***Net HIC OPEB Liability***

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

***Actuarial Assumptions***

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

Inflation	2.5%
Salary increases, including inflation:	
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 14-Health Insurance Credit (HIC) Program: (Continued)

Component Unit School Board (Nonprofessional) (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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 14-Health Insurance Credit (HIC) Program: (Continued)

Component Unit School Board (Nonprofessional) (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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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



Note 14-Health Insurance Credit (HIC) Program: (Continued)Component Unit School Board (Nonprofessional) (Continued)*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018Note 14-Health Insurance Credit (HIC) Program: (Continued)Component Unit School Board (Nonprofessional) (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, 2016	\$ 221,000	\$ 50,000	\$ 171,000
Changes for the year:			
Service cost	\$ 7,000	\$ -	\$ 7,000
Interest	15,000	-	15,000
Assumption changes	(7,000)	-	(7,000)
Contributions - employer	-	16,000	(16,000)
Net investment income	-	6,000	(6,000)
Benefit payments	(11,000)	(11,000)	-
Net changes	\$ 4,000	\$ 11,000	\$ (7,000)
Balances at June 30, 2017	\$ 225,000	\$ 61,000	\$ 164,000

*Sensitivity of the Component Unit School Board's (Nonprofessional) Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate*

The following presents the Component Unit School Board's (Nonprofessional) Health Insurance Credit 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 (Nonprofessional)			
Net HIC OPEB Liability	\$ 186,000	\$ 164,000	\$ 145,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**Note 14-Health Insurance Credit (HIC) Program: (Continued)****Component Unit School Board (Nonprofessional) (Continued)*****Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB***

For the year ended June 30, 2018, the Component Unit School Board (Nonprofessional) recognized Health Insurance Credit Program OPEB expense of \$16,000. At June 30, 2018, the Component Unit School Board (Nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the Component Unit School Board's (Nonprofessional) Health Insurance Credit Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on HIC OPEB plan investments	\$ -	\$ 2,000
Change in assumptions	-	6,000
Employer contributions subsequent to the measurement date	<u>16,654</u>	<u>-</u>
Total	<u>\$ 16,654</u>	<u>\$ 8,000</u>

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

\$16,654 reported as deferred outflows of resources related to the HIC OPEB resulting from the Component Unit School Board's (Nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. 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:

<u>Year Ended June 30</u>	
2019	\$ (2,000)
2020	(2,000)
2021	(2,000)
2022	(2,000)
2023	-
Thereafter	-

Note 14-Health Insurance Credit (HIC) Program: (Continued)

Component Unit School Board (Nonprofessional) (Continued)

*Health Insurance Credit Program Plan Data*

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

Note 15-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

*Plan Description*

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

**Note 15-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

***Plan Description (Continued)***

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

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

**Note 15-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

***Contributions***

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$328,391 and \$298,814 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$4,327,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.34111% as compared to 0.34452% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$346,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018Note 15-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)*

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 8,000
Change in assumptions	-	44,000
Change in proportion	-	37,000
Employer contributions subsequent to the measurement date	<u>328,391</u>	<u>-</u>
Total	<u>\$ 328,391</u>	<u>\$ 89,000</u>

\$328,391 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (15,000)
2020	(15,000)
2021	(15,000)
2022	(15,000)
2023	(13,000)
Thereafter	(16,000)

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**Note 15-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

***Actuarial Assumptions***

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

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

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

**Mortality Rates - Teachers**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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



**Note 15-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Actuarial Assumptions: (Continued)****Mortality Rates - Teachers: (Continued)**

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

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

**Net Teacher Employee HIC OPEB Liability**

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

		<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,268,611</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	7.04%
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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 15-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

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

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

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

***Discount Rate***

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

**Note 15-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 4,830,000	\$ 4,327,000	\$ 3,900,000

***Teacher Employee HIC OPEB Fiduciary Net Position***

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

**Note 16-Other Postemployment Benefits - Health Insurance:*****Plan Description***

In addition to the pension benefits described in Note 12, the School Board administers a single-employer defined benefit healthcare plan, The Botetourt County Public Schools Post Retirement Health Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

***Benefits Provided***

Postemployment benefits are provided to eligible retirees include health insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must be eligible to retire from the School Board under 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. The plan is closed to new entrants.

**Note 16-Other Postemployment Benefits - Health Insurance: (Continued)*****Plan Membership***

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

Total active employees	629
Total retirees with coverage	40
Total retirees without coverage	-
Total	<u>669</u>

***Contributions***

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$164,000.

***Total OPEB Liability***

The School Board's total OPEB liability was measured as of June 30, 2017. The total OPEB liability was determined by an actuarial valuation performed as of July 1, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

***Actuarial Assumptions***

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:

Salary Increases	Future salaries are assumed to increase by 2.50% annually.
Discount Rate	3.56%

RP-2014 Mortality Table, fully generational with base year 2006, projected two-dimensional mortality improvement scale MP-2017.

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

***Discount Rate***

Since the plan has no assets, the discount rate is equal to the Fidelity Index's "20-year Municipal GO AA Index" as of the measurement date. The final equivalent single discount rate used for this year's valuation is 3.56% as of the end of the fiscal year with the expectation that the School Board will continue contributing funds on a "pay-as-you-go" basis.

**Note 16-Other Postemployment Benefits - Health Insurance: (Continued)***Changes in Total OPEB Liability*

		Component Unit School Board Total OPEB Liability
Balance at June 30, 2016	\$	5,354,000
Changes for the year:		
Service cost		222,000
Interest		196,000
Benefit payments		(164,000)
Net changes		254,000
Balance at June 30, 2017	\$	5,608,000

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (3.56%) than the current discount rate:

Rate		
1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
\$ 6,515,000	\$ 5,608,000	\$ 4,884,000

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.15% for Pre-Medicare and 4.00% for Post-Medicare reverting to 6.50% for Pre-Medicare and 4.50% for Post-Medicare decreasing by 0.25% annually to an ultimate rate of 4.00% and Post-Medicare - 4.00%) or one percentage point higher (4.15% for Pre-Medicare and 6.00% for Post-Medicare reverting to 8.50% for Pre-Medicare and 6.50% for Post-Medicare decreasing by 0.25% annually to an ultimate rate of 6.00% and Post-Medicare - 6.00%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (as noted above)	Trend (as noted above)	1% Increase (as noted above)
\$ 4,712,000	\$ 5,608,000	\$ 6,773,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**Note 16-Other Postemployment Benefits - Health Insurance: (Continued)***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$418,000. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 164,000	\$ -
Total	\$ 164,000	\$ -

\$164,000 reported as deferred outflows of resources related to OPEB resulting from the Component Unit School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019.

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

**Note 17-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 Governmental Activities	Balance Sheet Governmental Funds
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings are not available for the funding of current expenditures	\$ -	\$ 796,318
Prepaid property taxes due after June 30 but paid in advance by taxpayers	277,305	277,305
Unspent Governor's Opportunity Funds received during the current and previous fiscal year	3,000,000	3,000,000
	<u>\$ 3,277,305</u>	<u>\$ 4,073,623</u>

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

**Note 18-Capital Assets:**

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,014,465	\$ 1,165,773	\$ -	\$ 12,180,238
Construction in progress	1,080,965	785,216	-	1,866,181
Total capital assets not being depreciated	<u>\$ 12,095,430</u>	<u>\$ 1,950,989</u>	<u>\$ -</u>	<u>\$ 14,046,419</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 71,083,597	\$ 17,909	\$ -	\$ 71,101,506
Machinery and equipment	14,265,514	2,651,477	(212,393)	16,704,598
Total capital assets being depreciated	<u>\$ 85,349,111</u>	<u>\$ 2,669,386</u>	<u>\$ (212,393)</u>	<u>\$ 87,806,104</u>
Accumulated depreciation:				
Buildings and improvements	\$ (26,149,913)	\$ (2,087,932)	\$ -	\$ (28,237,845)
Machinery and equipment	(10,316,905)	(1,179,212)	203,569	(11,292,548)
Total accumulated depreciation	<u>\$ (36,466,818)</u>	<u>\$ (3,267,144)</u>	<u>\$ 203,569</u>	<u>\$ (39,530,393)</u>
Total capital assets being depreciated, net	<u>\$ 48,882,293</u>	<u>\$ (597,758)</u>	<u>\$ (8,824)</u>	<u>\$ 48,275,711</u>
Governmental activities capital assets, net	<u><u>\$ 60,977,723</u></u>	<u><u>\$ 1,353,231</u></u>	<u><u>\$ (8,824)</u></u>	<u><u>\$ 62,322,130</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018Note 18-Capital Assets: (Continued)

## Primary Government: (Continued)

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

## Governmental activities:

General government administration	\$ 191,712
Judicial administration	15,583
Public safety	1,629,043
Public works	110,650
Health and welfare	535
Education	934,715
Parks, recreation, and culture	361,335
Community development	23,571
	<u>23,571</u>

Total depreciation expense-governmental activities	<u>\$ 3,267,144</u>
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Capital asset activity for the School Board for the year ended June 30, 2018 was as follows:

## Discretely Presented Component Unit School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,115,631	\$ -	\$ -	\$ 2,115,631
Total capital assets not being depreciated	<u>\$ 2,115,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,115,631</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 45,883,235	\$ 18,528	\$ -	\$ 45,901,763
Machinery and equipment	8,899,265	1,087,711	(355,138)	9,631,838
Total capital assets being depreciated	<u>\$ 54,782,500</u>	<u>\$ 1,106,239</u>	<u>\$ (355,138)</u>	<u>\$ 55,533,601</u>
Accumulated depreciation:				
Buildings and improvements	\$ (28,805,493)	\$ (1,273,371)	\$ -	\$ (30,078,864)
Machinery and equipment	(7,262,286)	(475,238)	355,138	(7,382,386)
Total accumulated depreciation	<u>\$ (36,067,779)</u>	<u>\$ (1,748,609)</u>	<u>\$ 355,138</u>	<u>\$ (37,461,250)</u>
Total capital assets being depreciated, net	<u>\$ 18,714,721</u>	<u>\$ (642,370)</u>	<u>\$ -</u>	<u>\$ 18,072,351</u>
School Board capital assets, net	<u>\$ 20,830,352</u>	<u>\$ (642,370)</u>	<u>\$ -</u>	<u>\$ 20,187,982</u>



**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 participates with other localities in a public entity risk pool for their coverage of general liability, property, auto insurance and workers compensation with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County pays the Virginia Association of Counties Risk Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, the pool 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 Component Unit School Board participates with other localities in a public entity risk pool for their coverage of general liability, property, auto insurance and workers compensation with the Virginia Municipal League Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The School Board pays the Virginia Municipal League Risk Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, and depletion of all available funds and/or excess insurance, the pool 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-Contingent Liabilities:**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

**Note 21-Surety Bonds:**

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Tommy Moore, Clerk of the Circuit Court	\$ 270,000
William P. Arney, Treasurer	500,000
Rodney Spickard, Commissioner of the Revenue	3,000
Ronald N. Sprinkle, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000

Selective Insurance Company of America:

Gary Larrowe, County Administrator	\$ 250,000
David Moorman, Deputy County Administrator	150,000
Anthony Zerrilla, Finance Manager	150,000
Karen Dunbar, Bookkeeper	150,000
Veronica Ramsey, Payroll	150,000
All administrative employees	50,000
All Social Services employees: blanket bond	100,000

United States Fidelity and Guaranty Company-Surety:

Board of Supervisors:

I. Ray Sloan	\$ 1,000
L.W. (Jack) Leffel	1,000
Dr. Donald M. (Mac) Scothorn	1,000
Billy W. Martin, Sr.	1,000
Stephen P. Clinton	1,000

Component Unit School Board:

The Continental Insurance Company:

Betty Holland, Clerk of the School Board	\$ 10,000
All School Board employees: blanket bond	10,000

**Note 22-Landfill Closure and Post-closure Care Cost:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The County's landfill has reached approximately 97.2% of its estimated capacity. Total closure and post-closure care cost have been estimated to be \$6,060,993 based on 100% usage of the facility. This represents what it would cost to perform all closure and post-closure care in 2018. Landfill closure and post-closure care costs are allocated based on landfill capacity to date. As such, approximately 97.2% (\$5,891,017) of the aforementioned amount has been recognized as a liability in the financial statements. The remaining amount to be recognized, \$169,976, will be recognized over the landfill's remaining life based on usage. As of June 30, 2018, the landfill's remaining life is estimated to be less than one year. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and post-closure costs. The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

On October 1, 2018, the County signed a contract with County Waste allowing County Waste to use the remaining capacity of the landfill, approximately 3%. Under the contract County Waste has agreed to pay the County \$2,476,983 if the County will allow County Waste to build a transfer station in the County. If for any reason County Waste is unable to build the transfer station they will remit funds total \$1,500,000 for use of the remaining landfill capacity.

