

County of Dickenson, Virginia



ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018

COUNTY OF DICKENSON, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

COUNTY OF DICKENSON, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

INTRODUCTORY SECTION

| | <u>Page</u> |
|---|-------------|
| List of Elected and Appointed Officials | 1 |

FINANCIAL SECTION

| | |
|--|------|
| Independent Auditors' Report | 2-4 |
| Management's Discussion and Analysis | 5-11 |

| | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| Basic Financial Statements: | | |
| Government-wide Financial Statements: | | |
| Statement of Net Position | 1 | 12 |
| Statement of Activities | 2 | 13 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Funds | 3 | 14 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 4 | 15 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 5 | 16 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 6 | 17 |
| Statement of Fiduciary Net Position - Fiduciary Funds | 7 | 18 |
| Notes to the Financial Statements | | 19-102 |

Required Supplementary Information:

| | | |
|---|----|-----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund | 8 | 103 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue Fund - Coal Road Tax Fund | 9 | 104 |
| Schedule of Employer's Proportionate Share of the Net Pension Liability | 10 | 105 |
| Schedule of Changes in Net Pension Liability and Related Ratios-Component Unit School Board (nonprofessional) | 11 | 106 |
| Schedule of Employer Contributions | 12 | 107 |
| Notes to Required Supplementary Information | 13 | 108 |

COUNTY OF DICKENSON, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

| Required Supplementary Information: | <u>Exhibit</u> | <u>Page</u> |
|---|-----------------|-------------|
| Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios | | |
| Component Unit-School Board | 14 | 109 |
| Notes to Required Supplementary Information - Healthcare OPEB Plan | 15 | 110 |
| Schedule of Employer's Share of Net OPEB Liability - | | |
| Group Life Insurance Program | 16 | 111 |
| Schedule of Employer Contributions - Group Life Insurance Program | 17 | 112 |
| Notes to Required Supplementary Information - | | |
| Group Life Insurance Program | 18 | 113-114 |
| Schedule of School Board's Share of Net OPEB Liability - | | |
| Teacher Health Insurance Credit Program (HIC) | 19 | 115 |
| Schedule of Employer Contributions - | | |
| Teacher Health Insurance Credit Program (HIC) | 20 | 116 |
| Notes to Required Supplementary Information - | | |
| Teacher Health Insurance Credit Program (HIC) | 21 | 117 |
| Other Supplementary Information: | | |
| Combining and Individual Fund Financial Statements and Schedules: | | |
| Combining Statement of Fiduciary Net Position - Fiduciary Funds | 22 | 118 |
| Combining Statement of Changes in Assets and Liabilities - Agency Funds | 23 | 119 |
| Discretely Presented Component Unit - School Board: | | |
| Balance Sheet | 24 | 120 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - | | |
| Governmental Funds | 25 | 121 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - | | |
| Budget and Actual | 26 | 122 |
| | <u>Schedule</u> | <u>Page</u> |
| Supporting Schedules: | | |
| Schedule of Revenues - Budget and Actual - Governmental Funds | 1 | 123-128 |
| Schedule of Expenditures - Budget and Actual - Governmental Funds | 2 | 129-132 |

COUNTY OF DICKENSON, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

| Other Statistical Information: | <u>Table</u> | <u>Page</u> |
|--|--------------|-------------|
| Government-wide information: | | |
| Government-wide Expenses by Function..... | 1 | 133 |
| Government-wide Revenues | 2 | 134 |
| Fund information: | | |
| General Governmental Expenditures by Function | 3 | 135 |
| General Governmental Revenues by Source | 4 | 136 |
| Property Tax Levies and Collections | 5 | 137 |
| Assessed Value of Taxable Property | 6 | 138 |
| Property Tax Rates | 7 | 139 |
| Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita | 8 | 140 |
| Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures..... | 9 | 141 |

COMPLIANCE SECTION

| | <u>Page</u> |
|---|-------------|
| 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 <i>Government Auditing Standards</i> | 142-143 |
| Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance | 144-145 |
| Schedule of Expenditures of Federal Awards | 146-147 |
| Schedule of Findings and Questioned Costs..... | 148-149 |

INTRODUCTORY SECTION

COUNTY OF DICKENSON, VIRGINIA

BOARD OF SUPERVISORS

| | | |
|---------------------------------------|-----------------------|------------------------------|
| Ron Peters, Vice-chair David Perry | Shelbie Willis, Chair | Jason Compton David Yates |
|---------------------------------------|-----------------------|------------------------------|

COUNTY SCHOOL BOARD

| | | |
|--|----------------------|--|
| Rocky Barton, Vice-chair Rick Mullins | Susan Mullins, Chair | Dr. L.B. Lyle R.E. "Shanghai" Nickles |
|--|----------------------|--|

SOCIAL SERVICES BOARD

| | | |
|--|--------------------|-------------------------------|
| Ginger Senter, Vice-chair Donald Rife | Charles Hay, Chair | Dean Rasnick Scott Stanley |
|--|--------------------|-------------------------------|

PUBLIC SERVICE AUTHORITY BOARD

| | | |
|--|--------------------|------------------------------|
| Sam Edwards, Vice-chair Lurton Lyle | Zane Counts, Chair | Keith Deel Shelbie Willis |
|--|--------------------|------------------------------|

OTHER OFFICIALS

| | |
|-----------------------------------|------------------|
| Clerk of the Circuit Court | Richard Edwards |
| Commonwealth's Attorney | Seth Baker |
| Commissioner of the Revenue | Mike Yates |
| Treasurer | Angela Rakes |
| Sheriff | Bobby Hammons |
| Superintendent of Schools | Haydee Robinson |
| Director of Social Services | Susan Mullins |
| County Administrator | David Moore, Jr. |

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units - School Board and Public Service Authority, each major fund, and the aggregate remaining fund information of the County of Dickenson, 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 did not audit the financial statements of the discretely presented component unit Industrial Development Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Industrial Development Authority, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, 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 School Board and Public Service Authority, each major fund, and the aggregate remaining fund information of the County of Dickenson, 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 21 to the financial statements, in 2018, the County of Dickenson, 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 21 to the financial statements, in 2018, the County of Dickenson, 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 5-11, 103-104, 105-117 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 and other auditors 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 Dickenson, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019, on our consideration of the County of Dickenson, 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 County of Dickenson, 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 Dickenson, Virginia's internal control over financial reporting and compliance.



Blacksburg, Virginia
January 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the
Board of Supervisors
To the Citizens of Dickenson County
County of Dickenson, Virginia

As management of the County of Dickenson, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

Financial Highlights:

- The assets and deferred outflows of resources of the County's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,828,549 (net position). Of this amount, \$4,430,372 was considered unrestricted.
- The assets and deferred outflows of resources of the School Board component unit exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,061,226 (net position). Of this amount \$(37,059,568) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$26,369,007. Of that amount, \$5,314,538 was considered unassigned, \$1,279,067 was considered assigned, \$865,476 was considered committed, \$18,764,501 was considered restricted and \$145,425 was considered nonspendable.
- During the year, the County had governmental fund revenues that were \$3,532,259 more than expenditures. Additionally, the County received \$1,557,255 in debt proceeds to cover capital project related expenditures.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements – The Government-wide Financial Statements are designed to provide the readers with a broad overview of the County’s finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the County’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The Statement of Activities distinguishes functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Our governmental activities include general government, courts, public safety, sanitation, social services, education, cultural events, and recreation.

The Government-wide Financial Statements include not only the County of Dickenson, Virginia itself (known as the primary government), but also a legally separate school board for which the County of Dickenson, Virginia is financially accountable. The financial statements also include discretely presented component units that we do not control, but do exercise a significant financial relationship with. These discretely presented component units are the Public Service Authority and Industrial Development Authority.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Dickenson, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County’s near-term financing decisions. Both the governmental fund balance sheet and the governmental statement

of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Coal Road Tax Fund, and the School Construction Projects Fund of which all are considered to be major funds.

The County adopts an annual appropriated budget for its Governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Fiduciary funds – The County is the trustee, or fiduciary, for the County’s agency funds and expendable trust funds. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County’s fiduciary activities are reported in a separate statement of fiduciary net position. The County excludes these activities from the County’s Government-wide Financial Statements because the County cannot use these assets to finance its operations. Fiduciary funds include the Special Welfare, Town of Clinchco, Town of Clintwood, Town of Haysi, Fringe Benefits, Dickenson County Behavioral Health Services, and EQT funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison and schedules related to pension and OPEB funding.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a County’s financial position. In the case of the County’s Primary Government, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$32,828,549 at the close of the most recent fiscal year.

A significant portion of the County’s net position, \$9,633,676 reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County’s net investment in 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. An additional portion of the County’s net position, \$18,764,501, is subject to restrictions on how it may be used. The remaining balance of net position was \$4,430,372.

The following tables summarize the County's Statement of Net Position and Statement of Activities for 2018 and 2017.

Statement of Net Position

| | Governmental Activities 2018 | Governmental Activities 2017 |
|-------------------------------------|------------------------------------|------------------------------------|
| Current and other assets | \$ 36,170,608 | \$ 32,806,126 |
| Capital and other assets | 29,401,678 | 30,391,570 |
| Total assets | <u>\$ 65,572,286</u> | <u>\$ 63,197,696</u> |
| Deferred outflows of resources | <u>\$ 682,895</u> | <u>\$ 1,096,329</u> |
| Current and other liabilities | \$ 425,338 | \$ 458,320 |
| Long-term liabilities | 24,873,653 | 26,200,652 |
| Total Liabilities | <u>\$ 25,298,991</u> | <u>\$ 26,658,972</u> |
| Deferred inflows of resources | <u>\$ 8,127,641</u> | <u>\$ 7,825,376</u> |
| Net position: | | |
| Net investment in capital assets | \$ 9,633,676 | \$ 10,458,529 |
| Restricted | 18,764,501 | 16,988,105 |
| Unrestricted | 4,430,372 | 2,363,043 |
| Total net position | <u>\$ 32,828,549</u> | <u>\$ 29,809,677</u> |

Statement of Activities

| | Governmental Activities 2018 | Governmental Activities 2017 |
|--|------------------------------------|------------------------------------|
| Program revenues | | |
| Charges for services | \$ 330,742 | \$ 526,988 |
| Operating grants and contributions | 8,040,353 | 7,130,074 |
| Capital grants and contributions | 1,961,194 | 35,345,442 |
| General revenues | | |
| Property taxes | 11,195,519 | 12,677,750 |
| Other taxes | 9,769,574 | 9,285,792 |
| Revenue from use of money and property | 7,307 | 7,390 |
| Miscellaneous | 554,458 | 36,462 |
| Grants and contributions not restricted to specific programs | 1,398,973 | 1,488,617 |
| Special Items | - | 153,799 |
| Total revenues | <u>\$ 33,258,120</u> | <u>\$ 66,652,314</u> |
| Expenses | | |
| General government | 1,882,827 | 1,899,360 |
| Judicial administration | 1,602,350 | 1,846,897 |
| Public Safety | 5,352,066 | 4,816,537 |
| Public works | 2,921,758 | 2,344,066 |
| Health and welfare | 6,667,006 | 6,696,701 |
| Education | 7,687,931 | 35,018,973 |
| Parks, recreation and cultural | 276,657 | 211,727 |
| Community development | 3,483,452 | 4,249,320 |
| Interest on debt | 365,201 | 858,317 |
| Total expenses | <u>\$ 30,239,248</u> | <u>\$ 57,931,898</u> |
| Change in net position | <u>\$ 3,018,872</u> | <u>\$ 8,720,416</u> |

Financial Analysis of the County's Funds

As noted earlier, 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 spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County’s net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County’s governmental funds reported combined ending fund balances of \$26,369,007; 71% or \$18,764,501 constitutes restricted fund balance, which is not available for current spending since it has been restricted by external parties such as grantors, laws or legislation; 1% or \$145,425 constitutes nonspendable funds or prepaid items; 3% or \$865,476 constitutes committed fund balance, which represents amounts that have been committed by the Board of Directors for specific future uses; 5% or \$1,279,067 constitutes assigned fund balance, which represents amounts that have been allocated by the Board of Directors or any Committee granted authority by the Board of Directors for a specific purpose. The remaining balance, \$5,314,538 or 20% is unassigned, meaning there are no restrictions placed on the funds. The general fund is the operating fund of the County. At the end of the current fiscal year, total fund balance of the general fund was \$7,604,506, of this amount \$145,425 was considered nonspendable, \$865,476 was considered committed, \$1,279,067 was considered assigned, and \$5,314,538 was considered unassigned. The Coal Road Tax fund had restricted fund balances of \$9,113,967 and the School Construction fund had restricted fund balance of \$9,650,534.

Total governmental fund revenues decreased \$33,394,194 and expenses decreased \$27,692,650 over prior year amounts. For fiscal year ended June 30, 2018, revenues exceeded expenses by \$3,532,259, as compared to the fiscal year ended June 30, 2017, revenues exceeded expenses by \$9,361,202, excluding other financing sources to help cover the extra expenditures.

General Fund Budgetary Highlights

There were some differences in expenditures between the original budget and the final amended budget for the current year.

Capital Assets and Debt Administration

Capital assets – The County’s investment in capital assets for its governmental funds activities as of June 30, 2018 amounts to \$29,401,678 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress.

Additional information on the County of Dickenson’s capital assets can be found in Note 12 of this report.

Long-term debt – At the end of the current fiscal year, the County’s primary government had total debt outstanding as follows:

| | |
|-----------------------------|----------------------|
| Primary Government: | |
| Accrued leave | \$ 416,878 |
| Lease purchase agreement | 1,443,515 |
| General obligation bonds | 376,177 |
| Notes payable | 19,391,825 |
| Net Pension liability | 3,236,229 |
| Landfill post-closure costs | 9,029 |
| Total | <u>\$ 24,873,653</u> |

Additional information on the County of Dickenson’s long-term debt can be found in Note 5 of this report.

Economic Factors

The June 2018 unemployment rate for the County of Dickenson, Virginia was 6.0%, which is a decrease from a rate of 7.7% in June 2017. This is above the state’s average unemployment rate of 3.2% and also above the national average rate of 4.0%.

Request for Information

This financial report is designed to provide a general overview of the County’s finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 293 Main Street, P.O. Box 1098, Clintwood, Virginia 24228.

Basic Financial Statements

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

| | Primary Government | Component Units | | |
|--|----------------------|----------------------|----------------------|------------------------------|
| | | School | Public Service | Industrial |
| | Governmental | | | |
| | <u>Activities</u> | <u>Board</u> | <u>Authority</u> | <u>Development Authority</u> |
| ASSETS | | | | |
| Cash and investments | \$ 23,423,085 | \$ 1,661,743 | \$ 2,561,636 | \$ 275,617 |
| Investments | 394,176 | - | - | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 8,972,128 | - | - | - |
| Other local taxes receivable | 785,276 | - | - | - |
| Accounts receivable | - | 21,009 | 224,579 | - |
| Notes receivable | - | - | - | 9,824,519 |
| Other receivables | - | - | 296,008 | 137,472 |
| Due from primary government | - | - | 142,440 | - |
| Due from component unit | 1,279,067 | - | - | - |
| Due from other governmental units | 1,171,451 | 818,361 | - | - |
| Prepaid items | 145,425 | 81,267 | 45,145 | - |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | - | 592,723 | 1,509,327 |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 3,523,716 | 2,594,378 | 34,592 | 910,705 |
| Buildings and improvements | 24,881,214 | 57,284,463 | 173,014 | 10,492,168 |
| Machinery and equipment | 976,748 | 1,241,953 | 198,164 | - |
| Infrastructure | - | - | 31,594,513 | - |
| Construction in progress | 20,000 | - | 2,793,493 | - |
| Total assets | <u>\$ 65,572,286</u> | <u>\$ 63,703,174</u> | <u>\$ 38,656,307</u> | <u>\$ 23,149,808</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension related items | \$ 682,895 | \$ 2,439,377 | \$ 102,378 | \$ - |
| OPEB related items | - | 174,602 | - | - |
| Total deferred outflows of resources | <u>\$ 682,895</u> | <u>\$ 2,613,979</u> | <u>\$ 102,378</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 285,987 | \$ 409,943 | \$ 563,617 | \$ 404 |
| Accrued liabilities | 84,069 | 1,275,166 | - | - |
| Customers' deposits | - | - | 278,245 | - |
| Accrued interest payable | 55,282 | - | 8,087 | - |
| Long-term liabilities: | | | | |
| Due within one year | 2,031,281 | 800,593 | 439,708 | 586,254 |
| Due in more than one year | 22,842,372 | 35,453,367 | 7,934,064 | 13,991,825 |
| Total liabilities | <u>\$ 25,298,991</u> | <u>\$ 37,939,069</u> | <u>\$ 9,223,721</u> | <u>\$ 14,578,483</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenue - property taxes | \$ 7,604,642 | \$ - | \$ - | \$ - |
| Pension related items | 522,999 | 3,638,660 | 50,546 | - |
| OPEB related items | - | 678,198 | - | - |
| Total deferred inflows of resources | <u>\$ 8,127,641</u> | <u>\$ 4,316,858</u> | <u>\$ 50,546</u> | <u>\$ -</u> |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 9,633,676 | \$ 61,120,794 | \$ 26,598,830 | \$ 8,003,604 |
| Restricted | | | | |
| Coal Road | 9,113,967 | - | - | - |
| School Construction | 9,650,534 | - | - | - |
| Economic Development | - | - | - | 34,223 |
| Agricultural Center | - | - | - | 34,890 |
| Judicial Center | - | - | - | 17,326 |
| Debt service and bond covenants | - | - | 314,478 | 67,266 |
| Unrestricted | 4,430,372 | (37,059,568) | 2,571,110 | 414,016 |
| Total net position | <u>\$ 32,828,549</u> | <u>\$ 24,061,226</u> | <u>\$ 29,484,418</u> | <u>\$ 8,571,325</u> |

