

COUNTY OF BUCHANAN, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

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## INTRODUCTORY SECTION

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## COUNTY OF BUCHANAN, VIRGINIA

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### BOARD OF SUPERVISORS

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Trey Adkins	James Branham, Chairman	Buddy Fuller
William Harris		Earl Scott
G. Roger Rife		Craig Stiltner

### COUNTY SCHOOL BOARD

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Janice Davis	David Thornbury, Chairman	Heath Harrison
Angie McClanahan		Scotty Owens
Tim Prater		Michael Thompson
	Carolyn Dillow, Clerk	

### OTHER OFFICIALS

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Judge of the Circuit Court .....	Patrick Johnson
Clerk of the Circuit Court .....	Beverly Tiller
Judge of the General District Court .....	Henry Barringer
Judge of the Juvenile & Domestic Relations Court .....	Michael Bush
Commonwealth's Attorney .....	Gerald Arrington
Commissioner of the Revenue .....	Anna Ruth Horn
Treasurer .....	Vonda Gay Slone
Sheriff .....	Ray Foster
Superintendent of Schools .....	Melanie Hibbitts
Director of Social Services .....	Vacant
County Administrator .....	Robert Craig Horn
County Attorney .....	Lee Moise

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## FINANCIAL SECTION

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Independent Auditors' Report

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To the Honorable Members of  
The Board of Supervisors  
County of Buchanan, Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units (School Board and Public Service Authority), each major fund, and the aggregate remaining fund information of the County of Buchanan, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements. These financial statements collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

***Auditors' Responsibility***

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

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

Except for the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit-Industrial Development Authority" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## *Summary of Opinions*

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit-School Board	Unmodified
Discretely Presented Component Unit-PSA	Unmodified
Discretely Presented Component Unit-IDA	Disclaimer
General Fund	Unmodified
Coal Road Fund	Unmodified
Disaster Relief Fund	Unmodified
Internal Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### *Basis for Disclaimer of Opinion on the Discretely Presented Component Unit-Industrial Development Authority*

The financial statements of the Industrial Development Authority of the County of Buchanan, VA (IDA) were not available for inclusion in these financial statements and therefore have been omitted. In addition, we were not engaged to audit the IDA financial statements as part of our audit of the County's basic financial statements. The amounts by which this omission would affect the assets, liabilities, net position, revenues and expenses of the discretely presented component unit-IDA have not been determined.

### *Disclaimer of Opinion*

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit-Industrial Development Authority" paragraph, we have not been able to obtain sufficient appropriate audit evidence from other auditors to provide a basis for an audit opinion on the financial statements of the discretely presented component unit-IDA. Accordingly, we do not express an opinion on these financial statements.

### *Unmodified Opinions*

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

### *Change in Accounting Principle*

As described in Note 24 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 93-95 and 96-114 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### *Supplementary and Other Information*

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

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, on our consideration of the County of Buchanan, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Buchanan, 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 Buchanan, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
January 21, 2020

## Basic Financial Statements

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

	Primary Governmental	Component Units	
	<u>Activities</u>	<u>School Board</u>	<u>Public Service Authority</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 21,408,400	\$ 6,376,912	\$ 1,013,857
Investments	-	-	1,045,347
Receivables (net of allowance for uncollectibles):			
Taxes receivable	20,909,417	-	-
Accounts receivable	1,411,479	66,614	528,610
Due from other governmental units	1,997,129	1,121,822	543,411
Prepaid items	28,038	901	20,618
Restricted assets:			
Cash and cash equivalents	19,307,122	-	258,086
Capital assets (net of accumulated depreciation):			
Land	2,311,358	2,373,758	105,000
Buildings and improvements	14,067,232	3,612,607	50,052
Machinery and equipment	2,775,401	1,379,056	104,652
Utility plant and equipment	-	-	92,996,746
Construction in progress	11,454,354	-	3,065,974
Total assets	<u>\$ 95,669,930</u>	<u>\$ 14,931,670</u>	<u>\$ 99,732,353</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 1,476,492	\$ 2,915,384	\$ 289,905
OPEB related items	396,545	306,585	14,359
Total deferred outflows of resources	<u>\$ 1,873,037</u>	<u>\$ 3,221,969</u>	<u>\$ 304,264</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 3,712,865	\$ 456,995	\$ 346,205
Accrued wages	-	3,892,991	40,132
Customers' deposits	-	-	192,890
Accrued interest payable	52,646	-	25,855
Long-term liabilities:			
Due within one year	1,814,122	501,718	1,060,105
Due in more than one year	18,329,724	34,463,205	12,810,080
Total liabilities	<u>\$ 23,909,357</u>	<u>\$ 39,314,909</u>	<u>\$ 14,475,267</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	\$ 17,581,782	\$ -	\$ -
Pension related items	987,805	5,198,718	177,764
OPEB related items	352,020	507,000	19,980
Total deferred inflows of resources	<u>\$ 18,921,607</u>	<u>\$ 5,705,718</u>	<u>\$ 197,744</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 24,642,187	\$ 7,365,421	\$ 84,743,286
Restricted	19,592,074	465,323	-
Unrestricted	10,477,742	(34,697,732)	620,320
Total net position	<u>\$ 54,712,003</u>	<u>\$ (26,866,988)</u>	<u>\$ 85,363,606</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units		
						School Board	Public Service Authority	
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 2,581,905	\$ 21,808	\$ 345,622	\$ -	\$ (2,214,475)	\$ -	\$ -	-
Judicial administration	1,893,928	19,846	784,272	-	(1,089,810)	-	-	-
Public safety	8,058,861	112,296	1,899,072	-	(6,047,493)	-	-	-
Public works	8,533,817	901,034	470,239	-	(7,162,544)	-	-	-
Health and welfare	9,667,910	-	7,965,190	-	(1,702,720)	-	-	-
Education	10,530,383	-	-	-	(10,530,383)	-	-	-
Parks, recreation, and cultural	1,770,594	207,355	124,921	-	(1,438,318)	-	-	-
Community development	5,583,567	-	-	2,191,111	(3,392,456)	-	-	-
Interest on long-term debt	249,007	-	-	-	(249,007)	-	-	-
Total governmental activities	\$ 48,869,972	\$ 1,262,339	\$ 11,589,316	\$ 2,191,111	\$ (33,827,206)	\$ -	\$ -	-
Total primary government	\$ 48,869,972	\$ 1,262,339	\$ 11,589,316	\$ 2,191,111	\$ (33,827,206)	\$ -	\$ -	-
<b>COMPONENT UNITS:</b>								
School Board	\$ 30,886,000	\$ 363,676	\$ 23,764,608	\$ -	\$ -	\$ (6,757,716)	\$ -	-
Public Service Authority	10,111,235	6,554,961	-	1,955,707	-	-	(1,600,567)	-
Total component units	\$ 40,997,235	\$ 6,918,637	\$ 23,764,608	\$ 1,955,707	\$ -	\$ (6,757,716)	\$ (1,600,567)	-
General revenues:								
General property taxes					\$ 17,786,677	\$ -	\$ -	-
Other local taxes:								
Local sales and use taxes					1,641,476	-	-	-
Consumers' utility taxes					364,928	-	-	-
Mineral license tax					8,374,742	-	-	-
Methane gas tax					667,740	-	-	-
Coal road taxes					8,374,740	-	-	-
Other local taxes					458,433	-	-	-
Unrestricted revenues from use of money and property					315,443	27,768	25,436	-
Miscellaneous					367,173	105,208	-	-
Contributions from Buchanan County					-	10,435,091	1,405,000	-
Grants and contributions not restricted to specific programs					2,574,137	-	-	-
Special item - refund of machinery and tools taxes					(2,339,999)	-	-	-
Total general revenues					\$ 38,585,490	\$ 10,568,067	\$ 1,430,436	-
Change in net position					\$ 4,758,284	\$ 3,810,351	\$ (170,131)	-
Net position - beginning					49,953,719	(30,677,339)	85,533,737	-
Net position - ending					\$ 54,712,003	\$ (26,866,988)	\$ 85,363,606	-

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

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

	<u>General</u>	<u>Coal Road</u>	<u>Disaster Relief</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,424,716	\$ -	\$ 272,762	\$ 20,697,478
Receivables (net of allowance for uncollectibles):				
Taxes receivable	20,909,417	-	-	20,909,417
Accounts receivable	948,972	462,507	-	1,411,479
Due from other funds	-	100,000	-	100,000
Due from other governmental units	1,962,195	34,934	-	1,997,129
Prepaid items	28,038	-	-	28,038
Restricted assets:				
Cash and cash equivalents	5,246,151	14,060,971	-	19,307,122
Total assets	<u>\$ 49,519,489</u>	<u>\$ 14,658,412</u>	<u>\$ 272,762</u>	<u>\$ 64,450,663</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,132,367	\$ 312,489	\$ -	\$ 2,444,856
Due to other funds	-	-	100,000	100,000
Total liabilities	<u>\$ 2,132,367</u>	<u>\$ 312,489</u>	<u>\$ 100,000</u>	<u>\$ 2,544,856</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 20,630,990	\$ -	\$ -	\$ 20,630,990
Total deferred inflows of resources	<u>\$ 20,630,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,630,990</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 28,038	\$ -	\$ -	\$ 28,038
Restricted (Note 15)	5,246,151	14,345,923	-	19,592,074
Assigned (Note 15)	1,206,214	-	172,762	1,378,976
Unassigned	20,275,729	-	-	20,275,729
Total fund balances	<u>\$ 26,756,132</u>	<u>\$ 14,345,923</u>	<u>\$ 172,762</u>	<u>\$ 41,274,817</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 49,519,489</u>	<u>\$ 14,658,412</u>	<u>\$ 272,762</u>	<u>\$ 64,450,663</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	41,274,817
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	2,311,358	
Buildings and improvements		14,067,232	
Machinery and equipment		2,775,401	
Construction in progress		11,454,354	30,608,345

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

Unavailable revenues - property taxes			3,049,208
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

(557,087)

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

Pension related items	\$	1,476,492	
OPEB related items		396,545	1,873,037

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

General obligation bonds and capital leases	\$	(5,966,158)	
Accrued interest payable		(52,646)	
Compensated absences		(666,844)	
Net OPEB liabilities		(2,613,880)	
Net pension liability		(10,896,964)	(20,196,492)

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

Pension related items	\$	(987,805)	
OPEB related items		(352,020)	(1,339,825)

Net position of governmental activities

\$ 54,712,003

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



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

	<u>General</u>	<u>Coal Road</u>	<u>Disaster Relief</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 17,460,715	\$ -	\$ -	\$ 17,460,715
Other local taxes	11,507,319	8,374,740	-	19,882,059
Permits, privilege fees, and regulatory licenses	78,790	-	-	78,790
Fines and forfeitures	2,109	-	-	2,109
Revenue from the use of money and property	180,617	134,826	-	315,443
Charges for services	1,181,440	-	-	1,181,440
Miscellaneous	364,723	2,450	-	367,173
Recovered costs	262,322	-	-	262,322
Intergovernmental	14,980,627	1,373,937	-	16,354,564
Total revenues	<u>\$ 46,018,662</u>	<u>\$ 9,885,953</u>	<u>\$ -</u>	<u>\$ 55,904,615</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,610,519	\$ -	\$ -	\$ 2,610,519
Judicial administration	1,811,832	-	-	1,811,832
Public safety	7,451,406	-	-	7,451,406
Public works	5,377,347	2,997,835	-	8,375,182
Health and welfare	9,854,449	-	43,120	9,897,569
Education	9,781,743	-	-	9,781,743
Parks, recreation, and cultural	1,532,627	-	-	1,532,627
Community development	2,502,835	3,056,708	-	5,559,543
Capital projects	9,253,194	-	-	9,253,194
Debt service:				
Principal retirement	1,327,630	-	-	1,327,630
Interest and other fiscal charges	270,656	-	-	270,656
Total expenditures	<u>\$ 51,774,238</u>	<u>\$ 6,054,543</u>	<u>\$ 43,120</u>	<u>\$ 57,871,901</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,755,576)</u>	<u>\$ 3,831,410</u>	<u>\$ (43,120)</u>	<u>\$ (1,967,286)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 350,000	\$ -	\$ 280,000	\$ 630,000
Transfers out	-	(630,000)	-	(630,000)
Issuance of capital lease	41,505	-	-	41,505
Total other financing sources (uses)	<u>\$ 391,505</u>	<u>\$ (630,000)</u>	<u>\$ 280,000</u>	<u>\$ 41,505</u>
<b>SPECIAL ITEM</b>				
Refund of machinery and tools taxes	<u>\$ (2,339,999)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,339,999)</u>
Net change in fund balances	\$ (7,704,070)	\$ 3,201,410	\$ 236,880	\$ (4,265,780)
Fund balances - beginning	34,460,202	11,144,513	(64,118)	45,540,597
Fund balances - ending	<u>\$ 26,756,132</u>	<u>\$ 14,345,923</u>	<u>\$ 172,762</u>	<u>\$ 41,274,817</u>

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

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

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

Net change in fund balances - total governmental funds \$ (4,265,780)

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

Capital outlays	\$ 9,753,759	
Depreciation expenses	<u>(2,256,123)</u>	7,497,636

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 from School Board to County		223,498
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		325,962
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Issuance of capital lease	\$ (41,505)	
Principal repayments:		
General obligation bonds	1,069,572	
Capital leases	258,058	
Decrease in landfill accrued closure and post-closure monitoring costs	<u>27,182</u>	1,313,307

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

Change in compensated absences	\$ (49,714)	
Change in pension related items	527,100	
Change in OPEB related items	59,418	
Change in accrued interest payable	<u>21,649</u>	558,453

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

(894,792)

Change in net position of governmental activities		<u><u>\$ 4,758,284</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Buchanan, Virginia  
Statement of Net Position  
Proprietary Fund  
June 30, 2019

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	Internal Service <u>Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 710,922
Total assets	<u>\$ 710,922</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 1,268,009
Total liabilities	<u>\$ 1,268,009</u>
<b>NET POSITION</b>	
Unrestricted	\$ (557,087)
Total net position	<u><u>\$ (557,087)</u></u>

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

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

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	Internal Service <u>Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Insurance premiums	\$ 12,010,481
Total operating revenues	<u>\$ 12,010,481</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	\$ 12,907,338
Total operating expenses	<u>\$ 12,907,338</u>
Operating income (loss)	<u>\$ (896,857)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	\$ 2,065
Total nonoperating revenues (expenses)	<u>\$ 2,065</u>
Change in net position	\$ (894,792)
Total net position - beginning	<u>337,705</u>
Total net position - ending	<u><u>\$ (557,087)</u></u>

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

County of Buchanan, Virginia  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2019

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	Internal Service <u>Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 12,010,481
Payments for premiums	<u>(12,716,596)</u>
Net cash provided by (used for) operating activities	<u>\$ (706,115)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	<u>\$ 2,065</u>
Net cash provided by (used for) investing activities	<u>\$ 2,065</u>
Net increase (decrease) in cash and cash equivalents	\$ (704,050)
Cash and cash equivalents - beginning	<u>1,414,972</u>
Cash and cash equivalents - ending	<u><u>\$ 710,922</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (896,857)</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in health claims payable	<u>\$ 190,742</u>
Total adjustments	<u>\$ 190,742</u>
Net cash provided by (used for) operating activities	<u><u>\$ (706,115)</u></u>

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

County of Buchanan, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2019

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	Special Welfare <u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 48,739
Total assets	<u>\$ 48,739</u>
<b>LIABILITIES</b>	
Amounts held for Social Services clients	\$ 48,739
Total liabilities	<u>\$ 48,739</u>

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

COUNTY OF BUCHANAN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

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

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

A. Financial Reporting Entity:

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

Blended component units - None

Discretely Presented Component Units -

The component unit columns in the financial statements include the financial data of the following discretely presented component units:

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

The Buchanan County Public Service Authority ("PSA") provides water and sewer service to the County. The Public Service Authority board members are appointed by the Board of Supervisors. In addition, the County provides operational support. The complete financial report for the Authority may be obtained directly from the Authority.