**Note 23 - Arbitrage Rebate Compliance:**

As of June 30, 2018 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

**Note 24 - Contingencies and Commitments:**

The County issued debt during the fiscal year in the amount of \$21.3 million dollars for the construction of Colonial Elementary School. The project is currently in the design phase and an award for construction is not anticipated until 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018Note 25-Self Health Insurance:

The County established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and are available to pay claims, and administrative costs of the program. During the fiscal year 2018, a total of \$3,285,518 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$501,716 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability for the current and prior two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2017-18	\$ 418,573	\$ 3,368,661	\$ (3,285,518)	\$ 501,716
2016-17	489,996	2,984,854	(3,056,277)	418,573
2015-16	414,999	3,345,725	(3,270,728)	489,996

Component Unit School Board

The School Board established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the School Board and are available to pay claims, and administrative costs of the program. During the fiscal year 2018, a total of \$5,935,694 was paid in benefits and administrative costs. The risk assumed by the School Board is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$676,995 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Activity of the School Board self-insurance program is reported within the School Operating Fund. Changes in the claims liability for the current and prior fiscal year are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2017-18	\$ 620,018	\$ 5,992,671	\$ (5,935,694)	\$ 676,995
2016-17	1,020,241	5,855,229	(6,255,452)	620,018
2015-16	436,900	5,874,910	(5,291,569)	1,020,241

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**Note 26-Litigation:**

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

**Note 27-Adoption of Accounting Principles:**

The County and Component Unit School Board implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County and Component Unit School Board implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Component Unit School Board
Net Position, July 1, 2017, as previously stated	\$ 48,490,809	\$ (24,558,579)
GASB 75 Implementation	(1,034,705)	(10,506,261)
Net Position, July 1, 2017, as restated	<u>\$ 47,456,104</u>	<u>\$ (35,064,840)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**Note 28- Restricted Net Position/Fund Balance:**

	Governmental <u>Activities</u>	Component Unit <u>School Board</u>
Restricted Net Position:		
Law Library	\$ 82,569	\$ -
Property Seizure	62,274	-
Van Program	17,878	-
E-Summons Program	114,109	-
Traffic Safety Program	39,014	-
Courthouse Maintenance	5,882	-
Courtroom Security	53,708	-
Criminal Processing	1,756	-
Fire and EMS Funds	33,319	-
Greenfield Preservation Area	20,000	-
Cafeteria Operations	-	40,692
Total Restricted Net Position	<u>\$ 430,509</u>	<u>\$ 40,692</u>
	<u>General Fund</u>	<u>School Operating Fund</u>
Restricted Fund Balance:		
Restricted Net Position Above	\$ 430,509	\$ 40,692
Unspent School Construction Debt Proceeds	22,575,270	-
Total Restricted Fund Balance	<u>\$ 23,005,779</u>	<u>\$ 40,692</u>

**Note 29-Upcoming Pronouncements:**

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

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

**Note 29-Upcoming Pronouncements: (Continued)**

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

## Required Supplementary Information



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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
General property taxes	\$ 39,446,500	\$ 39,953,300	\$ 39,686,234	\$ (267,066)
Other local taxes	7,793,500	7,793,500	7,535,122	(258,378)
Permits, privilege fees, and regulatory licenses	346,450	346,450	475,519	129,069
Fines and forfeitures	110,625	110,625	77,064	(33,561)
Revenue from the use of money and property	527,700	527,700	959,680	431,980
Charges for services	620,806	620,806	602,594	(18,212)
Miscellaneous	57,250	57,250	185,589	128,339
Recovered costs	1,755,441	1,755,441	2,072,357	316,916
Intergovernmental	11,538,870	11,538,870	11,600,347	61,477
Total revenues	<u>\$ 62,197,142</u>	<u>\$ 62,703,942</u>	<u>\$ 63,194,506</u>	<u>\$ 490,564</u>
<b>EXPENDITURES</b>				
General government administration:				
Board of supervisors	\$ 239,891	\$ 257,800	\$ 252,139	\$ 5,661
County administrator	428,230	444,568	402,636	41,932
Deputy administrators	365,524	382,934	349,434	33,500
Central garage	87,155	87,155	78,192	8,963
Commissioner of revenue	403,456	403,363	386,096	17,267
Central purchasing	94,794	104,864	102,288	2,576
Treasurer	484,056	484,056	452,945	31,111
Management information systems	901,523	929,891	800,154	129,737
Financial services	349,329	348,136	329,991	18,145
Nondepartmental	352,338	352,338	73,243	279,095
Electoral board/registrar	263,234	273,986	262,280	11,706
Total general government administration	<u>\$ 3,969,530</u>	<u>\$ 4,069,091</u>	<u>\$ 3,489,398</u>	<u>\$ 579,693</u>
Judicial administration:				
Circuit court	\$ 61,471	\$ 61,470	\$ 58,179	\$ 3,291
General district court	25,599	25,599	22,012	3,587
Magistrate	967	2,407	2,406	1
Clerk of the circuit court	647,890	655,299	621,467	33,832
Commonwealth's attorney	767,582	767,570	722,707	44,863
Total judicial administration	<u>\$ 1,503,509</u>	<u>\$ 1,512,345</u>	<u>\$ 1,426,771</u>	<u>\$ 85,574</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>EXPENDITURES (Continued)</b>				
Public safety:				
Sheriff	\$ 4,940,168	\$ 5,171,586	\$ 4,603,298	\$ 568,288
Fire departments and rescue squads	1,183,689	2,902,998	1,511,123	1,391,875
Emergency communications	283,971	308,061	251,260	56,801
County operated institutions - jail	4,251,942	4,322,757	4,256,063	66,694
Probation office	4,701	4,701	4,165	536
Juvenile detention	90,000	90,000	66,850	23,150
Building inspections	327,158	354,098	314,968	39,130
Animal control	597,454	597,576	572,392	25,184
Emergency services	3,572,165	3,764,719	3,384,984	379,735
Dispatch	873,245	873,245	791,807	81,438
Courtroom security	-	24,023	2,049	21,974
Total public safety	\$ 16,124,493	\$ 18,413,764	\$ 15,758,959	\$ 2,654,805
Public works:				
Refuse collection and disposal	\$ 746,525	\$ 746,485	\$ 696,364	\$ 50,121
Public works	328,956	283,948	222,544	61,404
General properties	777,008	842,339	795,253	47,086
Total public works	\$ 1,852,489	\$ 1,872,772	\$ 1,714,161	\$ 158,611
Health and welfare:				
Supplement of local health department	\$ 329,252	\$ 329,252	\$ 321,426	\$ 7,826
Mental health contribution	38,743	38,743	38,743	-
Welfare administration and programs	1,355,234	1,390,234	1,379,869	10,365
Comprehensive services act	1,402,977	1,406,436	1,208,118	198,318
Senior van program	62,655	69,994	63,951	6,043
Tax relief for the elderly	-	506,800	506,800	-
Other welfare programs	27,500	27,500	27,500	-
Total health and welfare	\$ 3,216,361	\$ 3,768,959	\$ 3,546,407	\$ 222,552
Education:				
Contribution to Community Colleges	\$ 37,140	\$ 37,140	\$ 37,140	\$ -
Contribution to County School Board	24,199,282	24,199,282	23,885,294	313,988
Total education	\$ 24,236,422	\$ 24,236,422	\$ 23,922,434	\$ 313,988

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>EXPENDITURES (Continued)</b>				
Parks, recreation, and cultural:				
Supervision of parks and recreation	\$ 1,276,262	\$ 1,286,983	\$ 1,141,426	\$ 145,557
Sports complex	417,201	409,028	328,963	80,065
Contributions to cultural organizations	23,000	27,500	27,500	-
Greenfield Historical Resources	50,000	40,000	-	40,000
Library expenses	1,098,566	1,099,135	1,032,737	66,398
YMCA support	100,000	100,000	100,000	-
Total parks, recreation, and cultural	\$ 2,965,029	\$ 2,962,646	\$ 2,630,626	\$ 332,020
Community development:				
Economic development - contributions	\$ 279,063	\$ 279,063	\$ 279,063	\$ -
Contribution to Economic Development Authority	1,850,000	2,240,025	663,266	1,576,759
Industrial development	340,000	340,000	211,481	128,519
Community development	511,709	553,845	492,643	61,202
Economic development	419,844	391,646	316,736	74,910
Extension office	64,443	64,443	60,800	3,643
Total community development	\$ 3,503,369	\$ 3,907,332	\$ 2,062,297	\$ 1,845,035
Capital projects:				
VDOT revenue sharing	\$ -	\$ 36,463	\$ 36,463	\$ -
Website design	-	10,000	188	9,812
Emergency operations center	-	7,762	-	7,762
Greenfield education and training	-	11,325	11,325	-
Greenway project	100,000	127,000	65,125	61,875
Community recreation incentive program	35,000	57,119	34,115	23,004
Library incentive fund	10,000	10,000	-	10,000
Economic development program	475,000	250,000	37,065	212,935
Circuit courthouse complex	30,000	36,584	6,208	30,376
PC/laptop replacement	58,000	58,000	53,556	4,444
Enterprise-wide software	-	128,532	104,303	24,229
Solid waste disposal study	150,000	150,000	-	150,000
Daleville to Greenfield water	40,000	40,000	-	40,000
Library system-program study	-	20,000	-	20,000
Mobile radio replacement	135,000	690,479	509,830	180,649
Emergency communications project	75,000	75,000	-	75,000

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>EXPENDITURES (Continued)</b>				
Capital projects: (Continued)				
Tax software	\$ -	\$ 425,000	\$ 145,398	\$ 279,602
School construction costs	-	1,170,354	1,170,354	-
Cardiac monitor replacement plan	74,000	74,000	65,500	8,500
Leachate tank maintenance	53,000	53,000	11,110	41,890
E-summons purchases	-	168,783	80,767	88,016
Colonial elementary	-	29,634	89,609	(59,975)
Energy savings program - Schools	-	-	6,291,901	(6,291,901)
Fire & EMS study	35,000	35,000	-	35,000
Greenfield preservation area	-	20,000	-	20,000
Greenfield ETC study	50,000	50,000	-	50,000
Total capital projects	\$ 1,320,000	\$ 3,734,035	\$ 8,712,817	\$ (4,978,782)
Debt service:				
Principal retirement	\$ 2,372,810	\$ 2,249,944	\$ 2,199,943	\$ 50,001
Bond issuance costs	-	41,679	261,812	(220,133)
Interest and other fiscal charges	1,152,285	1,152,285	1,152,285	-
Total debt service	\$ 3,525,095	\$ 3,443,908	\$ 3,614,040	\$ (170,132)
Total expenditures	\$ 62,216,297	\$ 67,921,274	\$ 66,877,910	\$ 1,043,364
Excess (deficiency) of revenues over (under) expenditures	\$ (19,155)	\$ (5,217,332)	\$ (3,683,404)	\$ 1,533,928
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of bonds	\$ -	\$ -	\$ 28,965,329	\$ 28,965,329
Premium on bonds issued	-	-	1,280,355	1,280,355
Total other financing sources (uses)	\$ -	\$ -	\$ 30,245,684	\$ 30,245,684
Net change in fund balances	\$ (19,155)	\$ (5,217,332)	\$ 26,562,280	\$ 31,779,612
Fund balances - beginning	-	5,198,177	23,258,472	18,060,295
Fund balances - ending	\$ (19,155)	\$ (19,155)	\$ 49,820,752	\$ 49,839,907

Note 1: GAAP serves as the budgetary basis of accounting

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

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	<u>2018</u>
Total OPEB liability	
Service cost	\$ 222,000
Interest	196,000
Benefit payments	<u>(164,000)</u>
Net change in total OPEB liability	\$ 254,000
Total OPEB liability - beginning	<u>5,354,000</u>
Total OPEB liability - ending	<u><u>5,608,000</u></u>
 Covered-employee payroll	 \$ 27,543,000
 Component Unit-School Board total OPEB liability (asset) as a percentage of covered-employee payroll	  20.36%

County of Botetourt, Virginia  
Notes to Required Supplementary Information - Component Unit-School Board Health Insurance OPEB  
For the Year Ended June 30, 2018

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Valuation Date: 7/1/2016  
Measurement Date: 6/30/2017

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 actuarial cost method
Discount Rate	3.56%
Healthcare Trend Rate	3.15% for Pre-Medicare and 5.00% for Post-Medicare for fiscal Year end 2017, reverting to 7.50% for Pre-Medicare and 5.50% for Post-Medicare for fiscal year end 2018, decreasing 0.25% per year to an ultimate rate of 5.00%.
Salary Increase Rates	Future salaries are assumed to increase by 2.50% annually.
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected two-dimensional mortality improvement scale MP-2017.

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

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 1,444,742	\$ 1,506,669	\$ 1,473,286	\$ 1,439,117
Interest	3,207,090	3,057,284	2,912,687	2,727,789
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(696,038)	(476,335)	(620,659)	-
Changes in assumptions	(246,558)	-	-	-
Benefit payments, including refunds of employee contributions	(2,075,626)	(1,819,459)	(1,579,811)	(1,471,211)
<b>Net change in total pension liability</b>	<b>\$ 1,633,610</b>	<b>\$ 2,268,159</b>	<b>\$ 2,185,503</b>	<b>\$ 2,695,695</b>
<b>Total pension liability - beginning</b>	<b>46,853,381</b>	<b>44,585,222</b>	<b>42,399,719</b>	<b>39,704,024</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 48,486,991</b>	<b>\$ 46,853,381</b>	<b>\$ 44,585,222</b>	<b>\$ 42,399,719</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,112,944	\$ 1,310,669	\$ 1,332,674	\$ 1,404,239
Contributions - employee	579,692	553,564	571,538	572,060
Net investment income	5,055,303	718,947	1,785,372	5,227,639
Benefit payments, including refunds of employee contributions	(2,075,626)	(1,819,459)	(1,579,811)	(1,471,211)
Administrative expense	(29,044)	(24,969)	(23,760)	(27,445)
Other	(4,493)	(303)	(377)	276
<b>Net change in plan fiduciary net position</b>	<b>\$ 4,638,776</b>	<b>\$ 738,449</b>	<b>\$ 2,085,636</b>	<b>\$ 5,705,558</b>
<b>Plan fiduciary net position - beginning</b>	<b>41,339,101</b>	<b>40,600,652</b>	<b>38,515,016</b>	<b>32,809,458</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 45,977,877</b>	<b>\$ 41,339,101</b>	<b>\$ 40,600,652</b>	<b>\$ 38,515,016</b>
<b>County's net pension liability - ending (a) - (b)</b>	<b>\$ 2,509,114</b>	<b>\$ 5,514,280</b>	<b>\$ 3,984,570</b>	<b>\$ 3,884,703</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>94.83%</b>	<b>88.23%</b>	<b>91.06%</b>	<b>90.84%</b>
<b>Covered payroll</b>	<b>\$ 11,583,919</b>	<b>\$ 11,220,923</b>	<b>\$ 11,362,485</b>	<b>\$ 11,163,709</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>21.66%</b>	<b>49.14%</b>	<b>35.07%</b>	<b>34.80%</b>

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

County of Botetourt, Virginia  
Schedule of Changes in Net Pension Liability and Related Ratios  
Component Unit-School Board (nonprofessional)  
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 244,440	\$ 246,453	\$ 297,919	\$ 301,655
Interest	844,304	856,146	825,985	800,682
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(325,615)	(497,217)	61,619	-
Changes in assumptions	(14,323)	-	-	-
Benefit payments, including refunds of employee contributions	(791,011)	(758,111)	(751,171)	(730,570)
<b>Net change in total pension liability</b>	<b>\$ (42,205)</b>	<b>\$ (152,729)</b>	<b>\$ 434,352</b>	<b>\$ 371,767</b>
<b>Total pension liability - beginning</b>	<b>12,456,990</b>	<b>12,609,719</b>	<b>12,175,367</b>	<b>11,803,600</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 12,414,785</b>	<b>\$ 12,456,990</b>	<b>\$ 12,609,719</b>	<b>\$ 12,175,367</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 229,281	\$ 280,851	\$ 279,259	\$ 360,472
Contributions - employee	119,757	115,418	114,370	136,232
Net investment income	1,260,114	179,145	477,032	1,459,455
Benefit payments, including refunds of employee contributions	(791,011)	(758,111)	(751,171)	(730,570)
Administrative expense	(7,564)	(6,778)	(6,794)	(8,002)
Other	(1,108)	(77)	(99)	77
<b>Net change in plan fiduciary net position</b>	<b>\$ 809,469</b>	<b>\$ (189,552)</b>	<b>\$ 112,597</b>	<b>\$ 1,217,664</b>
<b>Plan fiduciary net position - beginning</b>	<b>10,527,883</b>	<b>10,717,435</b>	<b>10,604,838</b>	<b>9,387,174</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 11,337,352</b>	<b>\$ 10,527,883</b>	<b>\$ 10,717,435</b>	<b>\$ 10,604,838</b>
<b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 1,077,433</b>	<b>\$ 1,929,107</b>	<b>\$ 1,892,284</b>	<b>\$ 1,570,529</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>91.32%</b>	<b>84.51%</b>	<b>84.99%</b>	<b>87.10%</b>
<b>Covered payroll</b>	<b>\$ 2,471,143</b>	<b>\$ 2,351,533</b>	<b>\$ 2,324,240</b>	<b>\$ 2,681,093</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>43.60%</b>	<b>82.04%</b>	<b>81.42%</b>	<b>58.58%</b>