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

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

| Net (Expense) Revenue and Changes in Net Position | | | | | | | | | |
|--|------------------|-------------------------|--|--------------|--|--|---------------|-----------------------------|--|
| Functions/Programs | Program Revenues | | | | Component Units | | | | |
| | Expenses | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions | Primary Government Governmental Activities | School Board | Public Service Authority | Industrial Development Authority |
| | | | | | | | | | |
| PRIMARY GOVERNMENT: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government administration | \$ 1,882,827 | \$ 5,860 | \$ 288,506 | \$ - | \$ (1,588,461) | \$ - | \$ - | \$ - | - |
| Judicial administration | 1,602,350 | 133,482 | 547,618 | - | (921,250) | - | - | - | - |
| Public safety | 5,352,066 | 27,451 | 1,767,656 | - | (3,556,959) | - | - | - | - |
| Public works | 2,921,758 | 140,878 | 109,601 | - | (2,671,279) | - | - | - | - |
| Health and welfare | 6,667,006 | - | 5,326,972 | - | (1,340,034) | - | - | - | - |
| Education | 7,687,931 | - | - | 1,400,570 | (6,287,361) | - | - | - | - |
| Parks, recreation, and cultural | 276,657 | 23,071 | - | - | (253,586) | - | - | - | - |
| Community development | 3,483,452 | - | - | 560,624 | (2,922,828) | - | - | - | - |
| Interest on long-term debt | 365,201 | - | - | - | (365,201) | - | - | - | - |
| Total governmental activities | \$ 30,239,248 | \$ 330,742 | \$ 8,040,353 | \$ 1,961,194 | \$ (19,906,959) | \$ - | \$ - | \$ - | - |
| Total primary government | \$ 30,239,248 | \$ 330,742 | \$ 8,040,353 | \$ 1,961,194 | \$ (19,906,959) | \$ - | \$ - | \$ - | - |
| COMPONENT UNITS: | | | | | | | | | |
| School Board | \$ 23,605,974 | \$ 258,905 | \$ 17,294,274 | \$ - | \$ - | \$ (6,052,795) | \$ - | \$ - | - |
| Public Service Authority | 3,525,245 | 3,090,121 | - | 1,106,949 | - | - | 671,825 | - | - |
| Industrial Development Authority | 978,001 | - | - | - | - | - | - | - | (978,001) |
| Total component units | \$ 28,109,220 | \$ 3,349,026 | \$ 17,294,274 | \$ 1,106,949 | \$ - | \$ (6,052,795) | \$ 671,825 | \$ (978,001) | - |
| General revenues: | | | | | | | | | |
| General property taxes | | | | | \$ 11,195,519 | \$ - | \$ - | \$ - | - |
| Other local taxes: | | | | | | | | | |
| Local sales and use taxes | | | | | 717,509 | - | - | - | - |
| Consumers' utility taxes | | | | | 313,686 | - | - | - | - |
| Consumption taxes | | | | | 55,854 | - | - | - | - |
| Vehicle registration withholding stops | | | | | 18,980 | - | - | - | - |
| Bank stock taxes | | | | | 38,809 | - | - | - | - |
| Hotel and motel room taxes | | | | | 32,898 | - | - | - | - |
| Coal severance taxes | | | | | 6,621,494 | - | - | - | - |
| Gas severance taxes | | | | | 1,970,344 | - | - | - | - |
| Unrestricted revenues from use of money and property | | | | | 7,307 | - | 627 | 264,635 | - |
| Miscellaneous | | | | | 554,458 | 292,808 | 61,067 | 128,504 | - |
| Payments from County of Dickenson | | | | | - | 6,224,731 | 473,725 | - | - |
| Grants and contributions not restricted to specific programs | | | | | 1,398,973 | - | 695,523 | 532,822 | - |
| Total general revenues | | | | | \$ 22,925,831 | \$ 6,517,539 | \$ 1,230,942 | \$ 925,961 | - |
| Change in net position | | | | | \$ 3,018,872 | \$ 464,744 | \$ 1,902,767 | \$ (52,040) | - |
| Net position - beginning, as restated | | | | | 29,809,677 | 23,596,482 | 27,581,651 | 8,623,365 | - |
| Net position - ending | | | | | \$ 32,828,549 | \$ 24,061,226 | \$ 29,484,418 | \$ 8,571,325 | - |

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

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

| | <u>General</u> | <u>Coal Road Tax</u> | <u>School Construction Projects</u> | <u>Total</u> |
|--|----------------------|------------------------------|---|----------------------|
| ASSETS | | | | |
| Cash and equivalents | \$ 5,017,559 | \$ 8,754,992 | \$ 9,650,534 | \$ 23,423,085 |
| Investments | 270,614 | 123,562 | - | 394,176 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 8,972,128 | - | - | 8,972,128 |
| Other local taxes receivable | 413,962 | 371,314 | - | 785,276 |
| Due from component unit | 1,279,067 | - | - | 1,279,067 |
| Due from other governmental units | 1,171,451 | - | - | 1,171,451 |
| Prepaid items | 145,425 | - | - | 145,425 |
| Total assets | <u>\$ 17,270,206</u> | <u>\$ 9,249,868</u> | <u>\$ 9,650,534</u> | <u>\$ 36,170,608</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 150,086 | \$ 135,901 | \$ - | \$ 285,987 |
| Accrued liabilities | 84,069 | - | - | 84,069 |
| Total liabilities | <u>\$ 234,155</u> | <u>\$ 135,901</u> | <u>\$ -</u> | <u>\$ 370,056</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | <u>\$ 9,431,545</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,431,545</u> |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| Prepaid items | \$ 145,425 | \$ - | \$ - | \$ 145,425 |
| Restricted | | | | |
| Coal Road | - | 9,113,967 | - | 9,113,967 |
| School Construction | - | - | 9,650,534 | 9,650,534 |
| Committed: | | | | |
| Debt service | 800,000 | - | - | 800,000 |
| Law Library | 29,562 | - | - | 29,562 |
| Drug Restitution | 35,914 | - | - | 35,914 |
| Assigned | | | | |
| Debt service | 1,279,067 | - | - | 1,279,067 |
| Unassigned | 5,314,538 | - | - | 5,314,538 |
| Total fund balances | <u>\$ 7,604,506</u> | <u>\$ 9,113,967</u> | <u>\$ 9,650,534</u> | <u>\$ 26,369,007</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 17,270,206</u> | <u>\$ 9,249,868</u> | <u>\$ 9,650,534</u> | <u>\$ 36,170,608</u> |

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

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

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

| | |
|--|---------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ 26,369,007 |
|--|---------------|

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

| | | |
|----------------------------|---------------|------------|
| Land | \$ 3,523,716 | |
| Buildings and improvements | 24,881,214 | |
| Machinery and equipment | 976,748 | |
| Construction in progress | <u>20,000</u> | 29,401,678 |

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

| | |
|--------------------------------------|-----------|
| Unavailable revenue - property taxes | 1,826,903 |
|--------------------------------------|-----------|

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

| | |
|-----------------------|---------|
| Pension related items | 682,895 |
|-----------------------|---------|

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

| | | |
|--------------------------------|-----------------|--------------|
| Bonds and note payable | \$ (19,761,825) | |
| Bond premium | (6,177) | |
| Capital lease | (1,443,515) | |
| Landfill postclosure liability | (9,029) | |
| Net pension liability | (3,236,229) | |
| Compensated absences | (416,878) | |
| Accrued interest payable | <u>(55,282)</u> | (24,928,935) |

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

| | |
|-----------------------|-----------|
| Pension related items | (522,999) |
|-----------------------|-----------|

| | |
|---|-----------------------------|
| Net position of governmental activities | <u><u>\$ 32,828,549</u></u> |
|---|-----------------------------|

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

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

| | <u>General</u> | <u>Coal Road Tax</u> | <u>School Construction Projects</u> | <u>Total</u> |
|--|----------------------|------------------------------|---|----------------------|
| REVENUES | | | | |
| General property taxes | \$ 12,774,948 | \$ - | \$ - | \$ 12,774,948 |
| Other local taxes | 5,473,655 | 4,295,919 | - | 9,769,574 |
| Permits, privilege fees, and regulatory licenses | 12,111 | - | - | 12,111 |
| Fines and forfeitures | 49,822 | - | - | 49,822 |
| Revenue from the use of money and property | 2,164 | 62 | 5,081 | 7,307 |
| Charges for services | 268,809 | - | - | 268,809 |
| Miscellaneous | 554,458 | - | - | 554,458 |
| Recovered costs | 647,517 | - | - | 647,517 |
| Intergovernmental | 9,976,369 | 23,581 | 1,797,520 | 11,797,470 |
| Total revenues | <u>\$ 29,759,853</u> | <u>\$ 4,319,562</u> | <u>\$ 1,802,601</u> | <u>\$ 35,882,016</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,921,533 | \$ - | \$ - | \$ 1,921,533 |
| Judicial administration | 1,356,334 | - | - | 1,356,334 |
| Public safety | 5,363,666 | - | - | 5,363,666 |
| Public works | 2,281,889 | 638,014 | - | 2,919,903 |
| Health and welfare | 7,134,052 | - | - | 7,134,052 |
| Education | 6,626,982 | - | - | 6,626,982 |
| Parks, recreation, and cultural | 213,429 | - | - | 213,429 |
| Community development | 1,394,439 | 2,094,303 | - | 3,488,742 |
| Nondepartmental | 124,180 | - | - | 124,180 |
| Capital projects | 118,990 | - | 388,450 | 507,440 |
| Debt service: | | | | |
| Principal retirement | 1,123,864 | - | 800,000 | 1,923,864 |
| Interest and other fiscal charges | 344,632 | - | 425,000 | 769,632 |
| Total expenditures | <u>\$ 28,003,990</u> | <u>\$ 2,732,317</u> | <u>\$ 1,613,450</u> | <u>\$ 32,349,757</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 1,755,863</u> | <u>\$ 1,587,245</u> | <u>\$ 189,151</u> | <u>\$ 3,532,259</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of bond payable | <u>\$ 1,557,255</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,557,255</u> |
| Net change in fund balances | \$ 3,313,118 | \$ 1,587,245 | \$ 189,151 | \$ 5,089,514 |
| Fund balances - beginning | 4,291,388 | 7,526,722 | 9,461,383 | 21,279,493 |
| Fund balances - ending | <u>\$ 7,604,506</u> | <u>\$ 9,113,967</u> | <u>\$ 9,650,534</u> | <u>\$ 26,369,007</u> |

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

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

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

| | | |
|--|--------------------|----------------------------|
| Net change in fund balances - total governmental funds | | \$ 5,089,514 |
| 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 | \$ 421,036 | |
| Depreciation expense | <u>(1,148,678)</u> | (727,642) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. | | |
| Transfer of assets to School Board (net book value) | | (262,250) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | | (1,579,429) |
| 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: | | |
| Rural development bonds | \$ (1,557,255) | |
| Principal payments: | | |
| General obligation and rural development bonds | 594,727 | |
| VSB note payable | 199,388 | |
| QSCB | 800,000 | |
| Capital leases | <u>329,749</u> | 366,609 |
| 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. | | |
| Changes in compensated absences | \$ (11,002) | |
| Changes in accrued interest payable | 4,389 | |
| Increase in landfill postclosure care liability | (160) | |
| Pension expense | 135,751 | |
| Amortization of bond premium | <u>3,092</u> | 132,070 |
| Change in net position of governmental activities | | <u><u>\$ 3,018,872</u></u> |

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

| | <u>Agency Funds</u> |
|--|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 391,717 |
| Total assets | <u>\$ 391,717</u> |
| LIABILITIES | |
| Amounts held for social services clients | \$ 40,975 |
| Amounts held for Town of Clinchco | 2,687 |
| Amounts held for Town of Clintwood | 17,744 |
| Amounts held for Town of Haysi | 6,038 |
| Amounts held for County employees' fringe benefits | 83,667 |
| Amounts held for Dickenson County Behavioral Health Services | 239,596 |
| Amounts held for EQT | 1,010 |
| Total liabilities | <u>\$ 391,717</u> |

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies:

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

A. Financial reporting entity

County of Dickenson, Virginia 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. They are reported in a separate column to emphasize that they are legally separate from the County.

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

The Dickenson County Public Service Authority operates the water and sewer service for the County. Authority board members are appointed by the County Board of Supervisors. The complete financial report for the Authority may be obtained by contacting the Authority.

The Dickenson County Industrial Development Authority operates for the economic development of the County. Authority board members are appointed by the County Board of Supervisors. The complete financial report for the Authority may be obtained by contacting the Authority.

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 of Dickenson and the Counties of Wise, Lee, Scott, the City of Norton, and the Towns of Wise, Big Stone Gap, Coeburn, and St. Paul participate in supporting the Lonesome Pine Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2018, the County did not make a contribution to the Library.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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. *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 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.

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

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

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

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

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

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 reflected as unavailable revenues.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

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

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for and reported in other funds. The general fund includes the activities of the Law Library, Enhanced E-911, CSA, CSA Admin., Disabilities Services Board, Inmate Canteen, 29th Judicial Grant, Restitution Recoveries, Debt Service, and CSB funds.

The Coal Road Tax fund is the County's only major *special revenue fund*. It accounts for and reports financial resources to be used for improvements to roads used in conjunction with coal mining.

The School Construction Projects fund is the County's only major *capital projects fund*. It accounts for and reports financial resources to be used for the construction of school property.

Additionally, the government reports the following fund types:

Fiduciary funds (Trust and Agency Funds) account for assets held by the government in a trustee account or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Town of Clinchco, Town of Clintwood, Town of Haysi, Fringe Benefits, Dickenson County Behavioral Health Services, and EQT funds.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

3. Prepaid Items

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

4. 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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

5. Property Taxes

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

6. 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 \$412,293 at June 30, 2018 and is comprised of property taxes.

7. 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.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

9. Pensions

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

Other Postemployment Benefits (OPEB)

10. Group Life Insurance

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

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher 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 Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the 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, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

12. 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 Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

13. 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 governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

14. Fund Equity

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

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

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

Committed -amounts that have been committed by formal action by the entity's "highest level of decision-making authority"; which the County considers to be the Board of Directors.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

14. Fund Equity (continued)

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

Unassigned -amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

15. 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.

16. 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 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, Coal Road Tax 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 function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the School Construction Projects Funds. The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. All budgetary data presented in the accompanying financial statements is the revised budget.
9. For fiscal year ended June 30, 2018, numerous functions had expenditures in excess of appropriations.

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 3-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

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 |
| Certificate of Deposits | \$ 394,176 | \$ 182,111 | \$ 212,065 |

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.

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 4-Due from Other Governmental Units:

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

| | Primary Government | Component Unit- School Board |
|--|-----------------------|---------------------------------|
| <u>Other Local Government Entities:</u> | | |
| Regional Jail | \$ 188,542 | \$ - |
| <u>Commonwealth of Virginia:</u> | | |
| State sales tax | 141,329 | 282,068 |
| Categorical aid-shared expenses | 158,354 | - |
| Categorical aid-Comprehensive Services Act | 217,945 | - |
| Categorical aid-Virginia Public Assistance | 145,958 | - |
| Categorical aid-other | 38,891 | - |
| Noncategorical aid | 87,393 | - |
| <u>Federal Government:</u> | | |
| Categorical aid-other | - | 536,293 |
| Categorical aid-Virginia Public Assistance | 193,039 | - |
| Totals | \$ <u>1,171,451</u> | \$ <u>818,361</u> |

Note 5-Long-term Obligations:

Primary Government - Governmental Activities Indebtedness:

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

| | Beginning Balance | Increases/ Issuances | Decreases/ Retirements | Ending Balance |
|---------------------------------|----------------------|-------------------------|---------------------------|----------------------|
| General obligation bond | \$ 485,000 | \$ - | \$ (115,000) | \$ 370,000 |
| Bond premium | 9,269 | - | (3,092) | 6,177 |
| QSCB | 9,000,000 | - | (800,000) | 8,200,000 |
| Rural development bonds | 8,472,407 | 1,557,255 | (479,727) | 9,549,935 |
| VSB note payable | 1,841,278 | - | (199,388) | 1,641,890 |
| Capital leases | 1,773,264 | - | (329,749) | 1,443,515 |
| Net pension liability | 4,204,689 | 2,118,146 | (3,086,606) | 3,236,229 |
| Landfill post closure liability | 8,869 | 160 | - | 9,029 |
| Compensated absences | 405,876 | 315,409 | (304,407) | 416,878 |
| Total | \$ <u>26,200,652</u> | \$ <u>3,990,970</u> | \$ <u>(5,317,969)</u> | \$ <u>24,873,653</u> |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 5-Long-term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

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

| Year Ending June 30, | General Obligation Bond | | Rural Development Bonds | | QSCB | |
|-------------------------|-------------------------|-----------|-------------------------|--------------|--------------|--------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | \$ 120,000 | \$ 13,135 | \$ 187,463 | \$ 330,889 | \$ 800,000 | \$ 425,000 |
| 2020 | 120,000 | 7,790 | 172,487 | 325,621 | 800,000 | 425,000 |
| 2021 | 130,000 | 2,665 | 157,244 | 319,155 | 800,000 | 425,000 |
| 2022 | - | - | 162,837 | 313,563 | 800,000 | 425,000 |
| 2023 | - | - | 168,628 | 307,771 | 560,000 | 425,000 |
| 2024-2028 | - | - | 935,772 | 1,446,223 | 2,775,000 | 2,125,000 |
| 2029-2033 | - | - | 1,115,770 | 1,266,527 | 1,665,000 | 1,062,500 |
| 2034-2038 | - | - | 1,328,538 | 1,053,461 | - | - |
| 2039-2043 | - | - | 1,582,314 | 799,685 | - | - |
| 2044-2048 | - | - | 1,630,045 | 508,463 | - | - |
| 2049-2053 | - | - | 1,676,332 | 229,268 | - | - |
| 2054-2055 | - | - | 432,505 | 9,405 | - | - |
| Totals | \$ 370,000 | \$ 23,590 | \$ 9,549,935 | \$ 6,910,031 | \$ 8,200,000 | \$ 5,312,500 |

| | VSB Note Payable | |
|-----------|------------------|------------|
| | Principal | Interest |
| 2019 | \$ 285,999 | \$ 43,001 |
| 2020 | 251,633 | 30,367 |
| 2021 | 257,922 | 24,078 |
| 2022 | 264,287 | 17,713 |
| 2023 | 270,808 | 11,192 |
| 2024-2025 | 311,241 | 4,587 |
| Totals | \$ 1,641,890 | \$ 130,938 |