The financial data for the following component unit is not included in the component unit columns in the financial statements:

The Buchanan County Industrial Development Authority ("IDA") encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the IDA does not have separate taxing powers. The Industrial Development Authority is presented as an enterprise fund type. Complete financial statements for the Industrial Development Authority may be obtained at the County's administrative offices in the Buchanan County Courthouse, Grundy, Virginia 24614.

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

A. Financial Reporting Entity: (Continued)

Related Organizations - The County has no related organizations.

Jointly Governed Organizations - The County participates in the Cumberland Mountain Regional Community Services Board. Contributions for the year ended June 30, 2019 were \$20,000.

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

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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



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

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

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

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

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.

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of numerous funds merged for financial reporting purposes only. Fund balances of merged funds are either designated or restricted in the balance sheet.

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

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

The *coal road fund* is a major special revenue fund, which accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for the specified purpose of improvements to roads used in conjunction with coal mining.

The *disaster relief fund* is a major special revenue fund, which accounts for and reports the proceeds of specific revenue sources from the state and federal governments that are restricted or committed to expenditure for the specified purpose of natural disasters.

Additionally, the government reports the following fund types:

*Internal service funds* accounts for and reports the financing of goods and services provided by one department or agency to other departments or agencies of the County government. The self-insured health insurance plan is accounted for and reported in this fund.

*Fiduciary funds* account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare fund.

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

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

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

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

1. Cash and cash equivalents

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

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

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

2. Investments

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

3. Receivables and payables

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

4. Property taxes

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

5. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$3,547,272 at June 30, 2019 and is comprised solely of delinquent property taxes.

6. Use of estimates

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

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

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

7. Capital assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20 - 40
Structures, lines, and accessories	20 - 40
Machinery and equipment	5 - 12

8. Compensated absences

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

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

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

9. Long-term obligations

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

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

10. Pensions

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

11. Other postemployment benefits (OPEB)

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

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

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

11. Other postemployment benefits (OPEB) (Continued)

***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.

***Line of Duty Act Program*** - The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 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 LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan'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.

12. Deferred outflows/inflows of resources

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

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

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

12. Deferred outflows/inflows of resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th, taxes levied during the fiscal year but due after June 30th, and prepaid taxes, which are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the accrual basis, taxes levied during the fiscal year but due after June 30th and amounts prepaid 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.

13. Fund balance

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

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

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

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

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

13. Fund balance (Continued)

The County establishes (and modifies or rescinds) fund balance commitments by passage of a 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).

14. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted—consist of assets that are restricted by the County's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

15. Net Position Flow Assumption

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

**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.



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

A. Budgetary information: (Continued)

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 and Special Revenue 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. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations:

In the year ended June 30, 2019, the County's expenditures did not exceed its appropriations for any fund.

C. Deficit fund balance:

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

**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). The County did not have any investments at the end of the year.

**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>Commonwealth of Virginia:</u>		
Local sales tax	\$ 287,760	\$ -
State sales tax	-	380,452
Categorical aid	322,822	275,668
Non-categorical aid	299,155	-
Comprehensive Services Act	96,537	-
Virginia public assistance funds	186,120	-
<u>Federal Government:</u>		
Virginia public assistance funds	293,202	-
Categorical aid	511,533	465,702
Totals	<u>\$ 1,997,129</u>	<u>\$ 1,121,822</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 5-Interfund Transfers and Balance:**

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

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 350,000	\$ -
Coal Road Fund	-	630,000
Disaster Relief Fund	280,000	-
Total	<u>\$ 630,000</u>	<u>\$ 630,000</u>

Cash transfers to the Disaster Relief Fund have been necessary in the past to cover expenses the Fund. Amounts due will be returned to the Coal Road Fund as resources are available.

	<u>Due From</u>	<u>Due To</u>
Coal Road Fund	\$ 100,000	\$ -
Disaster Relief Fund	-	100,000
Total	<u>\$ 100,000</u>	<u>\$ 100,000</u>

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

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

	<u>Balance July 1, 2018</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2019</u>
Direct borrowings and placements:				
General obligation bonds	\$ 3,114,263	\$ -	\$ (1,069,572)	\$ 2,044,691
Capital leases	4,138,020	41,505	(258,058)	3,921,467
Landfill closure and post closure liability	27,182	-	(27,182)	-
Compensated absences	617,130	512,562	(462,848)	666,844
Net OPEB liabilities	2,390,904	821,825	(598,849)	2,613,880
Net pension liability	11,398,214	4,142,322	(4,643,572)	10,896,964
Total	<u>\$ 21,685,713</u>	<u>\$ 5,518,214</u>	<u>\$ (7,060,081)</u>	<u>\$ 20,143,846</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 6-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,	Direct Borrowings and Placements:	
	General Obligation Bonds	
	Principal	Interest
2020	\$ 1,035,756	\$ 60,325
2021	852,598	20,958
2022	156,337	1,115
Totals	\$ 2,044,691	\$ 82,398

## Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
General Obligation Bonds						
VPSA GO bond	4.35-5.225%	4/5/99	2020	\$ 4,000,000	\$ 200,000	\$ 200,000
VPSA GO bond	5.1-6.35%	5/18/00	2021	3,500,000	350,000	175,000
VPSA GO bond	4.975-5.85%	10/10/00	2021	5,740,370	727,610	358,278
DMME loan	1.90%	4/23/12	2022	2,332,000	767,081	302,478
Total Direct Borrowings and Placements					\$ 2,044,691	\$ 1,035,756
Other Obligations:						
Capital lease	3.18%	11/3/2014	2031	\$ 4,844,746	\$ 3,896,564	\$ 261,631
Capital lease	0.00%	8/6/2018	2021	41,505	24,903	16,602
Compensated absences	n/a	n/a	n/a	n/a	666,844	500,133
Net OPEB liabilities	n/a	n/a	n/a	n/a	2,613,880	-
Net pension liability	n/a	n/a	n/a	n/a	10,896,964	-
Total Other Obligations					\$ 18,099,155	\$ 778,366
Total Long-term obligations					\$ 20,143,846	\$ 1,814,122

If the event of default occurs with VPSA bonds, the principal of the bond(s) may be declared immediately due and payable to the register owner of the bond(s) by written notice to the County. In addition, VPSA Bonds are subject to the State Intercept Program under which State aid can be redirected to bondholders in the case of default.

If the event of default occurs with the DMME loan, the principal of the loan may be declared immediately due and payable to the register owner of the loan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 7-Long-Term Obligations-Component Unit:****Discretely Presented Component Unit-School Board-Indebtedness:**

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Compensated absences	\$ 572,469	\$ 302,824	\$ (429,352)	\$ 445,941
Net OPEB liabilities	7,606,777	855,884	(2,240,645)	6,222,016
Early retirement incentive plan	848,347	-	(184,909)	663,438
Net pension liability	29,496,945	7,290,462	(9,153,879)	27,633,528
Total	\$ 38,524,538	\$ 8,449,170	\$ (12,008,785)	\$ 34,964,923

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<b><u>Other Obligations:</u></b>		
Compensated absences	\$ 445,941	\$ 334,456
Net OPEB liabilities	6,222,016	-
Early retirement incentive plan	663,438	167,262
Net pension liability	27,633,528	-
Total Long-Term Obligations	\$ 34,964,923	\$ 501,718

**Note 8-Pension Plans:*****Plan Description***

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

**Note 8-Pension Plans: (Continued)**

***Benefit Structures***

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Note 8-Pension Plans: (Continued)**

***Average Final Compensation and Service Retirement Multiplier***

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 8-Pension Plans: (Continued)***Employees Covered by Benefit Terms*

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

	Primary Government (Including PSA)	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	202	165
Inactive members:		
Vested inactive members	31	8
Non-vested inactive members	42	3
Inactive members active elsewhere in VRS	56	22
Total inactive members	129	33
Active members	265	96
Total covered employees	596	294

*Contributions*

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

The County's contractually required employer contribution rate for the year ended June 30, 2019 was 12.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,169,512 and \$1,123,139 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit Public Service Authority contractually required employer contribution rate for the year ended June 30, 2019 was 12.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 8-Pension Plans: (Continued)**

*Contributions (Continued)*

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit Public Service Authority were \$200,259 and \$198,555 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 27.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$554,493 and \$489,198 for the years ended June 30, 2019 and June 30, 2018, respectively.

*Net Pension Liability*

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

*Actuarial Assumptions - General Employees*

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

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

**Note 8-Pension Plans: (Continued)**

***Actuarial Assumptions - General Employees (Continued)***

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

**Mortality rates:**

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

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

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

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

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

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

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

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

**Mortality rates:**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**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.

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

## Post-Disablement:

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

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

## Largest 10 - Hazardous Duty:

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

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

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

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

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

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

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

**Note 8-Pension Plans: (Continued)**

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County, Component Unit Public Service Authority, and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 8-Pension Plans: (Continued)*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 47,142,115	\$ 35,743,901	\$ 11,398,214
Changes for the year:			
Service cost	\$ 858,187	\$ -	\$ 858,187
Interest	3,230,567	-	3,230,567
Differences between expected and actual experience	(438,278)	-	(438,278)
Impact in change of proportion	117,625	89,185	28,440
Contributions - employer	-	1,123,139	(1,123,139)
Contributions - employee	-	448,173	(448,173)
Net investment income	-	2,633,982	(2,633,982)
Benefit payments, including refunds of employee contributions	(2,217,558)	(2,217,558)	-
Administrative expenses	-	(22,782)	22,782
Other changes	-	(2,346)	2,346
Net changes	\$ 1,550,543	\$ 2,051,793	\$ (501,250)
Balances at June 30, 2018	\$ 48,692,658	\$ 37,795,694	\$ 10,896,964



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 8-Pension Plans: (Continued)*Changes in Net Pension Liability (Continued)*

	Component Unit Public Service Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 8,472,495	\$ 6,423,980	\$ 2,048,515
Changes for the year:			
Service cost	\$ 151,716	\$ -	\$ 151,716
Interest	571,120	-	571,120
Differences between expected and actual experience	(77,482)	-	(77,482)
Impact in change of proportion	(117,625)	(89,185)	(28,440)
Contributions - employer	-	198,555	(198,555)
Contributions - employee	-	79,231	(79,231)
Net investment income	-	465,652	(465,652)
Benefit payments, including refunds of employee contributions	(392,034)	(392,034)	-
Administrative expenses	-	(4,027)	4,027
Other changes	-	(415)	415
Net changes	\$ 135,695	\$ 257,777	\$ (122,082)
Balances at June 30, 2018	\$ 8,608,190	\$ 6,681,757	\$ 1,926,433

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 8-Pension Plans: (Continued)*Changes in Net Pension Liability (Continued)*

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 18,398,114	\$ 11,003,169	\$ 7,394,945
Changes for the year:			
Service cost	\$ 193,391	\$ -	\$ 193,391
Interest	1,236,632	-	1,236,632
Differences between expected and actual experience	(43,491)	-	(43,491)
Contributions - employer	-	489,198	(489,198)
Contributions - employee	-	104,230	(104,230)
Net investment income	-	781,506	(781,506)
Benefit payments, including refunds of employee contributions	(1,463,882)	(1,463,882)	-
Administrative expenses	-	(7,308)	7,308
Other changes	-	(677)	677
Net changes	\$ (77,350)	\$ (96,933)	\$ 19,583
Balances at June 30, 2018	\$ 18,320,764	\$ 10,906,236	\$ 7,414,528

**Note 8-Pension Plans: (Continued)***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 17,208,683	\$ 10,896,964	\$ 5,652,874
Component Unit Public Service Authority			
Net Pension Liability (Asset)	3,042,259	1,926,433	999,350
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	9,188,224	7,414,528	5,894,662

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

For the year ended June 30, 2019, the County, Component Unit Public Service Authority, and Component Unit School Board (nonprofessional) recognized pension expense of \$638,348, \$135,345, and \$501,252, respectively. At June 30, 2019, the County, Component Unit Public Service Authority, and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit Public Service Authority		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 306,980	\$ 548,164	\$ 51,903	\$ 97,139	\$ -	\$ 66,807
Changes in assumptions	-	103,175	-	18,543	17,365	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	37,743	37,743	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	298,723	-	62,082	-	54,911
Employer contributions subsequent to the measurement date	1,169,512	-	200,259	-	554,493	-
Total	\$ 1,476,492	\$ 987,805	\$ 289,905	\$ 177,764	\$ 571,858	\$ 121,718

\$1,169,512, \$200,259, and \$554,493 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit Public Service Authority's, and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit Public Service Authority	Component Unit School Board (nonprofessional)
2020	\$ 42,140	\$ 25,897	\$ 12,901
2021	(251,116)	(21,241)	3,113
2022	(442,016)	(87,500)	(111,962)
2023	(29,833)	(5,274)	(8,405)
Thereafter	-	-	-

**Note 8-Pension Plans: (Continued)**

***Pension Plan Data***

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

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

***Plan Description***

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

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$2,102,526 and \$2,232,097 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$20,219,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.17193% as compared to 0.17972% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$(24,000). 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.