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



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

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.34343%	0.34454%	0.35138%	0.36427%
Employer's Proportionate Share of the Net Pension Liability	\$ 42,235,000	\$ 48,284,000	\$ 44,226,000	\$ 44,021,000
Employer's Covered Payroll	26,920,153	26,267,105	26,125,137	26,639,468
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	156.89%	183.82%	169.29%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

County of Botetourt, Virginia  
Schedule of Employer Contributions - Pension Plans  
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2018	\$ 1,093,114	\$ 1,093,114	\$ -	\$ 11,408,577	9.58%
2017	1,112,944	1,112,944	-	11,583,919	9.61%
2016	1,310,669	1,310,669	-	11,220,923	11.68%
2015	1,332,674	1,332,674	-	11,362,485	11.73%
2014	1,404,239	1,404,239	-	11,163,709	12.58%
2013	1,366,312	1,366,312	-	10,835,144	12.61%
2012	1,045,282	1,045,282	-	10,431,955	10.02%
2011	989,908	989,908	-	9,879,318	10.02%
2010	1,048,824	1,048,824	-	10,104,280	10.38%
2009	1,059,569	1,059,569	-	10,207,798	10.38%
<b>Component Unit School Board (nonprofessional)</b>					
2018	\$ 238,816	\$ 238,816	\$ -	\$ 2,562,104	9.32%
2017	229,281	229,281	-	2,471,143	9.28%
2016	280,851	280,851	-	2,351,533	11.94%
2015	279,258	279,258	-	2,324,240	12.02%
2014	360,607	360,607	-	2,681,093	13.45%
2013	344,690	344,690	-	2,562,753	13.45%
2012	254,719	254,719	-	2,593,879	9.82%
2011	255,585	255,585	-	2,602,700	9.82%
2010	304,470	304,470	-	2,772,955	10.98%
2009	327,866	327,866	-	2,986,033	10.98%
<b>Component Unit School Board (professional)</b>					
2018	\$ 4,305,859	\$ 4,305,859	\$ -	\$ 26,698,715	16.13%
2017	3,923,194	3,923,194	-	26,920,153	14.57%
2016	3,678,209	3,678,209	-	26,267,105	14.00%
2015	3,775,000	3,775,000	-	26,125,137	14.45%
2014	3,106,162	3,106,162	-	26,639,468	11.66%
2013	2,942,672	2,942,672	-	25,237,324	11.66%
2012	1,616,386	1,616,386	-	25,535,324	6.33%
2011	973,244	973,244	-	24,764,478	3.93%
2010	2,230,089	2,230,089	-	25,313,156	8.81%
2009	2,283,774	2,283,774	-	25,922,520	8.81%

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

County of Botetourt, Virginia  
Notes to Required Supplementary Information - Pension Plans  
For the Year Ended June 30, 2018

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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

**Largest 10 - Non-Hazardous Duty:**

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

**Largest 10 - Hazardous Duty:**

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
<b>Primary Government</b>					
2017	0.06286%	\$ 946,000	\$ 11,583,919	8.17%	48.86%
<b>Component Unit School Board (Nonprofessional)</b>					
2017	0.01340%	\$ 201,000	\$ 2,471,143	8.13%	48.86%
<b>Component Unit School Board (Professional)</b>					
2017	0.14595%	\$ 2,196,000	\$ 26,920,153	8.16%	48.86%

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

County of Botetourt, Virginia  
Schedule of Employer Contributions  
Group Life Insurance Program  
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2018	\$ 59,499	\$ 59,499	\$ -	\$ 11,408,577	0.52%
2017	60,295	60,295	-	11,583,919	0.52%
2016	53,965	53,965	-	11,220,923	0.48%
2015	54,540	54,540	-	11,362,485	0.48%
2014	53,706	53,706	-	11,163,709	0.48%
2013	52,093	52,093	-	10,835,144	0.48%
2012	29,244	29,244	-	10,431,955	0.28%
2011	27,666	27,666	-	9,879,318	0.28%
2010	20,494	20,494	-	10,104,280	0.20%
2009	27,574	27,574	-	10,207,798	0.27%
<b>Component Unit School Board (Nonprofessional)</b>					
2018	\$ 13,323	\$ 13,323	\$ -	\$ 2,562,104	0.52%
2017	12,850	12,850	-	2,471,143	0.52%
2016	11,287	11,287	-	2,351,533	0.48%
2015	11,156	11,156	-	2,324,240	0.48%
2014	12,869	12,869	-	2,681,093	0.48%
2013	12,301	12,301	-	2,562,753	0.48%
2012	7,263	7,263	-	2,593,879	0.28%
2011	7,288	7,288	-	2,602,700	0.28%
2010	5,450	5,450	-	2,772,955	0.20%
2009	8,062	8,062	-	2,986,033	0.27%
<b>Component Unit School Board (Professional)</b>					
2018	\$ 138,836	\$ 138,836	\$ -	\$ 26,698,715	0.52%
2017	139,985	139,985	-	26,920,153	0.52%
2016	126,095	126,095	-	26,267,105	0.48%
2015	125,401	125,401	-	26,125,137	0.48%
2014	127,869	127,869	-	26,639,468	0.48%
2013	121,139	121,139	-	25,237,324	0.48%
2012	71,499	71,499	-	25,535,324	0.28%
2011	69,343	69,343	-	24,764,478	0.28%
2010	48,626	48,626	-	25,313,156	0.19%
2009	70,318	70,318	-	25,922,520	0.27%

County of Botetourt, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2018

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

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

**General State Employees**

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

**Teachers**

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

**SPORS Employees**

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

**VaLORS Employees**

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

County of Botetourt, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2018

**JRS Employees**

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

**Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Largest Ten Locality Employers - Hazardous Duty Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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



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

	<u>2017</u>
<b>Total HIC OPEB Liability</b>	
Service cost	\$ 7,000
Interest	15,000
Changes in assumptions	(7,000)
Benefit payments	(11,000)
<b>Net change in total HIC OPEB liability</b>	<b>\$ 4,000</b>
<b>Total HIC OPEB Liability - beginning</b>	<b>221,000</b>
<b>Total HIC OPEB Liability - ending (a)</b>	<b>\$ 225,000</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 16,000
Net investment income	6,000
Benefit payments	(11,000)
<b>Net change in plan fiduciary net position</b>	<b>\$ 11,000</b>
<b>Plan fiduciary net position - beginning</b>	<b>50,000</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 61,000</b>
 <b>School Division's net HIC OPEB liability - ending (a) - (b)</b>	<b>\$ 164,000</b>
 <b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	 <b>27.11%</b>
 <b>Covered payroll</b>	 <b>\$ 2,471,143</b>
 <b>School Division's net HIC OPEB liability as a percentage of covered payroll</b>	 <b>6.64%</b>

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

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.3411% \$	4,327,000 \$	26,920,153	16.07%	7.04%

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

County of Botetourt, Virginia  
Schedule of Employer Contributions  
Health Insurance Credit Program (HIC)  
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Component Unit School Board (Nonprofessional)</b>					
2018	\$ 16,654	\$ 16,654	\$ -	\$ 2,562,104	0.65%
2017	16,090	16,090	-	2,471,143	0.65%
2016	13,404	13,404	-	2,351,533	0.57%
2015	13,248	13,248	-	2,324,240	0.57%
2014	16,087	16,087	-	2,681,093	0.60%
2013	15,361	15,361	-	2,562,753	0.60%
2012	14,271	14,271	-	2,593,879	0.55%
2011	14,315	14,315	-	2,602,700	0.55%
<b>Component Unit School Board (Professional)</b>					
2018	\$ 328,391	\$ 328,391	\$ -	\$ 26,698,715	1.23%
2017	298,814	298,814	-	26,920,153	1.11%
2016	278,461	278,461	-	26,267,105	1.06%
2015	276,926	276,926	-	26,125,137	1.06%
2014	295,698	295,698	-	26,639,468	1.11%
2013	280,134	280,134	-	25,237,324	1.11%
2012	153,212	153,212	-	25,535,324	0.60%
2011	148,587	148,587	-	24,764,478	0.60%
2010	187,283	187,283	-	25,313,156	0.74%
2009	279,963	279,963	-	25,922,520	1.08%

Schedule is intended to show information for 10 years. Information prior to 2011 for nonprofessional is not available. However, additional years will be included as they become available.

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

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**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:

**Component Unit School Board (Nonprofessional):**

**Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Component Unit School Board (Professional):**

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

## Other Supplementary Information Section

## **FIDUCIARY FUNDS - AGENCY FUNDS**

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

Cafeteria Plan - The cafeteria plan fund accounts for those funds belonging to County employees as participants in the County's cafeteria plan.

Inmate Trust and Canteen - The Jail Inmate Trust and Canteen fund accounts for the inmate commissary and inmate trust.

Escrow - The escrow fund accounts for funds held by the County on behalf of developers, corporations, or individuals to ensure performance under requirements set forth by the County.

Roanoke Valley Regional Board - The Roanoke Valley Regional Board Fund accounts for funds held on behalf of the Roanoke Valley Regional Board.

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

	Agency Funds					
	<u>Special Welfare</u>	<u>Inmate Trust and Canteen</u>	<u>Cafeteria Plan</u>	<u>Escrow</u>	<u>Roanoke Valley Regional Board</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 48,140	\$ 105,727	\$ 227	\$ 77,160	\$ 1,162,422	\$ 1,393,676
Total assets	\$ 48,140	\$ 105,727	\$ 227	\$ 77,160	\$ 1,162,422	\$ 1,393,676
<b>LIABILITIES</b>						
Amounts held for social services clients	\$ 48,140	\$ -	\$ -	\$ -	\$ -	\$ 48,140
Amounts held for employees	-	-	227	-	-	227
Amounts held for other agencies	-	-	-	-	1,162,422	1,162,422
Amounts held for performance bond	-	-	-	77,160	-	77,160
Amounts held for inmates	-	105,727	-	-	-	105,727
Total liabilities	\$ 48,140	\$ 105,727	\$ 227	\$ 77,160	\$ 1,162,422	\$ 1,393,676

County of Botetourt, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 36,426	\$ 32,427	\$ (20,713)	\$ 48,140
Liabilities:				
Amounts held for social services clients	\$ 36,426	\$ 32,427	\$ (20,713)	\$ 48,140
Inmate Trust and Canteen Fund:				
Assets:				
Cash and cash equivalents	\$ 86,343	\$ 339,854	\$ (320,470)	\$ 105,727
Liabilities:				
Amounts held for inmates	\$ 86,343	\$ 339,854	\$ (320,470)	\$ 105,727
Cafeteria Plan Fund:				
Assets:				
Cash and cash equivalents	\$ 3,582	\$ 50,830	\$ (54,185)	\$ 227
Liabilities:				
Amounts held for employees	\$ 3,582	\$ 50,830	\$ (54,185)	\$ 227
Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 88,060	\$ 5,300	\$ (16,200)	\$ 77,160
Liabilities:				
Amounts held for performance bond	\$ 88,060	\$ 5,300	\$ (16,200)	\$ 77,160
Roanoke Valley Regional Board Fund:				
Assets:				
Cash and cash equivalents	\$ 985,672	\$ 8,248,219	\$ (8,071,469)	\$ 1,162,422
Liabilities:				
Amounts held for other agencies	\$ 985,672	\$ 8,248,219	\$ (8,071,469)	\$ 1,162,422
Totals				
Total Assets:				
Cash and cash equivalents	\$ 1,200,083	\$ 8,676,630	\$ (8,483,037)	\$ 1,393,676
Total Liabilities:				
Amounts held for others	\$ 1,200,083	\$ 8,676,630	\$ (8,483,037)	\$ 1,393,676



**DISCRETELY PRESENTED COMPONENT UNIT SCHOOL  
BOARD**

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**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 County's General Fund.