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 5-Long-term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

Details of long-term indebtedness:

| | <u>Total Amount</u> | <u>Amount Due Within One Year</u> |
|---|-------------------------|---------------------------------------|
| <u>General Obligation Bond:</u> | | |
| \$1,475,000 bond issued June 8, 2005. Interest payments commenced on October 1, 2005 and continue through October 1, 2020. Interest rates vary from 3.1% to 4.9295%. Principal amounts varying from \$100,000 to \$130,000 are due each October 1st starting in 2006 and continuing until 2021. | \$ 370,000 | \$ 120,000 |
| Premium on bond | 6,177 | 3,092 |
| Total General Obligation Bond | \$ <u>376,177</u> | \$ <u>123,092</u> |
| <u>Other Obligations:</u> | | |
| <u>QSCB:</u> | | |
| \$10,000,000 QSCB issued on December 1, 2011. Payments beginning December 1, 2012. Fixed annual interest payments of \$425,000 with a 6.238% interest rate and varying annual principal payments. | \$ <u>8,200,000</u> | \$ <u>800,000</u> |
| <u>Rural Development Bonds:</u> | | |
| \$2,000,000 USDA - Rural Development issued on February 18, 2015 at a rate of 3.5% with interest only payments for the first two years during the construction phase. Principal and interest payments will start in fiscal year 2018 and continue until 2055. | \$ 1,678,542 | \$ 37,120 |
| \$6,442,745 USDA - Rural Development issued on February 18, 2015 at a rate of 3.5% with interest only payments for the first two years during the construction phase. Principal and interest payments will start in fiscal year 2018 and continue until 2055. | 7,809,077 | 109,538 |
| \$65,000 USDA - Rural Development issued on October 24, 2016 at a rate of 2.375%. Principal and interest payments will start in fiscal year 2017 and continue until 2020. | 29,251 | 22,018 |
| \$56,000 USDA - Rural Development issued on March 15, 2017 at a rate of 2.75%. Principal and interest payments will start in fiscal year 2017 and continue until 2020. | 33,065 | 18,787 |
| Total Rural Development Bonds | \$ <u>9,549,935</u> | \$ <u>187,463</u> |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 5-Long-term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

Details of long-term indebtedness: (continued)

| | <u>Total Amount</u> | <u>Amount due Within One Year</u> |
|--|-------------------------|---------------------------------------|
| <u>Other Obligations (continued)</u> | | |
| <u>VSB Note Payable:</u> | | |
| \$2,075,242 available from Virginia Small Business Financing Authority at a rate of 2.44% with principal and interest payments of \$23,500 to continue until 2025. | \$ 1,641,890 | \$ 285,999 |
| Capital leases (Note 6) | \$ 1,443,515 | \$ 322,068 |
| Net pension liability | 3,236,229 | - |
| Landfill post closure liability | 9,029 | - |
| Compensated absences | 416,878 | 312,659 |
| Total Other Obligations | \$ 24,497,476 | \$ 1,908,189 |
| Total Long-term Obligations | \$ 24,873,653 | \$ 2,031,281 |

Note 6-Capital Leases:

Primary Government:

The County has previously entered into lease agreements for the acquisition of fire trucks and energy improvements to schools.

The costs of the assets acquired through capital leases are as follows:

| | |
|--------------------------------|--------------------|
| Asset: | <u>Fire Trucks</u> |
| Equipment | \$ 711,278 |
| Less: Accumulated Depreciation | (374,107) |
| Net | <u>\$ 337,171</u> |

The School Board made energy improvements through a capital lease. These improvements have not been capitalized because individually each improvement was less than \$5,000, below the capitalization threshold.

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Capital Leases: (continued)

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2018, are as follows:

| Year Ending June 30, | Capital Leases |
|---------------------------------------|---------------------|
| 2019 | \$ 378,496 |
| 2020 | 378,497 |
| 2021 | 324,987 |
| 2022 | 262,925 |
| 2023 | <u>262,924</u> |
| Sub-total | \$ 1,607,829 |
| Less, amount representing interest | <u>(164,314)</u> |
| Present Value of Lease Agreements | <u>\$ 1,443,515</u> |

Note 7-Long-term Obligations-Component Unit School Board:

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

| | Beginning Balance, as restated | Increase | Decrease | Ending Balance |
|-----------------------|--------------------------------------|---------------------|-----------------------|----------------------|
| Net pension liability | \$ 26,445,488 | \$ 2,970,541 | \$ (7,346,085) | \$ 22,069,944 |
| Net OPEB liabilities | 13,784,154 | 963,214 | (1,630,809) | 13,116,559 |
| Compensated absences | <u>1,130,058</u> | <u>784,943</u> | <u>(847,544)</u> | <u>1,067,457</u> |
| Total | <u>\$ 41,359,700</u> | <u>\$ 4,718,698</u> | <u>\$ (9,824,438)</u> | <u>\$ 36,253,960</u> |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 7-Long-term Obligations-Component Unit School Board: (continued)

Details of long-term indebtedness:

| | <u>Total Amount</u> | <u>Amount Due Within One Year</u> |
|-----------------------------|-------------------------|---------------------------------------|
| <u>Other Obligations:</u> | | |
| Net pension liability | \$ 22,069,944 | \$ - |
| Net OPEB liabilities | 13,116,559 | - |
| Compensated absences | <u>1,067,457</u> | <u>800,593</u> |
| Total Long-term Obligations | <u>\$ 36,253,960</u> | <u>\$ 800,593</u> |

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans:

Plan Description

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

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

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

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

| RETIREMENT PLAN PROVISIONS | | |
|--|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p> | <p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p> | <p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Plan Description (Continued)

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Plan Description (Continued)

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Plan Description (Continued)

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Plan Description (Continued)

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Plan Description (Continued)

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Plan Description (Continued)

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Plan Description (Continued)

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Plan Description (Continued)

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Plan Description (Continued)

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Plan Description (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (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.

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 9.80% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$472,220 and \$468,027 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit Public Service Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 9.80% 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 Public Service Authority were \$54,273 and \$52,992 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Net Pension Liability

At June 30, 2018, the County and Component Unit Public Service Authority reported a liability of \$3,236,229 and \$371,945, respectively, for its proportionate share of the net pension liability. The County's and Component Unit Public Service Authority's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. In order to allocate the net pension liability to all employers included in the plan, the County and Component Unit Public Service Authority are required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2017 and 2016 was used as a basis for allocation to determine the County and Component Unit Public Service Authority's proportionate share of the net pension liability. At June 30, 2017 and 2016, the County's proportion was 69.4945% and 71.5412%, respectively. At June 30, 2017 and 2016, the Component Unit Public Service Authority's proportion was 7.9871% and 8.4128%, respectively.

Actuarial Assumptions - General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

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

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

Mortality rates:

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

Pre-Retirement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 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.

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% |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

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

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% |

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

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|------------------------|----------------------|---|--|
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | <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%.

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Discount Rate

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

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

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

| | Rate | | |
|--|------------------------|-----------------------------|------------------------|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| Proportionate share of the County Retirement Plan: | | | |
| County | \$ 6,212,554 | \$ 3,236,229 | \$ 771,780 |
| Component Unit Public Service Authority's | \$ 714,018 | \$ 371,945 | \$ 88,702 |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (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 Public Service Authority recognized pension expense of \$333,420 and \$39,211, respectively. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

| | Primary Government | | Component Unit Public Service Authority | |
|--|--------------------------------------|-------------------------------------|--|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 210,675 | \$ 32,061 | \$ 24,118 | \$ 3,770 |
| Change in assumptions | - | 98,888 | - | 11,366 |
| Net difference between projected and actual earnings on pension plan investments | - | 265,566 | - | 28,920 |
| Change in proportionate share | - | 126,484 | 23,987 | 6,490 |
| Employer contributions subsequent to the measurement date | 472,220 | - | 54,273 | - |
| Total | \$ 682,895 | \$ 522,999 | \$ 102,378 | \$ 50,546 |

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$472,220 and \$54,273 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit Public Service Authority's contributions, respectively, 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:

| <u>Year Ended June 30</u> | <u>Primary Government</u> | <u>Component Unit Public Service Authority</u> |
|---------------------------|-------------------------------|--|
| 2019 | \$ (169,334) | \$ (1,464) |
| 2020 | 63,342 | 25,048 |
| 2021 | (24,097) | (5,082) |
| 2022 | (182,235) | (20,943) |

Component Unit School Board (nonprofessional)

Plan Description

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

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Component Unit School Board (nonprofessional)

Employees Covered by Benefit Terms

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

| | <u>Component Unit School Board Nonprofessional</u> |
|--|--|
| Inactive members or their beneficiaries currently receiving benefits | 125 |
| Inactive members: | |
| Vested inactive members | 5 |
| Non-vested inactive members | 18 |
| Inactive members active elsewhere in VRS | 11 |
| Total inactive members | <u>34</u> |
| Active members | <u>69</u> |
| Total covered employees | <u><u>228</u></u> |

Contributions

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 33.04% 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 \$427,516 and \$426,007 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Changes in Net Pension Liability

| | Component School Board (nonprofessional) | | |
|---|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2016 | \$ 12,293,603 | \$ 5,380,115 | \$ 6,913,488 |
| Changes for the year: | | | |
| Service cost | \$ 148,144 | \$ - | \$ 148,144 |
| Interest | 828,266 | - | 828,266 |
| Differences between expected and actual experience | (27,037) | - | (27,037) |
| Assumption changes | 162,640 | - | 162,640 |
| Contributions - employer | - | 420,094 | (420,094) |
| Contributions - employee | - | 63,163 | (63,163) |
| Net investment income | - | 624,791 | (624,791) |
| Benefit payments, including refunds | (922,456) | (922,456) | - |
| Administrative expenses | - | (3,948) | 3,948 |
| Other changes | - | (543) | 543 |
| Net changes | \$ 189,557 | \$ 181,101 | \$ 8,456 |
| Balances at June 30, 2017 | \$ 12,483,160 | \$ 5,561,216 | \$ 6,921,944 |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

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

| | Rate | | |
|---|--------------|--------------|--------------|
| | (6.00%) | (7.00%) | (8.00%) |
| Component Unit School Board (nonprofessional) Net Pension Liability | \$ 8,203,718 | \$ 6,921,944 | \$ 5,830,894 |

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

For the year ended June 30, 2018, the Component Unit School Board (nonprofessional) recognized pension expense of \$696,126. At June 30, 2018, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Component Unit School Board (nonprofessional) | |
|--|--|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 41,210 | \$ 14,635 |
| Change in assumptions | 88,034 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 68,025 |
| Employer contributions subsequent to the measurement date | 427,516 | - |
| Total | \$ 556,760 | \$ 82,660 |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$427,516 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year Ended June 30 | Component Unit School Board (nonprofessional) |
|--------------------|---|
| 2019 | \$ 47,365 |
| 2020 | 45,455 |
| 2021 | 6,508 |
| 2022 | (52,744) |

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$1,555,617 and \$1,401,514 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2018, the school division reported a liability of \$15,148,000 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.12317% as compared to 0.13937% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$688,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

| | Component Unit School Board (professional) | |
|---|---|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 1,073,000 |
| Change in assumptions | 221,000 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 106,000 | 1,933,000 |
| Net difference between projected and actual earnings on pension plan investments | - | 550,000 |
| Employer contributions subsequent to the measurement date | 1,555,617 | - |
| Total | \$ 1,882,617 | \$ 3,556,000 |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$1,555,617 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | <u>Component Unit School Board (professional)</u> |
|---------------------------|---|
| 2019 | \$ (1,024,000) |
| 2020 | (451,000) |
| 2021 | (570,000) |
| 2022 | (894,000) |
| 2023 | (290,000) |

Actuarial Assumptions

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

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

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

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

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

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

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

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

| | Rate | | |
|--|------------------------|-----------------------------|------------------------|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| Dickenson County School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability | \$ 22,621,000 | \$ 15,148,000 | \$ 8,966,000 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

Note 9-Other Postemployment Benefits-Health Insurance:

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

Benefits Provided

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the School Board and is eligible to receive an early or regular retirement benefit from VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the School Board. Employees at the School Board are allowed to stay on the plan until they are eligible to receive medicare benefits. The employee pays 100% of the required premium.

Plan Membership

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms:

| | |
|---|------------|
| Total active employees with coverage | 297 |
| Total retirees with coverage | 42 |
| Total spouses of retirees with coverage | 19 |
| Total | <u>358</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 \$731,425.

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Total OPEB Liability

The School Boards total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and rolled forward to June 30, 2018.

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:

Component Unit-School Board:

| | |
|------------------|-------|
| Inflation | 2.50% |
| Salary Increases | 2.50% |
| Discount Rate | 3.87% |

Pre-Retirement: RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years and Females set back 3 years.

Post-Retirement: RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with Females set back 1 year.

Post-Disablement: RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Changes in Total OPEB Liability

| | Component Unit - School Board Total OPEB Liability |
|---------------------------|--|
| Balances at June 30, 2017 | \$ 10,843,154 |
| Changes for the year: | |
| Service cost | 494,100 |
| Interest | 384,114 |
| Changes in assumptions | (308,384) |
| Benefit payments | (731,425) |
| Net changes | \$ (161,595) |
| Balances at June 30, 2018 | \$ 10,681,559 |

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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

| Rate | | |
|------------------------|----------------------------------|------------------------|
| 1% Decrease (2.87%) | Current Discount Rate (3.87%) | 1% Increase (4.87%) |
| \$ 11,529,919 | \$ 10,681,559 | \$ 9,884,360 |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

| Rates | | |
|--------------|-----------------------|---------------|
| 1% Decrease | Healthcare Cost Trend | 1% Increase |
| \$ 9,347,981 | \$ 10,681,559 | \$ 12,258,032 |

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 \$820,028. 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 Inflows of Resources | Deferred Outflows of Resources |
|------------------------|----------------------------------|-----------------------------------|
| Changes in assumptions | \$ 250,198 | \$ - |

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

| Year Ending June 30, | |
|----------------------|----------|
| 2019 | (58,186) |
| 2020 | (58,186) |
| 2021 | (58,186) |
| 2022 | (58,186) |
| 2023 | (17,454) |

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Plan Description

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Plan Description (Continued)***GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)****Benefit Amounts**

The benefits payable under the Group Life Insurance Program have several components.

- Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit - The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

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.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Contributions to the Group Life Insurance Program from the Component Unit-School Board (non-professional) were \$6,754 and \$6,746 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 \$49,887 and \$ 50,100 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 Component Unit-School Board (nonprofessional) reported a liability of \$106,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (professional) reported a liability of \$786,000 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, Component Unit-School Board (nonprofessional)'s proportion was 0.00703% as compared to 0.00769% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (professional)'s proportion was 0.05223% as compared to 0.05933% at June 30, 2016.

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

For the year ended June 30, 2018, the Component Unit-School Board (nonprofessional) recognized GLI OPEB expense of (\$1,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2018, the Component Unit-School Board (professional) recognized GLI OPEB expense of (\$10,000). 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:

| | Component Unit School Board | | | |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Non-professional | | Professional | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 3,000 | \$ - | \$ 17,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 4,000 | - | 30,000 |
| Change in assumptions | - | 5,000 | - | 40,000 |
| Changes in proportion | - | 10,000 | - | 105,000 |
| Employer contributions subsequent to the measurement date | 6,754 | - | 49,887 | - |
| Total | \$ 6,754 | \$ 22,000 | \$ 49,887 | \$ 192,000 |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

\$6,754 and \$49,887 reported as deferred outflows of resources related to the GLI OPEB resulting from the Component Unit-School Board (nonprofessional) and Component Unit-School Board (professional)'s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ended June 30 | Component Unit-School Board (nonprofessional) | Component Unit-School Board (professional) |
|-----------------------|--|---|
| 2019 | \$ (4,000) | \$ (37,000) |
| 2020 | (4,000) | (37,000) |
| 2021 | (4,000) | (37,000) |
| 2022 | (4,000) | (37,000) |
| 2023 | (3,000) | (30,000) |
| Thereafter | (3,000) | (14,000) |

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-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.

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-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% |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions: (Continued)***Mortality Rates - Teachers****Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions: (Continued)***Mortality Rates - VaLORS Employees****Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

Post-Retirement:

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

Post-Disablement:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-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% |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-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 Retirement Rates | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Withdrawal Rates | Increased age 50 rates and lowered rates at older ages |
| Disability Rates | Adjusted termination rates to better fit experience at each age and service year |
| Salary Scale | Adjusted rates to better match experience |
| Line of Duty Disability | No change |
| | Decreased rate from 60% to 45% |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10-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 |
|--|----|---|
| Total GLI OPEB Liability | \$ | 2,942,426 |
| Plan Fiduciary Net Position | | 1,437,586 |
| Employers' Net GLI OPEB Liability (Asset) | \$ | <u>1,504,840</u> |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 48.86% |

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018Note 10-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Long-Term Expected Rate of Return*

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year 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.