**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)*

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	-	\$ 1,728,000
Change in assumptions	241,000	-
Net difference between projected and actual earnings on pension plan investments	-	429,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,920,000
Employer contributions subsequent to the measurement date	2,102,526	-
Total	\$ 2,343,526	\$ 5,077,000

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

\$2,102,526 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2020	\$ (1,315,000)
2021	(1,238,000)
2022	(1,484,000)
2023	(623,000)
Thereafter	(176,000)

***Actuarial Assumptions***

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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Note 8-Pension Plans: (Continued)

Component Unit School Board (professional): (Continued)

*Actuarial Assumptions: (Continued)*

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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



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

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

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

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

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

***Sensitivity of the School Divisions 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:

	<b>Rate</b>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	30,885,000 \$	20,219,000 \$	11,391,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.retire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***Aggregate Pension Information***

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

	Primary Government				Component Unit Public Service Authority			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 1,476,492	\$ 987,805	\$ 10,896,964	\$ 638,348	\$ 289,905	\$ 177,764	\$ 1,926,433	\$ 135,345

  

	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Nonprofessional	\$ 571,858	\$ 121,718	\$ 7,414,528	\$ 501,252
School Board Professional	2,343,526	5,077,000	20,219,000	(24,000)
Totals	\$ 2,915,384	\$ 5,198,718	\$ 27,633,528	\$ 477,252

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 9-Unavailable/Deferred Revenue:**

Deferred revenue/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	Balance Sheet
	Governmental Activities	Governmental Funds
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 3,049,208
2nd half assessment-property tax	17,546,060	17,546,060
Prepaid property taxes due after June 30 but paid in advance by taxpayers	35,722	35,722
Total unavailable/deferred revenue	<u>\$ 17,581,782</u>	<u>\$ 20,630,990</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 10-Capital Assets:**

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,248,721	\$ 62,637	\$ -	\$ 2,311,358
Construction in progress	2,981,154	9,192,708	(719,508)	11,454,354
Total capital assets not being depreciated	<u>\$ 5,229,875</u>	<u>\$ 9,255,345</u>	<u>\$ (719,508)</u>	<u>\$ 13,765,712</u>
Capital assets, being depreciated:				
Buildings	\$ 34,281,310	\$ 1,978,931	\$ -	\$ 36,260,241
Machinery and equipment	10,970,160	529,051	(217,081)	11,282,130
Total capital assets, being depreciated	<u>\$ 45,251,470</u>	<u>\$ 2,507,982</u>	<u>\$ (217,081)</u>	<u>\$ 47,542,371</u>
Accumulated depreciation:				
Buildings	\$ (19,664,375)	\$ (2,528,634)	\$ -	\$ (22,193,009)
Machinery and equipment	(7,929,759)	(794,051)	217,081	(8,506,729)
Total accumulated depreciation	<u>\$ (27,594,134)</u>	<u>\$ (3,322,685)</u>	<u>\$ 217,081</u>	<u>\$ (30,699,738)</u>
Total capital assets being depreciated, net	<u>\$ 17,657,336</u>	<u>\$ (814,703)</u>	<u>\$ -</u>	<u>\$ 16,842,633</u>
Govermental activities capital assets, net	<u>\$ 22,887,211</u>	<u>\$ 8,440,642</u>	<u>\$ (719,508)</u>	<u>\$ 30,608,345</u>

During fiscal year 2019, the School Board transferred J.M. Bevins Elementary School to the County at net book value of \$223,498. The transfer is included as current year increases (cost of \$1,290,060 and accumulated depreciation of \$1,066,562).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 10-Capital Assets: (Continued)**

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

**Governmental activities:**

General government administration	\$ 161,344
Judicial administration	21,104
Public safety	441,817
Public works	309,042
Health and welfare	76,771
Education	972,138
Parks, recreation, and cultural	264,028
Community development	9,879

Total depreciation expense-governmental activities	<u>\$ 2,256,123</u>
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Capital asset activity for the Component Unit - School Board for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,436,395	\$ -	\$ (62,637)	\$ 2,373,758
Total capital assets not being depreciated	<u>\$ 2,436,395</u>	<u>\$ -</u>	<u>\$ (62,637)</u>	<u>\$ 2,373,758</u>
Capital assets, being depreciated:				
Buildings	\$ 30,923,025	\$ -	\$ (1,227,423)	\$ 29,695,602
Machinery and equipment	4,989,438	542,152	(18,710)	5,512,880
Total capital assets, being depreciated	<u>\$ 35,912,463</u>	<u>\$ 542,152</u>	<u>\$ (1,246,133)</u>	<u>\$ 35,208,482</u>
Accumulated depreciation:				
Buildings	\$ (26,530,547)	\$ (619,010)	\$ 1,066,562	\$ (26,082,995)
Machinery and equipment	(3,898,523)	(254,011)	18,710	(4,133,824)
Total accumulated depreciation	<u>\$ (30,429,070)</u>	<u>\$ (873,021)</u>	<u>\$ 1,085,272</u>	<u>\$ (30,216,819)</u>
Total capital assets being depreciated, net	<u>\$ 5,483,393</u>	<u>\$ (330,869)</u>	<u>\$ (160,861)</u>	<u>\$ 4,991,663</u>
Governmental activities capital assets, net	<u>\$ 7,919,788</u>	<u>\$ (330,869)</u>	<u>\$ (223,498)</u>	<u>\$ 7,365,421</u>

During fiscal year 2019, the School Board transferred J.M. Bevins Elementary School to the County at net book value of \$223,498. The transfer is included as current year decreases (cost of \$1,290,060 and accumulated depreciation of \$1,066,562).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 11-Capital Leases:**

The County has entered into lease agreements to finance the acquisition of energy savings equipment and golf carts. The lease agreements qualify as capital leases for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments at the date of inception.

The cost and accumulated depreciation associated with the energy savings equipment acquired through the capital leases are as follows:

	Energy Savings Equipment
Machinery & Equipment	\$ 4,844,746
Accumulated Depreciation	(484,475)
Total	<u>\$ 4,360,271</u>

The golf carts did not meet the County's capitalization threshold; therefore, they were not capitalized for financial reporting purposes.

Annual requirements to amortize lease agreements and related interest are as follows:

Fiscal Year Ended	Capital Leases
2020	\$ 424,923
2021	396,875
2022	389,668
2023	401,358
2024	413,399
2025-2029	2,252,529
2030-2031	<u>613,283</u>
Total minimum lease payments	\$ 4,892,035
Less: amount representing interest	(970,568)
Present value of minimum lease payments	<u>\$ 3,921,467</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 12-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 School Board participate with other organizations in a public entity risk pool for their coverage of general liability, crime, and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and School Board pay the Pool contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid.

In the event of the loss deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its' component 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 13-Contingencies and Commitments:**

Federal programs in which the County and its component units participate were audited in accordance with the provisions Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this 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.

On August 4<sup>th</sup>, 2015 a local private school filed suit against Buchanan County alleging that its real estate had been erroneously assessed for the 2000 tax year. If the claim is successful, the County could be required to refund some portion of the taxes paid for that year. In addition, claims for subsequent years could be filed. The County maintains that the assessment is correct; and, no action has been taken in this case for several years. Currently, the amount of a refund, if any, cannot be reasonable estimated and the County has not recorded a liability in the accompanying financial statements for same.

The County issued a supplemental tax assessment in excess of \$139,000 and seized funds of approximately \$144,000 related to same from the business owner's account. The business owner has filed a complaint and is seeking the return of seized funds. Currently, the amount of a refund, if any, cannot be reasonable estimated and the County has not recorded a liability in the accompanying financial statements for same.

At year end, the County was owed approximately \$650,000 in tax revenue from companies that have filed for bankruptcy protection. The collectability of these taxes is in question and accordingly, the County has increased their allowance for doubtful accounts in the accompanying financial statements in consideration of same.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 13-Contingencies and Commitments: (Continued)**

The County had the following construction commitment at June 30, 2019:

<u>Project</u>	<u>Original Contract Amount</u>	<u>Outstanding at June 30, 2019</u>
County		
Courthouse renovations	\$ 8,202,141	\$ 1,358,803

**Note 14-Surety Bonds:**

Primary Government:

**Virginia Association of Counties Group Self Insurance Risk Pool - Surety:**

All public officials \$250,000 per occurrence

**Travelers Casualty and Surety Company of America:**

Treasurer	\$ 400,000
Clerk of the Court	450,000
Commissioner of the Revenue	3,000
Sheriff	30,000

Component Unit - School Board:

**Virginia Association of Counties (VACO) Risk Management Program**

Melanie Hibbits, Superintendent of Schools	
Carolyn Dillow, Clerk of the School Board	\$ 250,000
David Thornbury, Chairman, School Board	per
Carolyn Dillow, Textbook/Payable Clerk	occurrence
All School Board employees	



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**Note 15- Restricted Net Position and Restricted/Assigned Fund Balances:**

	Governmental Activities	Governmental Funds	
		General Fund	Coal Road
Restricted:			
Coal road expenditures	\$ 14,345,923	\$ -	\$ 14,345,923
Law enforcement activities	114,471	114,471	-
Law library funds	44,084	44,084	-
Capital items (CNX Funds)	1,872,440	1,872,440	-
Courthouse construction	3,215,156	3,215,156	-
Total restricted	\$ 19,592,074	\$ 5,246,151	\$ 14,345,923
Assigned:			
		General Fund	Disaster Relief
Dog tax funds	\$ 15,611	\$ -	
E-911 system	839,643	-	
Water treatment plant facility	350,960	-	
Disaster relief	-	172,762	
Total assigned	\$ 1,206,214	\$ 172,762	

**Note 16-Other Postemployment Benefits (OPEB) - Health Insurance:**Primary Government - Department of Social Services:***Plan Description***

In addition to the pension benefits described in Note 8, The County of Buchanan Department of Social Services (DSS) administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to employees of the DSS. The Plan does not issue a publicly available financial report.

***Benefits Provided***

The Plan will provide retiring employees and their dependents the option to continue health insurance offered by the DSS. To be eligible, the employee must meet the age and service criteria for immediate retirement benefits under VRS and must be 55 years of age or older. In addition, the retiree must have served at least five (5) years of employment with the DSS. The retiree may retain coverage through DSS for a period of 10 years or until they become eligible for Medicare, whichever occurs first. The benefits, employee contributions, and the employer contributions are governed by the DSS and can be amended through DSS Board action.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

**Primary Government - Department of Social Services: (Continued)**

***Plan Membership***

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

Retirees employees	5
Spouses	2
Total	<u>7</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 DSS Board. The amount paid by the DSS for OPEB as the benefits came due during the year ended June 30, 2019 was \$66,090.

***Total OPEB Liability***

The DSS's total OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

***Actuarial Assumptions***

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.90%
Salary Increases	1.90%
Discount Rate	3.50%

The mortality rates were calculated using the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

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

***Discount Rate***

The discount rate was based on the 20-year tax exempt municipal bond yield.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 16-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)Primary Government - Department of Social Services: (Continued)*Changes in Total OPEB Liability*

		Primary Government (DSS) Total OPEB Liability
Balances at June 30, 2018	\$	609,396
Changes for the year:		
Service cost		75,833
Interest		22,836
Effect of economic/demographic gains or losses		(91,852)
Contributions - employer		(66,090)
Net changes		(59,273)
Balances at June 30, 2019	\$	550,123

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

The following amounts present the total OPEB liability of the DSS, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	Rate		
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
\$	574,277	\$ 550,123	\$ 527,633

**Note 16-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)**Primary Government - Department of Social Services: (Continued)***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the DSS, 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 (3.60% for medical, 6.60% for pharmacy, 2.50% for dental, and 2.00% for vision decreasing ultimate rate of 3.70% for medical and pharmacy and 2.00% for dental and vision) or one percentage point higher (5.60% for medical, 8.60% for pharmacy, 4.50% for dental, and 4.00% for vision decreasing ultimate rate of 5.70% for medical and pharmacy and 4.00% for dental and vision) than the current healthcare cost trend rates:

Rates		
1% Decrease	Healthcare Cost Trend	1% Increase
(3.60% for medical, 6.60% for pharmacy, 2.50% for dental, and 2.00% for vision decreasing to 3.70% for medical and pharmacy and 2.00% for dental and vision)	(4.60% for medical, 7.60% for pharmacy, 3.50% for dental, and 3.00% for vision decreasing to 4.70% for medical and pharmacy and 3.00% for dental and vision)	(5.60% for medical, 8.60% for pharmacy, 4.50% for dental, and 4.00% for vision decreasing to 5.70% for medical and pharmacy and 4.00% for dental and vision)
\$ 521,325	\$ 550,123	\$ 580,664

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

For the year ended June 30, 2019, the DSS recognized OPEB expense in the amount of \$6,817. At June 30, 2019, the DSS reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

Additional disclosures on changes in total 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, 2019

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

In addition to the pension benefits described in Note 8, the School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to employees. The Plan was closed to all future entrants as of June 30, 2014. The Plan does not issue a publicly available financial report.

***Benefits Provided***

To be eligible, the employee must meet the age and service criteria for full-time retirement benefits under VRS, which requires that the employee be age 50 with 30 years of service. The employee may continue coverage until they become eligible for Medicare. The benefits, employee contributions, and the employer contributions are governed by the School Board and can be amended through School Board action.

***Plan Membership***

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

Total retirees with coverage	44
Total	44

***Contributions***

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2019 was \$672,405.

***Total OPEB Liability***

The School Board's total OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2019.

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

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate                                      The discount rate is 2.79% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2019.

The mortality rate were based on Virginia Retirement System Retiree Mortality Experience Study.

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

*Discount Rate*

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the S&P Municipal Bond 20 Year High Grade Rate Index. The final equivalent single discount rate used for this year's valuation is 2.79% as of the end of the fiscal year.

*Changes in Total OPEB Liability*

		Component Unit School Board Total OPEB Liability
Balances at June 30, 2018	\$	4,010,777
Changes for the year:		
Interest		93,141
Difference between expected and actual experience		(810,240)
Changes in assumptions		169,743
Benefit payments		(672,405)
Net changes		(1,219,761)
Balances at June 30, 2019	\$	2,791,016

**Note 16-Other Postemployment Benefits (OPEB) - Health Insurance: (Continued)****Component Unit School Board: (Continued)*****Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the 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 (1.79%) or one percentage point higher (3.79%) than the current discount rate:

Rate		
1% Decrease (1.79%)	Current Discount Rate (2.79%)	1% Increase (3.79%)
\$ 2,866,360	\$ 2,791,016	\$ 2,719,597

***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 (6.50% decreasing to an ultimate rate of 5.75%) or one percentage point higher (8.50% decreasing to an ultimate rate of 7.75%) than the current healthcare cost trend rates:

Rates		
1% Decrease (6.50% decreasing to 5.75%)	Healthcare Cost Trend (7.50% decreasing to 6.75%)	1% Increase (8.50% decreasing to 7.75%)
\$ 2,739,676	\$ 2,791,016	\$ 2,844,109

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

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$(547,356). At June 30, 2019, the School Board reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

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

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

***Plan Description***

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

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

***Eligible Employees***

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

***Benefit Amounts***

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



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

***Contributions***

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

Contributions to the GLI Program from the Primary Government were \$47,890 and \$46,758 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit Public Service Authority were \$8,200 and \$8,266 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit School Board (nonprofessional) were \$10,409 and \$10,610 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit School Board (professional) were \$70,975 and \$72,112 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the Primary Government reported a liability of \$719,757 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.04734% as compared to 0.04788% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$(5,099). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

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

At June 30, 2019, the Component Unit Public Service Authority reported a liability of \$127,243 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.00837% as compared to 0.00860% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$(901). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the Component Unit School Board (nonprofessional) reported a liability of \$163,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.01073% as compared to 0.01168% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$(5,000). 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, 2019, the Component Unit School Board (professional) reported a liability of \$1,107,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.07289% as compared to 0.07699% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$(16,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

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

	Primary Government		Component Unit Public Service Authority		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,841	\$ 12,747	\$ 6,159	\$ 2,253	\$ 8,000	\$ 3,000	\$ 54,000	\$ 20,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	23,794	-	4,206	-	5,000	-	36,000
Change in assumptions	-	29,742	-	5,258	-	7,000	-	46,000
Changes in proportion	-	46,737	-	8,263	-	27,000	-	116,000
Employer contributions subsequent to the measurement date	47,890	-	8,200	-	10,409	-	70,975	-
Total	\$ 82,731	\$ 113,020	\$ 14,359	\$ 19,980	\$ 18,409	\$ 42,000	\$ 124,975	\$ 218,000