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

	School Operating <u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,987,910
Receivables (net of allowance for uncollectibles):	
Accounts receivable	51,074
Due from other governmental units	1,088,254
Inventories	45,251
Total assets	<u>\$ 9,172,489</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 323,584
Accrued wages and health claims	5,117,187
Total liabilities	<u>\$ 5,440,771</u>
<b>FUND BALANCES</b>	
Nonspendable	
Inventories	\$ 45,251
Restricted	
School cafeterias	40,692
Unassigned	3,645,775
Total fund balances	<u>\$ 3,731,718</u>
Total liabilities and fund balances	<u>\$ 9,172,489</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 3,731,718
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	2,115,631
Buildings and improvements	15,822,899
Machinery and equipment	2,249,452
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	5,643,675
OPEB related items	666,204
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Capital leases	(767,687)
Accrued interest payable	(7,401)
Compensated absences	(608,329)
Net OPEB liabilities	(12,496,000)
Net pension liability	(43,312,433)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	(6,362,820)
OPEB related items	(366,000)
Net position of governmental activities	<u>\$ (33,691,091)</u>

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

	School Operating Fund
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 27,878
Charges for services	943,505
Miscellaneous	261,849
Recovered costs	408,140
Intergovernmental	51,911,480
Total revenues	<u>\$ 53,552,852</u>
<b>EXPENDITURES</b>	
Education	\$ 53,274,560
Debt service:	
Principal retirement	219,304
Interest and other fiscal charges	6,897
Total expenditures	<u>\$ 53,500,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 52,091</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Issuance of capital leases	\$ 586,000
Total other financing sources and uses	<u>\$ 586,000</u>
Net change in fund balances	\$ 638,091
Fund balances - beginning	3,093,627
Fund balances - ending	<u><u>\$ 3,731,718</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 638,091
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	
Capital outlays	1,106,239
Depreciation expenses	(1,748,609)
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 assets. Also, governmental funds report the effect of issuance costs, 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	(586,000)
Principal repayments:	
Capital leases	219,304
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	6,059
Change in accrued interest payable	(4,604)
OPEB expense	(145,535)
Pension expense	1,888,804
Change in net position of governmental activities	<u><u>\$ 1,373,749</u></u>

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

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 35,500	\$ 35,500	\$ 27,878	\$ (7,622)
Charges for services	1,186,329	1,186,329	943,505	(242,824)
Miscellaneous	1,212,819	1,212,819	261,849	(950,970)
Recovered costs	205,220	205,220	408,140	202,920
Intergovernmental	51,993,741	51,993,741	51,911,480	(82,261)
Total revenues	<u>\$ 54,633,609</u>	<u>\$ 54,633,609</u>	<u>\$ 53,552,852</u>	<u>\$ (1,080,757)</u>
<b>EXPENDITURES</b>				
Education	\$ 55,989,713	\$ 55,736,378	\$ 53,274,560	\$ 2,461,818
Debt service:				
Principal retirement	-	253,335	219,304	34,031
Interest and other fiscal charges	-	-	6,897	(6,897)
Total expenditures	<u>\$ 55,989,713</u>	<u>\$ 55,989,713</u>	<u>\$ 53,500,761</u>	<u>\$ 2,488,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,356,104)</u>	<u>\$ (1,356,104)</u>	<u>\$ 52,091</u>	<u>\$ 1,408,195</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of capital leases	\$ -	\$ -	\$ 586,000	\$ 586,000
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,000</u>	<u>\$ 586,000</u>
Net change in fund balances	\$ (1,356,104)	\$ (1,356,104)	\$ 638,091	\$ 1,994,195
Fund balances - beginning	1,356,104	1,356,104	3,093,627	1,737,523
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,731,718</u>	<u>\$ 3,731,718</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 26,008,000	\$ 26,514,800	\$ 26,541,358	\$ 26,558
Real and personal public service corporation taxes	3,168,000	3,168,000	2,986,033	(181,967)
Personal property taxes	6,373,000	6,373,000	6,247,449	(125,551)
Mobile home taxes	42,500	42,500	44,309	1,809
Machinery and tools taxes	3,550,000	3,550,000	3,582,241	32,241
Penalties	190,000	190,000	190,780	780
Interest	115,000	115,000	94,064	(20,936)
Total general property taxes	\$ 39,446,500	\$ 39,953,300	\$ 39,686,234	\$ (267,066)
Other local taxes:				
Local sales and use taxes	\$ 2,915,000	\$ 2,915,000	\$ 2,744,051	\$ (170,949)
Consumers' utility taxes	570,000	570,000	572,118	2,118
Local consumption tax	150,500	150,500	152,214	1,714
Business license taxes	866,000	866,000	910,399	44,399
Franchise license tax	112,000	112,000	60,944	(51,056)
Motor vehicle licenses	705,000	705,000	653,037	(51,963)
Bank stock taxes	150,000	150,000	133,374	(16,626)
Taxes on recordation and wills	360,000	360,000	352,757	(7,243)
Hotel and motel room taxes	580,000	580,000	524,927	(55,073)
Restaurant food taxes	1,385,000	1,385,000	1,431,301	46,301
Total other local taxes	\$ 7,793,500	\$ 7,793,500	\$ 7,535,122	\$ (258,378)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 23,000	\$ 23,000	\$ 17,212	\$ (5,788)
Land use application fees	500	500	360	(140)
Transfer fees	1,100	1,100	1,177	77
Building permits and other licenses	227,350	227,350	269,985	42,635
Zoning fees	20,500	20,500	49,991	29,491
E-summons fees	-	-	52,002	52,002
Other permits, fees and licenses	74,000	74,000	84,792	10,792
Total permits, privilege fees, and regulatory licenses	\$ 346,450	\$ 346,450	\$ 475,519	\$ 129,069
Fines and forfeitures:				
Court fines and forfeitures	\$ 110,625	\$ 110,625	\$ 77,064	\$ (33,561)
Revenue from use of money and property:				
Revenue from use of money	\$ 226,000	\$ 226,000	\$ 653,756	\$ 427,756
Revenue from use of property	301,700	301,700	305,924	4,224
Total revenue from use of money and property	\$ 527,700	\$ 527,700	\$ 959,680	\$ 431,980

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 56,506	\$ 56,506	\$ 57,624	\$ 1,118
Charges for courthouse maintenance	26,000	26,000	19,553	(6,447)
Charges for courtroom security	132,000	132,000	105,351	(26,649)
Court appointed attorneys	400	400	174	(226)
Miscellaneous jail and inmate fees	20,000	20,000	14,322	(5,678)
Jail processing fees	5,500	5,500	2,797	(2,703)
Charges for Commonwealth's Attorney	61,200	61,200	44,022	(17,178)
Charges for board and care of animals	2,600	2,600	3,235	635
Charges for sanitation and waste removal	170,000	170,000	191,874	21,874
Charges for parks and recreation	109,000	109,000	121,013	12,013
Charges for engineering reviews	6,200	6,200	8,605	2,405
Other charges for services	400	400	146	(254)
Charges for law library	-	-	4,230	4,230
Charges for library	31,000	31,000	29,648	(1,352)
Total charges for services	\$ 620,806	\$ 620,806	\$ 602,594	\$ (18,212)
Miscellaneous:				
Miscellaneous	\$ 5,700	\$ 5,700	\$ 89,612	\$ 83,912
Sale of salvage	12,000	12,000	25,648	13,648
Sponsorships	7,550	7,550	8,175	625
Telephone commissions	30,000	30,000	44,590	14,590
Donations	2,000	2,000	17,564	15,564
Total miscellaneous	\$ 57,250	\$ 57,250	\$ 185,589	\$ 128,339
Recovered costs:				
Local jails	\$ 240,000	\$ 240,000	\$ 257,080	\$ 17,080
ES cost recoveries	1,050,000	1,050,000	1,268,744	218,744
Health Department	1,000	1,000	4,394	3,394
Regional jail	104,416	104,416	104,416	-
Medical co-pay	14,000	14,000	35,270	21,270
CSA refunds	2,800	2,800	3,919	1,119
Social services refunds	5,000	5,000	643	(4,357)
Town of Buchanan	10,000	10,000	10,000	-
Tourism	1,000	1,000	-	(1,000)
Other recovered costs	327,225	327,225	387,891	60,666
Total recovered costs	\$ 1,755,441	\$ 1,755,441	\$ 2,072,357	\$ 316,916
Total revenue from local sources	\$ 50,658,272	\$ 51,165,072	\$ 51,594,159	\$ 429,087

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 148,000	\$ 148,000	\$ 155,647	\$ 7,647
Communications sales and use taxes	688,000	688,000	654,142	(33,858)
Motor vehicle carriers' tax	3,000	3,000	3,965	965
Mobile home titling tax	197,000	197,000	120,027	(76,973)
Grantor's tax	-	-	111,971	111,971
Personal property tax relief funds	3,418,137	3,418,137	3,418,137	-
Total noncategorical aid	<u>\$ 4,454,137</u>	<u>\$ 4,454,137</u>	<u>\$ 4,463,889</u>	<u>\$ 9,752</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 434,000	\$ 434,000	\$ 443,794	\$ 9,794
Sheriff	3,478,498	3,478,498	3,444,493	(34,005)
Commissioner of revenue	114,000	114,000	114,028	28
Treasurer	113,000	113,000	120,296	7,296
Registrar/electoral board	41,000	41,000	42,321	1,321
Clerk of the Circuit Court	309,000	309,000	321,099	12,099
Total shared expenses	<u>\$ 4,489,498</u>	<u>\$ 4,489,498</u>	<u>\$ 4,486,031</u>	<u>\$ (3,467)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 360,000	\$ 360,000	\$ 379,380	\$ 19,380
Comprehensive services act	852,666	852,666	759,798	(92,868)
Library grant	150,719	150,719	150,792	73
Property seizure	-	-	5,886	5,886
Fire program	100,000	100,000	104,259	4,259
Wireless E-911	84,000	84,000	93,542	9,542
Four for life	36,000	36,000	-	(36,000)
VDOT grants	-	-	118,676	118,676
Economic development grant	-	-	750	750
DMV grants	27,500	27,500	-	(27,500)
Other categorical aid	100,850	100,850	5,243	(95,607)
Total other categorical aid	<u>\$ 1,711,735</u>	<u>\$ 1,711,735</u>	<u>\$ 1,618,326</u>	<u>\$ (93,409)</u>
Total categorical aid	<u>\$ 6,201,233</u>	<u>\$ 6,201,233</u>	<u>\$ 6,104,357</u>	<u>\$ (96,876)</u>
Total revenue from the Commonwealth	<u>\$ 10,655,370</u>	<u>\$ 10,655,370</u>	<u>\$ 10,568,246</u>	<u>\$ (87,124)</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 167,700	\$ 167,700	\$ 231,929	\$ 64,229
Categorical aid:				
Public assistance and welfare administration	\$ 715,000	\$ 715,000	\$ 753,898	\$ 38,898
Emergency management grant	-	-	7,500	7,500
Child support enforcement	800	800	200	(600)
State and community highway safety	-	-	19,335	19,335
FEMA disaster	-	-	19,239	19,239
Total categorical aid	\$ 715,800	\$ 715,800	\$ 800,172	\$ 84,372
Total revenue from the federal government	\$ 883,500	\$ 883,500	\$ 1,032,101	\$ 148,601
Total General Fund	\$ 62,197,142	\$ 62,703,942	\$ 63,194,506	\$ 490,564
<b>Discretely Presented Component Unit School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 500	\$ 500	\$ 261	\$ (239)
Revenue from the use of property	35,000	35,000	27,617	(7,383)
Total revenue from use of money and property	\$ 35,500	\$ 35,500	\$ 27,878	\$ (7,622)
Charges for services:				
Cafeteria sales	\$ 1,160,829	\$ 1,160,829	\$ 855,852	\$ (304,977)
Transportation of pupils	-	-	30,357	30,357
Tuition and payments from other divisions	25,500	25,500	57,296	31,796
Total charges for services	\$ 1,186,329	\$ 1,186,329	\$ 943,505	\$ (242,824)



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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 1,212,819	\$ 1,212,819	\$ 261,849	\$ (950,970)
Total miscellaneous	\$ 1,212,819	\$ 1,212,819	\$ 261,849	\$ (950,970)
Recovered costs:				
Other recovered costs	\$ 205,220	\$ 205,220	\$ 408,140	\$ 202,920
Total revenue from local sources	\$ 2,639,868	\$ 2,639,868	\$ 1,641,372	\$ (998,496)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Botetourt, Virginia	\$ 24,389,008	\$ 24,389,008	\$ 23,885,294	\$ (503,714)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,588,461	\$ 5,588,461	\$ 5,272,446	\$ (316,015)
Basic school aid	12,214,922	12,214,922	12,596,674	381,752
Remedial summer education	16,241	16,241	23,112	6,871
Regular foster care	22,031	22,031	43,426	21,395
Adult secondary education	7,859	7,859	8,294	435
Gifted and talented	132,712	132,712	136,087	3,375
Remedial education	171,420	171,420	175,780	4,360
School food	20,739	20,739	18,517	(2,222)
Special education	1,793,974	1,793,974	1,826,712	32,738
Textbook payment	303,517	303,517	311,243	7,726
Standards of Learning algebra readiness	28,820	28,820	28,820	-
Vocational education SOQ payments	312,427	312,427	320,372	7,945
Social security fringe benefits	765,861	765,861	785,338	19,477
Share of fringe benefits	1,758,439	1,758,439	1,803,158	44,719
Group life insurance instructional	52,532	52,532	53,868	1,336
State lottery payments	761,957	761,957	777,881	15,924
Early reading intervention	56,995	56,995	69,208	12,213
Homebound education	21,346	21,346	26,036	4,690
Vocational education	109,175	109,175	73,146	(36,029)
Salary supplement	123,089	123,089	126,157	3,068
Special education - foster children	75,683	75,683	106,331	30,648
At risk payments	85,944	85,944	88,182	2,238
Mentor teacher program	2,106	2,106	1,448	(658)
Reduced K-3	52,145	52,145	49,598	(2,547)
At risk four-year olds	114,550	114,550	129,823	15,273

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
English as a second language	\$ 52,293	\$ 52,293	\$ 50,114	\$ (2,179)
VPSA technology grant	336,000	336,000	336,000	-
Other state funds	-	-	106,788	106,788
Total categorical aid	<u>\$ 24,981,238</u>	<u>\$ 24,981,238</u>	<u>\$ 25,344,559</u>	<u>\$ 363,321</u>
Total revenue from the Commonwealth	<u>\$ 24,981,238</u>	<u>\$ 24,981,238</u>	<u>\$ 25,344,559</u>	<u>\$ 363,321</u>
Revenue from the federal government:				
Categorical aid:				
Schools and Roads Grant	\$ 40,000	\$ 40,000	\$ 53,642	\$ 13,642
School breakfast and lunch program	570,829	570,829	674,611	103,782
School food distribution	-	-	105,963	105,963
Title V - Part A	-	-	11,200	11,200
Title I	469,327	469,327	435,451	(33,876)
Title VI-B, Special education flow-through	1,339,535	1,339,535	1,125,265	(214,270)
Vocational education	54,615	54,615	51,931	(2,684)
Adult basic education	40,000	40,000	23,353	(16,647)
Language acquisition grant	-	-	5,632	5,632
Improving teacher quality	109,189	109,189	194,579	85,390
Total categorical aid	<u>\$ 2,623,495</u>	<u>\$ 2,623,495</u>	<u>\$ 2,681,627</u>	<u>\$ 58,132</u>
Total revenue from the federal government	<u>\$ 2,623,495</u>	<u>\$ 2,623,495</u>	<u>\$ 2,681,627</u>	<u>\$ 58,132</u>
Total School Operating Fund	<u>\$ 54,633,609</u>	<u>\$ 54,633,609</u>	<u>\$ 53,552,852</u>	<u>\$ (1,080,757)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 54,633,609</u>	<u>\$ 54,633,609</u>	<u>\$ 53,552,852</u>	<u>\$ (1,080,757)</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 239,891	\$ 257,800	\$ 252,139	\$ 5,661
General and financial administration:				
County administrator	\$ 428,230	\$ 444,568	\$ 402,636	\$ 41,932
Deputy administrators	365,524	382,934	349,434	33,500
Central garage	87,155	87,155	78,192	8,963
Commissioner of revenue	403,456	403,363	386,096	17,267
Central purchasing	94,794	104,864	102,288	2,576
Treasurer	484,056	484,056	452,945	31,111
Management information systems	901,523	929,891	800,154	129,737
Financial services	349,329	348,136	329,991	18,145
Nondepartmental	352,338	352,338	73,243	279,095
Total general and financial administration	\$ 3,466,405	\$ 3,537,305	\$ 2,974,979	\$ 562,326
Board of elections:				
Electoral board/registrar	\$ 263,234	\$ 273,986	\$ 262,280	\$ 11,706
Total general government administration	\$ 3,969,530	\$ 4,069,091	\$ 3,489,398	\$ 579,693
Judicial administration:				
Courts:				
Circuit court	\$ 61,471	\$ 61,470	\$ 58,179	\$ 3,291
General district court	25,599	25,599	22,012	3,587
Magistrate	967	2,407	2,406	1
Clerk of the circuit court	647,890	655,299	621,467	33,832
Total courts	\$ 735,927	\$ 744,775	\$ 704,064	\$ 40,711
Commonwealth's attorney:				
Commonwealth's attorney	\$ 767,582	\$ 767,570	\$ 722,707	\$ 44,863
Total judicial administration	\$ 1,503,509	\$ 1,512,345	\$ 1,426,771	\$ 85,574
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,940,168	\$ 5,171,586	\$ 4,603,298	\$ 568,288
Fire and rescue services:				
Fire departments and rescue squads	\$ 1,183,689	\$ 2,902,998	\$ 1,511,123	\$ 1,391,875
Emergency communications	283,971	308,061	251,260	56,801
Total fire and rescue services	\$ 1,467,660	\$ 3,211,059	\$ 1,762,383	\$ 1,448,676