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

The 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%) |
| Proportionate share of the Group Life Net OPEB Liability: | | | |
| Component Unit-School Board (Nonprofessional) | \$ 137,000 | \$ 106,000 | \$ 81,000 |
| Component Unit-School Board (Professional) | \$ 1,016,000 | \$ 786,000 | \$ 599,000 |

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):*Plan Description*

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Contributions*

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$117,961 and \$106,550 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$1,543,000 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 0.12163% as compared to 0.13936% 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 \$96,000. 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.

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | \$ - | \$ 3,000 |
| Change in assumptions | - | 16,000 |
| Change in proportion | - | 195,000 |
| Employer contributions subsequent to the measurement date | 117,961 | - |
| Total | \$ 117,961 | \$ 214,000 |

\$117,961 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 | \$ (33,000) |
| 2020 | (33,000) |
| 2021 | (33,000) |
| 2022 | (33,000) |
| 2023 | (32,000) |
| Thereafter | (50,000) |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Actuarial Assumptions*

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

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

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

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

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

| | | Teacher Employee HIC OPEB Plan |
|---|----|--------------------------------------|
| Total Teacher Employee HIC OPEB Liability | \$ | 1,364,702 |
| Plan Fiduciary Net Position | | 96,091 |
| Teacher Employee net HIC OPEB Liability (Asset) | \$ | <u>1,268,611</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | | 7.04% |

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|------------------------|----------------------|---|--|
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | <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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate*

The 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 (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan | | | |
| Net HIC OPEB Liability | \$ 1,722,000 | \$ 1,543,000 | \$ 1,391,000 |

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.

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Capital Assets:

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

Primary Government:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------|-----------------------|-----------------------|------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 3,523,716 | \$ - | \$ - | \$ 3,523,716 |
| Construction in progress | 9,000,000 | 20,000 | (9,000,000) | 20,000 |
| Total capital assets not being depreciated | <u>\$ 12,523,716</u> | <u>\$ 20,000</u> | <u>\$ (9,000,000)</u> | <u>\$ 3,543,716</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 23,285,286 | \$ 9,000,000 | \$ - | \$ 32,285,286 |
| Machinery and equipment | 5,028,238 | 401,036 | (348,415) | 5,080,859 |
| Total capital assets being depreciated | <u>\$ 28,313,524</u> | <u>\$ 9,401,036</u> | <u>\$ (348,415)</u> | <u>\$ 37,366,145</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (6,548,121) | \$ (855,951) | \$ - | \$ (7,404,072) |
| Machinery and equipment | (3,897,549) | (292,727) | 86,165 | (4,104,111) |
| Total accumulated depreciation | <u>\$ (10,445,670)</u> | <u>\$ (1,148,678)</u> | <u>\$ 86,165</u> | <u>\$ (11,508,183)</u> |
| Total capital assets being depreciated, net | <u>\$ 17,867,854</u> | <u>\$ 8,252,358</u> | <u>\$ (262,250)</u> | <u>\$ 25,857,962</u> |
| Governmental activities capital assets, net | <u>\$ 30,391,570</u> | <u>\$ 8,272,358</u> | <u>\$ (9,262,250)</u> | <u>\$ 29,401,678</u> |

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Capital Assets: (continued)

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 |
|---|-----------------------------|----------------------------|--------------------|-----------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,594,378 | \$ - | \$ - | \$ 2,594,378 |
| Total capital assets not being depreciated | <u>\$ 2,594,378</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,594,378</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 61,881,400 | \$ 320,678 | \$ - | \$ 62,202,078 |
| Machinery and equipment | 6,457,912 | 677,997 | - | 7,135,909 |
| Total capital assets being depreciated | <u>\$ 68,339,312</u> | <u>\$ 998,675</u> | <u>\$ -</u> | <u>\$ 69,337,987</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (3,448,700) | \$ (1,468,915) | \$ - | \$ (4,917,615) |
| Machinery and equipment | (5,440,192) | (453,764) | - | (5,893,956) |
| Total accumulated depreciation | <u>\$ (8,888,892)</u> | <u>\$ (1,922,679)</u> | <u>\$ -</u> | <u>\$ (10,811,571)</u> |
| Total capital assets being depreciated, net | <u>\$ 59,450,420</u> | <u>\$ (924,004)</u> | <u>\$ -</u> | <u>\$ 58,526,416</u> |
| Governmental activities capital assets, net | <u><u>\$ 62,044,798</u></u> | <u><u>\$ (924,004)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 61,120,794</u></u> |

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

| | |
|--|----------------------------|
| Governmental activities: | |
| General government administration | \$ 102,881 |
| Judicial administration | 265,452 |
| Public safety | 216,982 |
| Public works | 74,828 |
| Health and welfare | 13,803 |
| Education | 410,249 |
| Parks, recreation, and cultural | <u>64,483</u> |
| Total depreciation expense-governmental activities | <u><u>\$ 1,148,678</u></u> |

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Risk Management:

The County and its component unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit - School Board participate with other localities in a public entity risk pool for their coverage of general liability and auto insurance with the Virginia Municipal Liability Pool. Each member of each of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit - School Board pay the Virginia Municipal Group contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component 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 14-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* (CFR) 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.

Note 15-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

| | |
|--|------------|
| Richard Edwards, Clerk of the Circuit Court | \$ 103,000 |
| Angela Rakes, Treasurer | 400,000 |
| Mike Yates, Commissioner of the Revenue | 3,000 |
| Bobby Hammons, Sheriff | 30,000 |
| All constitutional officers' employees: blanket bond | 50,000 |

VACo Insurance Programs

| | |
|-----------------------------------|------------|
| All County employees-blanket bond | \$ 250,000 |
|-----------------------------------|------------|

Hartford Insurance Company-Surety:

| | |
|--|------------|
| All Social Services employees-blanket bond | \$ 100,000 |
|--|------------|

COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 15-Surety Bonds: (continued)

Component Unit - School Board:

| | |
|--|-----------|
| Nationwide Insurance-Surety | |
| Haydee Robinson, Superintendent | \$ 10,000 |
| Reba McCowen, Clerk of the School Board | 10,000 |
| Larry Barton, Deputy Clerk of the School Board | 10,000 |
| All School Board employees: blanket bond | 10,000 |

Note 16-Landfill 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 landfill has stopped accepting waste and \$9,029 is the total estimated post closure care liability at June 30, 2018. The liability represents what it cost to perform all post closure care in 2018. Actual costs post closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill post closure costs.

The County has demonstrated financial assurance requirements for closure and post closure care and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 17-Deferred/Unavailable Revenue:

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

| | Government-wide Statements Governmental Activities | Balance Sheet Governmental Funds |
|--|---|--|
| Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures | \$ - | \$ 1,826,903 |
| 2nd half assessments due in December 2018 | 6,917,720 | 6,917,720 |
| Prepaid property taxes due in December 2018 but paid in advance by taxpayers | <u>686,922</u> | <u>686,922</u> |
| | <u>\$ 7,604,642</u> | <u>\$ 9,431,545</u> |

Note 18-Litigation:

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

Note 19-Concentration Risk:

Historically, the County has relied on taxes generated by the Coal Industry. Direct taxes remitted from same include coal and gas severance and machinery and tools taxes. In the past five years, general fund net revenue generated from these sources has declined significantly. This decline in revenue has occurred due to changes in environmental policies of the United States Government. The County does not anticipate significant changes in these policies to occur in the near term. As such, the County does not anticipate continued reliance on the aforementioned revenues. In addition, the County anticipates that other revenue sources will be negatively impacted by a shrinking coal economy; however, estimates (projections) of these declines are not readily available. To date, the County has not identified alternative sources of revenue to maintain historical budget levels.

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 20-Self Health Insurance:

The County and School Board of Dickenson, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and School Board and are available to pay claims, and administrative costs of the program. During the fiscal year 2018, the County and the School board has a total of \$1,708,281 and \$3,902,097 that was paid in benefits and administrative costs, respectively. The risk assumed by the County and 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.). The County and the School Board has incurred but not reported claims of \$83,277 and \$327,292 have not been accrued as a liability based primarily on actual cost incurred prior to June 30, but paid after year-end, respectively. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability during fiscal year 2018 and the two previous years were as follows:

County:

| <u>Fiscal Year</u> | <u>Balance at Beginning of Fiscal Year</u> | <u>Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Balance at End of Fiscal Year</u> |
|--------------------|--|--|---------------------------|--|
| 2017-18 | \$ 137,545 | \$ 1,654,013 | \$ (1,708,281) | \$ 83,277 |
| 2016-17 | - | 1,974,478 | (1,836,933) | 137,545 |

School Board:

| <u>Fiscal Year</u> | <u>Balance at Beginning of Fiscal Year</u> | <u>Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Balance at End of Fiscal Year</u> |
|--------------------|--|--|---------------------------|--|
| 2017-18 | \$ 302,483 | \$ 3,926,906 | \$ (3,902,097) | \$ 327,292 |
| 2016-17 | 294,129 | 4,417,134 | (4,408,780) | 302,483 |
| 2015-16 | 155,058 | 4,746,690 | (4,607,619) | 294,129 |

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COUNTY OF DICKENSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 21-Adoption of Accounting Principles:

The County of Dickenson, Virginia 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 of Dickenson, Virginia 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:

| | Component Unit - School Board |
|--|-------------------------------------|
| Net Position, July 1, 2017, as previously stated | \$ 35,865,309 |
| Implementation of GASB No. 75 | (12,268,827) |
| Net Position, July 1, 2017, as restated | <u>\$ 23,596,482</u> |

Note 22-Upcoming Pronouncements:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 22-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 Dickenson, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u> |
| REVENUES | | | | |
| General property taxes | \$ 12,134,048 | \$ 12,134,048 | \$ 12,774,948 | \$ 640,900 |
| Other local taxes | 3,938,000 | 3,938,000 | 5,473,655 | 1,535,655 |
| Permits, privilege fees, and regulatory licenses | 11,000 | 11,000 | 12,111 | 1,111 |
| Fines and forfeitures | 41,000 | 41,000 | 49,822 | 8,822 |
| Revenue from the use of money and property | 5,500 | 5,500 | 2,164 | (3,336) |
| Charges for services | 275,432 | 275,432 | 268,809 | (6,623) |
| Miscellaneous | 33,500 | 33,500 | 554,458 | 520,958 |
| Recovered costs | 518,729 | 518,729 | 647,517 | 128,788 |
| Intergovernmental: | | | | |
| Commonwealth | 9,206,894 | 9,206,894 | 6,670,123 | (2,536,771) |
| Federal | 79,487 | 79,487 | 3,306,246 | 3,226,759 |
| Total revenues | <u>\$ 26,243,590</u> | <u>\$ 26,243,590</u> | <u>\$ 29,759,853</u> | <u>\$ 3,516,263</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,836,000 | \$ 1,836,000 | \$ 1,921,533 | \$ (85,533) |
| Judicial administration | 1,310,870 | 1,310,870 | 1,356,334 | (45,464) |
| Public safety | 4,608,616 | 4,608,616 | 5,363,666 | (755,050) |
| Public works | 2,143,103 | 2,143,103 | 2,281,889 | (138,786) |
| Health and welfare | 7,602,999 | 7,602,999 | 7,134,052 | 468,947 |
| Education | 6,626,001 | 6,626,001 | 6,626,982 | (981) |
| Parks, recreation, and cultural | 161,718 | 161,718 | 213,429 | (51,711) |
| Community development | 732,882 | 732,882 | 1,394,439 | (661,557) |
| Nondepartmental | 169,061 | 169,061 | 124,180 | 44,881 |
| Capital projects | 50,000 | 50,000 | 118,990 | (68,990) |
| Debt service: | | | | |
| Principal retirement | 866,715 | 866,715 | 1,123,864 | (257,149) |
| Interest and other fiscal charges | 371,931 | 371,931 | 344,632 | 27,299 |
| Total expenditures | <u>\$ 26,479,896</u> | <u>\$ 26,479,896</u> | <u>\$ 28,003,990</u> | <u>\$ (1,524,094)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (236,306)</u> | <u>\$ (236,306)</u> | <u>\$ 1,755,863</u> | <u>\$ 1,992,169</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 236,306 | \$ 236,306 | \$ - | \$ (236,306) |
| Issuance of bond payable | - | - | 1,557,255 | 1,557,255 |
| Total other financing sources (uses) | <u>\$ 236,306</u> | <u>\$ 236,306</u> | <u>\$ 1,557,255</u> | <u>\$ 1,320,949</u> |
| Net change in fund balances | \$ - | \$ - | \$ 3,313,118 | \$ 3,313,118 |
| Fund balances - beginning | - | - | 4,291,388 | 4,291,388 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,604,506</u> | <u>\$ 7,604,506</u> |

County of Dickenson, Virginia
Special Revenue Fund-Coal Road Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u> |
| REVENUES | | | | |
| Other local taxes | \$ 2,750,000 | \$ 2,750,000 | \$ 4,295,919 | \$ 1,545,919 |
| Revenue from the use of money and property | - | - | 62 | 62 |
| Intergovernmental: | | | | |
| Commonwealth | - | - | 23,581 | 23,581 |
| Total revenues | <u>\$ 2,750,000</u> | <u>\$ 2,750,000</u> | <u>\$ 4,319,562</u> | <u>\$ 1,569,562</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | \$ 1,395,600 | \$ 1,395,600 | \$ 638,014 | \$ 757,586 |
| Community development | 1,354,400 | 1,354,400 | 2,094,303 | (739,903) |
| Total expenditures | <u>\$ 2,750,000</u> | <u>\$ 2,750,000</u> | <u>\$ 2,732,317</u> | <u>\$ 17,683</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,587,245</u> | <u>\$ 1,587,245</u> |
| Net change in fund balances | \$ - | \$ - | \$ 1,587,245 | \$ 1,587,245 |
| Fund balances - beginning | - | - | 7,526,722 | 7,526,722 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,113,967</u> | <u>\$ 9,113,967</u> |

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

| Date (1) | Proportion of the Net Pension Liability (NPL) (2) | Proportionate Share of the NPL (3) | Covered Payroll (4) | Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6) |
|---|--|--|---------------------------|--|---|
| Primary Government - Dickenson County Retirement Plan | | | | | |
| 2017 | 69.4945% | \$ 3,236,229 | \$ 4,853,848 | 66.67% | 85.64% |
| 2016 | 71.5412% | 4,204,689 | 4,961,118 | 84.75% | 81.06% |
| 2015 | 73.0764% | 3,452,312 | 4,900,886 | 70.44% | 84.15% |
| 2014 | 73.0764% | 2,806,983 | 4,836,327 | 58.04% | 86.32% |
| Component Unit Public Service Authority | | | | | |
| 2017 | 7.9871% | \$ 371,945 | \$ 567,935 | 65.49% | 85.64% |
| 2016 | 8.4128% | 494,447 | 565,268 | 87.47% | 81.06% |
| 2015 | 8.3263% | 393,355 | 558,405 | 70.44% | 84.15% |
| 2014 | 8.3263% | 319,828 | 551,049 | 58.04% | 86.32% |
| Component Unit School Board (professional) | | | | | |
| 2017 | 0.12317% | \$ 15,148,000 | \$ 9,599,056 | 157.81% | 79.92% |
| 2016 | 0.13937% | 19,532,000 | 10,630,160 | 183.74% | 68.28% |
| 2015 | 0.13813% | 17,386,000 | 10,002,824 | 173.81% | 70.68% |
| 2014 | 0.13882% | 16,776,000 | 10,115,746 | 165.84% | 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 Dickenson, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
Years Ended June 30, 2015 through June 30, 2018

| | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | |
| Service cost | \$ 148,144 | \$ 151,440 | \$ 155,770 | \$ 158,898 |
| Interest | 828,266 | 808,963 | 792,187 | 787,715 |
| Changes in assumptions | 162,640 | - | - | - |
| Differences between expected and actual experience | (27,037) | 228,526 | 186,523 | - |
| Benefit payments, including refunds of employee contributions | (922,456) | (903,887) | (885,765) | (879,670) |
| Net change in total pension liability | \$ 189,557 | \$ 285,042 | \$ 248,715 | \$ 66,943 |
| Total pension liability - beginning | 12,293,603 | 12,008,561 | 11,759,846 | 11,692,903 |
| Total pension liability - ending (a) | <u>\$ 12,483,160</u> | <u>\$ 12,293,603</u> | <u>\$ 12,008,561</u> | <u>\$ 11,759,846</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 420,094 | \$ 424,936 | \$ 449,539 | \$ 351,545 |
| Contributions - employee | 63,163 | 68,659 | 74,927 | 70,449 |
| Net investment income | 624,791 | 88,640 | 255,532 | 817,553 |
| Benefit payments, including refunds of employee contributions | (922,456) | (903,887) | (885,765) | (879,670) |
| Administrative expense | (3,948) | (3,699) | (3,803) | (4,764) |
| Other | (543) | (40) | (54) | 43 |
| Net change in plan fiduciary net position | \$ 181,101 | \$ (325,391) | \$ (109,624) | \$ 355,156 |
| Plan fiduciary net position - beginning | 5,380,115 | 5,705,506 | 5,815,130 | 5,459,974 |
| Plan fiduciary net position - ending (b) | <u>\$ 5,561,216</u> | <u>\$ 5,380,115</u> | <u>\$ 5,705,506</u> | <u>\$ 5,815,130</u> |
| School Division's net pension liability - ending (a) - (b) | \$ 6,921,944 | \$ 6,913,488 | \$ 6,303,055 | \$ 5,944,716 |
| Plan fiduciary net position as a percentage of the total pension liability | 44.55% | 43.76% | 47.51% | 49.45% |
| Covered payroll | \$ 1,297,374 | \$ 1,381,996 | \$ 1,436,362 | \$ 1,445,420 |
| School Division's net pension liability as a percentage of covered payroll | 533.53% | 500.25% | 438.82% | 411.28% |

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 Dickenson, Virginia
Schedule of Employer Contributions
Years Ended June 30, 2009 through June 30, 2018