\$47,890, \$8,200, \$10,409, and \$70,975 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

	Primary Government	Component Unit Public Service Authority	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
<b>Year Ended June 30</b>				
2020	\$ (20,395)	\$ (3,605)	\$ (8,000)	\$ (40,000)
2021	(20,395)	(3,605)	(8,000)	(40,000)
2022	(20,395)	(3,605)	(8,000)	(40,000)
2023	(14,446)	(2,554)	(7,000)	(30,000)
2024	(2,548)	(452)	(3,000)	(14,000)
Thereafter	-	-	-	-

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

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

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

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

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

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

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

**Mortality Rates - Largest Ten Locality Employers - General Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

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

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

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

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees****Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

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

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

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

**Post-Retirement:**

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

**Post-Disablement:**

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



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

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

Mortality Rates (pre-retirement, post-retirement healthy, and 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%

***NET GLI OPEB Liability***

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

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

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

**Note 17-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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return</b>
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%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
		<b>Inflation</b>	<b>2.50%</b>
		<b>*Expected arithmetic nominal return</b>	<b>7.30%</b>

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

***Discount Rate***

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

**Note 17-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%)
Primary Government's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 939,848	\$ 719,757	\$ 540,455
Component Unit Public Service Authority proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 166,152	\$ 127,243	\$ 95,545
Component Unit School Board (Nonprofessional) proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 213,000	\$ 163,000	\$ 122,000
Component Unit School Board (Professional) proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 1,447,000	\$ 1,107,000	\$ 832,000

***GLI Program Fiduciary Net Position***

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

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

***Plan Description***

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

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

***Eligible Employees***

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

***Benefit Amounts***

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

***HIC Program Notes***

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

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

***Contributions***

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$163,201 and \$169,341 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, the school division reported a liability of \$2,161,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.17021% as compared to 0.17829% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$139,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	2,000
Change in assumptions	-	19,000
Change in proportion	-	216,000
Employer contributions subsequent to the measurement date	163,201	-
Total	\$ 163,201	\$ 247,000

\$163,201 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

**Year Ended June 30**

2020	\$ (43,000)
2021	(43,000)
2022	(43,000)
2023	(42,000)
2024	(42,000)
Thereafter	(34,000)

**Note 18-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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

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

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Note 18-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Actuarial Assumptions: (Continued)*****Mortality Rates - Teachers: (Continued)**

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

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

***Net Teacher Employee HIC OPEB Liability***

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

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

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



**Note 18-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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return</b>
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%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
		<b>Inflation</b>	<b>2.50%</b>
		<b>*Expected arithmetic nominal return</b>	<b>7.30%</b>

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

***Discount Rate***

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

**Note 18-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*****Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 2,414,000	\$ 2,161,000	\$ 1,946,000

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

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

**Note 19-Line of Duty Act (LODA) Program:*****Plan Description***

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 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 LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

**Note 19-Line of Duty Act (LODA) Program: (Continued)**

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

***Eligible Employees***

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

***Benefit Amounts***

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

***Contributions***

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$56,814 and \$45,673 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 19-Line of Duty Act (LODA) Program: (Continued)*LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB*

At June 30, 2019, the entity reported a liability of \$1,344,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was 0.42879% as compared to 0.40376% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$104,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 193,000	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	3,000
Change in assumptions	-	155,000
Change in proportion	64,000	81,000
Employer contributions subsequent to the measurement date	<u>56,814</u>	<u>-</u>
Total	\$ <u>313,814</u>	\$ <u>239,000</u>

**Note 19-Line of Duty Act (LODA) Program: (Continued)*****LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)***

\$56,814 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

**Year Ended June 30**

2020	\$	-
2021		-
2022		-
2023		1,000
2024		1,000
Thereafter		16,000

***Actuarial Assumptions***

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

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89%, net of OPEB plan investment expenses, including inflation*

**Note 19-Line of Duty Act (LODA) Program: (Continued)*****Actuarial Assumptions: (Continued)***

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

**Mortality Rates - Largest Ten Locality Employers with Public Safety 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 19-Line of Duty Act (LODA) Program: (Continued)**

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

**Mortality Rates - Non-Largest Ten Locality Employers with Public Safety 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	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%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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Note 19-Line of Duty Act (LODA) Program: (Continued)

*Net LODA OPEB Liability*

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

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 315,395
Plan Fiduciary Net Position	1,889
Employers' Net OPEB Liability (Asset)	<u>\$ 313,506</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%

The total LODA 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 OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

*Long-Term Expected Rate of Return*

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

*Discount Rate*

The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.



**Note 19-Line of Duty Act (LODA) Program: (Continued)*****Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate***

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

	Discount Rate		
	1% Decrease (2.89%)	Current (3.89%)	1% Increase (4.89%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 1,540,000	\$ 1,344,000	\$ 1,186,000

***Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate***

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 1,145,000	\$ 1,344,000	\$ 1,592,000

***LODA OPEB Fiduciary Net Position***

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

**Note 20-Aggregate Other Postemployment Benefits Information:**

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

	Primary Government				Component Unit Public Service Authority				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability (Asset)	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability (Asset)	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability (Asset)	OPEB Expense
DSS Stand-Alone Plan	\$ -	\$ -	\$ 550,123	\$ 6,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Stand-Alone Plan	-	-	-	-	-	-	-	-	-	-	2,791,016	(547,356)
VRS OPEB Plans:												
Group Life Insurance Program												
County	82,731	113,020	719,757	(5,099)	14,359	19,980	127,243	(901)	-	-	-	-
School Board Nonprofessional	-	-	-	-	-	-	-	-	18,409	42,000	163,000	(5,000)
School Board Professional	-	-	-	-	-	-	-	-	124,975	218,000	1,107,000	(16,000)
Teacher Health Insurance Credit Program	-	-	-	-	-	-	-	-	163,201	247,000	2,161,000	139,000
Line of Duty Act	313,814	239,000	1,344,000	104,000	-	-	-	-	-	-	-	-
Totals	\$ 396,545	\$ 352,020	\$ 2,613,880	\$ 105,718	\$ 14,359	\$ 19,980	\$ 127,243	\$ (901)	\$ 306,585	\$ 507,000	\$ 6,222,016	\$ (429,356)

**Note 21-Early Retirement Incentive Program:**

The Component Unit - School Board administers an early retirement incentive program for School Board employees. This program is no longer open to new participants. Early retirement was available to those employees with a minimum of twenty years of service in the Buchanan County School System, including the five consecutive years immediately preceding the effective date of retirement. In addition, employees had to be at least 50 years of age and less than "full retirement age" as defined by the Social Security Administration. To participate, the employee had to be a vested member of the Virginia Retirement System (VRS). In addition, employees could not work for any other agency covered under the VRS during their tenure in the program. The program allowed for payment from 18% to 25% of an employee's final contracted salary depending on their age at retirement, earned before the effective date of retirement, until the participant reaches full retirement age. At June 30, 2019, the commitment related to the Early Retirement Incentive Program was \$663,438.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019Note 22-Self Health Insurance:

The County (including component units) established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and component units and are available to pay claims, and administrative costs of the program. During the fiscal year 2019, a total of \$12,716,596 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type. Incurred but not reported claims of \$1,268,009 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability for the current and the two prior fiscal year are as follows:

Fiscal Year	Current Year			
	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2018-19	\$ 1,077,267	\$ 12,907,338	\$ (12,716,596)	\$ 1,268,009
2017-18	621,235	10,724,074	(10,268,042)	1,077,267
2016-17	887,847	11,307,850	(11,574,462)	621,235

Note 23-Concentration Risk:

Historically, the County has relied on taxes generated by the Coal and Gas Industries. Direct taxes remitted from same include mineral license, methane gas and machinery and tools taxes as presented below by fiscal year.

	Fiscal Year Ending June 30,							
	2019	2018	2017	2016	2015	2014	2013	2012
Machinery and Tools Taxes	\$ 5,270,520	\$ 6,215,897	\$ 5,255,072	\$ 5,697,213	\$ 7,338,716	\$ 7,051,923	\$ 5,939,790	\$ 5,133,834
Mineral License	8,374,742	7,888,531	7,702,654	4,338,710	6,779,747	8,206,375	9,426,585	13,950,912
Methane Gas	667,740	669,453	625,074	419,947	818,968	1,061,164	908,842	721,458
Total	\$ 14,313,002	\$ 14,773,881	\$ 13,582,800	\$ 10,455,870	\$ 14,937,431	\$ 16,319,462	\$ 16,275,217	\$ 19,806,204

Any significant decline in these revenues could adversely affect the County's ability to maintain current budget initiatives. In addition, the County anticipates that other revenue sources would be negatively impacted by a shrinking coal and gas economy.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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**Note 24-Adoption of Accounting Principle:**

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

**Note 25- Special Item - Refund of Machinery and Tools Taxes**

Pursuant to the final order in the case of Jewell Smokeless Coal Corporation v. the County of Buchanan, Virginia, the County refunded approximately \$2.34 million in taxes assessed and collected in 2015, 2016 and 2017. The County has reported this refund as a special item in the accompanying financial statements.

**Note 26-Upcoming Pronouncements:**

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

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

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

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

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

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

## Required Supplementary Information

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

	Budgeted Amounts				Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts		
REVENUES					
General property taxes	\$ 18,271,415	\$ 18,016,006	\$ 17,460,715	\$	(555,291)
Other local taxes	8,012,825	7,831,628	11,507,319		3,675,691
Permits, privilege fees, and regulatory licenses	32,200	32,200	78,790		46,590
Fines and forfeitures	-	-	2,109		2,109
Revenue from the use of money and property	85,765	85,765	180,617		94,852
Charges for services	652,212	652,212	1,181,440		529,228
Miscellaneous	101,600	151,600	364,723		213,123
Recovered costs	235,225	235,225	262,322		27,097
Intergovernmental	17,465,903	17,687,009	14,980,627		(2,706,382)
Total revenues	\$ 44,857,145	\$ 44,691,645	\$ 46,018,662	\$	1,327,017
EXPENDITURES					
Current:					
General government administration	\$ 2,921,597	\$ 3,272,001	\$ 2,610,519	\$	661,482
Judicial administration	1,852,938	1,902,786	1,811,832		90,954
Public safety	7,973,662	9,218,437	7,451,406		1,767,031
Public works	5,348,752	5,875,029	5,377,347		497,682
Health and welfare	16,377,716	12,082,455	9,854,449		2,228,006
Education	9,506,075	9,786,848	9,781,743		5,105
Parks, recreation, and cultural	1,359,476	2,000,506	1,532,627		467,879
Community development	3,781,029	2,589,439	2,502,835		86,604
Capital projects	6,787,000	10,397,783	9,253,194		1,144,589
Debt service:					
Principal retirement	1,337,069	1,337,069	1,327,630		9,439
Interest and other fiscal charges	274,763	274,763	270,656		4,107
Total expenditures	\$ 57,520,077	\$ 58,737,116	\$ 51,774,238	\$	6,962,878
Excess (deficiency) of revenues over (under) expenditures					
	\$ (12,662,932)	\$ (14,045,471)	\$ (5,755,576)	\$	8,289,895
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ 350,000	\$	350,000
Transfers out	-	(1,700)	-		1,700
Issuance of capital lease	-	-	41,505		41,505
Total other financing sources (uses)	\$ -	\$ (1,700)	\$ 391,505	\$	393,205
SPECIAL ITEM					
Refund of machinery and tools taxes	\$ -	\$ -	\$ (2,339,999)	\$	(2,339,999)
Net change in fund balances					
	\$ (12,662,932)	\$ (14,047,171)	\$ (7,704,070)	\$	6,343,101
Fund balances - beginning	12,662,932	14,047,171	34,460,202		20,413,031
Fund balances - ending	\$ -	\$ -	\$ 26,756,132	\$	26,756,132

County of Buchanan, Virginia  
Special Revenue Fund - Coal Road Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
Other local taxes	\$ 4,000,000	\$ 4,000,000	\$ 8,374,740	\$ 4,374,740
Revenue from the use of money and property	20,000	20,000	134,826	114,826
Miscellaneous	-	-	2,450	2,450
Intergovernmental	-	-	1,373,937	1,373,937
Total revenues	<u>\$ 4,020,000</u>	<u>\$ 4,020,000</u>	<u>\$ 9,885,953</u>	<u>\$ 5,865,953</u>
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 7,648,577	\$ 8,650,019	\$ 2,997,835	\$ 5,652,184
Community development	1,800,000	2,187,336	3,056,708	(869,372)
Total expenditures	<u>\$ 9,448,577</u>	<u>\$ 10,837,355</u>	<u>\$ 6,054,543</u>	<u>\$ 4,782,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,428,577)</u>	<u>\$ (6,817,355)</u>	<u>\$ 3,831,410</u>	<u>\$ 10,648,765</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (280,000)	\$ (280,000)	\$ (630,000)	\$ (350,000)
Total other financing sources (uses)	<u>\$ (280,000)</u>	<u>\$ (280,000)</u>	<u>\$ (630,000)</u>	<u>\$ (350,000)</u>
Net change in fund balances	<u>\$ (5,708,577)</u>	<u>\$ (7,097,355)</u>	<u>\$ 3,201,410</u>	<u>\$ 10,298,765</u>
Fund balances - beginning	5,708,577	7,097,355	11,144,513	4,047,158
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,345,923</u>	<u>\$ 14,345,923</u>

County of Buchanan, Virginia  
Special Revenue Fund - Disaster Relief Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 350,000	\$ 350,000	\$ 43,120	\$ 306,880
Total expenditures	\$ 350,000	\$ 350,000	\$ 43,120	\$ 306,880
Excess (deficiency) of revenues over (under) expenditures	\$ (350,000)	\$ (350,000)	\$ (43,120)	\$ 306,880
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 350,000	\$ 350,000	\$ 280,000	\$ (70,000)
Total other financing sources (uses)	\$ 350,000	\$ 350,000	\$ 280,000	\$ (70,000)
Net change in fund balances	\$ -	\$ -	\$ 236,880	\$ 236,880
Fund balances - beginning	-	-	(64,118)	(64,118)
Fund balances - ending	\$ -	\$ -	\$ 172,762	\$ 172,762



County of Buchanan, Virginia  
Schedule of Changes in Net Pension Liability and Related Ratios  
Primary Government  
For the Measurement Dates of June 30, 2018 through June 30, 2014