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
County operated institutions - jail	\$ 4,251,942	\$ 4,322,757	\$ 4,256,063	\$ 66,694
Juvenile detention	90,000	90,000	66,850	23,150
Probation office	4,701	4,701	4,165	536
Total correction and detention	\$ 4,346,643	\$ 4,417,458	\$ 4,327,078	\$ 90,380
Development services:				
Building, planning, zoning and engineering	\$ 327,158	\$ 354,098	\$ 314,968	\$ 39,130
Other protection:				
Animal control	\$ 597,454	\$ 597,576	\$ 572,392	\$ 25,184
Emergency services	3,572,165	3,764,719	3,384,984	379,735
Dispatch	873,245	873,245	791,807	81,438
Courtroom security	-	24,023	2,049	21,974
Total other protection	\$ 5,042,864	\$ 5,259,563	\$ 4,751,232	\$ 508,331
Total public safety	\$ 16,124,493	\$ 18,413,764	\$ 15,758,959	\$ 2,654,805
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 746,525	\$ 746,485	\$ 696,364	\$ 50,121
Public works	328,956	283,948	222,544	61,404
Total sanitation and waste removal	\$ 1,075,481	\$ 1,030,433	\$ 918,908	\$ 111,525
Maintenance of general buildings and grounds:				
General properties	\$ 777,008	\$ 842,339	\$ 795,253	\$ 47,086
Total public works	\$ 1,852,489	\$ 1,872,772	\$ 1,714,161	\$ 158,611
Health and welfare:				
Health:				
Supplement of local health department	\$ 329,252	\$ 329,252	\$ 321,426	\$ 7,826
Mental health and mental retardation:				
Mental health contribution	\$ 38,743	\$ 38,743	\$ 38,743	\$ -

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Health and welfare: (Continued)				
Welfare:				
Welfare administration and programs	\$ 1,355,234	\$ 1,390,234	\$ 1,379,869	\$ 10,365
Comprehensive services act	1,402,977	1,406,436	1,208,118	198,318
Senior van program	62,655	69,994	63,951	6,043
Tax relief for the elderly	-	506,800	506,800	-
Other welfare programs	27,500	27,500	27,500	-
Total welfare	\$ 2,848,366	\$ 3,400,964	\$ 3,186,238	\$ 214,726
Total health and welfare	\$ 3,216,361	\$ 3,768,959	\$ 3,546,407	\$ 222,552
Education:				
Other instructional costs:				
Contribution to Community Colleges	\$ 37,140	\$ 37,140	\$ 37,140	\$ -
Contribution to County School Board	24,199,282	24,199,282	23,885,294	313,988
Total education	\$ 24,236,422	\$ 24,236,422	\$ 23,922,434	\$ 313,988
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 1,276,262	\$ 1,286,983	\$ 1,141,426	\$ 145,557
Sports complex	417,201	409,028	328,963	80,065
YMCA support	100,000	100,000	100,000	-
Total parks and recreation	\$ 1,793,463	\$ 1,796,011	\$ 1,570,389	\$ 225,622
Cultural enrichment:				
Contributions to cultural organizations	\$ 23,000	\$ 27,500	\$ 27,500	\$ -
Greenfield Historical Resources	50,000	40,000	-	40,000
Total cultural enrichment	\$ 73,000	\$ 67,500	\$ 27,500	\$ 40,000
Library:				
Library expenses	\$ 1,098,566	\$ 1,099,135	\$ 1,032,737	\$ 66,398
Total parks, recreation, and cultural	\$ 2,965,029	\$ 2,962,646	\$ 2,630,626	\$ 332,020
Community development:				
Planning and community development:				
Economic development - contributions	\$ 279,063	\$ 279,063	\$ 279,063	\$ -
Environmental management	19,155	19,155	19,154	1
Industrial development	340,000	340,000	211,481	128,519
Community development	511,709	553,845	492,643	61,202
Economic development	419,844	391,646	316,736	74,910
Contribution to Economic Development Authority	1,850,000	2,240,025	663,266	1,576,759
Total planning and community development	\$ 3,419,771	\$ 3,823,734	\$ 1,982,343	\$ 1,841,391

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 64,443	\$ 64,443	\$ 60,800	\$ 3,643
Total community development	\$ 3,503,369	\$ 3,907,332	\$ 2,062,297	\$ 1,845,035
Capital projects:				
VDOT revenue sharing	\$ -	\$ 36,463	\$ 36,463	\$ -
Website design	-	10,000	188	9,812
Emergency operations center	-	7,762	-	7,762
Greenfield education and training	-	11,325	11,325	-
Greenway project	100,000	127,000	65,125	61,875
Community recreation incentive program	35,000	57,119	34,115	23,004
Library incentive fund	10,000	10,000	-	10,000
Economic development program	475,000	250,000	37,065	212,935
Circuit courthouse complex	30,000	36,584	6,208	30,376
PC/laptop replacement	58,000	58,000	53,556	4,444
Enterprise-wide software	-	128,532	104,303	24,229
Solid waste disposal study	150,000	150,000	-	150,000
Daleville to Greenfield water	40,000	40,000	-	40,000
Library system-program study	-	20,000	-	20,000
Mobile radio replacement	135,000	690,479	509,830	180,649
Emergency communications project	75,000	75,000	-	75,000
Tax software	-	425,000	145,398	279,602
School construction costs	-	1,170,354	1,170,354	-
Cardiac monitor replacement plan	74,000	74,000	65,500	8,500
Leachate tank maintenance	53,000	53,000	11,110	41,890
E-summons purchases	-	168,783	80,767	88,016
Colonial elementary	-	29,634	89,609	(59,975)
Energy savings program - Schools	-	-	6,291,901	(6,291,901)
Fire & EMS study	35,000	35,000	-	35,000
Greenfield preservation area	-	20,000	-	20,000
Greenfield ETC study	50,000	50,000	-	50,000
Total capital projects	\$ 1,320,000	\$ 3,734,035	\$ 8,712,817	\$ (4,978,782)
Debt service:				
Principal retirement	\$ 2,372,810	\$ 2,249,944	\$ 2,199,943	\$ 50,001
Bond issuance costs	-	41,679	261,812	(220,133)
Interest and other fiscal charges	1,152,285	1,152,285	1,152,285	-
Total debt service	\$ 3,525,095	\$ 3,443,908	\$ 3,614,040	\$ (170,132)
Total General Fund	\$ 62,216,297	\$ 67,921,274	\$ 66,877,910	\$ 1,043,364
Total Primary Government	\$ 62,216,297	\$ 67,921,274	\$ 66,877,910	\$ 1,043,364

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 2,353,715	\$ 2,367,215	\$ 2,428,507	\$ (61,292)
Instruction costs:				
Instructional costs	\$ 41,544,497	\$ 40,690,497	\$ 38,394,594	\$ 2,295,903
Operating costs:				
Pupil transportation	\$ 3,384,988	\$ 3,684,988	\$ 3,724,932	\$ (39,944)
Operation and maintenance of school plant	4,767,561	4,802,335	4,576,213	226,122
School food service	1,777,500	1,777,500	1,775,633	1,867
Facilities	310,000	342,391	32,391	310,000
Technology	1,851,452	2,071,452	2,342,290	(270,838)
Total operating costs	\$ 12,091,501	\$ 12,678,666	\$ 12,451,459	\$ 227,207
Total education	\$ 55,989,713	\$ 55,736,378	\$ 53,274,560	\$ 2,461,818
Debt service:				
Principal retirement	\$ -	\$ 253,335	\$ 219,304	\$ 34,031
Interest and other fiscal charges	-	-	6,897	(6,897)
Total debt service	\$ -	\$ 253,335	\$ 226,201	\$ 27,134
Total School Operating Fund	\$ 55,989,713	\$ 55,989,713	\$ 53,500,761	\$ 2,488,952
Total Discretely Presented Component Unit - School Board	\$ 55,989,713	\$ 55,989,713	\$ 53,500,761	\$ 2,488,952

Note: Appropriations to the School Board are enforced at the fund level only.

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## STATISTICAL SECTION

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## Statistical Section

The statistical section of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the County's overall financial health. This information has not been audited by the independent auditor.

### Contents

### Tables

#### Financial Trends

These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.

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#### Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

7 - 10

#### Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

11 - 15

#### Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

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#### Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.

17 - 20

*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

Table 1

**COUNTY OF BOTETOURT, VIRGINIA**  
Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
Net investment in capital assets	\$ 33,178,862	\$ 34,195,468	\$ 34,962,435	\$ 35,235,486	\$ 35,731,696	\$ 37,238,281	\$ 37,094,464	\$ 38,247,104	\$ 34,392,020	\$ 36,914,554
Restricted	260,324	184,574	198,529	186,710	187,390	285,943	249,392	276,250	122,663	430,509
Unrestricted	10,303,045	9,116,696	10,975,733	10,617,666	14,637,371	13,957,491	13,655,336	12,502,865	13,976,126	10,298,650
Total governmental activities net position	\$ 43,742,231	\$ 43,496,738	\$ 46,136,697	\$ 46,039,862	\$ 50,556,457	\$ 51,481,715	\$ 50,999,192	\$ 51,026,219	\$ 48,490,809	\$ 47,643,713
<b>Business-type activities</b>										
Net investment in capital assets	\$ 10,102,393	\$ 9,954,091	\$ 10,019,461	\$ 10,215,268	\$ 10,091,246	\$ 10,222,456	\$ 10,039,266	\$ -	\$ -	\$ -
Unrestricted	2,022,825	2,354,249	2,511,990	2,615,419	3,520,581	3,773,638	1,044,299	-	-	-
Total business-type activities net position	\$ 12,125,218	\$ 12,308,340	\$ 12,531,451	\$ 12,830,687	\$ 13,611,827	\$ 13,996,094	\$ 11,083,565	\$ -	\$ -	\$ -
<b>Primary government</b>										
Net investment in capital assets	\$ 43,281,255	\$ 44,149,559	\$ 44,981,896	\$ 45,450,754	\$ 45,822,942	\$ 47,460,737	\$ 47,133,730	\$ 38,247,104	\$ 34,392,020	\$ 36,914,554
Restricted	260,324	184,574	198,529	186,710	187,390	285,943	249,392	276,250	122,663	430,509
Unrestricted	12,325,870	11,470,945	13,487,723	13,233,085	18,157,952	17,731,129	14,699,635	12,502,865	13,976,126	10,298,650
Total primary government net position	\$ 55,867,449	\$ 55,805,078	\$ 58,668,148	\$ 58,870,549	\$ 64,168,284	\$ 65,477,809	\$ 62,082,757	\$ 51,026,219	\$ 48,490,809	\$ 47,643,713

Source: County financial reports

COUNTY OF BOTETOURT, VIRGINIA  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government administration	\$ 2,882,831	\$ 3,330,864	\$ 3,017,197	\$ 3,009,226	\$ 2,932,750	\$ 3,258,654	\$ 3,352,349	\$ 3,568,952	\$ 3,262,899	\$ 3,271,312
Judicial administration	1,307,844	1,289,818	1,251,798	1,284,630	1,317,267	1,421,543	1,359,135	1,375,872	1,447,717	1,387,205
Public safety	11,875,621	12,060,957	11,119,800	12,689,537	12,734,181	14,178,649	13,795,657	14,128,003	15,488,178	14,814,140
Public works	3,469,969	1,026,920	1,902,510	1,709,623	2,230,035	2,010,971	1,937,224	2,120,535	3,037,534	1,844,947
Health and welfare	3,359,650	3,717,605	3,572,226	3,427,728	3,249,941	3,415,997	3,343,542	3,518,667	3,670,109	3,521,856
Education	23,154,154	20,616,634	22,116,884	21,703,533	22,291,399	22,911,062	23,089,557	24,384,045	28,951,576	29,253,247
Parks, recreation and cultural	2,932,681	3,120,867	3,266,210	3,193,686	2,980,612	3,194,559	3,167,746	3,586,367	2,907,748	2,850,232
Community development	1,323,106	672,942	581,692	533,841	307,960	246,185	1,042,460	3,449,920	5,287,420	2,432,431
Interest on long-term debt	2,127,418	1,978,620	1,763,356	1,805,765	1,595,978	1,509,639	1,230,403	1,134,705	1,039,664	1,571,127
Total governmental activities expenses	\$ 52,433,274	\$ 47,815,227	\$ 48,591,673	\$ 49,357,569	\$ 49,640,123	\$ 52,147,259	\$ 52,318,073	\$ 57,267,066	\$ 65,092,845	\$ 60,946,497
Business-type activities:										
Water	\$ 2,705,663	\$ 2,822,893	\$ 2,616,243	\$ 2,664,729	\$ 2,819,888	\$ 2,883,325	\$ 2,789,595	\$ -	\$ -	\$ -
Total primary government expenses	\$ 55,138,937	\$ 50,638,120	\$ 51,207,916	\$ 52,022,298	\$ 52,460,011	\$ 55,030,584	\$ 55,107,668	\$ 57,267,066	\$ 65,092,845	\$ 60,946,497
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ 606	\$ 492	\$ 1,148	\$ 308	\$ 1,154	\$ 600	\$ 736	\$ 131,950	\$ 68,472	\$ 84,938
Judicial administration	79,072	154,962	183,408	223,594	240,931	276,141	263,000	217,156	180,704	126,667
Public safety	542,087	462,721	396,503	395,365	479,049	550,788	591,880	623,338	547,878	592,072
Public works	176,935	168,841	174,421	141,865	155,792	162,979	163,934	171,249	184,054	200,839
Parks, recreation and cultural	149,235	164,399	163,473	183,585	165,958	183,661	186,413	167,683	160,335	150,661
Operating grants and contributions	7,900,796	6,843,667	6,943,118	6,848,849	6,565,401	6,753,916	6,788,151	8,642,874	10,392,900	6,904,529
Total governmental activities program revenues	\$ 8,848,731	\$ 7,795,082	\$ 7,862,071	\$ 7,793,566	\$ 7,608,285	\$ 7,928,085	\$ 7,994,114	\$ 9,954,250	\$ 11,534,343	\$ 8,059,706
Business-type activities:										
Charges for services:										
Water	\$ 2,703,870	\$ 2,971,193	\$ 2,826,574	\$ 3,019,701	\$ 3,577,258	\$ 3,270,261	\$ 3,001,021	\$ -	\$ -	\$ -
Capital grants and contributions	97,975	25,000	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 2,801,845	\$ 2,996,193	\$ 2,826,574	\$ 3,019,701	\$ 3,577,258	\$ 3,270,261	\$ 3,001,021	\$ -	\$ -	\$ -
Total primary government program revenues	\$ 11,650,576	\$ 10,791,275	\$ 10,688,645	\$ 10,813,267	\$ 11,185,543	\$ 11,198,346	\$ 10,995,135	\$ 9,954,250	\$ 11,534,343	\$ 8,059,706