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|--|---|---|---|---|
| Primary Government | | | | | |
| 2018 | \$ 472,220 | \$ 472,220 | \$ - | \$ 4,931,102 | 9.58% |
| 2017 | 468,027 | 468,027 | - | 4,853,848 | 9.64% |
| 2016 | 524,813 | 524,813 | - | 4,961,118 | 10.58% |
| 2015 | 593,971 | 593,971 | - | 4,900,886 | 12.12% |
| Component Unit Public Service Authority | | | | | |
| 2018 | \$ 54,273 | \$ 54,273 | \$ - | \$ 566,738 | 9.58% |
| 2017 | 52,992 | 52,992 | - | 567,935 | 9.33% |
| 2016 | 61,715 | 61,715 | - | 565,268 | 10.92% |
| 2015 | 60,755 | 60,755 | - | 558,405 | 10.88% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2018 | \$ 427,516 | \$ 427,516 | \$ - | \$ 1,297,178 | 32.96% |
| 2017 | 426,007 | 426,007 | - | 1,297,374 | 32.84% |
| 2016 | 424,936 | 424,936 | - | 1,381,996 | 30.75% |
| 2015 | 449,539 | 449,539 | - | 1,436,362 | 31.30% |
| 2014 | 351,545 | 351,545 | - | 1,445,420 | 24.32% |
| 2013 | 364,800 | 364,800 | - | 1,463,297 | 24.93% |
| 2012 | 418,554 | 418,554 | - | 1,659,613 | 25.22% |
| 2011 | 441,182 | 441,182 | - | 1,749,334 | 25.22% |
| 2010 | 401,380 | 401,380 | - | 1,723,399 | 23.29% |
| 2009 | 409,402 | 409,402 | - | 1,757,843 | 23.29% |
| Component Unit School Board (professional) | | | | | |
| 2018 | \$ 1,555,617 | \$ 1,555,617 | \$ - | \$ 9,590,414 | 16.22% |
| 2017 | 1,401,514 | 1,401,514 | - | 9,599,056 | 14.60% |
| 2016 | 1,490,224 | 1,490,224 | - | 10,630,160 | 14.02% |
| 2015 | 1,485,000 | 1,485,000 | - | 10,002,824 | 14.85% |
| 2014 | 1,179,496 | 1,179,496 | - | 10,115,746 | 11.66% |
| 2013 | 1,019,141 | 1,019,141 | - | 8,740,489 | 11.66% |
| 2012 | 720,333 | 720,333 | - | 11,379,668 | 6.33% |
| 2011 | 1,120,781 | 1,120,781 | - | 12,550,739 | 8.93% |
| 2010 | 832,179 | 832,179 | - | 9,445,846 | 8.81% |
| 2009 | 1,006,620 | 1,006,620 | - | 9,773,010 | 10.30% |

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

Schedule is intended to show information for 10 years. Prior to 2015, the County information as reported included other entities that participate through the County's pension plan. Therefore, no additional data is currently available for the County. Additional years will be included as they become available.

County of Dickenson, Virginia
Notes to Required Supplementary Information
Year Ended June 30, 2018

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

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

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

| | <u>2018</u> |
|--|-----------------------------|
| Total OPEB liability | |
| Service cost | \$ 494,100 |
| Interest | 384,114 |
| Changes in assumptions | (308,384) |
| Benefit payments | (731,425) |
| Net change in total OPEB liability | \$ (161,595) |
| Total OPEB liability - beginning | <u>10,843,154</u> |
| Total OPEB liability - ending | <u><u>\$ 10,681,559</u></u> |
| Covered-employee payroll | 10,804,200 |
| School's total OPEB liability (asset) as a percentage of covered-employee payroll | 98.86% |

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

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

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

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

Methods and assumptions used to determine OPEB liability:

| | |
|-----------------------|--|
| Actuarial Cost Method | Entry age normal |
| Discount Rate | 3.87% |
| Inflation | 2.50% |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 7.60% in 2017 and gradually declines to 4.30% over 57 years |
| Salary Increase Rates | 2.50% |
| Retirement Age | The average age at retirement is 62 |
| Mortality Rates | Pre-Retirement: RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years and Females set back 3 years. RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with Females set back 1 year. Post-Disablement: RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement. |

County of Dickenson, Virginia
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
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) |
|---|---|---|---|--|---|
| Component Unit-School Board (nonprofessional) | | | | | |
| 2017 | 0.00703% | \$ 106,000 | \$ 1,297,374 | 8.17% | 48.86% |
| Component Unit-School Board (professional) | | | | | |
| 2017 | 0.05223% | \$ 786,000 | \$ 9,634,620 | 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 Dickenson, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
Years Ended June 30, 2009 through June 30, 2018

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|--|---|---|---|---|
| Component Unit-School Board (nonprofessional) | | | | | |
| 2018 | \$ 6,754 | \$ 6,754 | \$ - | \$ 1,298,811 | 0.52% |
| 2017 | 6,746 | 6,746 | - | 1,297,374 | 0.52% |
| 2016 | 6,634 | 6,634 | - | 1,381,995 | 0.48% |
| 2015 | 6,895 | 6,895 | - | 1,436,361 | 0.48% |
| 2014 | 6,971 | 6,971 | - | 1,452,341 | 0.48% |
| 2013 | 7,024 | 7,024 | - | 1,463,296 | 0.48% |
| 2012 | 4,647 | 4,647 | - | 1,659,613 | 0.28% |
| 2011 | 4,904 | 4,904 | - | 1,751,574 | 0.28% |
| 2010 | 3,525 | 3,525 | - | 1,305,396 | 0.27% |
| 2009 | 4,746 | 4,746 | - | 1,757,982 | 0.27% |
| Component Unit-School Board (professional) | | | | | |
| 2018 | \$ 49,887 | \$ 49,887 | \$ - | \$ 9,597,490 | 0.52% |
| 2017 | 50,100 | 50,100 | - | 9,634,620 | 0.52% |
| 2016 | 51,176 | 51,176 | - | 10,661,650 | 0.48% |
| 2015 | 49,314 | 49,314 | - | 10,273,783 | 0.48% |
| 2014 | 48,728 | 48,728 | - | 10,151,704 | 0.48% |
| 2013 | 48,472 | 48,472 | - | 10,098,320 | 0.48% |
| 2012 | 34,040 | 34,040 | - | 12,157,237 | 0.28% |
| 2011 | 35,143 | 35,143 | - | 12,551,141 | 0.28% |
| 2010 | 25,465 | 25,465 | - | 9,431,598 | 0.27% |
| 2009 | 33,386 | 33,386 | - | 12,365,244 | 0.27% |

County of Dickenson, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
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 Dickenson, 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 Dickenson, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
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 | 0.12163% | \$ 1,543,000 | \$ 9,599,059 | 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 Dickenson, Virginia
Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
Years Ended June 30, 2009 through June 30, 2018

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|--|---|---|---|---|
| Component Unit-School Board (professional) | | | | | |
| 2018 | \$ 117,961 | \$ 117,961 | \$ - | \$ 9,590,414 | 1.23% |
| 2017 | 106,550 | 106,550 | - | 9,599,056 | 1.11% |
| 2016 | 112,636 | 112,636 | - | 10,626,089 | 1.06% |
| 2015 | 108,864 | 108,864 | - | 10,270,211 | 1.06% |
| 2014 | 112,683 | 112,683 | - | 10,151,704 | 1.11% |
| 2013 | 110,514 | 110,514 | - | 9,956,295 | 1.11% |
| 2012 | 68,278 | 68,278 | - | 11,379,669 | 0.60% |
| 2011 | 75,304 | 75,304 | - | 12,550,743 | 0.60% |
| 2010 | 98,236 | 98,236 | - | 9,445,851 | 1.04% |
| 2009 | 133,529 | 133,529 | - | 12,363,884 | 1.08% |

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

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

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

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

Other Supplementary Information

FIDUCIARY FUNDS

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.

Town of Clinchco- The Town of Clinchco fund accounts for those funds collected by the County for the Town of Clinchco.

Town of Clintwood- The Town of Clintwood fund accounts for those funds collected by the County for the Town of Clintwood.

Town of Haysi- The Town of Haysi fund accounts for those funds collected by the County for the Town of Haysi.

Fringe Benefits- The Fringe Benefits fund accounts for the County employees' fringe benefits.

Dickenson County Behavioral Health Services- The Dickenson County Behavioral Health Services (DCBHS) fund accounts for the funds that are maintained on behalf of DCBHS.

EQT Funds- The EQT Fund accounts for disputed income tax amounts held at the County.

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

| | Agency Funds | | | | | | Dickenson County | | |
|--|-----------------|------------------|-------------------|---------------|-----------------|-----------------|------------------|------------|-------|
| | Special Welfare | Town of Clinchco | Town of Clintwood | Town of Haysi | Fringe Benefits | Health Services | Behavioral | EQT Funds | Total |
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ 40,975 | \$ 2,687 | \$ 17,744 | \$ 6,038 | \$ 83,667 | \$ 239,596 | \$ 1,010 | \$ 391,717 | |
| Total assets | \$ 40,975 | \$ 2,687 | \$ 17,744 | \$ 6,038 | \$ 83,667 | \$ 239,596 | \$ 1,010 | \$ 391,717 | |
| LIABILITIES | | | | | | | | | |
| Amounts held for social services clients | \$ 40,975 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 40,975 | |
| Amounts held for Town of Clinchco | - | 2,687 | - | - | - | - | - | 2,687 | |
| Amounts held for Town of Clintwood | - | - | 17,744 | - | - | - | - | 17,744 | |
| Amounts held for Town of Haysi | - | - | - | 6,038 | - | - | - | 6,038 | |
| Amounts held for County employees' fringe benefits | - | - | - | - | 83,667 | - | - | 83,667 | |
| Amounts held for Dickenson County Behavioral Health Services | - | - | - | - | - | 239,596 | - | 239,596 | |
| Amounts held for EQT | - | - | - | - | - | - | 1,010 | 1,010 | |
| Total liabilities | \$ 40,975 | \$ 2,687 | \$ 17,744 | \$ 6,038 | \$ 83,667 | \$ 239,596 | \$ 1,010 | \$ 391,717 | |

County of Dickenson, Virginia
Combining Statement of Changes in Assets and Liabilities - Agency Funds
June 30, 2018

| | Agency Funds | | | | | Dickenson County | | <u>Total</u> |
|----------------------------|------------------------|-------------------------|--------------------------|----------------------|------------------------|-----------------------------------|------------------|--------------|
| | <u>Special Welfare</u> | <u>Town of Clinchco</u> | <u>Town of Clintwood</u> | <u>Town of Haysi</u> | <u>Fringe Benefits</u> | <u>Behavioral Health Services</u> | <u>EQT Funds</u> | |
| ASSETS | | | | | | | | |
| Cash and Cash Equivalents: | | | | | | | | |
| Beginning Balance | \$ 62,120 | \$ 2,696 | \$ 20,231 | \$ 5,981 | \$ 46,281 | \$ 511,425 | \$ 1,010 | \$ 649,744 |
| Additions | 245,990 | 14,694 | 127,680 | 40,317 | 1,093,129 | 3,509,559 | - | 5,031,369 |
| Deductions | (267,135) | (14,703) | (130,167) | (40,260) | (1,055,743) | (3,781,388) | - | (5,289,396) |
| Ending Balance | \$ 40,975 | \$ 2,687 | \$ 17,744 | \$ 6,038 | \$ 83,667 | \$ 239,596 | \$ 1,010 | \$ 391,717 |
| LIABILITIES | | | | | | | | |
| Amounts Held for Others: | | | | | | | | |
| Beginning Balance | \$ 62,120 | \$ 2,696 | \$ 20,231 | \$ 5,981 | \$ 46,281 | \$ 511,425 | \$ 1,010 | \$ 649,744 |
| Additions | 245,990 | 14,694 | 127,680 | 40,317 | 1,093,129 | 3,509,559 | - | 5,031,369 |
| Deductions | (267,135) | (14,703) | (130,167) | (40,260) | (1,055,743) | (3,781,388) | - | (5,289,396) |
| Ending Balance | \$ 40,975 | \$ 2,687 | \$ 17,744 | \$ 6,038 | \$ 83,667 | \$ 239,596 | \$ 1,010 | \$ 391,717 |

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund accounts for the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

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

| | School Operating <u>Fund</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,661,743 |
| Receivables (net of allowance for uncollectibles): | |
| Accounts receivable | 21,009 |
| Due from other governmental units | 818,361 |
| Prepaid items | 81,267 |
| Total assets | <u>\$ 2,582,380</u> |
| LIABILITIES | |
| Accounts payable | \$ 409,943 |
| Accrued liabilities | 1,275,166 |
| Total liabilities | <u>\$ 1,685,109</u> |
| FUND BALANCES | |
| Nonspendable: | |
| Prepaid items | \$ 81,267 |
| Unassigned | 816,004 |
| Total fund balances | <u>\$ 897,271</u> |
| Total liabilities and fund balances | <u>\$ 2,582,380</u> |
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: | |
| Total fund balances per above | \$ 897,271 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Land | \$ 2,594,378 |
| Buildings and improvements | 57,284,463 |
| Machinery and equipment | <u>1,241,953</u> |
| | 61,120,794 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | |
| Pension related items | \$ 2,439,377 |
| OPEB related items | <u>174,602</u> |
| | 2,613,979 |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Net pension liability | \$ (22,069,944) |
| Compensated absences | (1,067,457) |
| Net OPEB liabilities | <u>(13,116,559)</u> |
| | (36,253,960) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Pension related items | \$ (3,638,660) |
| OPEB related items | <u>(678,198)</u> |
| | (4,316,858) |
| Net position of governmental activities | <u>\$ 24,061,226</u> |

County of Dickenson, 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 |
|---|--------------------------------|
| REVENUES | |
| Charges for services | \$ 258,905 |
| Miscellaneous | 292,808 |
| Recovered costs | 10,310 |
| Intergovernmental: | |
| Local government | 6,486,981 |
| Commonwealth | 14,485,617 |
| Federal | 2,546,407 |
| Total revenues | <u>\$ 24,081,028</u> |
| EXPENDITURES | |
| Current: | |
| Education | <u>\$ 23,349,064</u> |
| Excess (deficiency) of revenues over (under) expenditures | \$ 731,964 |
| Fund balances - beginning | 165,307 |
| Fund balances - ending | <u><u>\$ 897,271</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 | \$ 731,964 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | |
| Capital outlays | \$ 650,260 |
| Depreciation expense | <u>(1,836,514)</u> (1,186,254) |
| The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to increase net position. | |
| Transfer of asset from County | 262,250 |
| 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. | |
| Pension expense | \$ 593,580 |
| OPEB expense | 603 |
| Change in compensated absences | <u>62,601</u> 656,784 |
| Change in net position of governmental activities | <u><u>\$ 464,744</u></u> |

County of Dickenson, 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 | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | |
| REVENUES | | | | |
| Charges for services | \$ 215,000 | \$ 215,000 | \$ 258,905 | \$ 43,905 |
| Miscellaneous | 388,000 | 388,000 | 292,808 | (95,192) |
| Recovered costs | 30,000 | 30,000 | 10,310 | (19,690) |
| Intergovernmental: | | | | |
| Local government | 6,490,000 | 6,755,090 | 6,486,981 | (268,109) |
| Commonwealth | 14,613,208 | 14,613,208 | 14,485,617 | (127,591) |
| Federal | 2,490,000 | 2,440,000 | 2,546,407 | 106,407 |
| Total revenues | \$ 24,226,208 | \$ 24,441,298 | \$ 24,081,028 | \$ (360,270) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 24,226,208 | \$ 24,441,298 | \$ 23,349,064 | \$ 1,092,234 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ 731,964 | \$ 731,964 |
| Net change in fund balances | \$ - | \$ - | \$ 731,964 | \$ 731,964 |
| Fund balances - beginning | - | - | 165,307 | 165,307 |
| Fund balances - ending | \$ - | \$ - | \$ 897,271 | \$ 897,271 |

Supporting Schedules

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

Schedule 1
Page 1 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 7,990,000 | \$ 7,990,000 | \$ 7,680,809 | \$ (309,191) |
| Real and personal public service corporation taxes | 600,000 | 600,000 | 584,653 | (15,347) |
| Personal property taxes | 1,332,048 | 1,332,048 | 1,362,592 | 30,544 |
| Mobile home taxes | 60,000 | 60,000 | 62,671 | 2,671 |
| Machinery and tools taxes | 1,800,000 | 1,800,000 | 2,511,239 | 711,239 |
| Merchant's capital taxes | 72,000 | 72,000 | 78,211 | 6,211 |
| Penalties | 60,000 | 60,000 | 65,771 | 5,771 |
| Interest | 220,000 | 220,000 | 429,002 | 209,002 |
| Total general property taxes | \$ 12,134,048 | \$ 12,134,048 | \$ 12,774,948 | \$ 640,900 |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 740,000 | \$ 740,000 | \$ 717,509 | \$ (22,491) |
| Consumers' utility taxes | 324,000 | 324,000 | 313,686 | (10,314) |
| Consumption taxes | 55,000 | 55,000 | 55,854 | 854 |
| Vehicle registration withholding stops | 14,000 | 14,000 | 18,980 | 4,980 |
| Tax on deeds | 25,000 | 25,000 | 38,809 | 13,809 |
| Hotel and motel room taxes | 30,000 | 30,000 | 32,898 | 2,898 |
| Gas severance taxes | 750,000 | 750,000 | 985,172 | 235,172 |
| Coal severance taxes | 2,000,000 | 2,000,000 | 3,310,747 | 1,310,747 |
| Total other local taxes | \$ 3,938,000 | \$ 3,938,000 | \$ 5,473,655 | \$ 1,535,655 |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 1,000 | \$ 1,000 | \$ 663 | \$ (337) |
| Building permits | 10,000 | 10,000 | 11,448 | 1,448 |
| Total permits, privilege fees, and regulatory licenses | \$ 11,000 | \$ 11,000 | \$ 12,111 | \$ 1,111 |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 41,000 | \$ 41,000 | \$ 49,822 | \$ 8,822 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 4,500 | \$ 4,500 | \$ 709 | \$ (3,791) |
| Revenue from use of property | 1,000 | 1,000 | 1,455 | 455 |
| Total revenue from use of money and property | \$ 5,500 | \$ 5,500 | \$ 2,164 | \$ (3,336) |
| Charges for services: | | | | |
| Charges for law enforcement and traffic control | \$ 7,732 | \$ 7,732 | \$ 15,340 | \$ 7,608 |
| Document production costs | 3,000 | 3,000 | 5,466 | 2,466 |
| Charges for Commonwealth's Attorney | 1,200 | 1,200 | 1,468 | 268 |
| Solid waste tipping fees | 175,500 | 175,500 | 140,878 | (34,622) |
| DCWIN user fees | - | - | 394 | 394 |
| Charges for law library | - | - | 1,723 | 1,723 |
| Charges for parks and recreation | 18,000 | 18,000 | 21,348 | 3,348 |
| Charges for office on youth | 70,000 | 70,000 | 82,192 | 12,192 |
| Total charges for services | \$ 275,432 | \$ 275,432 | \$ 268,809 | \$ (6,623) |