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 858,187	\$ 902,161	\$ 897,687	\$ 890,472	\$ 893,679
Interest	3,230,567	3,138,369	2,969,931	2,885,434	2,763,194
Changes of assumptions	-	(213,522)	-	-	-
Differences between expected and actual experience	(438,278)	(380,889)	1,074,430	(639,454)	-
Impact in change of proportion	117,625	(418,631)	29,231	-	-
Benefit payments, including refunds of employee contributions	(2,217,558)	(2,275,697)	(1,958,614)	(1,958,543)	(1,862,638)
<b>Net change in total pension liability</b>	<b>\$ 1,550,543</b>	<b>\$ 751,791</b>	<b>\$ 3,012,665</b>	<b>\$ 1,177,909</b>	<b>\$ 1,794,235</b>
<b>Total pension liability - beginning</b>	<b>47,142,115</b>	<b>46,390,324</b>	<b>43,377,659</b>	<b>42,199,750</b>	<b>40,405,515</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 48,692,658</b>	<b>\$ 47,142,115</b>	<b>\$ 46,390,324</b>	<b>\$ 43,377,659</b>	<b>\$ 42,199,750</b>
<b>Plan fiduciary net position</b>					
Impact in change of proportion	\$ 89,185	\$ (296,522)	\$ 21,935	\$ -	\$ -
Contributions - employer	1,123,139	1,105,840	1,237,155	1,210,444	1,146,351
Contributions - employee	448,173	438,299	460,784	464,747	453,657
Net investment income	2,633,982	3,939,533	566,735	1,432,891	4,310,695
Benefit payments, including refunds of employee contributions	(2,217,558)	(2,275,697)	(1,958,614)	(1,958,543)	(1,862,638)
Administrative expense	(22,782)	(23,005)	(20,095)	(19,600)	(23,245)
Other	(2,346)	(3,493)	(240)	(303)	227
<b>Net change in plan fiduciary net position</b>	<b>\$ 2,051,793</b>	<b>\$ 2,884,955</b>	<b>\$ 307,660</b>	<b>\$ 1,129,636</b>	<b>\$ 4,025,047</b>
<b>Plan fiduciary net position - beginning</b>	<b>35,743,901</b>	<b>32,858,946</b>	<b>32,551,286</b>	<b>31,421,650</b>	<b>27,396,603</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 37,795,694</b>	<b>\$ 35,743,901</b>	<b>\$ 32,858,946</b>	<b>\$ 32,551,286</b>	<b>\$ 31,421,650</b>
<b>County's net pension liability - ending (a) - (b)</b>	<b>\$ 10,896,964</b>	<b>\$ 11,398,214</b>	<b>\$ 13,531,378</b>	<b>\$ 10,826,373</b>	<b>\$ 10,778,100</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>77.62%</b>	<b>75.82%</b>	<b>70.83%</b>	<b>75.04%</b>	<b>74.46%</b>
<b>Covered payroll</b>	<b>\$ 8,927,964</b>	<b>\$ 8,775,714</b>	<b>\$ 9,202,667</b>	<b>\$ 8,958,100</b>	<b>\$ 9,080,106</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>122.05%</b>	<b>129.88%</b>	<b>147.04%</b>	<b>120.86%</b>	<b>118.70%</b>

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

County of Buchanan, Virginia  
Schedule of Changes in Net Pension Liability and Related Ratios  
Component Unit Public Service Authority  
For the Measurement Dates of June 30, 2018 through June 30, 2014

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 151,716	\$ 162,139	\$ 151,778	\$ 151,259	\$ 151,804
Interest	571,120	564,035	502,145	490,132	469,368
Changes of assumptions	-	(38,375)	-	-	-
Differences between expected and actual experience	(77,482)	(68,454)	181,661	(108,620)	-
Impact in change of proportion	(117,625)	418,631	(29,231)	-	-
Benefit payments, including refunds of employee contributions	(392,034)	(408,994)	(331,155)	(332,686)	(316,396)
<b>Net change in total pension liability</b>	<b>\$ 135,695</b>	<b>\$ 628,982</b>	<b>\$ 475,198</b>	<b>\$ 200,085</b>	<b>\$ 304,776</b>
<b>Total pension liability - beginning</b>	<b>8,472,495</b>	<b>7,843,513</b>	<b>7,368,315</b>	<b>7,168,230</b>	<b>6,863,454</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 8,608,190</b>	<b>\$ 8,472,495</b>	<b>\$ 7,843,513</b>	<b>\$ 7,368,315</b>	<b>\$ 7,168,230</b>
<b>Plan fiduciary net position</b>					
Impact in change of proportion	\$ (89,185)	\$ 296,522	\$ (21,935)	\$ -	\$ -
Contributions - employer	198,555	198,744	209,174	205,611	194,724
Contributions - employee	79,231	78,772	77,908	78,944	77,060
Net investment income	465,652	708,022	95,821	243,397	732,233
Benefit payments, including refunds of employee contributions	(392,034)	(408,994)	(331,155)	(332,686)	(316,396)
Administrative expense	(4,027)	(4,134)	(3,397)	(3,329)	(3,948)
Other	(415)	(628)	(41)	(52)	38
<b>Net change in plan fiduciary net position</b>	<b>\$ 257,777</b>	<b>\$ 868,304</b>	<b>\$ 26,375</b>	<b>\$ 191,885</b>	<b>\$ 683,711</b>
<b>Plan fiduciary net position - beginning</b>	<b>6,423,980</b>	<b>5,555,676</b>	<b>5,529,301</b>	<b>5,337,416</b>	<b>4,653,705</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,681,757</b>	<b>\$ 6,423,980</b>	<b>\$ 5,555,676</b>	<b>\$ 5,529,301</b>	<b>\$ 5,337,416</b>
<b>Authority's net pension liability - ending (a) - (b)</b>	<b>\$ 1,926,433</b>	<b>\$ 2,048,515</b>	<b>\$ 2,287,837</b>	<b>\$ 1,839,014</b>	<b>\$ 1,830,814</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>77.62%</b>	<b>75.82%</b>	<b>70.83%</b>	<b>75.04%</b>	<b>74.46%</b>
<b>Covered payroll</b>	<b>\$ 1,637,446</b>	<b>\$ 1,586,319</b>	<b>\$ 1,564,773</b>	<b>\$ 1,546,539</b>	<b>\$ 1,542,386</b>
<b>Authority's net pension liability as a percentage of covered payroll</b>	<b>117.65%</b>	<b>129.14%</b>	<b>146.21%</b>	<b>118.91%</b>	<b>118.70%</b>

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

County of Buchanan, Virginia  
Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
Component Unit School Board (nonprofessional)  
For the Measurement Dates of June 30, 2018 through June 30, 2014

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 193,391	\$ 210,896	\$ 210,213	\$ 205,782	\$ 237,215
Interest	1,236,632	1,243,970	1,201,949	1,221,718	1,214,556
Changes of assumptions	-	102,069	-	-	-
Differences between expected and actual experience	(43,491)	(258,786)	594,881	(293,727)	-
Benefit payments, including refunds of employee contributions	(1,463,882)	(1,342,066)	(1,471,428)	(1,360,929)	(1,337,990)
<b>Net change in total pension liability</b>	<b>\$ (77,350)</b>	<b>\$ (43,917)</b>	<b>\$ 535,615</b>	<b>\$ (227,156)</b>	<b>\$ 113,781</b>
<b>Total pension liability - beginning</b>	<b>18,398,114</b>	<b>18,442,031</b>	<b>17,906,416</b>	<b>18,133,572</b>	<b>18,019,791</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 18,320,764</b>	<b>\$ 18,398,114</b>	<b>\$ 18,442,031</b>	<b>\$ 17,906,416</b>	<b>\$ 18,133,572</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 489,198	\$ 483,742	\$ 495,623	\$ 511,145	\$ 486,675
Contributions - employee	104,230	98,616	108,112	112,065	115,377
Net investment income	781,506	1,228,869	170,940	502,728	1,602,403
Benefit payments, including refunds of employee contributions	(1,463,882)	(1,342,066)	(1,471,428)	(1,360,929)	(1,337,990)
Administrative expense	(7,308)	(7,654)	(7,278)	(7,507)	(9,208)
Other	(677)	(1,075)	(77)	(105)	85
<b>Net change in plan fiduciary net position</b>	<b>\$ (96,933)</b>	<b>\$ 460,432</b>	<b>\$ (704,108)</b>	<b>\$ (242,603)</b>	<b>\$ 857,342</b>
<b>Plan fiduciary net position - beginning</b>	<b>11,003,169</b>	<b>10,542,737</b>	<b>11,246,845</b>	<b>11,489,448</b>	<b>10,632,106</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 10,906,236</b>	<b>\$ 11,003,169</b>	<b>\$ 10,542,737</b>	<b>\$ 11,246,845</b>	<b>\$ 11,489,448</b>
<b>School division's net pension liability - ending (a) - (b)</b>	<b>\$ 7,414,528</b>	<b>\$ 7,394,945</b>	<b>\$ 7,899,294</b>	<b>\$ 6,659,571</b>	<b>\$ 6,644,124</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>59.53%</b>	<b>59.81%</b>	<b>57.17%</b>	<b>62.81%</b>	<b>63.36%</b>
<b>Covered payroll</b>	<b>\$ 2,022,315</b>	<b>\$ 2,109,030</b>	<b>\$ 2,195,652</b>	<b>\$ 2,176,214</b>	<b>\$ 2,221,244</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>366.64%</b>	<b>350.63%</b>	<b>359.77%</b>	<b>306.02%</b>	<b>299.12%</b>

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

County of Buchanan, Virginia  
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
For the Measurement Dates of June 30, 2018 through June 30, 2014

	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.17193%	0.17972%	0.19189%	0.20183%	0.20613%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 20,219,000	\$ 22,102,000	\$ 26,891,000	\$ 25,403,000	\$ 24,910,000
Employer's Covered Payroll	13,767,550	14,045,869	14,599,875	14,585,895	14,950,792
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	146.86%	157.36%	184.19%	174.16%	166.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%	68.28%	70.68%	70.88%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2019	\$ 1,169,512	\$ 1,169,512	\$ -	\$ 9,173,848	12.75%
2018	1,123,139	1,123,139	-	8,927,964	12.58%
2017	1,105,840	1,105,840	-	8,775,714	12.60%
2016	1,237,155	1,237,155	-	9,202,667	13.44%
2015	1,210,444	1,210,444	-	8,958,100	13.51%
<b>Component Unit Public Service Authority</b>					
2019	\$ 200,259	\$ 200,259	\$ -	\$ 1,570,867	12.75%
2018	198,555	198,555	-	1,637,446	12.13%
2017	198,744	198,744	-	1,586,319	12.53%
2016	209,174	209,174	-	1,564,773	13.37%
2015	205,611	205,611	-	1,546,539	13.29%
<b>Component Unit School Board (nonprofessional)</b>					
2019	\$ 554,493	\$ 554,493	\$ -	\$ 1,996,302	27.78%
2018	489,198	489,198	-	2,022,315	24.19%
2017	483,742	483,742	-	2,109,030	22.94%
2016	495,623	495,623	-	2,195,652	22.57%
2015	511,145	511,145	-	2,176,214	23.49%
2014	486,675	486,675	-	2,221,244	21.91%
2013	534,994	534,994	-	2,441,780	21.91%
2012	474,118	474,118	-	2,461,674	19.26%
2011	447,516	447,516	-	2,323,550	19.26%
2010	532,783	532,783	-	2,500,155	21.31%
<b>Component Unit School Board (professional)</b>					
2019	\$ 2,102,526	\$ 2,102,526	\$ -	\$ 13,600,148	15.46%
2018	2,232,097	2,232,097	-	13,767,550	16.21%
2017	2,047,817	2,047,817	-	14,045,869	14.58%
2016	2,041,487	2,041,487	-	14,599,875	13.98%
2015	2,169,000	2,169,000	-	14,585,895	14.87%
2014	1,743,262	1,743,262	-	14,950,789	11.66%
2013	2,097,458	2,097,458	-	17,988,491	11.66%
2012	1,016,983	1,016,983	-	16,066,082	6.33%
2011	588,178	588,178	-	14,966,361	3.93%
2010	1,093,921	1,093,921	-	16,777,929	6.52%

Current year contributions are from County and Authority 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 PSA's information was consolidated in the County's totals and presented in the County report. Therefore, sufficient information to allocate the prior year balances is not available. Additional years will be included as they become available.

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

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

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

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

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

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

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

**Largest 10 - Hazardous Duty:**

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

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

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

**Component Unit School Board - Professional Employees**

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

County of Buchanan, Virginia  
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios  
Primary Government  
For the Measurement Dates of June 30, 2019 and 2018

	2019	2018
Total OPEB liability		
Service cost	\$ 75,833	\$ 75,833
Interest	22,836	33,086
Effect of economic/demographic gains or losses	(91,852)	(221,536)
Effect of assumptions changes or inputs	-	3,598
Employer contributions	(66,090)	(65,183)
Net change in total OPEB liability	\$ (59,273)	\$ (174,202)
Total OPEB liability - beginning	609,396	783,598
Total OPEB liability - ending	\$ 550,123	\$ 609,396
Covered-employee payroll	N/A	N/A
County's total OPEB liability (asset) as a percentage of covered-employee payroll	N/A	N/A

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

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

	2019	2018
Total OPEB liability		
Interest	\$ 93,141	\$ 116,062
Changes in assumptions	169,743	-
Differences between expected and actual experience	(810,240)	-
Benefit payments	(672,405)	(906,436)
Net change in total OPEB liability	\$ (1,219,761)	\$ (790,374)
Total OPEB liability - beginning	4,010,777	4,801,151
Total OPEB liability - ending	\$ 2,791,016	\$ 4,010,777
Covered-employee payroll	N/A	N/A
School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	N/A	N/A

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



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

**Primary Government**

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

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.50%
Inflation	1.90%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 4.60% for medical, 7.60% for pharmacy, 3.50% for dental, and 3.00% for vision and gradually declines to 4.70% for medical and pharmacy and 3.00% for dental and vision.
Salary Increase Rates	1.90%
Retirement Age	The average age at retirement is 65
Mortality Rates	The mortality rates were calculated using the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

**Component Unit School Board**

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

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	The discount rate is 2.79% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2019.
Inflation	Not applicable
Healthcare Trend Rate	The healthcare trend was reset to 7.50% grading to 6.75% over 3 years.
Salary Increase Rates	Not applicable
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rate were based on Virginia Retirement System Retiree Mortality Experience Study.