**COUNTY OF BOTETOURT, VIRGINIA**  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (expense) / revenue										
Governmental activities	\$ (43,584,543)	\$ (40,020,145)	\$ (40,729,602)	\$ (41,564,003)	\$ (42,031,838)	\$ (44,219,174)	\$ (44,323,959)	\$ (47,312,816)	\$ (53,558,502)	\$ (52,886,791)
Business-type activities	96,182	173,300	210,331	354,972	757,370	386,936	211,426	-	-	-
Total primary government net expense	<u>\$ (43,488,361)</u>	<u>\$ (39,846,845)</u>	<u>\$ (40,519,271)</u>	<u>\$ (41,209,031)</u>	<u>\$ (41,274,468)</u>	<u>\$ (43,832,238)</u>	<u>\$ (44,112,533)</u>	<u>\$ (47,312,816)</u>	<u>\$ (53,558,502)</u>	<u>\$ (52,886,791)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 28,666,285	\$ 28,295,560	\$ 30,227,710	\$ 29,822,572	\$ 33,065,115	\$ 33,063,716	\$ 33,933,251	\$ 34,668,727	\$ 38,120,606	\$ 39,698,191
Local sales and use taxes	1,930,445	1,873,975	2,028,548	2,164,312	2,226,360	2,514,913	2,671,918	2,900,954	2,835,846	2,744,051
Taxes on recordation and wills	296,613	285,530	263,973	256,065	310,308	269,869	263,879	305,433	381,730	352,757
Motor vehicle licenses taxes	587,147	627,860	632,926	647,083	647,951	661,412	668,174	657,801	666,327	653,037
Consumers' utility taxes	694,849	694,260	699,959	695,430	702,303	710,204	712,242	709,924	714,794	572,118
Business licenses taxes	788,003	779,757	745,256	829,929	875,526	840,808	823,543	851,925	813,572	910,399
Other local taxes	2,329,120	1,537,984	1,703,421	1,689,951	1,689,435	1,821,605	1,804,665	1,918,323	2,021,210	2,302,760
Unrestricted grants and contributions	4,007,081	4,652,598	4,509,921	4,619,808	4,663,034	4,653,193	4,636,128	4,655,097	4,647,481	4,695,818
Unrestricted revenues from use of money and property	902,894	660,250	602,854	647,477	571,498	369,202	477,777	425,030	584,924	959,680
Miscellaneous	285,932	366,878	1,948,711	235,015	217,703	221,521	195,928	236,630	236,602	185,589
Gain (loss) on disposal of capital assets	-	-	-	-	1,582,795	-	-	-	-	-
Transfers	(911,991)	-	6,282	7,657	(3,555)	17,989	2,975,826	9,999	-	-
Total governmental activities	<u>\$ 39,576,378</u>	<u>\$ 39,774,652</u>	<u>\$ 43,369,561</u>	<u>\$ 41,615,299</u>	<u>\$ 46,548,433</u>	<u>\$ 45,144,432</u>	<u>\$ 49,169,331</u>	<u>\$ 47,339,843</u>	<u>\$ 51,023,092</u>	<u>\$ 53,074,400</u>
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 21,854	\$ 9,822	\$ 19,062	\$ 26,128	\$ 20,215	\$ 15,320	\$ 14,303	\$ -	\$ -	\$ -
Special item - Loss on transfer of operations	-	-	-	-	-	-	-	(11,073,566)	-	-
Transfers	911,991	-	(6,282)	(7,657)	3,555	(17,989)	(2,975,826)	(9,999)	-	-
Total business-type activities	<u>\$ 933,845</u>	<u>\$ 9,822</u>	<u>\$ 12,780</u>	<u>\$ 18,471</u>	<u>\$ 23,770</u>	<u>\$ (2,669)</u>	<u>\$ (2,961,523)</u>	<u>\$ (11,083,565)</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 40,510,223</u>	<u>\$ 39,784,474</u>	<u>\$ 43,382,341</u>	<u>\$ 41,633,770</u>	<u>\$ 46,572,203</u>	<u>\$ 45,141,763</u>	<u>\$ 46,207,808</u>	<u>\$ 36,256,278</u>	<u>\$ 51,023,092</u>	<u>\$ 53,074,400</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (4,008,165)	\$ (245,493)	\$ 2,639,959	\$ 51,296	\$ 4,516,595	\$ 925,258	\$ 4,845,372	\$ 27,027	\$ (2,535,410)	\$ 187,609
Business-type activities	1,030,027	183,122	223,111	373,443	781,140	384,267	(2,750,097)	(11,083,565)	-	-
Total primary government	<u>\$ (2,978,138)</u>	<u>\$ (62,371)</u>	<u>\$ 2,863,070</u>	<u>\$ 424,739</u>	<u>\$ 5,297,735</u>	<u>\$ 1,309,525</u>	<u>\$ 2,095,275</u>	<u>\$ (11,056,538)</u>	<u>\$ (2,535,410)</u>	<u>\$ 187,609</u>

Source: County financial reports

Table 3

**COUNTY OF BOTETOURT, VIRGINIA**  
 Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumers' Utility Tax	Motor			Record- ation and Wills Tax	Business License Tax	Restaurant Food Tax	Other		Total
				Vehicle License Tax	Taxes							
2018	\$ 39,698,191	\$ 2,744,051	\$ 572,118	\$ 653,037	\$ 352,757	\$ 910,399	\$ 1,431,301	\$ 871,459	\$			\$ 47,233,313
2017	38,120,606	2,835,846	714,794	666,327	381,730	813,572	1,302,205	719,005				45,554,085
2016	34,668,727	2,900,954	709,924	657,801	305,433	851,925	1,294,246	624,077				42,013,087
2015	33,933,251	2,677,918	712,242	668,174	263,879	823,543	1,244,855	559,810				40,883,672
2014	33,063,716	2,514,913	710,204	661,412	269,869	840,808	1,209,735	611,870				39,882,527
2013	33,065,115	2,226,360	702,303	647,951	310,308	875,526	1,135,809	553,626				39,516,998
2012	29,822,572	2,164,312	695,430	647,083	256,065	829,929	1,142,513	547,438				36,105,342
2011	30,227,710	2,028,548	699,959	632,926	263,973	745,256	1,093,240	610,181				36,301,793
2010	28,295,560	1,873,975	694,260	627,860	285,530	779,757	1,066,328	471,656				34,094,926
2009	28,666,285	1,930,445	694,849	587,147	296,613	788,003	1,097,813	1,231,307				35,292,462

Source: County financial reports

Note: The motor vehicle license tax was not collected in FY08, as the County eliminated vehicle decals. The tax will be a fee collected with the personal property taxes due each December.

Table 4

COUNTY OF BOTETOURT, VIRGINIA  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Reserved/Restricted	\$ 260,324	\$ 266,406	\$ 198,529	\$ 186,710	\$ 187,390	\$ 285,943	\$ 775,696	\$ 276,250	\$ 122,663	\$ 23,005,779
Assigned	-	-	-	-	1,643,315	992,671	1,300,957	-	-	-
Unreserved/Unassigned	16,164,020	14,054,127	15,900,561	15,545,586	18,164,705	18,289,310	22,478,701	21,862,769	22,988,746	25,517,069
Non-spendable	-	-	117,761	121,510	255,005	227,218	251,649	235,716	147,063	1,317,058
Total general fund	\$ 16,424,344	\$ 14,320,533	\$ 16,216,851	\$ 15,853,806	\$ 20,250,415	\$ 19,795,142	\$ 24,807,003	\$ 22,374,735	\$ 23,258,472	\$ 49,839,906

Note: The County implemented GASB 54 during the fiscal year ending June 30, 2011. As such, fund balance classifications have changed to include amounts that are restricted assigned, and nonspendable as reported above for years ending on June 30, 2011 and thereafter.

Source: County financial reports

Table 5

**COUNTY OF BOTETOURT, VIRGINIA**  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
General property taxes	\$ 28,472,840	\$ 28,265,340	\$ 30,156,224	\$ 29,814,950	\$ 33,052,057	\$ 33,167,127	\$ 34,032,340	\$ 34,656,986	\$ 38,014,898	\$ 39,686,234
Other local taxes	6,626,177	5,799,366	6,074,083	6,282,770	6,451,883	6,818,811	6,990,421	7,344,360	7,433,479	7,535,122
Permits, privilege fees and regulatory licenses	259,873	259,962	216,496	174,240	237,446	245,505	245,505	498,046	384,983	475,519
Fines and forfeitures	87,133	91,435	115,006	154,048	132,627	139,238	141,023	105,481	112,769	77,064
Revenue from use of money and property	902,894	660,250	602,854	647,477	571,498	369,202	477,777	425,030	584,924	959,680
Charges for services	600,929	600,018	587,451	616,429	672,811	789,426	752,571	707,849	643,691	602,594
Miscellaneous	285,932	366,878	1,948,711	235,015	217,703	221,521	195,928	236,630	236,602	185,589
Recovered costs	1,982,437	1,465,804	1,383,273	1,657,121	1,396,735	1,391,628	1,563,432	1,546,004	1,813,036	2,072,357
Intergovernmental:										
Commonwealth	9,827,831	10,278,579	10,151,813	9,961,769	9,854,658	10,229,724	10,507,516	12,355,099	14,118,464	10,568,246
Federal	2,080,046	1,217,686	1,301,226	1,506,888	1,373,777	1,177,385	916,763	942,872	921,917	1,032,101
<b>Total revenues</b>	<b>\$ 51,126,092</b>	<b>\$ 49,005,318</b>	<b>\$ 52,537,137</b>	<b>\$ 51,050,707</b>	<b>\$ 53,961,195</b>	<b>\$ 54,549,567</b>	<b>\$ 55,850,140</b>	<b>\$ 58,818,357</b>	<b>\$ 64,264,763</b>	<b>\$ 63,194,506</b>
<b>Expenditures</b>										
General government administration	\$ 3,133,423	\$ 3,217,633	\$ 2,946,149	\$ 3,163,761	\$ 2,865,931	\$ 3,443,109	\$ 3,630,519	\$ 3,877,689	\$ 3,430,318	\$ 3,489,398
Judicial administration	1,281,196	1,276,576	1,224,399	1,277,824	1,308,558	1,419,922	1,418,447	1,436,618	1,508,125	1,426,771
Public safety	12,709,074	12,621,652	11,570,131	13,447,745	13,406,454	15,094,607	14,972,418	15,911,380	16,283,139	15,758,959
Public works	1,699,314	1,729,418	1,670,355	1,727,239	1,666,210	1,739,422	1,735,611	1,855,518	1,995,355	1,714,161
Health and welfare	3,427,105	3,770,875	3,639,024	3,471,988	3,293,613	3,458,579	3,461,038	3,606,886	3,739,064	3,546,407
Education	21,712,253	19,021,824	20,401,136	20,577,954	21,165,820	21,785,483	21,963,977	23,258,465	24,052,579	23,922,434
Parks, recreation and cultural	2,986,515	2,972,332	2,850,141	2,908,001	2,687,058	3,030,846	2,963,364	3,456,445	2,690,490	2,630,626
Community development	496,566	625,127	600,861	289,055	304,429	242,770	211,088	3,417,586	5,274,461	3,183,916
Capital projects	3,067,114	1,014,166	1,016,336	261,819	92,247	776,212	122,404	594,223	1,035,549	7,572,044
Debt service										
Principal	2,762,390	2,798,024	2,784,220	2,838,515	2,787,190	2,881,768	3,055,330	2,587,313	2,150,758	2,199,943
Bond issuance cost	-	-	31,266	-	-	-	108,500	-	-	261,812
Interest and other fiscal charges	2,223,760	2,061,502	1,972,381	1,799,409	1,688,774	1,596,483	1,243,450	1,311,631	1,218,669	1,152,285
<b>Total expenditures</b>	<b>\$ 55,498,710</b>	<b>\$ 51,109,129</b>	<b>\$ 50,706,399</b>	<b>\$ 51,763,310</b>	<b>\$ 51,266,284</b>	<b>\$ 55,469,201</b>	<b>\$ 54,886,146</b>	<b>\$ 61,313,754</b>	<b>\$ 63,378,507</b>	<b>\$ 66,888,756</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (4,372,618)</b>	<b>\$ (2,103,811)</b>	<b>\$ 1,830,738</b>	<b>\$ (712,603)</b>	<b>\$ 2,694,911</b>	<b>\$ (919,634)</b>	<b>\$ 963,994</b>	<b>\$ (2,495,397)</b>	<b>\$ 886,256</b>	<b>\$ (3,664,250)</b>
<b>Other financing sources (uses)</b>										
Transfers in	\$ -	\$ -	\$ 6,282	\$ 7,657	\$ -	\$ 17,989	\$ 3,175,826	\$ 9,999	\$ -	\$ -
Transfers out	(911,991)	-	-	-	(3,555)	-	-	-	(2,519)	-
Proceeds from refunding bonds issued	-	-	2,074,298	-	-	-	14,985,611	-	-	-
Payments to refunded bonds escrow agent	-	-	(2,015,000)	-	-	-	(14,878,212)	-	-	-
Proceeds of general obligation bonds	-	-	-	-	-	446,372	-	-	-	-
Premium on general obligation bonds	-	-	-	-	-	-	-	-	-	28,965,329
Proceeds of capital lease	-	-	-	-	-	-	-	-	-	1,280,355
Sale of assets	-	-	-	-	-	-	526,304	53,130	-	-
Total other financing sources (uses)	<b>\$ (911,991)</b>	<b>\$ -</b>	<b>\$ 65,580</b>	<b>\$ 349,558</b>	<b>\$ 1,705,253</b>	<b>\$ -</b>	<b>\$ 238,338</b>	<b>\$ 63,129</b>	<b>\$ (2,519)</b>	<b>\$ 30,245,684</b>
<b>Net change in fund balances</b>	<b>\$ (5,284,609)</b>	<b>\$ (2,103,811)</b>	<b>\$ 1,896,318</b>	<b>\$ (363,045)</b>	<b>\$ 4,396,609</b>	<b>\$ (455,273)</b>	<b>\$ 5,011,861</b>	<b>\$ (2,432,268)</b>	<b>\$ 883,737</b>	<b>\$ 26,581,434</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>9.51%</b>	<b>9.70%</b>	<b>9.57%</b>	<b>9.15%</b>	<b>8.88%</b>	<b>8.40%</b>	<b>8.00%</b>	<b>6.61%</b>	<b>5.41%</b>	<b>5.39%</b>