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

Schedule 1
Page 2 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 33,500 | \$ 33,500 | \$ 554,458 | \$ 520,958 |
| Recovered costs: | | | | |
| Regional jails | \$ 233,579 | \$ 233,579 | \$ 188,542 | \$ (45,037) |
| E-911 SWVA regional project | - | - | 29 | 29 |
| VPA refunds/recoveries | 55,000 | 55,000 | 106,815 | 51,815 |
| Health insurance reimbursement | 115,000 | 115,000 | 116,813 | 1,813 |
| Health department rental | 7,150 | 7,150 | 7,150 | - |
| Other recovered costs | 108,000 | 108,000 | 228,168 | 120,168 |
| Total recovered costs | \$ 518,729 | \$ 518,729 | \$ 647,517 | \$ 128,788 |
| Total revenue from local sources | \$ 16,957,209 | \$ 16,957,209 | \$ 19,783,484 | \$ 2,826,275 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Motor vehicle carriers' tax | \$ 105,000 | \$ 105,000 | \$ 3,003 | \$ (101,997) |
| Mobile home titling tax | 30,000 | 30,000 | 57,114 | 27,114 |
| State recordation tax | 8,000 | 8,000 | 16,873 | 8,873 |
| Grantor's tax | 8,000 | 8,000 | 6,650 | (1,350) |
| Personal property tax relief funds | 817,952 | 817,952 | 817,952 | - |
| Communications tax | 480,000 | 480,000 | 451,146 | (28,854) |
| Total noncategorical aid | \$ 1,448,952 | \$ 1,448,952 | \$ 1,352,738 | \$ (96,214) |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 312,365 | \$ 312,365 | \$ 310,945 | \$ (1,420) |
| Sheriff | 1,008,348 | 1,008,348 | 1,028,770 | 20,422 |
| Commissioner of revenue | 113,583 | 113,583 | 120,415 | 6,832 |
| Treasurer | 96,171 | 96,171 | 97,091 | 920 |
| Registrar/electoral board | 40,000 | 40,000 | 37,399 | (2,601) |
| Clerk of the Circuit Court | 200,414 | 200,414 | 209,688 | 9,274 |
| Total shared expenses | \$ 1,770,881 | \$ 1,770,881 | \$ 1,804,308 | \$ 33,427 |
| Other categorical aid: | | | | |
| Comprehensive services act | \$ 938,893 | \$ 938,893 | \$ 1,023,518 | \$ 84,625 |
| Public assistance and welfare administration | 4,728,243 | 4,728,243 | 1,668,770 | (3,059,473) |
| Department of environmental quality | - | - | 33,043 | 33,043 |
| Litter control grant | 8,000 | 8,000 | 8,218 | 218 |
| Fire program | 36,000 | 36,000 | 45,647 | 9,647 |
| Virginia housing authority | 75,000 | 75,000 | 103,988 | 28,988 |

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

Schedule 1
Page 3 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Other categorical aid: (Continued) | | | | |
| State health department | \$ - | \$ - | \$ 2,194 | \$ 2,194 |
| State health department - four for life | 14,000 | 14,000 | - | (14,000) |
| Criminal justice grant | 62,605 | 62,605 | 16,562 | (46,043) |
| Sheriff grants | - | - | 2,528 | 2,528 |
| Special welfare - foster care | 5,000 | 5,000 | 5,220 | 220 |
| Dream team drawdown | - | - | 21,685 | 21,685 |
| Preservation grant (Clerk of Court) | - | - | 26,985 | 26,985 |
| VITA grant | 54,949 | 54,949 | 140,572 | 85,623 |
| Reduction in state aid | 500 | 500 | 558 | 58 |
| Wireless E-911 services | 63,871 | 63,871 | 413,589 | 349,718 |
| Total other categorical aid | \$ 5,987,061 | \$ 5,987,061 | \$ 3,513,077 | \$ (2,473,984) |
| Total categorical aid | \$ 7,757,942 | \$ 7,757,942 | \$ 5,317,385 | \$ (2,440,557) |
| Total revenue from the Commonwealth | \$ 9,206,894 | \$ 9,206,894 | \$ 6,670,123 | \$ (2,536,771) |
| Revenue from the federal government: | | | | |
| Payments in lieu of taxes | \$ 30,000 | \$ 30,000 | \$ 46,235 | \$ 16,235 |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ - | \$ - | \$ 2,523,282 | \$ 2,523,282 |
| CDBG | - | - | 511,225 | 511,225 |
| Victim witness | - | - | 47,594 | 47,594 |
| Corps of engineers | 29,987 | 29,987 | 25,818 | (4,169) |
| DMV grants | 12,000 | 12,000 | 13,323 | 1,323 |
| USDA road/Ridgeview | - | - | 101,383 | 101,383 |
| Emergency management | 7,500 | 7,500 | 37,386 | 29,886 |
| Total categorical aid | \$ 49,487 | \$ 49,487 | \$ 3,260,011 | \$ 3,210,524 |
| Total revenue from the federal government | \$ 79,487 | \$ 79,487 | \$ 3,306,246 | \$ 3,226,759 |
| Total General Fund | \$ 26,243,590 | \$ 26,243,590 | \$ 29,759,853 | \$ 3,516,263 |
| Special Revenue Fund: | | | | |
| Coal Road Tax Fund: | | | | |
| Revenue from local sources: | | | | |
| Other local taxes: | | | | |
| Coal road improvement taxes | \$ 2,000,000 | \$ 2,000,000 | \$ 3,310,747 | \$ 1,310,747 |
| Gas severance taxes | 750,000 | 750,000 | 985,172 | 235,172 |
| Total other local taxes | \$ 2,750,000 | \$ 2,750,000 | \$ 4,295,919 | \$ 1,545,919 |

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

Schedule 1
Page 4 of 6

| <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> |
|---|----------------------------|-------------------------|---------------|---|
| Special Revenue Fund: (Continued) | | | | |
| Coal Road Tax Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 62 | \$ 62 |
| Total revenue from local sources | \$ 2,750,000 | \$ 2,750,000 | \$ 4,295,981 | \$ 1,545,981 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| VDOT revenue | \$ - | \$ - | \$ 23,581 | \$ 23,581 |
| Total Coal Road Tax Fund | \$ 2,750,000 | \$ 2,750,000 | \$ 4,319,562 | \$ 1,569,562 |
| Capital Projects Fund: | | | | |
| School Construction Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 5,081 | \$ 5,081 |
| Intergovernmental: | | | | |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| QSCB interest subsidy | \$ - | \$ - | \$ 396,950 | \$ 396,950 |
| Categorical aid: | | | | |
| USACE | \$ - | \$ - | \$ 1,400,570 | \$ 1,400,570 |
| Total revenue from the federal government | \$ - | \$ - | \$ 1,797,520 | \$ 1,797,520 |
| Total School Construction Projects Fund | \$ - | \$ - | \$ 1,802,601 | \$ 1,802,601 |
| Total Primary Government | \$ 28,993,590 | \$ 28,993,590 | \$ 35,882,016 | \$ 6,888,426 |
| Discretely Presented Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Cafeteria charges | \$ 215,000 | \$ 215,000 | \$ 258,905 | \$ 43,905 |
| Miscellaneous: | | | | |
| Other miscellaneous | \$ 388,000 | \$ 388,000 | \$ 292,808 | \$ (95,192) |
| Recovered costs: | | | | |
| Other recovered costs | \$ 30,000 | \$ 30,000 | \$ 10,310 | \$ (19,690) |
| Total revenue from local sources | \$ 633,000 | \$ 633,000 | \$ 562,023 | \$ (70,977) |

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

Schedule 1
Page 5 of 6

| <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) | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Dickenson, Virginia | \$ 6,490,000 | \$ 6,755,090 | \$ 6,486,981 | \$ (268,109) |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 2,360,681 | \$ 2,360,681 | \$ 2,228,561 | \$ (132,120) |
| Basic school aid | 7,022,103 | 7,022,103 | 7,000,427 | (21,676) |
| Remedial summer education | 6,217 | 6,217 | 12,435 | 6,218 |
| Regular foster care | - | - | 5,286 | 5,286 |
| ISAEF | 7,859 | 7,859 | 8,294 | 435 |
| Expanded GED payments | 500 | 500 | 690 | 190 |
| Gifted and talented | 70,080 | 70,080 | 70,028 | (52) |
| Remedial education | 329,960 | 329,960 | 329,717 | (243) |
| Special education | 838,040 | 838,040 | 837,424 | (616) |
| Textbook payment | 160,279 | 160,279 | 160,161 | (118) |
| Vocational standards of quality payments | 397,120 | 397,120 | 396,828 | (292) |
| CTE adult education | 5,904 | 5,904 | 26,188 | 20,284 |
| Social security fringe benefits | 442,380 | 442,380 | 442,055 | (325) |
| Retirement fringe benefits | 1,014,700 | 1,014,700 | 1,013,954 | (746) |
| State lottery payments | 400,215 | 400,215 | 400,286 | 71 |
| Early reading intervention | 47,672 | 47,672 | 57,206 | 9,534 |
| Homebound education | 14,852 | 14,852 | 12,304 | (2,548) |
| Group life insurance instructional | 30,660 | 30,660 | 30,637 | (23) |
| Adult literacy | 12,183 | 12,183 | - | (12,183) |
| Vocational education - occup/tech | 22,540 | 22,540 | 26,192 | 3,652 |
| Vocational education - equipment | 5,293 | 5,293 | 9,374 | 4,081 |
| Vocational education - Stem-H industry credentials | - | - | 1,118 | 1,118 |
| School breakfast incentive | 5,726 | 5,726 | 4,202 | (1,524) |
| School food | 13,643 | 13,643 | 12,094 | (1,549) |
| Industry certification | 2,978 | 2,978 | 2,978 | - |
| Compensation supplement | 70,924 | 70,924 | 70,872 | (52) |
| Special education - foster children | 23,606 | 23,606 | 14,608 | (8,998) |
| At risk payments | 345,779 | 345,779 | 358,845 | 13,066 |
| Project graduation | 3,718 | 3,718 | 3,718 | - |
| Primary class size | 385,291 | 385,291 | 368,070 | (17,221) |
| Technology | 310,000 | 310,000 | 310,199 | 199 |
| Standards of Learning algebra readiness | 36,096 | 36,096 | 38,608 | 2,512 |
| STEM recruitment and retention | 1,000 | 1,000 | 1,000 | - |
| Mentor teacher program | 211 | 211 | 1,448 | 1,237 |
| Breakfast after the bell | - | - | 4,812 | 4,812 |
| VA preschool initiative | 223,563 | 223,563 | 223,563 | - |
| English as a second language | 1,435 | 1,435 | 1,435 | - |
| Total categorical aid | \$ 14,613,208 | \$ 14,613,208 | \$ 14,485,617 | \$ (127,591) |
| Total revenue from the Commonwealth | \$ 14,613,208 | \$ 14,613,208 | \$ 14,485,617 | \$ (127,591) |

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

Schedule 1
Page 6 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|--------------------------|--------------------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title I | \$ 900,000 | \$ 850,000 | \$ 810,902 | \$ (39,098) |
| Title II EESA | - | - | 18,659 | 18,659 |
| Title VI-B, special education flow-through | 529,000 | 529,000 | 450,354 | (78,646) |
| Vocational education | 52,000 | 52,000 | 34,424 | (17,576) |
| Title VI-B, special education pre-school | 30,000 | 30,000 | 30,102 | 102 |
| Title II, part A | 120,500 | 120,500 | 116,315 | (4,185) |
| School breakfast program | 210,000 | 210,000 | 272,751 | 62,751 |
| School lunch program | 600,000 | 600,000 | 752,465 | 152,465 |
| Fresh fruits and vegetables | - | - | 8,248 | 8,248 |
| Federal reserve | 8,500 | 8,500 | 15,523 | 7,023 |
| Federal leasing of land payments | 1,000 | 1,000 | 634 | (366) |
| Summer Management Workshop | - | - | 350 | 350 |
| Rural and low income schools | 39,000 | 39,000 | 35,680 | (3,320) |
| Total categorical aid | <u>\$ 2,490,000</u> | <u>\$ 2,440,000</u> | <u>\$ 2,546,407</u> | <u>\$ 106,407</u> |
| Total revenue from the federal government | <u>\$ 2,490,000</u> | <u>\$ 2,440,000</u> | <u>\$ 2,546,407</u> | <u>\$ 106,407</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 24,226,208</u> | <u>\$ 24,441,298</u> | <u>\$ 24,081,028</u> | <u>\$ (360,270)</u> |

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

Schedule 2
Page 1 of 4

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | \$ 113,074 | \$ 113,074 | \$ 117,560 | \$ (4,486) |
| General and financial administration: | | | | |
| County administrator | \$ 317,569 | \$ 317,569 | \$ 331,672 | \$ (14,103) |
| Audit services | 69,200 | 69,200 | 71,835 | (2,635) |
| Legal services | 25,500 | 25,500 | 22,650 | 2,850 |
| Commissioner of revenue | 359,514 | 359,514 | 364,165 | (4,651) |
| Reassessment | 250,000 | 250,000 | 174,559 | 75,441 |
| Treasurer | 304,350 | 304,350 | 312,737 | (8,387) |
| IT/Mapping/Data processing | 203,526 | 203,526 | 237,744 | (34,218) |
| DCWIN | - | - | 4,414 | (4,414) |
| Total general and financial administration | \$ 1,529,659 | \$ 1,529,659 | \$ 1,519,776 | \$ 9,883 |
| Board of elections: | | | | |
| Registrar | \$ 140,242 | \$ 140,242 | \$ 145,908 | \$ (5,666) |
| Electoral board and officials | 53,025 | 53,025 | 138,289 | (85,264) |
| Total board of elections | \$ 193,267 | \$ 193,267 | \$ 284,197 | \$ (90,930) |
| Total general government administration | \$ 1,836,000 | \$ 1,836,000 | \$ 1,921,533 | \$ (85,533) |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 122,367 | \$ 122,367 | \$ 147,581 | \$ (25,214) |
| General district court | 12,656 | 12,656 | 14,806 | (2,150) |
| Special magistrates | 1,500 | 1,500 | 861 | 639 |
| Juvenile court services | 96,322 | 96,322 | 92,401 | 3,921 |
| Office on youth | 118,497 | 118,497 | 110,954 | 7,543 |
| Law library | 6,000 | 6,000 | 16,001 | (10,001) |
| Clerk of the circuit court | 388,515 | 388,515 | 420,584 | (32,069) |
| Total courts | \$ 745,857 | \$ 745,857 | \$ 803,188 | \$ (57,331) |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 565,013 | \$ 565,013 | \$ 553,146 | \$ 11,867 |
| Total judicial administration | \$ 1,310,870 | \$ 1,310,870 | \$ 1,356,334 | \$ (45,464) |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 1,656,458 | \$ 1,656,458 | \$ 2,051,613 | \$ (395,155) |
| Fire and rescue services: | | | | |
| Volunteer fire and rescue | \$ 377,893 | \$ 377,893 | \$ 430,414 | \$ (52,521) |
| E-911 Fund | 1,040,506 | 1,040,506 | 1,114,544 | (74,038) |
| Regional grant - contribution to Lee County | - | - | 193,455 | (193,455) |
| Total fire and rescue services | \$ 1,418,399 | \$ 1,418,399 | \$ 1,738,413 | \$ (320,014) |
| Correction and detention: | | | | |
| SWVa Regional Jail Authority | \$ 1,209,288 | \$ 1,209,288 | \$ 1,209,238 | \$ 50 |