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
<b>Primary Government</b>					
2018	0.04734% \$	719,757	\$ 8,927,964	8.06%	51.22%
2017	0.04788%	720,508	8,775,714	8.21%	48.86%
<b>Component Unit Public Service Authority</b>					
2018	0.00837% \$	127,243	\$ 1,637,446	7.77%	51.22%
2017	0.00860%	129,492	1,586,319	8.16%	48.86%
<b>Component Unit School Board (nonprofessional)</b>					
2018	0.01073% \$	163,000	\$ 2,022,315	8.06%	51.22%
2017	0.01168%	176,000	2,109,030	8.35%	48.86%
<b>Component Unit School Board (professional)</b>					
2018	0.07289% \$	1,107,000	\$ 13,767,550	8.04%	51.22%
2017	0.07699%	1,158,000	14,045,869	8.24%	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 Buchanan, Virginia  
Schedule of Employer Contributions  
Group Life Insurance Program  
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2019	\$ 47,890	\$ 47,890	\$ -	\$ 9,209,477	0.52%
2018	46,758	46,758	-	8,927,964	0.52%
2017	45,917	45,917	-	8,775,714	0.52%
<b>Component Unit Public Service Authority</b>					
2019	\$ 8,200	\$ 8,200	\$ -	\$ 1,576,967	0.52%
2018	8,266	8,266	-	1,637,446	0.50%
2017	8,252	8,252	-	1,586,319	0.52%
<b>Component Unit School Board (nonprofessional)</b>					
2019	\$ 10,409	\$ 10,409	\$ -	\$ 2,001,802	0.52%
2018	10,610	10,610	-	2,022,315	0.52%
2017	11,204	11,204	-	2,109,030	0.53%
2016	11,051	11,051	-	2,195,652	0.50%
2015	11,048	11,048	-	2,176,214	0.51%
2014	10,763	10,763	-	2,221,244	0.48%
2013	11,812	11,812	-	2,441,780	0.48%
2012	6,984	6,984	-	2,461,674	0.28%
2011	6,607	6,607	-	2,323,550	0.28%
2010	5,115	5,115	-	2,500,155	0.20%
<b>Component Unit School Board (professional)</b>					
2019	\$ 70,975	\$ 70,975	\$ -	\$ 13,648,735	0.52%
2018	72,112	72,112	-	13,767,550	0.52%
2017	73,850	73,850	-	14,045,869	0.53%
2016	70,557	70,557	-	14,599,875	0.48%
2015	72,406	72,406	-	14,585,895	0.50%
2014	73,220	73,220	-	14,950,789	0.49%
2013	77,386	77,386	-	17,988,491	0.43%
2012	45,898	45,898	-	16,066,082	0.29%
2011	42,218	42,218	-	14,966,361	0.28%
2010	33,790	33,790	-	16,777,929	0.20%

Schedule is intended to show information for 10 years. Prior to 2017, the PSA's information was consolidated in the County's totals and presented in the County report. Therefore, sufficient information to allocate the prior year balances is not available. Additional years will be included as they become available.

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

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

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

**Teachers**

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

**Largest Ten Locality Employers - General Employees**

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

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

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

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

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**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 Buchanan, Virginia  
Schedule of School Board's Share of Net OPEB Liability  
Teacher Employee Health Insurance Credit (HIC) Program  
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.17021%	\$ 2,161,000	\$ 13,767,550	15.70%	8.08%
2017	0.17829%	2,262,000	14,045,869	16.10%	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 Buchanan, Virginia  
Schedule of Employer Contributions  
Teacher Health Insurance Credit (HIC) Program  
For the Years Ended June 30, 2010 through June 30, 2019

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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)
2019	\$ 163,201	\$ 163,201	\$ -	\$ 13,600,138	1.20%
2018	169,341	169,341	-	13,767,550	1.23%
2017	156,180	156,180	-	14,045,869	1.11%
2016	155,088	155,088	-	14,599,875	1.06%
2015	159,066	159,066	-	14,585,895	1.09%
2014	167,322	167,322	-	14,950,789	1.12%
2013	175,742	175,742	-	17,988,491	0.98%
2012	96,405	96,405	-	16,066,082	0.60%
2011	90,016	90,016	-	14,966,361	0.60%
2010	129,135	129,135	-	16,777,929	0.77%

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

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

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

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 Buchanan, Virginia  
Schedule of Employer's Share of Net LODA OPEB Liability  
Line of Duty Act (LODA) Program  
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2018	0.42879% \$	1,344,000 \$	N/A	N/A	0.60%
2017	0.40376%	1,061,000	N/A	N/A	1.30%

\* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

County of Buchanan, Virginia  
Schedule of Employer Contributions  
Line of Duty Act (LODA) Program  
For the Years Ended June 30, 2016 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2019	\$ 56,814	\$ 56,814	\$ -	\$ N/A	N/A
2018	45,673	45,673	-	N/A	N/A
2017	43,545	43,545	-	N/A	N/A
2016	43,064	43,064	-	N/A	N/A

\*

The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

FY 2016 was the first year information was available for the Line of Duty Act Program (LODA).

County of Buchanan, Virginia  
Notes to Required Supplementary Information  
Line of Duty Act (LODA) Program  
For the Year Ended June 30, 2019

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

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

**Employees in the Largest Ten Locality Employers with Public Safety 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%

**Employees in the Non-Largest Ten Locality Employers with Public Safety 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%

## Other Supplementary Information

#### DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

##### **MAJOR GOVERNMENTAL FUNDS**

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

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

	School Operating Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,376,912
Receivables (net of allowance for uncollectibles):	
Accounts receivable	66,614
Due from other governmental units	1,121,822
Prepaid items	901
Total assets	<u>\$ 7,566,249</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 456,995
Accrued liabilities	3,892,991
Total liabilities	<u>\$ 4,349,986</u>
<b>FUND BALANCES</b>	
Nonspendable	
Restricted	\$ 901
Cafeteria Funds	465,323
Unassigned	2,750,039
Total fund balances	<u>\$ 3,216,263</u>
Total liabilities and fund balances	<u>\$ 7,566,249</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 3,216,263
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 2,373,758
Buildings and improvements	3,612,607
Machinery and equipment	<u>1,379,056</u>
	7,365,421
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 2,915,384
OPEB related items	<u>306,585</u>
	3,221,969
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (445,941)
Net OPEB liabilities	(6,222,016)
Net ERIP obligation	(663,438)
Net pension liability	<u>(27,633,528)</u>
	(34,964,923)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (5,198,718)
OPEB related items	<u>(507,000)</u>
	(5,705,718)
Net position of governmental activities	<u>\$ (26,866,988)</u>

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

	School Operating Fund
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 27,768
Charges for services	363,676
Miscellaneous	105,208
Recovered costs	487,258
Intergovernmental	33,227,561
Total revenues	<u>\$ 34,211,471</u>
<b>EXPENDITURES</b>	
Current:	
Education	\$ 33,674,060
Total expenditures	<u>\$ 33,674,060</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 537,411</u>
Net change in fund balances	\$ 537,411
Fund balances - beginning	2,678,852
Fund balances - ending	<u><u>\$ 3,216,263</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	\$ 537,411
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	\$ 542,152
Depreciation expenses	<u>(873,021)</u> (330,869)
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 from School Board to County	(223,498)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	\$ 126,528
Change in OPEB related items	1,345,283
Change in net ERIP obligation	184,909
Change in pension related items	<u>2,170,587</u> 3,827,307
Change in net position of governmental activities	<u><u>\$ 3,810,351</u></u>

## Supporting Schedules



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

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 11,050	\$ 11,050	\$ 27,768	\$ 16,718
Charges for services	157,000	157,000	363,676	206,676
Miscellaneous	80,156	80,156	105,208	25,052
Recovered costs	300,300	300,300	487,258	186,958
Intergovernmental	32,785,127	33,345,497	33,227,561	(117,936)
Total revenues	<u>\$ 33,333,633</u>	<u>\$ 33,894,003</u>	<u>\$ 34,211,471</u>	<u>\$ 317,468</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 35,455,592	\$ 35,455,592	\$ 33,674,060	\$ 1,781,532
Total expenditures	<u>\$ 35,455,592</u>	<u>\$ 35,455,592</u>	<u>\$ 33,674,060</u>	<u>\$ 1,781,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,121,959)</u>	<u>\$ (1,561,589)</u>	<u>\$ 537,411</u>	<u>\$ 2,099,000</u>
Net change in fund balances	\$ (2,121,959)	\$ (1,561,589)	\$ 537,411	\$ 2,099,000
Fund balances - beginning	2,121,959	1,561,589	2,678,852	1,117,263
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,216,263</u>	<u>\$ 3,216,263</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 8,080,290	\$ 7,824,881	\$ 7,074,836	\$ (750,045)
Real and personal public service corporation taxes	526,568	526,568	580,536	53,968
Personal property taxes	2,667,305	2,667,305	2,557,589	(109,716)
Mobile home taxes	57,275	57,275	59,125	1,850
Machinery and tools taxes	5,167,472	5,167,472	5,270,520	103,048
Mineral taxes	1,210,129	1,210,129	1,408,056	197,927
Merchant's capital taxes	103,262	103,262	78,598	(24,664)
Penalties	131,234	131,234	145,095	13,861
Interest	327,880	327,880	286,360	(41,520)
Total general property taxes	\$ 18,271,415	\$ 18,016,006	\$ 17,460,715	\$ (555,291)
Other local taxes:				
Local sales and use taxes	\$ 1,585,000	\$ 1,585,000	\$ 1,641,476	\$ 56,476
Consumers' utility taxes	400,000	400,000	364,928	(35,072)
Consumption taxes	250,000	250,000	211,747	(38,253)
Mineral license tax	5,000,000	5,000,000	8,374,742	3,374,742
Methane gas tax	500,000	318,803	667,740	348,937
Utility license taxes	35,724	35,724	29,949	(5,775)
Bank stock taxes	104,621	104,621	111,448	6,827
Taxes on recordation and wills	40,825	40,825	9,319	(31,506)
Hotel and motel room taxes	24,655	24,655	33,293	8,638
Local tax on deeds	72,000	72,000	62,677	(9,323)
Total other local taxes	\$ 8,012,825	\$ 7,831,628	\$ 11,507,319	\$ 3,675,691
Permits, privilege fees, and regulatory licenses:				
Animal licenses and fees	\$ 3,000	\$ 3,000	\$ 7,381	\$ 4,381
Land use application fees	1,070	1,070	5,800	4,730
Transfer fees	-	-	787	787
Building permits	25,500	25,500	58,177	32,677
Other permits and licenses	2,630	2,630	6,645	4,015
Total permits, privilege fees, and regulatory licenses	\$ 32,200	\$ 32,200	\$ 78,790	\$ 46,590
Fines and forfeitures:				
Court fines and forfeitures	\$ -	\$ -	\$ 2,109	\$ 2,109
Total fines and forfeitures	\$ -	\$ -	\$ 2,109	\$ 2,109
Revenue from use of money and property:				
Revenue from use of money	\$ 69,065	\$ 69,065	\$ 160,960	\$ 91,895
Revenue from use of property	16,700	16,700	19,657	2,957
Total revenue from use of money and property	\$ 85,765	\$ 85,765	\$ 180,617	\$ 94,852
Charges for services:				
Charges for law enforcement and traffic control	\$ 50,000	\$ 50,000	\$ 12,812	\$ (37,188)
Charges for courthouse maintenance	-	-	11,348	11,348
Charges for courthouse security	-	-	26,349	26,349

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for Commonwealth's Attorney	\$ -	\$ -	\$ 3,289	\$ 3,289
Miscellaneous jail and inmate fees	-	-	535	535
Law library fees	-	-	13,661	13,661
Charges for animal control	-	-	397	397
Charges for sanitation and waste removal	520,000	520,000	889,686	369,686
Charges for parks and recreation	65,212	65,212	84,062	18,850
Charges for library	7,000	7,000	6,802	(198)
Charges for golf course	-	-	116,491	116,491
Other Charges for Services	10,000	10,000	16,008	6,008
Total charges for services	\$ 652,212	\$ 652,212	\$ 1,181,440	\$ 529,228
Miscellaneous:				
Miscellaneous	\$ 101,600	\$ 151,600	\$ 364,723	\$ 213,123
Total miscellaneous	\$ 101,600	\$ 151,600	\$ 364,723	\$ 213,123
Recovered costs:				
Health Department	\$ 50,000	\$ 50,000	\$ 59,305	\$ 9,305
Rebates and refunds	100,450	100,450	114,011	13,561
VPA refunds	20,000	20,000	57,311	37,311
Other recovered costs	64,775	64,775	31,695	(33,080)
Total recovered costs	\$ 235,225	\$ 235,225	\$ 262,322	\$ 27,097
Total revenue from local sources	\$ 27,391,242	\$ 27,004,636	\$ 31,038,035	\$ 4,033,399
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 30,000	\$ 30,000	\$ 62,451	\$ 32,451
Motor vehicle rental tax	1,500	1,500	7,606	6,106
Rolling stock tax	180,000	180,000	167,624	(12,376)
Telecommunications taxes	894,762	894,762	716,279	(178,483)
State recordation tax	-	-	22,069	22,069
Personal property tax relief funds	1,598,108	1,598,108	1,598,108	-
Total noncategorical aid	\$ 2,704,370	\$ 2,704,370	\$ 2,574,137	\$ (130,233)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 472,442	\$ 472,442	\$ 480,275	\$ 7,833
Sheriff	1,405,000	1,405,000	1,415,975	10,975
Commissioner of revenue	136,330	136,330	138,952	2,622
Treasurer	125,000	125,000	123,246	(1,754)
Registrar/electoral board	45,000	45,000	40,687	(4,313)
Clerk's fringes	300,000	300,000	303,997	3,997
Total shared expenses	\$ 2,483,772	\$ 2,483,772	\$ 2,503,132	\$ 19,360

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Animal friendly plates	\$ -	\$ 397	\$ -	\$ (397)
Litter control grant	-	-	9,292	9,292
Library grant	112,000	112,000	124,921	12,921
Public assistance and welfare administration	2,003,550	2,003,550	2,267,606	264,056
Victim-witness grant	94,709	94,709	49,710	(44,999)
Fire Program Funds	51,391	51,391	86,876	35,485
Asset Forfeiture	30,770	30,770	10,053	(20,717)
Office of justice programs	8,000	8,000	-	(8,000)
School resource officer grant	-	195,192	93,600	(101,592)
Violence against women	-	-	27,958	27,958
Two for Life Program	21,777	21,777	43,519	21,742
VA housing development authority	40,000	40,000	52,116	12,116
E-911 technology grant	556,405	556,405	73,109	(483,296)
Comprehensive services act program	1,137,439	1,137,439	491,014	(646,425)
State and community highway safety	-	-	1,181	1,181
Other State Funds	85,586	85,586	42,737	(42,849)
Total other categorical aid	\$ 4,141,627	\$ 4,337,216	\$ 3,373,692	\$ (963,524)
Total categorical aid	\$ 6,625,399	\$ 6,820,988	\$ 5,876,824	\$ (944,164)
Total revenue from the Commonwealth	\$ 9,329,769	\$ 9,525,358	\$ 8,450,961	\$ (1,074,397)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 3,411,450	\$ 3,411,450	\$ 3,401,549	\$ (9,901)
Child and adult care food program	-	-	77,733	77,733
Community development block grant	2,950,000	2,950,000	399,658	(2,550,342)
Headstart programs	1,704,700	1,730,217	1,675,172	(55,045)
Victim Witness Grant	-	-	74,480	74,480
Transportation grant	34,484	34,484	460,947	426,463
National safety programs	-	-	13,285	13,285
ARC Grant	-	-	417,516	417,516
VSTOP Grant	35,500	35,500	9,326	(26,174)
Total categorical aid	\$ 8,136,134	\$ 8,161,651	\$ 6,529,666	\$ (1,631,985)
Total revenue from the federal government	\$ 8,136,134	\$ 8,161,651	\$ 6,529,666	\$ (1,631,985)
Total General Fund	\$ 44,857,145	\$ 44,691,645	\$ 46,018,662	\$ 1,327,017
<b>Special Revenue Funds:</b>				
<b>Coal Road Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 4,000,000	\$ 4,000,000	\$ 8,374,740	\$ 4,374,740
Total other local taxes	\$ 4,000,000	\$ 4,000,000	\$ 8,374,740	\$ 4,374,740