Source: County financial reports

Table 6

**COUNTY OF BOTETOURT, VIRGINIA**  
 General Governmental Tax Revenues by Source  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumers' Utility Tax	Motor		Record- ation and Wills Tax	Business License Tax	Other		Total
				Vehicle License Tax				Local Taxes		
2018	\$ 39,686,234	\$ 2,744,051	\$ 572,118	\$ 653,037	\$ 352,757	\$ 910,399	\$ 2,302,760	\$		47,221,356
2017	38,014,898	2,835,846	568,681	666,327	381,730	813,572	2,167,323			45,448,377
2016	34,656,986	2,900,954	565,368	657,801	305,433	851,925	2,062,879			42,001,346
2015	34,032,340	2,677,918	562,325	668,174	263,879	823,543	1,954,582			40,982,761
2014	33,167,127	2,514,913	558,366	661,412	269,869	840,808	1,973,443			39,985,938
2013	33,052,057	2,226,360	702,303	647,951	310,308	875,526	1,689,435			39,503,940
2012	29,814,950	2,164,312	695,430	647,083	256,065	829,929	1,689,951			36,097,720
2011	30,156,224	2,028,548	699,959	632,926	263,973	745,256	1,703,421			36,230,307
2010	28,265,340	1,873,975	694,260	627,860	285,530	779,757	1,537,984			34,064,706
2009	28,472,840	1,930,445	694,849	587,147	296,613	788,003	2,329,120			35,099,017

Note: The motor vehicle license tax was not collected in FY08, as the County eliminated vehicle decals. The tax will be a fee collected with the personal property taxes due each December.

Source: County financial reports



Table 7

**COUNTY OF BOTETOURT, VIRGINIA**  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total Direct Tax Rate	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2018	\$ 3,341,675,855	\$ 353,464,762	\$ 5,956,583	\$ 206,025,238	\$ n/a	\$ 377,553,798	\$ 0.997	\$ 4,284,676,236	\$ 4,284,676,236	100.00%
2017	3,351,117,360	351,925,121	6,090,836	192,175,546	n/a	285,856,059	0.998	4,187,164,922	4,187,164,922	100.00%
2016	3,307,696,135	332,372,947	6,992,559	191,005,313	n/a	246,481,530	0.926	4,084,548,484	4,084,548,484	100.00%
2015	3,287,828,902	318,709,760	7,060,247	186,676,796	n/a	220,905,260	0.922	4,021,180,965	4,021,180,965	100.00%
2014	3,257,599,002	314,360,176	7,134,407	175,191,835	n/a	218,475,707	0.919	3,972,761,127	3,972,761,127	100.00%
2013	3,242,699,650	311,958,061	6,950,130	182,418,399	n/a	208,049,845	0.921	3,952,076,085	3,952,076,085	100.00%
2012	3,218,025,862	310,059,737	6,997,205	173,908,916	n/a	194,395,467	0.870	3,903,387,187	3,903,387,187	100.00%
2011	3,235,788,546	300,246,831	7,491,117	194,707,052	n/a	198,118,207	0.852	3,936,351,753	3,936,351,753	100.00%
2010	2,988,312,115	283,659,315	7,399,339	193,749,235	n/a	174,383,239	0.859	3,647,503,243	3,647,503,243	100.00%
2009	2,959,128,712	333,396,867	7,345,446	192,402,843	n/a	163,592,256	0.884	3,655,866,124	3,655,866,124	100.00%

Source: Commissioner of Revenue  
Tax rate is per \$100 of assessed value.

Table 8

COUNTY OF BOTETOURT, VIRGINIA  
Property Tax Rates (1)  
Direct and Overlapping Governments  
Last Ten Fiscal Years

Fiscal Years	Direct Rates							Overlapping Rates	
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Total Direct Tax Rate	Real Estate	Personal Property	Town of Buchanan
2018 \$	0.79	\$ 2.71	\$ 0.79	1.80	n/a	\$ 0.997	0.19	\$ 0.32	
2017	0.79	2.71	0.79	1.80	n/a	0.998	0.19	0.32	
2016	0.72	2.63	0.72	1.80	n/a	0.926	0.19	0.32	
2015	0.72	2.63	0.72	1.80	n/a	0.922	0.19	0.32	
2014	0.72	2.63	0.72	1.80	n/a	0.919	0.19	0.32	
2013	0.72	2.63	0.72	1.80	n/a	0.921	0.19	0.32	
2012	0.65	2.55	0.65	1.80	n/a	0.870	0.19	0.32	
2011	0.65	2.55	0.65	1.80	n/a	0.852	0.19	0.32	
2010	0.65	2.55	0.65	1.80	n/a	0.859	0.19	0.32	
2009	0.65	2.55	0.65	1.80	n/a	0.884	0.19	0.32	

Source: Commissioner of the Revenue

(1) Per \$100 of assessed value

Total Direct Tax Rate is for County only; information to develop direct rate inclusive of Town was not readily available.

Table 9

**COUNTY OF BOTETOURT, VIRGINIA**  
Principal Property Taxpayers  
Current Year and the Period Nine Years Prior  
(dollars in millions)

Taxpayer	Type Business	Fiscal Year 2018			Fiscal Year 2009		
		2018 Assessed Valuation	% of Total Assessed Valuation		2008 Assessed Valuation	% of Total Assessed Valuation	
American Electric Power	Utility	\$ 243.7	5.69%		\$ 66.6	1.82%	
Roanoke Cement	Manufacturing	106.4	2.48%		98.9	2.71%	
Dynax America Corporation	Manufacturing	58.4	1.36%		31.4	0.86%	
Metalsa Roanoke	Manufacturing	50.8	1.19%		46.4	1.27%	
Lumos Network / Telephone	Communications	28.3	0.66%		20.0	0.55%	
Arkay Packaging	Manufacturing	23.0	0.54%		10.1	0.28%	
New River Electrical	Construction	23.0	0.54%		6.9	0.19%	
CSX Transportation	Railroad	22.0	0.51%		12.6	0.34%	
Roanoke Gas	Utility	20.8	0.49%		12.8	0.35%	
Altec Industries	Manufacturing	18.1	0.42%		12.6	0.34%	
Totals		\$ 594.5	13.88%		\$ 318.3	8.71%	

Source: Commissioner of Revenue

Table 10

**COUNTY OF BOTETOURT, VIRGINIA**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ending June 30	Total Tax Levy for Fiscal Year(1)	Collected within the			Collections in		Total Collections to Date	
		Fiscal Year of the Levy		Percentage of Levy	Subsequent Years		Amount Collected	Percentage of Levy
		Amount Collected	Percentage of Levy					
2018	\$ 38,975,239	\$ 38,608,350	99.06%	\$	-	\$	38,608,350	99.06%
2017	37,445,090	36,987,678	98.78%		318,214		37,305,892	99.63%
2016	37,499,953	37,031,300	98.75%		340,166		37,371,466	99.66%
2015	37,061,446	36,543,004	98.60%		393,931		36,936,935	99.66%
2014	36,509,897	35,922,088	98.39%		530,205		36,452,293	99.84%
2013	36,077,900	35,398,082	98.12%		654,297		36,052,379	99.93%
2012	33,191,396	32,560,205	98.10%		605,779		33,165,984	99.92%
2011	33,292,786	32,733,716	98.32%		533,083		33,266,799	99.92%
2010	31,190,720	30,634,370	98.22%		527,097		31,161,467	99.91%
2009	31,895,673	31,340,826	98.26%		502,687		31,843,513	99.84%

(1) Levy and collections include amounts due under the State Personal Property Tax Relief Act.

Source of information: Commissioner of the Revenue's assessment records and the Treasurer's collections records.

Table 11

**COUNTY OF BOTETOURT, VIRGINIA**  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)		
	General		Literary Fund Loans	Other Notes/ Bonds	Revenue		Capital Leases						
	Obligation	Bonds			Bonds								
2018	\$	53,471,360	\$	1,509,650	\$	-	\$	-	\$	55,220,325	3.54%	\$	1,656
2017		24,845,517		2,161,580		-		-		27,361,061	1.76%		825
2016		26,423,079		2,813,510		-		-		29,701,986	1.90%		887
2015		28,432,950		3,465,440		-		8,949,142		41,373,836	2.65%		1,234
2014		29,907,498		4,117,370		-		9,152,023		43,176,891	2.85%		1,292
2013		31,735,140		4,769,300		-		9,126,667		45,631,107	3.02%		1,371
2012		33,914,576		5,421,230		-		7,820,511		47,156,317	3.23%		1,412
2011		36,145,337		6,073,160		-		7,739,655		49,958,152	3.69%		1,504
2010		38,219,274		6,768,321		-		7,657,640		52,645,235	3.91%		1,588
2009		40,305,216		7,517,663		-		8,126,202		55,949,081	4.03%		1,676

Source: County financial reports

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 16

Table 12

**COUNTY OF BOTETOURT, VIRGINIA**  
Ratio of Net General Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation		Net Bonded Debt per Capita (1)
				Debt to Assessed Value (2)		
2018	\$ 54,981,010	\$ -	\$ 54,981,010	1.28%	\$	1,649
2017	27,007,097	-	27,007,097	0.64%		814
2016	29,236,589	-	29,236,589	0.72%		873
2015	31,898,390	-	31,898,390	0.79%		952
2014	34,024,868	-	34,024,868	0.86%		1,018
2013	36,504,440	-	36,504,440	0.92%		1,096
2012	39,335,806	-	39,335,806	1.01%		1,178
2011	42,218,497	-	42,218,497	1.07%		1,271
2010	44,987,595	-	44,987,595	1.23%		1,357
2009	47,822,879	-	47,822,879	1.31%		1,433
2008	50,630,125	-	50,630,125	1.43%		1,526

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 16

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences. Bond indebtedness includes debt to be repaid with general government resources.

Source: County financial reports

Table 13

**COUNTY OF BOTETOURT, VIRGINIA**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2018**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with taxes: Town of Troutville	\$ 291,598	100%	\$ 291,598
Subtotal, overlapping debt			<u>\$ 291,598</u>
County of Botetourt, direct debt			\$ 55,220,325
Total direct and overlapping debt			<u>\$ 55,511,923</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This table estimates the portion of the outstanding debt of those overlapping government's that is borne by the residents and businesses of the County of Botetourt. This process recognizes that, when considering the County's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the government's boundaries and dividing it by the Town's total taxable assessed value.

Source: Financial reports of Towns within the County.

Table 14

COUNTY OF BOTETOURT, VIRGINIA  
Legal Debt Margin Information  
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 365,586,612	\$ 364,750,324	\$ 393,635,175	\$ 390,338,719	\$ 395,207,609	\$ 397,276,113	\$ 402,118,097	\$ 408,454,848	\$ 418,716,492	\$ 428,467,624
Total net debt applicable to limit	47,822,879	44,987,595	42,218,497	39,335,806	36,504,440	34,024,868	31,898,390	29,236,589	27,007,097	54,981,010
Legal debt margin	\$ 317,763,733	\$ 319,762,729	\$ 351,416,678	\$ 351,002,913	\$ 358,703,169	\$ 363,251,245	\$ 370,219,707	\$ 379,218,259	\$ 391,709,395	\$ 373,486,614
Total net debt applicable to the limit as a percentage of debt limit	13.08%	12.33%	10.73%	10.08%	9.24%	8.56%	7.93%	7.16%	6.45%	12.83%
Legal Debt Margin Calculation for Fiscal Year 2018										
Total assessed value	\$ 4,284,676,236									
Debt limit (10% of total assessed value)	428,467,624									
Net debt applicable to limit	54,981,010									
Legal debt margin	\$ 373,486,614									



Table 15

**COUNTY OF BOTETOURT, VIRGINIA**  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Water/Sewer Revenue Bonds					Special Assessment Bonds			
	Water/ Sewer Charges and Other(1)	Less: Operating Expenses	Net Available Revenue	Debt Service		Special Assessment Collections	Principal	Interest	Coverage
				Principal	Interest				
2017	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2017	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2015 \$	3,015,324	\$ 1,559,272	\$ 1,456,052	\$ 675,725	\$ 290,208	n/a	n/a	n/a	n/a
2014	6,812,390	1,774,092	5,038,298	604,659	327,591	n/a	n/a	n/a	n/a
2013	7,136,660	1,736,393	5,400,267	527,590	268,949	n/a	n/a	n/a	n/a
2012	5,590,913	1,595,354	3,995,559	498,158	284,171	n/a	n/a	n/a	n/a
2011	5,647,072	1,546,418	4,100,654	478,632	288,574	n/a	n/a	n/a	n/a
2010	5,038,229	1,749,040	3,289,189	464,429	295,806	n/a	n/a	n/a	n/a
2009	4,623,658	1,637,099	2,986,559	450,580	311,427	n/a	n/a	n/a	n/a

Note: The County has had no special assessment bonds activity during this period.

(1) Other includes cash and cash equivalents and contributions available for funding debt service.

Effective July 1, 2015, the County's water and sewer operations were transferred to the Western Virginia Water Authority; therefore, no activity occurs after this date.