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

Schedule 2
Page 2 of 4

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Public Safety: (Continued) | | | | |
| Inspections: | | | | |
| Building | \$ 64,609 | \$ 64,609 | \$ 64,815 | \$ (206) |
| Other protection: | | | | |
| Animal warden | \$ 143,533 | \$ 143,533 | \$ 144,421 | \$ (888) |
| Town of Haysi School Resource Officer | 41,000 | 41,000 | 41,000 | - |
| Emergency management | 75,329 | 75,329 | 114,166 | (38,837) |
| Total other protection | \$ 259,862 | \$ 259,862 | \$ 299,587 | \$ (39,725) |
| Total public safety | \$ 4,608,616 | \$ 4,608,616 | \$ 5,363,666 | \$ (755,050) |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | \$ 1,402,976 | \$ 1,402,976 | \$ 1,481,987 | \$ (79,011) |
| Litter control | 156,580 | 156,580 | 165,286 | (8,706) |
| Total sanitation and waste removal | \$ 1,559,556 | \$ 1,559,556 | \$ 1,647,273 | \$ (87,717) |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 497,392 | \$ 497,392 | \$ 546,847 | \$ (49,455) |
| Engineering | 86,155 | 86,155 | 87,769 | (1,614) |
| Total maintenance of general buildings and grounds | \$ 583,547 | \$ 583,547 | \$ 634,616 | \$ (51,069) |
| Total public works | \$ 2,143,103 | \$ 2,143,103 | \$ 2,281,889 | \$ (138,786) |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 257,621 | \$ 257,621 | \$ 257,621 | \$ - |
| Mental health and mental retardation: | | | | |
| Community services board | \$ 142,140 | \$ 142,140 | \$ 142,140 | \$ - |
| Welfare: | | | | |
| Public assistance and welfare administration | \$ 7,012,794 | \$ 7,012,794 | \$ 5,105,596 | \$ 1,907,198 |
| Comprehensive services board | - | - | 1,441,593 | (1,441,593) |
| Senior citizens | 63,624 | 63,624 | 57,500 | 6,124 |
| Rental assistance | 126,820 | 126,820 | 129,602 | (2,782) |
| Total welfare | \$ 7,203,238 | \$ 7,203,238 | \$ 6,734,291 | \$ 468,947 |
| Total health and welfare | \$ 7,602,999 | \$ 7,602,999 | \$ 7,134,052 | \$ 468,947 |
| Education: | | | | |
| Other instructional costs: | | | | |
| Community colleges | \$ 71,001 | \$ 71,001 | \$ 70,001 | \$ 1,000 |
| Contribution to child care center | 70,000 | 70,000 | 70,000 | - |
| Contribution to County School Board | 6,485,000 | 6,485,000 | 6,486,981 | (1,981) |
| Total education | \$ 6,626,001 | \$ 6,626,001 | \$ 6,626,982 | \$ (981) |

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

Schedule 2
Page 3 of 4

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-----------------------------|-----------------------------|-----------------------------|---|
| General Fund: (Continued) | | | | |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Recreational | \$ 46,000 | \$ 46,000 | \$ 76,893 | \$ (30,893) |
| Swimming pool | 56,047 | 56,047 | 77,858 | (21,811) |
| Tourism | 59,671 | 59,671 | 58,678 | 993 |
| Total parks and recreation | <u>\$ 161,718</u> | <u>\$ 161,718</u> | <u>\$ 213,429</u> | <u>\$ (51,711)</u> |
| Total parks, recreation, and cultural | <u>\$ 161,718</u> | <u>\$ 161,718</u> | <u>\$ 213,429</u> | <u>\$ (51,711)</u> |
| Community development: | | | | |
| Planning and community development: | | | | |
| Community development | | | | |
| Planning and community development | \$ 127,000 | \$ 127,000 | \$ 118,754 | \$ 8,246 |
| Regional Planning | 319,360 | 319,360 | 319,360 | - |
| Contributions to community organizations | 1,200 | 1,200 | 154,205 | (153,005) |
| Industrial Development Authority/Economic Development Corp. | 220,708 | 220,708 | 281,422 | (60,714) |
| Contribution to Dickenson PSA | - | - | 473,725 | (473,725) |
| Total planning and community development | <u>\$ 668,268</u> | <u>\$ 668,268</u> | <u>\$ 1,347,466</u> | <u>\$ (679,198)</u> |
| Cooperative extension program: | | | | |
| Extension office | \$ 64,614 | \$ 64,614 | \$ 46,973 | \$ 17,641 |
| Total community development | <u>\$ 732,882</u> | <u>\$ 732,882</u> | <u>\$ 1,394,439</u> | <u>\$ (661,557)</u> |
| Nondepartmental: | | | | |
| Non-Departmental | <u>\$ 169,061</u> | <u>\$ 169,061</u> | <u>\$ 124,180</u> | <u>\$ 44,881</u> |
| Capital projects: | | | | |
| Other capital projects | <u>\$ 50,000</u> | <u>\$ 50,000</u> | <u>\$ 118,990</u> | <u>\$ (68,990)</u> |
| Debt service: | | | | |
| Principal retirement | \$ 866,715 | \$ 866,715 | \$ 1,123,864 | \$ (257,149) |
| Interest and other fiscal charges | 371,931 | 371,931 | 344,632 | 27,299 |
| Total debt service | <u>\$ 1,238,646</u> | <u>\$ 1,238,646</u> | <u>\$ 1,468,496</u> | <u>\$ (229,850)</u> |
| Total General Fund | <u><u>\$ 26,479,896</u></u> | <u><u>\$ 26,479,896</u></u> | <u><u>\$ 28,003,990</u></u> | <u><u>\$ (1,524,094)</u></u> |
| Special Revenue Fund: | | | | |
| Coal Road Tax Fund: | | | | |
| Public Works: | | | | |
| Maintenance of Highways, Streets and Bridges: | | | | |
| Road improvements | <u>\$ 1,395,600</u> | <u>\$ 1,395,600</u> | <u>\$ 638,014</u> | <u>\$ 757,586</u> |

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

Schedule 2
Page 4 of 4

| <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> |
|--|----------------------------|-------------------------|----------------------|---|
| Special Revenue Fund: (Continued) | | | | |
| Coal Road Tax Fund: (Continued) | | | | |
| Community Development: | | | | |
| Planning and Community Development: | | | | |
| Coalfield Economic Development | \$ 885,650 | \$ 885,650 | \$ 1,359,812 | \$ (474,162) |
| Revenue sharing matching | - | - | 10,371 | (10,371) |
| Contribution to Public Service Authority | 468,750 | 468,750 | 724,120 | (255,370) |
| Total planning and community development | <u>\$ 1,354,400</u> | <u>\$ 1,354,400</u> | <u>\$ 2,094,303</u> | <u>\$ (739,903)</u> |
| Total community development | <u>\$ 1,354,400</u> | <u>\$ 1,354,400</u> | <u>\$ 2,094,303</u> | <u>\$ (739,903)</u> |
| Total Coal Road Tax Fund | <u>\$ 2,750,000</u> | <u>\$ 2,750,000</u> | <u>\$ 2,732,317</u> | <u>\$ 17,683</u> |
| Capital Projects Fund: | | | | |
| School Construction Projects Fund: | | | | |
| Capital Projects: | | | | |
| Capital projects expenditures: | | | | |
| School Construction | \$ - | \$ - | \$ 388,450 | \$ (388,450) |
| Debt service: | | | | |
| Principal retirement | \$ - | \$ - | \$ 800,000 | \$ (800,000) |
| Interest and other fiscal charges | - | - | 425,000 | (425,000) |
| Total debt service | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,225,000</u> | <u>\$ (1,225,000)</u> |
| Total School Construction Projects Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,613,450</u> | <u>\$ (1,613,450)</u> |
| Total Primary Government | <u>\$ 29,229,896</u> | <u>\$ 29,229,896</u> | <u>\$ 32,349,757</u> | <u>\$ (3,119,861)</u> |
| Discretely Presented Component Unit - School Board | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| Administration and health | \$ 1,214,801 | \$ 1,214,801 | \$ 1,256,440 | \$ (41,639) |
| Instruction costs: | | | | |
| Instruction | \$ 15,450,675 | \$ 15,622,234 | \$ 14,660,585 | \$ 961,649 |
| Operating costs: | | | | |
| Pupil transportation | \$ 2,957,135 | \$ 3,000,666 | \$ 3,029,039 | \$ (28,373) |
| Operation and maintenance of school plant | 2,709,034 | 2,709,034 | 2,434,071 | 274,963 |
| School food and other non-instructional costs | 1,373,878 | 1,373,878 | 1,481,793 | (107,915) |
| Technology | 520,685 | 520,685 | 487,136 | 33,549 |
| Total operating costs | <u>\$ 7,560,732</u> | <u>\$ 7,604,263</u> | <u>\$ 7,432,039</u> | <u>\$ 172,224</u> |
| Total education | <u>\$ 24,226,208</u> | <u>\$ 24,441,298</u> | <u>\$ 23,349,064</u> | <u>\$ 1,092,234</u> |
| Total School Operating Fund | <u>\$ 24,226,208</u> | <u>\$ 24,441,298</u> | <u>\$ 23,349,064</u> | <u>\$ 1,092,234</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 24,226,208</u> | <u>\$ 24,441,298</u> | <u>\$ 23,349,064</u> | <u>\$ 1,092,234</u> |

Other Statistical Information

Table 1

County of Dickenson, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education (1) | Parks, Recreation, and Cultural | Community Development | Interest on Long-Term Debt | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|---------------|---------------------------------|-----------------------|----------------------------|---------------|
| 2017-18 | \$ 1,882,827 | \$ 1,602,350 | \$ 5,352,066 | \$ 2,921,758 | \$ 6,667,006 | \$ 7,687,931 | \$ 276,657 | \$ 3,483,452 | \$ 365,201 | \$ 30,239,248 |
| 2016-17 | 1,889,360 | 1,846,897 | 4,816,537 | 2,344,066 | 6,696,701 | 35,018,973 | 211,727 | 4,249,320 | 858,317 | 57,931,898 |
| 2015-16 | 1,447,189 | 994,021 | 3,855,643 | 2,211,993 | 6,481,617 | 26,120,875 | 211,823 | 8,974,110 | 1,703,899 | 52,001,170 |
| 2014-15 | 1,598,909 | 492,729 | 3,819,908 | 1,603,292 | 7,263,106 | 28,868,548 | 84,497 | 5,420,583 | 1,829,169 | 50,980,741 |
| 2013-14 | 1,144,784 | 1,110,535 | 4,976,702 | 2,835,218 | 6,547,181 | 9,635,086 | 170,643 | 4,284,122 | 1,156,525 | 31,860,796 |
| 2012-13 | 2,050,009 | 1,138,929 | 4,885,973 | 3,022,683 | 6,385,324 | 6,766,973 | 185,519 | 6,453,207 | 888,962 | 31,777,579 |
| 2011-12 | 2,008,466 | 1,025,378 | 5,115,076 | 2,720,172 | 6,059,904 | 7,425,648 | 107,046 | 6,201,727 | 163,515 | 30,826,932 |
| 2010-11 | 1,763,110 | 1,074,443 | 3,686,694 | 3,372,252 | 5,750,370 | 6,197,020 | 571,735 | 5,607,673 | 190,910 | 28,214,207 |
| 2009-10 | 1,787,393 | 1,109,611 | 3,505,608 | 2,563,389 | 5,824,142 | 6,335,489 | 513,311 | 7,059,122 | 118,545 | 28,816,610 |
| 2008-09 | 1,799,477 | 957,871 | 3,910,141 | 2,804,944 | 5,174,372 | 7,058,251 | 501,388 | 6,139,085 | 240,406 | 28,585,935 |

(1) Includes the transfer of capital assets for which the underlying debt has been repaid during 2015 and 2016.

County of Dickenson, Virginia
Government-wide Revenues
Last Ten Fiscal Years

Table 2

| PROGRAM REVENUES | | | | GENERAL REVENUES | | | | | | | Special Items | Total |
|------------------|----------------------|------------------------------------|----------------------------------|------------------------|-------------------|----------------------------------|---------------|-------------------------------------|---------|---------------|---------------|-------|
| Fiscal Year | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Property Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous | Grants and Contributions | | | | |
| | | | | | | | | Not Restricted to Specific Programs | | | | |
| 2017-18 | \$ 330,742 | \$ 8,040,353 | \$ 1,961,194 | \$ 11,195,519 | \$ 9,769,574 | \$ 7,307 | \$ 554,458 | \$ 1,398,973 | \$ - | \$ 33,258,120 | | |
| 2016-17 | 526,988 | 7,130,074 | 35,345,442 | 12,677,750 | 9,285,792 | 7,390 | 36,462 | 1,488,617 | 153,799 | 66,652,314 | | |
| 2105-16 | 519,966 | 6,872,593 | 18,455,204 | 11,937,747 | 6,274,918 | 4,218 | 270,439 | 1,562,224 | - | 45,897,309 | | |
| 2014-15 | 622,693 | 7,450,931 | 607,116 | 12,667,960 | 7,875,794 | 4,241 | 880,143 | 1,521,625 | - | 31,630,503 | | |
| 2013-14 | 886,995 | 7,655,082 | 25,519,376 | 11,786,105 | 8,606,472 | 15,262 | 59,715 | 1,545,215 | - | 56,074,222 | | |
| 2012-13 | 925,629 | 7,304,984 | 6,159,720 | 11,906,790 | 9,509,539 | 32,329 | - | 2,747,311 | - | 38,586,302 | | |
| 2011-12 | 708,119 | 6,876,198 | 27,629 | 14,237,747 | 10,898,718 | 15,874 | 159,191 | 1,493,178 | - | 34,416,654 | | |
| 2010-11 | 680,640 | 6,105,193 | 167,311 | 8,849,635 | 10,745,737 | 33,382 | 225,498 | 1,586,883 | - | 28,394,279 | | |
| 2009-10 | 592,840 | 6,169,602 | 2,222,045 | 9,495,473 | 8,804,909 | 30,472 | 261,355 | 1,198,714 | - | 28,775,410 | | |
| 2008-09 | 283,173 | 5,814,889 | 200,367 | 8,384,400 | 13,453,817 | 47,889 | 404,828 | 1,094,113 | - | 29,683,476 | | |

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

| Fiscal Year | General Government | | | | Parks, Recreation, and Cultural | | | | | | Capital Projects | Debt Service | | Total |
|-------------|--------------------|-------------------------|---------------|--------------|---------------------------------|---------------|--------------------------|-----------------------|-----------------|------------|------------------|---------------|--|-------|
| | Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education (2) | Recreation, and Cultural | Community Development | Nondepartmental | | | | | |
| 2017-18 | \$ 1,921,533 | \$ 1,356,334 | \$ 5,363,666 | \$ 2,919,903 | \$ 7,134,052 | \$ 23,489,065 | \$ 213,429 | \$ 3,488,742 | \$ 124,180 | \$ 507,440 | \$ 2,693,496 | \$ 49,211,840 | | |
| 2016-17 | 1,925,915 | 1,287,107 | 4,804,937 | 2,253,275 | 6,802,450 | 24,093,852 | 146,594 | 4,242,373 | - | 1,452,957 | 28,651,475 | 75,660,935 | | |
| 2015-16 | 1,465,556 | 1,015,153 | 4,228,678 | 2,149,697 | 6,689,813 | 24,596,740 | 185,091 | 9,028,587 | - | 14,459,765 | 18,033,028 | 81,852,108 | | |
| 2014-15 | 1,703,249 | 3,853,976 | 4,056,384 | 2,019,276 | 6,583,461 | 24,715,042 | 172,611 | 5,133,192 | - | 19,928,691 | 2,789,575 | 70,955,457 | | |
| 2013-14 | 1,730,069 | 1,450,019 | 4,737,953 | 2,761,149 | 6,705,005 | 25,631,212 | 164,694 | 4,819,178 | - | 39,178,197 | 14,121,055 | 101,298,531 | | |
| 2012-13 | 2,108,988 | 1,138,723 | 4,652,216 | 2,950,774 | 6,517,894 | 24,661,068 | 179,094 | 7,317,639 | - | - | 1,751,172 | 51,277,568 | | |
| 2011-12 | 2,051,549 | 1,078,131 | 5,171,970 | 2,641,301 | 6,178,601 | 26,973,108 | 223,472 | 6,887,222 | - | - | 820,845 | 52,026,199 | | |
| 2010-11 | 1,771,524 | 1,069,006 | 4,946,091 | 3,254,042 | 5,772,805 | 26,503,176 | 568,027 | 5,571,076 | - | - | 820,393 | 50,276,140 | | |
| 2009-10 | 1,741,323 | 1,107,320 | 3,852,444 | 2,551,751 | 5,694,929 | 27,463,325 | 511,050 | 7,090,497 | - | - | 872,769 | 50,885,408 | | |
| 2008-09 | 1,657,821 | 965,283 | 3,772,252 | 2,692,577 | 5,474,083 | 27,983,215 | 496,678 | 6,121,357 | - | - | 867,396 | 50,030,662 | | |

(1) Includes General, Special Revenue, and Capital Project funds of the Primary Government and its Discretely Presented Component Units.

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

Table 4

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

| Fiscal Year | Revenue from the | | | | | | | | | | | | Miscellaneous & | | Inter-governmental (2) | Total | |
|-------------|------------------------|-------------------|--|-----------------------|---------------------------|----------------------|-----------------|---------------|---------------|--|--|--|-----------------|--|------------------------|-------|--|
| | General Property Taxes | Other Local Taxes | Permits, Privilege Fees, Regulatory Licenses | Fines and Forfeitures | Use of Money and Property | Charges for Services | Recovered Costs | | | | | | | | | | |
| 2017-18 | \$ 12,774,948 | \$ 9,769,574 | \$ 12,111 | \$ 49,822 | \$ 7,307 | \$ 527,714 | \$ 1,505,093 | \$ 28,829,494 | \$ 53,476,063 | | | | | | | | |
| 2016-17 | 12,500,553 | 9,285,792 | 8,448 | 119,047 | 7,390 | 699,219 | 1,118,209 | 61,365,427 | 85,104,085 | | | | | | | | |
| 2015-16 | 10,394,299 | 6,274,918 | 10,893 | 43,014 | 4,218 | 775,992 | 1,330,307 | 43,843,934 | 62,677,575 | | | | | | | | |
| 2014-15 | 13,342,236 | 7,875,794 | 9,951 | 38,973 | 4,241 | 883,221 | 1,614,878 | 26,416,565 | 50,185,859 | | | | | | | | |
| 2013-14 | 11,852,575 | 8,606,472 | 16,001 | 64,460 | 15,262 | 1,161,450 | 997,986 | 51,726,260 | 74,440,466 | | | | | | | | |
| 2012-13 | 12,669,532 | 9,509,539 | 12,822 | 35,276 | 32,329 | 1,272,325 | 895,640 | 33,583,277 | 58,010,740 | | | | | | | | |
| 2011-12 | 13,263,990 | 10,898,718 | 21,775 | 34,191 | 17,635 | 1,117,253 | 1,721,130 | 27,721,137 | 54,795,829 | | | | | | | | |
| 2010-11 | 9,079,109 | 10,745,737 | 16,255 | 42,244 | 34,916 | 1,071,684 | 1,825,055 | 27,324,165 | 50,139,165 | | | | | | | | |
| 2009-10 | 9,128,477 | 8,804,909 | 18,382 | 41,078 | 36,789 | 960,384 | 990,554 | 28,852,251 | 48,832,824 | | | | | | | | |
| 2008-09 | 8,201,918 | 13,453,817 | 15,472 | 22,228 | 63,503 | 1,304,850 | 629,220 | 28,589,816 | 52,280,824 | | | | | | | | |

(1) Includes General, Special Revenue, and Capital Project funds of the Primary Government and its Discretely Presented Component Units.