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

<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 Funds: (Continued)				
Coal Road Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from the use of money	\$ 20,000	\$ 20,000	\$ 134,826	\$ 114,826
Total revenue from use of money and property	\$ 20,000	\$ 20,000	\$ 134,826	\$ 114,826
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 2,450	\$ 2,450
Total miscellaneous	\$ -	\$ -	\$ 2,450	\$ 2,450
Total revenue from local sources	\$ 4,020,000	\$ 4,020,000	\$ 8,512,016	\$ 4,492,016
Revenue from the Commonwealth:				
Categorical aid:				
VDOT highway construction funds	\$ -	\$ -	\$ 1,189,248	\$ 1,189,248
Disastery recovery funds	-	-	184,689	184,689
Total categorical aid	\$ -	\$ -	\$ 1,373,937	\$ 1,373,937
Total revenue from the Commonwealth	\$ -	\$ -	\$ 1,373,937	\$ 1,373,937
Total Coal Road Fund	\$ 4,020,000	\$ 4,020,000	\$ 9,885,953	\$ 5,865,953
Total Primary Government	\$ 48,877,145	\$ 48,711,645	\$ 55,904,615	\$ 7,192,970
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 11,050	\$ 11,050	\$ 27,768	\$ 16,718
Total revenue from use of money and property	\$ 11,050	\$ 11,050	\$ 27,768	\$ 16,718
Charges for services:				
Charges for adult/GED testing	\$ 7,000	\$ 7,000	\$ 8,929	\$ 1,929
Charges for cafeteria sales	150,000	150,000	354,747	204,747
Total charges for services	\$ 157,000	\$ 157,000	\$ 363,676	\$ 206,676
Miscellaneous:				
Miscellaneous	\$ 75,156	\$ 75,156	\$ 97,354	\$ 22,198
Donations	5,000	5,000	7,854	2,854
Total miscellaneous	\$ 80,156	\$ 80,156	\$ 105,208	\$ 25,052

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Rebates and refunds	\$ 13,300	\$ 13,300	\$ 69,378	\$ 56,078
Insurance adjustments	2,000	2,000	15,273	13,273
JROTC payments	30,000	30,000	30,607	607
E-rate reimbursement	165,000	165,000	199,529	34,529
Other recovered costs	90,000	90,000	172,471	82,471
Total recovered costs	\$ 300,300	\$ 300,300	\$ 487,258	\$ 186,958
Total revenue from local sources	\$ 548,506	\$ 548,506	\$ 983,910	\$ 435,404
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Buchanan, Virginia	\$ 9,278,367	\$ 9,559,140	\$ 9,462,953	\$ (96,187)
Total revenues from local governments	\$ 9,278,367	\$ 9,559,140	\$ 9,462,953	\$ (96,187)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,200,644	\$ 3,200,644	\$ 3,230,974	\$ 30,330
Basic school aid	9,060,971	9,060,971	8,887,490	(173,481)
Gifted and talented	90,730	90,730	89,471	(1,259)
Remedial education	528,375	528,375	538,356	9,981
Enrollment loss	-	-	209,987	209,987
Special education	946,185	946,185	1,045,188	99,003
Textbook payment	322,797	322,797	183,853	(138,944)
Social security fringe benefits	594,375	594,375	586,125	(8,250)
Retirement fringe benefits	1,639,202	1,639,202	1,334,758	(304,444)
Salary Supplements	99,668	99,668	-	(99,668)
Mentor teacher grant	1,861	1,861	1,238	(623)
Early reading intervention	128,622	128,622	128,622	-
Alternative education	23,576	23,576	25,065	1,489
K3 initiative	453,724	453,724	442,779	(10,945)
Vocation education	693,454	693,454	713,196	19,742
Special education - foster children	35,658	35,658	26,789	(8,869)
At risk payments	659,873	659,873	723,821	63,948
School food	546,454	546,454	43,026	(503,428)
Technology	304,400	304,400	339,520	35,120
Standards of Learning algebra readiness	58,778	58,778	58,641	(137)
At risk four-year olds	203,507	203,507	210,185	6,678
Lottery proceeds	504,678	504,678	664,914	160,236
Adult literacy	-	-	6,957	6,957
Breakfast after the bell	-	-	21,839	21,839
Math and reading instructional specialist	45,327	45,327	45,327	-
Gear up	-	-	8,000	8,000
State assessment and related activities	-	-	5,000	5,000
Other state funds	7,436	287,033	34,037	(252,996)
Total categorical aid	\$ 20,150,295	\$ 20,429,892	\$ 19,605,158	\$ (824,734)
Total revenue from the Commonwealth	\$ 20,150,295	\$ 20,429,892	\$ 19,605,158	\$ (824,734)

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,392,691	\$ 1,392,691	\$ 954,999	\$ (437,692)
Title VI-B, flow-through	894,378	894,378	739,117	(155,261)
Title VI-B, preschool	-	-	48,739	48,739
Vocational education	73,491	73,491	58,742	(14,749)
Improving teacher quality	380,852	380,852	156,007	(224,845)
21st Century grant	-	-	199,276	199,276
School feeding programs	558,890	558,890	1,754,801	1,195,911
Rural and low income schools	56,163	56,163	34,085	(22,078)
Student support and academic	-	-	67,743	67,743
CACFP adult and child care food program	-	-	140,758	140,758
CN schools meals equipment	-	-	5,183	5,183
Total categorical aid	\$ 3,356,465	\$ 3,356,465	\$ 4,159,450	\$ 802,985
Total revenue from the federal government	\$ 3,356,465	\$ 3,356,465	\$ 4,159,450	\$ 802,985
 Total School Operating Fund	 \$ 33,333,633	 \$ 33,894,003	 \$ 34,211,471	 \$ 317,468
 Total Discretely Presented Component Unit - School Board	 \$ 33,333,633	 \$ 33,894,003	 \$ 34,211,471	 \$ 317,468

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

Schedule 2  
Page 1 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 272,506	\$ 622,506	\$ 371,707	\$ 250,799
Total legislative	\$ 272,506	\$ 622,506	\$ 371,707	\$ 250,799
General and financial administration:				
County administrator	\$ 509,401	\$ 509,401	\$ 480,132	\$ 29,269
County attorney	187,257	187,257	180,381	6,876
Commissioner of revenue	431,235	431,235	338,023	93,212
Central purchasing	139,000	139,000	55,318	83,682
Treasurer	540,943	541,347	475,120	66,227
Data processing	33,115	33,115	30,818	2,297
County garage	562,685	562,685	461,251	101,434
Total general and financial administration	\$ 2,403,636	\$ 2,404,040	\$ 2,021,043	\$ 382,997
Board of elections:				
Electoral board	\$ 42,700	\$ 42,700	\$ 33,879	\$ 8,821
Registrar	182,755	182,755	169,748	13,007
Voting buildings and machines	20,000	20,000	14,142	5,858
Total board of elections	\$ 245,455	\$ 245,455	\$ 217,769	\$ 27,686
Total general government administration	\$ 2,921,597	\$ 3,272,001	\$ 2,610,519	\$ 661,482
Judicial administration:				
Courts:				
Circuit court	\$ 250,948	\$ 251,134	\$ 228,964	\$ 22,170
Combined court	12,600	12,600	6,361	6,239
Juvenile court	13,500	13,500	13,381	119
Magistrates	12,150	12,150	3,906	8,244
Victim witness assistance program	89,135	104,203	104,202	1
Clerk of circuit court	606,406	616,051	607,319	8,732
Community service diversion program	68,000	68,000	53,471	14,529
Total courts	\$ 1,052,739	\$ 1,077,638	\$ 1,017,604	\$ 60,034
Commonwealth's attorney:				
Commonwealth's attorney	\$ 800,199	\$ 825,148	\$ 794,228	\$ 30,920
Total commonwealth's attorney	\$ 800,199	\$ 825,148	\$ 794,228	\$ 30,920
Total judicial administration	\$ 1,852,938	\$ 1,902,786	\$ 1,811,832	\$ 90,954
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,380,667	\$ 3,391,484	\$ 3,046,875	\$ 344,609
School resource officer	-	195,192	-	195,192
Total law enforcement and traffic control	\$ 3,380,667	\$ 3,586,676	\$ 3,046,875	\$ 539,801
Fire and rescue services:				
Fire department	\$ 256,000	\$ 941,043	\$ 372,826	\$ 568,217
Rescue squads	150,000	503,027	203,587	299,440
Total fire and rescue services	\$ 406,000	\$ 1,444,070	\$ 576,413	\$ 867,657



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

Schedule 2  
Page 2 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Jail operation	\$ 2,057,880	\$ 2,057,880	\$ 2,060,049	\$ (2,169)
Juvenile detention	152,556	152,556	152,556	-
Total correction and detention	\$ 2,210,436	\$ 2,210,436	\$ 2,212,605	\$ (2,169)
Inspections:				
Building	\$ 115,445	\$ 115,744	\$ 115,699	\$ 45
Total inspections	\$ 115,445	\$ 115,744	\$ 115,699	\$ 45
Other protection:				
Animal control	\$ 333,514	\$ 333,911	\$ 292,437	\$ 41,474
Medical examiner	1,000	1,000	600	400
Emergency services	42,433	42,433	14,519	27,914
Forestry department	26,000	26,000	25,958	42
E-911	1,458,167	1,458,167	1,166,300	291,867
Total other protection	\$ 1,861,114	\$ 1,861,511	\$ 1,499,814	\$ 361,697
Total public safety	\$ 7,973,662	\$ 9,218,437	\$ 7,451,406	\$ 1,767,031
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 315,000	\$ 642,277	\$ 390,533	\$ 251,744
Total maintenance of highways, streets, bridges and sidewalks	\$ 315,000	\$ 642,277	\$ 390,533	\$ 251,744
Sanitation and waste removal:				
Waste authority	\$ 900,000	\$ 900,000	\$ 1,014,107	\$ (114,107)
Landfill	2,234,477	2,426,477	2,219,454	207,023
Total sanitation and waste removal	\$ 3,134,477	\$ 3,326,477	\$ 3,233,561	\$ 92,916
Maintenance of general buildings and grounds:				
General properties	\$ 1,706,721	\$ 1,713,721	\$ 1,600,695	\$ 113,026
Construction	192,554	192,554	152,558	39,996
Total maintenance of general buildings and grounds	\$ 1,899,275	\$ 1,906,275	\$ 1,753,253	\$ 153,022
Total public works	\$ 5,348,752	\$ 5,875,029	\$ 5,377,347	\$ 497,682
Health and welfare:				
Health:				
Supplement of local health department	\$ 349,923	\$ 349,923	\$ 342,222	\$ 7,701
Total health	\$ 349,923	\$ 349,923	\$ 342,222	\$ 7,701
Welfare:				
Virginia housing development authority	\$ 98,143	\$ 98,143	\$ 76,808	\$ 21,335
Cumberland mountain community services	30,000	30,000	20,000	10,000
Cumberland mountain mental health	2,000	2,000	-	2,000
Disability Services Board	25,000	25,000	25,000	-
Senior citizens	78,429	243,936	97,439	146,497

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Health and welfare: (Continued)				
Welfare: (Continued)				
Medical Assistance Services	\$ 23,577	\$ 23,577	\$ 18,825	\$ 4,752
Red Cross contributions	7,000	7,000	-	7,000
Food pantries	49,000	49,000	49,000	-
S V medical assistance	4,000	4,000	-	4,000
Social services	14,005,944	9,508,008	7,485,979	2,022,029
Head start	1,704,700	1,739,568	1,736,876	2,692
Other welfare	-	2,300	2,300	-
Total welfare	\$ 16,027,793	\$ 11,732,532	\$ 9,512,227	\$ 2,220,305
Total health and welfare	\$ 16,377,716	\$ 12,082,455	\$ 9,854,449	\$ 2,228,006
Education:				
Other instructional costs:				
Educational Contributions	\$ 256,457	\$ 256,457	\$ 256,457	\$ -
Bus transportation	68,000	68,000	62,333	5,667
Contribution to County School Board	9,181,618	9,462,391	9,462,953	(562)
Total education	\$ 9,506,075	\$ 9,786,848	\$ 9,781,743	\$ 5,105
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 157,314	\$ 305,221	\$ 238,292	\$ 66,929
Park development	210,000	580,073	235,959	344,114
Community Events	15,500	15,500	15,500	-
Athletic programs	113,000	120,710	102,468	18,242
Buchanan little league football	30,000	25,000	20,000	5,000
FBLA	5,000	5,000	5,000	-
County fair	-	88,031	75,010	13,021
County golf course	185,188	209,519	229,860	(20,341)
Total parks and recreation	\$ 716,002	\$ 1,349,054	\$ 922,089	\$ 426,965
Library:				
Contribution to county library	\$ 643,474	\$ 651,452	\$ 610,538	\$ 40,914
Total library	\$ 643,474	\$ 651,452	\$ 610,538	\$ 40,914
Total parks, recreation, and cultural	\$ 1,359,476	\$ 2,000,506	\$ 1,532,627	\$ 467,879
Community development:				
Planning and community development:				
Planning commission	\$ 8,500	\$ 8,500	\$ 8,285	\$ 215
Hurley Community Development	10,000	10,000	10,000	-
Contribution to industrial development authority	358,819	358,819	359,958	(1,139)
Tourism	55,000	57,500	46,042	11,458
Cumberland plateau planning district	35,000	35,000	35,000	-
Chamber of commerce	13,000	13,000	13,000	-
Humane society	3,600	3,600	-	3,600
Robotics team	10,000	10,000	-	10,000
Grundy Community Center	16,500	16,500	16,500	-
Contribution to public service authority	1,000,000	1,105,000	1,105,000	-
Capital contributions to the public service authority	2,200,000	900,000	845,596	54,404
Total planning and community development	\$ 3,710,419	\$ 2,517,919	\$ 2,439,381	\$ 78,538