Source: County financial reports

Table 16

**COUNTY OF BOTETOURT, VIRGINIA**  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income		Per Capita Personal Income	Median Age	School Enrollment	Unemploy- ment Rate
		(thousands of dollars)	(thousands of dollars)				
2018	33,350	\$	1,559,046	\$ 46,748	46.4	4,553	3.64%
2017	33,176		1,553,002	46,811	46.4	4,553	3.64%
2016	33,486		1,508,712	45,055	44.9	4,675	3.70%
2015	33,521		1,564,224	46,664	44.9	4,780	4.62%
2014	33,423		1,514,730	45,320	44.9	4,777	5.07%
2013	33,293		1,508,839	45,320	44.9	4,876	5.18%
2012	33,399		1,460,238	43,721	44.9	4,984	5.57%
2011	33,209		1,354,794	40,796	44.9	4,943	5.80%
2010	33,148		1,348,030	40,667	44.9	4,977	6.40%
2009	33,374		1,388,692	41,610	44.8	4,864	5.00%

Population Source: Weldon Cooper Center (most recent year not available; estimate used)

Income Source: U.S. Bureau of Economic Analysis (most recent year not available)

Median Age figures are estimates using year 2010 (provided by U.S. Census Bureau) as benchmark

School enrollment is derived from March ADM (Average Daily Membership) figures

Unemployment Rate Source: Virginia Employment Commission

Table 17

**COUNTY OF BOTETOURT, VIRGINIA**  
Principal Employers  
Current Year and Nine Years Ago

Fiscal Year 2018					Fiscal Year 2009		
Employer	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees	
Botetourt County Public Schools	1	Local Government	500-999	1	Local Government	500-999	
Altec Industries	2	Private	500-999	4	Private	100-249	
Dynax America Corporation	3	Private	500-999	2	Private	250 - 499	
County of Botetourt	4	Local Government	250 - 499	3	Local Government	250 - 499	
Lawrence Transportation System	5	Private	100-249	9	Private	100-249	
Metalsa Roanoke	6	Private	100-249	5	Private	100-249	
The Glebe Inc. Dip	7	Private	100-249	12	Private	100-249	
Arkay Packaging	8	Private	100-249	16	Private	100-249	
Gala Industries	9	Private	100-249	8	Private	100-249	
Virginia Truck Center	10	Private	100-249	15	Private	100-249	
Roanoke Cement Company LLC	11	Private	100-249	11	Private	100-249	
Kroger	12	Private	100-249	-	Private	100-249	
Lanford Brothers Company	13	Private	100-249	10			
Kirby Vass Insulation	14	Private	100-249	20	Private	100-249	
Cracker Barrel Old Country Store	15	Private	100-249	17	Private	100-249	
Kissito Healthcare	16	Private	100-249	-	Private	100-249	
Carrington Place Botetourt	17	Private	100-249	-	-	-	
Pilot Travel Centers	18	Private	100-249	-	-	-	
The Pepso Bottling Group	19	Private	50-99	18	-	-	
Canatal Steel Usa Inc.	20	Private	50-99	-	-	-	
Home Instead Senior Care				6	Private	100-249	
Koyo Steering Systems, Inc.				7	Private	100-249	
O'Neal Steel				13	Private	100-249	
Tread Corporation				14	Private	100-249	
Howell's Motor Freight				19	Private	100-249	

Source: Virginia Employment Commission

Table 18

**COUNTY OF BOTETOURT, VIRGINIA**  
Full-time Equivalent County Government Employees by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government administration	30	31	31	30	29	30	31	31	31	31
Judicial administration	17	17	16	17	17	17	17	17	17	17
Public safety:										
Sheriffs department	115	108	109	114	113	115	115	115	116	117
Fire & rescue	15	17	25	29	30	34	34	34	40	43
Inspections (Development Services)	5	4	4	8	9	8	9	10	10	11
Animal control	4	4	4	4	4	4	4	4	4	4
GIS / Communications	3	0	0	0	0	0	0	0	0	0
Public works:										
Utilities/General Services	11	11	11	12	12	11	11	4	4	4
General maintenance	7	7	7	7	7	7	7	7	7	7
Waste Management	5	4	4	4	4	4	4	4	4	4
Engineering	4	4	4	0	0	0	0	0	0	0
Health and welfare:										
Department of social services	16	16	14	16	15	17	19	20	21	21
Comprehensive Services	1	1	1	1	1	1	1	1	1	1
Culture and recreation:										
Parks and recreation	17	16	15	14	14	13	13	13	13	14
Library	13	14	14	14	13	13	13	13	13	13
Tourism / Marketing	1	1	1	1	1	2	2	2	2	2
Community development:										
Planning	4	4	3	0	0	0	0	0	0	0
Totals	268	259	263	271	269	276	280	275	283	289

Source: Individual county departments

Note: GIS employees have been reallocated to General Government, then Public Works.

Note: Engineering employees have been reallocated to Development Services and Utilities.

Note: Planning employees have been reallocated Development Services.

Table 19

**COUNTY OF BOTETOURT, VIRGINIA**  
Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Sheriffs department:										
Physical arrests	1,768	1,845	2,402	2,290	2,302	2,051	2,417	2,448	2,375	2,413
Traffic violations	2,330	2,698	3,232	2,951	2,560	3,180	3,199	2,742	2,865	3,349
Civil papers	7,301	7,187	6,955	6,813	6,750	6,335	6,494	6,398	6,761	6,858
Fire and rescue:										
Number of calls answered	5,131	4,615	4,057	4,730	4,719	4,618	4,396	4,633	4,783	4,860
Building inspections:										
Permits issued (same as Planning)	462	475	424	378	395	411	421	399	446	471
Animal control:										
Number of calls answered	6,872	6,082	6,035	6,100	5,210	4,790	5,543	5,878	5,051	5,398
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	4	6	5	6	6
Landfill:										
Refuse collected (tons/day)	6.5	6.8	7.1	5.6	6.4	7.1	6.7	6.8	6.9	6.0
Recycling (tons/day)	8.1	9.7	9.5	8.3	10.3	10.7	10.0	10.9	9.3	7.8
Health and welfare										
Department of Social Services:										
Caseload	2,702	3,493	4,125	4,152	4,479	5,014	5,929	5,437	6,840	4,148
Culture and recreation										
Parks and recreation:										
Recreation permits issued	85	86	93	97	129	118	156	115	106	94
Youth sports participants	3,594	3,863	3,960	3,931	4,197	4,725	4,744	5,004	4,442	4,271
Community development										
Planning:										
Zoning permits issued	462	475	424	378	395	411	421	399	446	471
Component Unit - School Board										
Education:										
School age population (per census)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of teachers	409	405	405	414	408	398	393	399	390	388
Local expenditures per pupil	4,369	4,222	4,344	4,304	4,721	5,246	5,015	5,402	5,823	6,044

Source: Individual county departments. Prior year information provided to the extent available.

Note: Landfill - Reduction in tons collected per day beginning in FY08 is due to the diversion of refuse from contracted trash haulers to another locality's transfer station site.

Note: Youth sports participants includes a partial year (FY13) and a full year (FY14) of recreation sports post-season playoffs participants.

Note: Social Services caseload includes types of cases that will be reported in the future (not reported in prior years).

Table 20

**COUNTY OF BOTETOURT, VIRGINIA**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government administration										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	5	7	7	4	3	5	4	4	4	3
Public safety										
Sheriff's department:										
Patrol units	51	50	51	51	51	51	51	51	51	48
Other vehicles	14	15	16	15	16	18	18	21	22	22
Development Services / Building inspections:										
Vehicles	4	4	4	7	6	8	8	9	8	6
Animal control:										
Vehicles	4	4	4	4	4	4	4	4	4	4
Public works										
General maintenance:										
Trucks/vehicles	15	14	17	19	22	19	20	12	12	8
Landfill:										
Vehicles	11	8	6	6	6	6	6	6	6	6
Equipment	9	9	9	9	9	9	9	9	9	9
Sites	2	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of Social Services: Vehicles	-	-	-	-	-	2	2	3	3	4
County Van Program - Vehicles	2	2	2	2	2	2	2	3	4	3
Culture and recreation										
Parks and recreation:										
Community centers	2	2	2	2	1	1	1	1	1	1
Vehicles - Parks & Recreation, Library	17	19	19	20	21	21	20	21	21	21
Parks acreage	158	158	158	158	158	158	158	158	158	158
Tennis courts	4	4	4	4	4	4	4	4	4	4
Community development										
Planning:										
Vehicles	2	1	2	-	-	-	-	-	-	-
Component Unit - School Board										
Education:										
Schools	12	12	12	12	12	13	13	13	13	13
School buses	89	93	94	96	95	94	95	96	98	97

Source: Individual county departments.

Beginning in FY12, Planning vehicles are combined into Development Services.

Note: Public Works - General maintenance vehicles includes Public Works, Utilities, and Maintenance.

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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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The Honorable Members of the Board of Supervisors  
County of Botetourt, Virginia  
Fincastle, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Botetourt, Virginia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Botetourt, Virginia's basic financial statements and have issued our report thereon dated November 19, 2018.

### Internal Control over Financial Reporting

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

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

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



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Botetourt, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

## County of Botetourt, Virginia's Response to Findings

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

## Purpose of this Report

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



Blacksburg, Virginia  
November 19, 2018

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Members of the Board of Supervisors  
County of Botetourt, Virginia  
Fincastle, Virginia

### Report on Compliance for Each Major Federal Program

We have audited the County of Botetourt, 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 Botetourt, Virginia's major federal programs for the year ended June 30, 2018. The County of Botetourt, 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 Botetourt, 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 Botetourt, 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 Botetourt, Virginia's compliance.

### *Opinion on Each Major Federal Program*

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

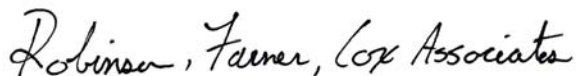
## Report on Internal Control over Compliance

Management of the County of Botetourt, 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 Botetourt, 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 Botetourt, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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.



Blacksburg, Virginia  
November 19, 2018

## COUNTY OF BOTETOURT, VIRGINIA

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
<b>DEPARTMENT OF AGRICULTURE:</b>				
Pass through payments from:				
<i>Department of Social Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117/0010118/004011 7/040118/050118	\$	157,693
<i>Department of Education:</i>				
Schools and Roads - Grants to States	10.665	43841		53,642
Child Nutrition Cluster				
School Breakfast Program	10.553	40591	\$	144,422
<i>State Department of Agriculture:</i>				
Food Distribution-Schools (Note C)	10.555	Unknown	\$	105,963
<i>Department of Education:</i>				
National School Lunch Program	10.555	40623	530,189	636,152
Total Child Nutrition Cluster				780,574
Total Department of Agriculture				\$ 991,909
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>				
Pass through payments from:				
<i>Department of Social Services:</i>				
Promoting Safe and Stable Families	93.556	0950116/0950117	\$	11,118
Temporary Assistance for Needy Families	93.558	0400117/0400118		125,536
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118		192
Low Income Home Energy Assistance	93.568	0600417/0600418		18,161
Social Services Block Grant	93.667	1000117/1000118		99,904
Chafee Foster Care Independence Program	93.674	9150117/9150118		799
Children's Health Insurance Program	93.767	0540117/0540118		6,349
Medical Assistance Program	93.778	1200117/1200118		160,031
Chafee Education and Training Vouchers Program	93.599	9160117		140
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900117		421
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760118		21,256
Foster Care - Title IV E	93.658	1100117/1100118		75,291
Adoption Assistance	93.659	1120117/1120118		71,482
Child Support Enforcement	93.563	Unknown		200
Adoption and Legal Guardianship Incentive Payments	93.603	1130114/1130115		5,525
Total Department of Health and Human Services			\$	596,405
<b>DEPARTMENT OF HOMELAND SECURITY:</b>				
Pass through payments from:				
<i>Department of Emergency Management:</i>				
Emergency Management Performance Grants	97.042	158	\$	7,500
Disaster Grants-Public Assistance	97.036	Unknown		19,239
Total Department of Homeland Security			\$	26,739
<b>DEPARTMENT OF TRANSPORTATION:</b>				
Pass through payments from:				
<i>Department of Motor Vehicles:</i>				
Highway Safety Cluster				
State and Community Highway Safety	20.600	50326	\$	4,997
National Priority Safety Programs	20.616	Unknown	9,303	\$ 14,300
Alcohol Open Container Requirements	20.607	154AL-2010		5,035
Total Department of Transportation			\$	19,335
<b>DEPARTMENT OF EDUCATION:</b>				
Pass through payments from:				
<i>City of Salem, Virginia:</i>				
Student Support and Academic Enrichment Program	84.424	Unknown	\$	11,200
<i>Department of Education:</i>				
Career and Technical Education -- Basic Grants to States	84.048	61095		51,931
Adult Education - Basic Grants to States	84.002	42801		23,353
Supporting Effective Instruction State Grant	84.367	61480		194,579

## COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018**DEPARTMENT OF EDUCATION: (Continued)**

Pass through payments from: (Continued)

Department of Education: (Continued)

English Language Acquisition State Grants	84.365	Unknown	\$	5,632
Title I Grants to Local Educational Agencies	84.010	42901		435,451
Special Education Cluster - IDEA				
Special Education - Grants to States	84.027	73071	\$	1,090,736
Special Education - Preschool Grants	84.173	62521		34,529
Total Special Education Cluster - IDEA				<u>1,125,265</u>
Total Department of Education			\$	<u>1,847,411</u>
Total Expenditures of Federal Awards			\$	<u>3,481,799</u>

**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 Botetourt, Virginia under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Botetourt, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Botetourt, 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 indentifying number are presented where available.
- (3) The County did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement.

## Note C--Food Distribution

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

## NOTE D--Subrecipients

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

## NOTE E--Outstanding Balance of Federal Loans

The County has not received any federal funding through loans.

## Note F--Relationship to the Financial Statements:

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

## Primary government:

General Fund - Intergovernmental	\$	11,600,347
Less: Revenue from the Commonwealth		(10,568,246)
Less: Payment in Lieu of Taxes		(231,929)

## Component Unit School Board:

School Operating Fund - Intergovernmental		51,911,480
Less: Revenue from local governments		(23,885,294)
Less: Revenue from the Commonwealth		<u>(25,344,559)</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u>3,481,799</u>
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County of Botetourt, Virginia

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

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Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

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

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

## County of Botetourt, Virginia

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018 (Continued)

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#### Section II - Financial Statement Findings

##### 2018-001

##### (Material Weakness) (Noncompliance)

Criteria: Expenditures should not exceed appropriations and bank accounts for projects should not be maintained outside of the Treasurer's custody.

Condition: The School Board initiated energy savings projects during the fiscal year with proceeds from debt totaling approximately \$6 million dollars. Funds received from the debt issuance were deposited into an investment account; however, the account was not turned over to the County Treasurer. In addition, appropriations were not approved by the Board of Supervisors for the expenditure of these funds.

Cause: The School Board did not properly establish the account with the County Treasurer and did not request an appropriation from the Board of Supervisors for expenditure of these funds.

Effect: Funds have been spent without an appropriation of the governing body and funds were not deposited properly with the County Treasurer.

Recommendation: In the future, funds of this nature should be established with the County Treasurer and appropriations should be sought for expenditures.

Management's Response: Management agrees and will deposit all future funds with the Treasurer and will seek an appropriation for same.

#### Section III - Federal Award Findings and Questioned Costs

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

#### Section IV - Status of Prior Audit Findings

There were no prior audit findings related to federal awards.