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

Table 5

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

| Fiscal Year | Total Tax Levy (1) | Current Tax Collections (1) | Percent of Levy Collected | Delinquent | | Total Tax Collections | Percent of | | Percent of Delinquent Taxes to Tax Levy |
|----------------|--------------------------|-----------------------------------|---------------------------------|-----------------|---------------|-----------------------------|---|--|--|
| | | | | Collections (1) | Tax | | Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1) | |
| 2017-18 | \$ 12,804,460 | \$ 10,232,802 | 79.92% | \$ 2,865,325 | \$ 13,098,127 | 102.29% | \$ 2,466,700 | 19.26% | |
| 2016-17 | 13,453,679 | 8,289,279 | 61.61% | 3,924,581 | 12,213,860 | 90.78% | 4,002,856 | 29.75% | |
| 2015-16 | 12,567,077 | 7,559,599 | 60.15% | 3,279,434 | 10,839,033 | 86.25% | 3,812,167 | 30.33% | |
| 2014-15 | 13,160,900 | 12,896,358 | 97.99% | 827,972 | 13,724,330 | 104.28% | 2,462,240 | 18.71% | |
| 2013-14 | 12,867,584 | 12,599,469 | 97.92% | 521,802 | 13,121,271 | 101.97% | 3,184,962 | 24.75% | |
| 2012-13 | 12,457,549 | 12,299,417 | 98.73% | 916,967 | 13,216,384 | 106.09% | 2,713,540 | 21.78% | |
| 2011-12 | 10,894,220 | 9,135,852 | 83.86% | 1,957,654 | 11,093,506 | 101.83% | 5,146,710 | 47.24% | |
| 2010-11 | 9,359,592 | 8,747,619 | 93.46% | 194,387 | 8,942,006 | 95.54% | 5,367,481 | 57.35% | |
| 2009-10 | 9,050,359 | 8,631,704 | 95.37% | 363,287 | 8,994,991 | 99.39% | 2,069,958 | 22.87% | |
| 2008-09 | 9,313,787 | 8,891,496 | 95.47% | 128,374 | 9,019,870 | 96.84% | 1,525,225 | 16.38% | |

(1) Exclusive of penalties and interest.

Table 6

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

| Fiscal Year | Real Estate (1) | Personal Property and Mobile Homes | Machinery and Tools | Merchant's Capital | Public Utility (2) | | Total |
|----------------|--------------------|---|---------------------------|-----------------------|--------------------|----------------------|------------------|
| | | | | | Real Estate | Personal Property | |
| 2017-18 | \$ 1,341,835,375 | \$ 131,507,513 | \$ 98,253,636 | \$ 775,076 | \$ 103,162,284 | \$ 162,011 | \$ 1,675,695,895 |
| 2016-17 | 1,364,073,644 | 136,088,656 | 151,109,249 | 774,644 | 107,045,402 | 191,687 | 1,759,283,282 |
| 2015-16 | 1,377,223,700 | 134,806,776 | 96,449,867 | 807,876 | 116,712,808 | 238,089 | 1,726,239,116 |
| 2014-15 | 1,390,386,000 | 138,302,847 | 122,746,615 | 745,341 | 113,807,768 | 264,543 | 1,766,253,114 |
| 2013-14 | 1,471,653,492 | 140,183,821 | 137,652,367 | 936,673 | 111,285,447 | 284,982 | 1,861,996,782 |
| 2012-13 | 1,467,556,192 | 150,444,999 | 100,668,822 | 728,086 | 105,721,465 | 249,781 | 1,825,369,345 |
| 2011-12 | 1,427,628,192 | 120,235,607 | 82,207,942 | 792,469 | 61,196,373 | 169,334 | 1,692,229,917 |
| 2010-11 | 1,093,381,069 | 128,742,527 | 65,275,601 | 822,585 | 61,015,901 | 181,474 | 1,349,419,157 |
| 2009-10 | 1,069,562,685 | 113,496,700 | 65,964,070 | 671,287 | 65,016,120 | 144,107 | 1,314,854,969 |
| 2008-09 | 970,579,579 | 125,410,393 | 59,682,284 | 883,644 | 64,133,685 | 141,025 | 1,220,830,610 |

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

(2) Assessed values are established by the State Corporation Commission.

Table 7

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

| Fiscal Year | Real Estate | Personal Property (2) | Machinery and Tools (2) | Merchant's Capital |
|----------------|----------------|--------------------------|-------------------------------|-----------------------|
| 2017-18 | \$ 0.56 | 1.82 | 1.82 | \$ 10.50 |
| 2016-17 | 0.56 | 1.82 | 1.82 | 10.50 |
| 2015-16 | 0.56 | 1.82 | 1.82 | 10.50 |
| 2014-15 | 0.56 | 1.82 | 1.82 | 10.50 |
| 2013-14 | 0.56 | 1.82 | 1.82 | 10.50 |
| 2012-13 | 0.60 | 1.69 | 1.69 | 10.50 |
| 2011-12 | 0.60 | 1.69 | 1.69 | 10.50 |
| 2010-11 | 0.60 | 1.69 | 1.69 | 10.50 |
| 2009-10 | 0.60 | 1.69 | 1.69 | 10.50 |
| 2008-09 | 0.60 | 1.69 | 1.69 | 10.50 |

(1) Per \$100 of assessed value.

(2) Personal property taxes are assessed at 100% of fair market value.

Table 8

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

| Fiscal Year | Population (1) | Assessed Value (in thousands) (2) | Gross Bonded Debt (3) | Net Bonded Debt | Ratio of | |
|----------------|----------------|---|-----------------------------|-----------------------|--|-------------------------------------|
| | | | | | Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
| 2017-18 | 15,903 | \$ 1,675,696 | \$ 18,119,910 | \$ 18,119,910 | 1.08% | \$ 1,139 |
| 2016-17 | 15,903 | 1,759,283 | 17,957,407 | 17,957,407 | 1.02% | 1,129 |
| 2015-16 | 15,903 | 1,726,239 | 44,313,634 | 44,313,634 | 2.57% | 2,786 |
| 2014-15 | 15,903 | 1,766,253 | 51,282,301 | 51,282,301 | 2.90% | 3,225 |
| 2013-14 | 15,903 | 1,861,997 | 31,599,532 | 31,599,532 | 1.70% | 1,987 |
| 2012-13 | 15,903 | 1,825,369 | 26,242,957 | 26,242,957 | 1.44% | 1,650 |
| 2011-12 | 15,903 | 1,692,230 | 985,000 | 985,000 | 0.06% | 62 |
| 2010-11 | 15,903 | 1,349,419 | 1,070,000 | 1,070,000 | 0.08% | 67 |
| 2009-10 | 16,395 | 1,314,855 | 1,155,000 | 1,155,000 | 0.09% | 70 |
| 2008-09 | 16,395 | 1,220,831 | 1,338,676 | 1,338,676 | 0.11% | 82 |

(1) Bureau of the Census.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.
Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

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

| Fiscal Year | Principal | Interest | Total Debt Service | Total General Governmental Expenditures | Ratio of Debt Service to General Governmental Expenditures |
|----------------|--------------|------------|--------------------------|--|--|
| 2017-18 | \$ 1,923,864 | \$ 769,632 | \$ 2,693,496 | \$ 49,211,840 | 5.47% |
| 2016-17 | 27,661,723 | 989,752 | 28,651,475 | 75,660,935 | 37.87% |
| 2015-16 | 16,312,703 | 1,720,325 | 18,033,028 | 81,852,108 | 22.03% |
| 2014-15 | 952,545 | 1,837,030 | 2,789,575 | 70,955,457 | 3.93% |
| 2013-14 | 12,949,183 | 1,171,872 | 14,121,055 | 101,298,531 | 13.94% |
| 2012-13 | 849,331 | 901,841 | 1,751,172 | 51,277,568 | 3.42% |
| 2011-12 | 644,902 | 175,943 | 820,845 | 52,026,199 | 1.58% |
| 2010-11 | 621,900 | 198,493 | 820,393 | 50,276,140 | 1.63% |
| 2009-10 | 684,273 | 188,496 | 872,769 | 50,885,408 | 1.72% |
| 2008-09 | 408,340 | 75,936 | 484,276 | 50,030,662 | 0.97% |

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of
the Board of Supervisors
County of Dickenson, 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 - School Board and Public Service Authority, each major fund, and the aggregate remaining fund information of the County of Dickenson, 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 Dickenson, Virginia's basic financial statements and have issued our report thereon dated January 15, 2019. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit Industrial Development Authority, as described in our report on the County of Dickenson, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Dickenson, 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 Dickenson, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Dickenson, 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 weaknesses. (2018-001 and 2018-002)

Compliance and Other Matters

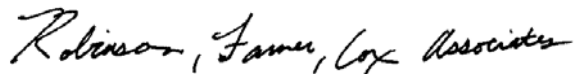
As part of obtaining reasonable assurance about whether the County of Dickenson, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

County of Dickenson, Virginia's Response to Findings

County of Dickenson, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Dickenson, 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
January 15, 2019

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Dickenson, 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 Dickenson, Virginia's major federal programs for the year ended June 30, 2018. The County of Dickenson, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

County of Dickenson, Virginia's basic financial statements include the operations of the Dickenson County Public Service Authority, which received \$1,911,949 in federal awards which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of Dickenson County Public Service Authority because the component unit engaged other auditors to perform an audit of compliance for the Uniform Guidance.

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 Dickenson, 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 Dickenson, 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 Dickenson, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Dickenson, 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.

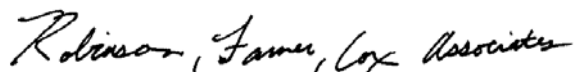
Report on Internal Control over Compliance

Management of the County of Dickenson, 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 Dickenson, 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 Dickenson, 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
January 15, 2019

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

| Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|--|--------------------------|
| Department of Health and Human Services: | | | |
| Pass Through Payments: | | | |
| Department of Social Services: | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 706116/760117 | \$ 47,653 |
| Promoting Safe and Stable Families | 93.556 | 950115/950116 | 23,541 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 400116/400117 | 291,124 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 500116/500117 | 450 |
| Low-Income Home Energy Assistance | 93.568 | 600416/600417 | 39,813 |
| Chaffee Education and Training Vouchers Program (ETV) | 93.599 | 9160115/9160116 | 1,390 |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | 1130114 | 3,000 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 900116 | 864 |
| Foster Care - Title IV-E | 93.658 | 1100116/1100117 | 353,099 |
| Adoption Assistance | 93.659 | 1120116/1120117 | 559,540 |
| Social Services Block Grant | 93.667 | 1000116/1000117 | 295,951 |
| Chafee Foster Care Independence Program | 93.674 | 9150116/9150117 | 5,832 |
| Children's Health Insurance Program | 93.767 | 0540116/0540117 | 17,729 |
| Medical Assistance Program | 93.778 | 1200116/1200117 | 445,977 |
| Department of Mental Health, Mental Retardation and Substance Abuse Services: | | | |
| Child care block grant | 93.575 | Unknown | (94) |
| Total Department of Health and Human Service | | | \$ 2,085,869 |
| Department of Agriculture: | | | |
| Direct Payments: | | | |
| Community Facilities Loans and Grants | 10.766 | Not applicable | \$ 101,383 |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| School and Roads - Grants to States | 10.665 | 43841 | |
| State Administrative Expenses for Child Nutrition | 10.560 | Not available | 350 |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | 40253/40591 | \$ 272,996 |
| Summer Food Service Program for Children | 10.559 | Not available | 3,056 |
| National School Lunch Program | 10.555 | 40254 | \$ 656,469 |
| Department of Agriculture: | | | |
| Food Distribution (Note 3) - inventory | 10.555 | Not Applicable | 92,695 749,164 1,025,216 |
| Fresh fruit and vegetable Program | 10.582 | Unknown | 8,248 |
| School and Roads - Grants to States | 10.665 | Unknown | 15,523 |
| Department of Social Services: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010116/0010117/0040116/0040117 | 437,413 |
| Total Department of Agriculture | | | \$ 1,588,133 |
| Department of Housing and Urban Development: | | | |
| Pass Through Payments: | | | |
| Department of Housing and Community Development: | | | |
| Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 50790 | \$ 511,225 |
| Department of Justice: | | | |
| Pass Through Payments: | | | |
| Office for Victims of Crime: | | | |
| Crime Victim Assistance | 16.575 | 86015 | \$ 47,594 |
| Department of Transportation: | | | |
| Pass Through Payments: | | | |
| Department of Motor Vehicles: | | | |
| National Priority Safety Programs | 20.616 | Unknown | \$ 13,323 |
| Department of Defense: | | | |
| Pass Through Payments: | | | |
| Department of Environmental Quality: | | | |
| Payments to States in Lieu of Real Estate Taxes | 12.112 | 42845 | \$ 634 |

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

| Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|--|-------------------------|
| Department of Education: Pass Through Payments: Department of Education: Title I: Grants to Local Educational Agencies | 84.010 | 42892/42901/42933 42935/42945/42955 | \$ 810,902 |
| <i>Special Education Cluster:</i> Special Education - Grants to States (IDEA, Part B) | 84.027 | 43071 | \$ 450,354 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | 62521 | 30,102 |
| Career and Technical Education - Basic Grants to States (Perkins IV) | 84.048 | 61095/61159 | 34,424 |
| Rural Education | 84.358 | 43481 | 35,680 |
| Supporting Effective Instruction State Grant | 84.367 | 61480 | 116,315 |
| Student Support and Academic Enrichment Program | 84.424 | Not available | 18,659 |
| Total Department of Education | | | \$ 1,496,436 |
| Department of Homeland Security: Pass Through Payments: Department of Emergency Management: Homeland security grant program | 97.067 | Not available | \$ 37,386 |
| Total Expenditures of Federal Awards | | | \$ 5,780,600 |

See accompanying notes to the schedule of expenditures of federal awards.

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of County of Dickenson, Virginia and its component units under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance. Because the schedule presents only a selected portion of the operations of the County of Dickenson, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Dickenson, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

Note 3 -- Food Donation

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

Note 4 -- Subrecipients

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

Note 5 -- Outstanding Balance of Federal Loans

The County did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

Note 6 -- Relationship to the Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

| | |
|---|--------------|
| Primary government: | |
| General Fund (less payments in lieu of taxes) | \$ 3,260,011 |
| Flood Control Projects Not Subject to Single Audit Requirements | (25,818) |
| School Construction Projects | 1,797,520 |
| Flood Control Projects Not Subject to Single Audit Requirements | (1,400,570) |
| QCSB Interest Subsidy | (396,950) |
| Total primary government | \$ 3,234,193 |
| Component Unit School Board: | |
| School Operating Fund | \$ 2,546,407 |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | \$ 5,780,600 |

County of Dickenson, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

| CFDA # | Name of Federal Program or Cluster |
|----------------------|--|
| 84.010 | Title I : Grants to Local Education Agencies |
| 84.027/84.173 | Special Education Cluster |
| 10.553/10.555/10.559 | Child Nutrition Cluster |

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

| | |
|--|----|
| Auditee qualified as low-risk auditee? | No |
|--|----|

Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

2018-001

| | |
|------------------------|---|
| Criteria: | Per Statement on Auditing Standards 115, an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report. In addition, the auditee should have sufficient internal controls over the preparation of financial statements in accordance with generally accepted accounting principles. Furthermore, reliance on the auditors to post such transactions is not a component of the auditee's internal controls. |
| Condition: | The County's 2018 adjusted trial balance required significant adjusting entries that were made by the auditors. |
| Cause: | The County failed to identify all year end accounting adjustments necessary for the financial statements to be prepared in accordance with current reporting standards. The County does not have proper controls in place to detect and correct adjustments in closing their year end financial information. |
| Effect: | There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the County's internal controls over financial reporting. |
| Recommendation: | Management should continue to implement and follow review procedures to make adjustments in a timely manner. |
| Management's Response: | Management is dedicated to complying with the concepts set forth in Statement on Auditing Standards 115 and will make efforts in the future to eliminate material misstatements from its adjusted trial balance. |

2018-002

| | |
|------------------------|---|
| Criteria: | The Treasurer's Accountability fund should reconcile to each individual fund. |
| Condition: | The Treasurer's Accountability fund balances do not agree to the individual funds. |
| Cause: | Transfers and other items are not appropriately posting to both the individual fund and the Treasurer's Accountability fund and there is no reconciliation performed to ensure that balances agree. |
| Effect: | Balances as reported in the individual funds do not agree to same as reported in the Treasurer's Accountability fund. |
| Recommendation: | Management should work with the software company to ensure that all entries are posting to the individual funds and the Treasurer's Accountability fund. A reconciliation should be prepared and entries posted so that balances agree. Going forward, a reconciliation should be performed on a routine basis to ensure that balances agree. |
| Management's Response: | Management agrees with the finding and will research the discrepancies and post adjustments as needed to ensure that the individual funds and the Treasurer's Accountability fund are reconciled. |

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

2017-001

This finding is repeated in the current year as 2018-001.