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Community development: (Continued)				
Environmental management:				
Environmental management	\$ 16,000	\$ 16,000	\$ 16,000	\$ -
Litter control	15,083	15,993	12,871	3,122
Total environmental management	<u>\$ 31,083</u>	<u>\$ 31,993</u>	<u>\$ 28,871</u>	<u>\$ 3,122</u>
Cooperative extension program:				
Extension office	\$ 39,527	\$ 39,527	\$ 34,583	\$ 4,944
Total cooperative extension program	<u>\$ 39,527</u>	<u>\$ 39,527</u>	<u>\$ 34,583</u>	<u>\$ 4,944</u>
Total community development	<u>\$ 3,781,029</u>	<u>\$ 2,589,439</u>	<u>\$ 2,502,835</u>	<u>\$ 86,604</u>
Capital projects:				
Poplar Gap Athletic Park	\$ -	\$ 1,274	\$ 370	\$ 904
Hurley Gym	-	41,137	3,866	37,271
Courthouse renovations	2,944,000	8,064,897	8,058,723	6,174
Jail demolition	-	-	170,691	(170,691)
Other capital projects	3,843,000	2,290,475	1,019,544	1,270,931
Total capital projects	<u>\$ 6,787,000</u>	<u>\$ 10,397,783</u>	<u>\$ 9,253,194</u>	<u>\$ 1,144,589</u>
Debt service:				
Principal retirement	\$ 1,337,069	\$ 1,337,069	\$ 1,327,630	\$ 9,439
Interest and other fiscal charges	274,763	274,763	270,656	4,107
Total debt service	<u>\$ 1,611,832</u>	<u>\$ 1,611,832</u>	<u>\$ 1,598,286</u>	<u>\$ 13,546</u>
Total General Fund	<u>\$ 57,520,077</u>	<u>\$ 58,737,116</u>	<u>\$ 51,774,238</u>	<u>\$ 6,962,878</u>
<b>Special Revenue Funds:</b>				
<b>Coal Road Fund:</b>				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 7,057,913	\$ 8,059,355	\$ 2,324,456	\$ 5,734,899
Engineering	590,664	590,664	673,379	(82,715)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 7,648,577</u>	<u>\$ 8,650,019</u>	<u>\$ 2,997,835</u>	<u>\$ 5,652,184</u>
Total public works	<u>\$ 7,648,577</u>	<u>\$ 8,650,019</u>	<u>\$ 2,997,835</u>	<u>\$ 5,652,184</u>
Community development:				
Planning and community development:				
Virginia coalfield economic development authority	\$ 1,800,000	\$ 2,187,336	\$ 2,095,341	\$ 91,995
Contribution to public service authority	-	-	300,000	(300,000)
Capital contributions to public service authority	-	-	661,367	(661,367)
Total planning and community development	<u>\$ 1,800,000</u>	<u>\$ 2,187,336</u>	<u>\$ 3,056,708</u>	<u>\$ (869,372)</u>
Total community development	<u>\$ 1,800,000</u>	<u>\$ 2,187,336</u>	<u>\$ 3,056,708</u>	<u>\$ (869,372)</u>
Total Coal Road Fund	<u>\$ 9,448,577</u>	<u>\$ 10,837,355</u>	<u>\$ 6,054,543</u>	<u>\$ 4,782,812</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Disaster Relief Fund:				
Health and welfare:				
Welfare:				
Disaster relief	\$ 350,000	\$ 350,000	\$ 43,120	\$ 306,880
Total welfare	\$ 350,000	\$ 350,000	\$ 43,120	\$ 306,880
 Total health and welfare	 \$ 350,000	 \$ 350,000	 \$ 43,120	 \$ 306,880
 Total Disaster Relief Fund	 \$ 350,000	 \$ 350,000	 \$ 43,120	 \$ 306,880
 Total Primary Government	 \$ 67,318,654	 \$ 69,924,471	 \$ 57,871,901	 \$ 12,052,570
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Instruction costs:				
Instruction	\$ 23,120,185	\$ 23,120,185	\$ 22,450,764	\$ 669,421
Total instruction costs	\$ 23,120,185	\$ 23,120,185	\$ 22,450,764	\$ 669,421
Operating costs:				
Administration and health services	\$ 2,839,753	\$ 2,839,753	\$ 2,233,583	\$ 606,170
Pupil transportation	2,615,575	2,615,575	2,621,581	(6,006)
Operation and maintenance of school plant	3,978,530	3,978,530	4,034,620	(56,090)
Total operating costs	\$ 9,433,858	\$ 9,433,858	\$ 8,889,784	\$ 544,074
School food services:				
Administration of school food program	\$ 2,184,947	\$ 2,184,947	\$ 2,228,011	\$ (43,064)
Total school food services	\$ 2,184,947	\$ 2,184,947	\$ 2,228,011	\$ (43,064)
Capital projects:				
Capital projects	\$ 716,602	\$ 716,602	\$ 105,501	\$ 611,101
Total capital projects	\$ 716,602	\$ 716,602	\$ 105,501	\$ 611,101
 Total School Operating Fund	 \$ 35,455,592	 \$ 35,455,592	 \$ 33,674,060	 \$ 1,781,532
 Total Discretely Presented Component Unit - School Board	 \$ 35,455,592	 \$ 35,455,592	 \$ 33,674,060	 \$ 1,781,532

## Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration			Judicial Administration	Public Safety	Public Works	Health and Welfare		Education	Parks, Recreation, and Cultural		Community Development	Interest on Long-Term Debt							
2018-19	\$	2,581,905	\$	1,893,928	\$	8,058,861	\$	8,533,817	\$	9,667,910	\$	10,530,383	\$	1,770,594	\$	5,583,567	\$	249,007	\$	48,869,972
2017-18		2,871,192		1,692,257		7,715,877		7,393,821		9,477,356		10,356,398		1,564,225		4,692,533		269,365		46,033,024
2016-17		3,070,027		2,613,986		9,033,466		8,606,781		7,349,145		10,190,731		1,596,030		5,874,705		328,480		48,663,351
2015-16		2,882,937		1,734,853		7,865,210		11,243,516		9,912,486		10,548,453		1,755,004		10,541,739		375,812		56,860,010
2014-15		2,343,344		1,577,370		6,350,151		10,788,125		9,321,766		21,471,935		1,868,048		11,109,178		384,825		65,214,742
2013-14		3,004,076		1,634,452		6,855,341		10,418,098		9,669,758		11,666,828		1,104,072		13,053,565		378,338		57,784,528
2012-13		2,326,934		1,569,540		6,725,396		12,869,342		9,800,358		11,625,233		821,133		11,679,658		352,676		57,770,270
2011-12		2,818,130		1,568,188		6,744,323		13,353,221		9,692,455		11,303,923		1,605,149		16,244,692		455,633		63,785,714
2010-11		2,445,816		1,458,837		6,255,234		9,092,200		10,005,009		10,596,199		1,338,390		12,495,596		474,006		54,161,287
2009-10		2,526,597		1,503,610		7,238,733		12,220,224		9,854,812		10,950,125		1,110,865		10,889,281		488,371		56,782,618

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Revenues from the Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2018-19	\$ 1,262,339	\$ 11,589,316	\$ 2,191,111	\$	\$ 17,786,677	\$ 19,882,059	\$ 315,443	\$ 367,173	\$ 2,574,137	\$	\$ 55,968,255
2017-18	1,005,498	10,525,142	1,653,724		19,441,376	19,011,171	252,807	66,610	2,617,629		54,573,957
2016-17	690,248	10,730,178	1,099,261		18,876,886	18,423,372	86,226	224,748	2,643,253		52,774,172
2015-16	726,683	10,192,525	4,747,962		18,651,861	11,530,695	112,839	540,611	2,671,849		49,175,025
2014-15	813,583	9,889,135	5,033,833		21,530,748	16,917,529	121,344	346,200	2,707,232		57,359,604
2013-14	1,029,968	10,028,632	5,342,473		20,134,556	20,130,214	82,263	232,331	2,766,625		59,747,062
2012-13	1,188,911	9,548,475	2,209,643		18,306,411	22,474,152	101,469	158,550	2,942,825		56,930,436
2011-12	1,207,732	9,307,174	3,951,232		18,104,724	31,622,190	118,174	264,758	2,755,390		67,331,374
2010-11	985,509	9,118,369	2,219,707		15,652,382	33,797,596	105,569	459,343	2,683,453		65,021,928
2009-10	732,911	9,827,820	1,182,479		15,424,011	24,251,463	248,058	255,339	2,774,371		54,696,452

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital projects	Debt Service	Total
2018-19	\$ 2,610,519	\$ 1,811,832	\$ 7,451,406	\$ 8,375,182	\$ 9,897,569	\$ 33,992,850	\$ 1,532,627	\$ 5,559,543	\$ 9,253,194	\$ 1,598,286	\$ 82,083,008
2017-18	3,459,019	1,721,885	7,397,298	7,296,790	9,723,573	33,326,262	1,397,552	4,698,221	2,403,477	1,608,248	73,032,325
2016-17	2,575,583	1,614,247	7,171,794	8,939,812	10,320,972	33,226,967	1,289,690	5,831,045	422,463	1,751,958	73,144,531
2015-16	2,674,089	1,677,499	8,523,901	10,497,468	9,748,726	36,443,553	1,467,776	10,555,201	-	1,661,302	83,249,515
2014-15	3,138,807	1,685,128	7,443,502	11,800,510	10,159,334	36,625,617	1,310,737	11,103,905	-	1,633,640	84,901,180
2013-14	2,983,450	1,627,515	6,710,279	10,936,376	9,719,488	34,415,959	1,326,676	13,044,551	-	1,383,814	82,148,108
2012-13	2,887,435	1,606,134	6,860,562	13,178,521	9,832,464	38,854,582	1,253,938	11,668,890	-	2,443,717	88,586,243
2011-12	2,940,042	1,551,048	6,597,098	13,359,206	9,767,726	38,510,376	1,366,309	16,487,517	-	1,522,762	92,102,084
2010-11	2,523,105	1,441,724	6,350,355	9,391,015	9,928,023	35,026,718	1,206,455	12,503,481	-	1,450,786	79,821,662
2009-10	2,505,591	1,481,044	7,564,899	12,248,097	9,794,702	38,250,585	1,132,458	10,916,029	-	1,581,334	85,474,739

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

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



Table 4

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

Fiscal Year	General Property Taxes		Other Local Taxes		Permits, Privilege Fees, Regulatory Licenses		Fines and Forfeitures		Revenue from the Use of Money and Property		Charges for Services		Miscellaneous		Recovered Costs		Inter-governmental (2)		Total	
2018-19	\$	17,460,715	\$	19,882,059	\$	78,790	\$	2,109	\$	343,211	\$	1,545,116	\$	472,381	\$	749,580	\$	40,119,172	\$	80,653,133
2017-18		19,323,892		19,011,171		93,039		2,155		275,143		1,282,673		173,371		1,239,140		37,589,750		78,990,334
2016-17		18,686,187		18,423,372		41,992		2,083		100,283		1,112,777		396,611		706,050		37,589,331		77,058,686
2015-16		18,713,474		11,530,695		59,045		2,153		129,607		989,825		727,546		933,289		38,977,136		72,062,770
2014-15		21,393,564		16,917,529		39,820		18,930		134,118		1,184,376		3,195,791		991,814		39,301,304		83,177,246
2013-14		20,346,636		20,130,214		57,013		9,693		88,547		1,798,500		2,893,713		859,327		40,066,029		86,249,672
2012-13		18,944,960		22,474,152		62,389		10,392		113,480		2,194,715		2,741,324		649,088		37,521,938		84,712,438
2011-12		17,523,639		31,622,190		64,360		1,873		131,824		2,194,608		2,522,943		752,872		41,409,940		96,224,249
2010-11		15,979,714		33,797,596		60,128		2,093		120,887		1,937,550		2,729,414		499,737		37,443,980		92,571,099
2009-10		15,669,518		24,251,463		56,514		3,150		299,638		1,843,880		3,494,636		610,602		41,759,387		87,988,788

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2018-19	\$ 18,093,527	\$ 15,671,816	86.62%	\$ 1,357,444	\$ 17,029,260	94.12%	\$ 6,282,435	34.72%
2017-18	\$ 18,230,412	17,170,280	94.18%	1,551,225	18,721,505	102.69%	5,258,440	28.84%
2016-17	18,455,082	17,645,743	95.61%	579,749	18,225,492	98.76%	5,953,459	32.26%
2015-16	19,591,659	17,715,307	90.42%	666,131	18,381,438	93.82%	5,955,601	30.40%
2014-15	21,310,350	20,494,128	96.17%	536,306	21,030,434	98.69%	4,832,859	22.68%
2013-14	20,199,537	19,458,083	96.33%	518,455	19,976,538	98.90%	4,759,841	23.56%
2012-13	18,347,580	17,491,799	95.34%	1,055,371	18,547,170	101.09%	4,004,450	21.83%
2011-12	17,497,786	16,582,159	94.77%	561,959	17,144,118	97.98%	5,022,496	28.70%
2010-11	15,773,431	14,928,378	94.64%	628,790	15,557,168	98.63%	4,826,997	30.60%
2009-10	17,017,825	16,287,430	95.71%	615,532	16,902,962	99.33%	4,871,095	28.62%

(1) Exclusive of penalties and interest.

Table 6

**County of Buchanan, 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	Personal Property	
2018-19	\$ 2,385,377,733	\$ 239,234,836	\$ 298,762,142	\$ 3,994,288	\$ 153,870,203	\$ 115,301	\$ 3,081,354,503	
2017-18	2,398,279,560	242,177,785	282,012,161	4,018,554	145,467,117	71,251	3,072,026,428	
2016-17	2,497,191,694	247,050,765	268,856,403	5,453,555	134,661,922	77,923	3,153,292,262	
2015-16	2,502,263,538	249,728,111	324,762,915	4,657,483	132,277,106	204,260	3,213,893,413	
2014-15	2,390,731,754	268,114,506	378,230,918	4,565,989	101,845,133	70,780	3,143,559,080	
2013-14	2,182,637,360	273,535,357	363,102,846	4,738,581	99,344,750	84,076	2,923,442,970	
2012-13	2,033,790,897	263,312,445	310,190,160	4,756,721	104,988,298	39,009	2,717,077,530	
2011-12	2,054,634,044	258,035,354	268,621,205	4,122,968	96,364,828	21,783	2,681,800,182	
2010-11	1,901,488,554	246,368,041	200,965,971	3,612,117	98,131,122	73,428	2,450,639,233	
2009-10	1,963,249,615	232,988,630	209,908,959	4,060,911	96,957,674	51,570	2,507,217,359	

(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 Buchanan, Virginia  
Property Tax Rates (1)  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2018-19	\$ 0.39	\$ 1.95	\$ 1.95	\$ 2.00
2017-18	0.39	1.95	1.95	2.00
2016-17	0.39	1.95	1.95	2.00
2015-16	0.39	1.95	1.95	2.00
2014-15	0.43	1.95	1.95	2.00
2013-14	0.43	1.95	1.95	2.00
2012-13	0.43	1.95	1.95	2.00
2011-12	0.43	1.95	1.95	2.00
2010-11	0.43	1.95	1.95	2.00
2009-10	0.43	1.95	1.95	2.00

(1) Per \$100 of assessed value.

Table 8

County of Buchanan, 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
2018-19	21,221	\$ 3,081,355	\$ 2,044,691	\$ 2,044,691	0.07%	96
2017-18	24,098	3,072,026	3,114,263	3,114,263	0.10%	129
2016-17	24,098	3,153,292	4,168,281	4,168,281	0.13%	173
2015-16	24,098	3,213,893	5,207,344	5,207,344	0.16%	216
2014-15	24,098	3,143,559	6,162,427	6,162,427	0.20%	256
2013-14	24,098	2,923,443	7,242,881	7,242,881	0.25%	301
2012-13	24,098	2,717,078	8,106,089	8,106,089	0.30%	336
2011-12	24,098	2,681,800	8,825,941	8,825,941	0.33%	366
2010-11	24,098	2,450,639	8,651,967	8,651,967	0.35%	359
2009-10	26,978	2,507,217	9,562,967	9,562,967	0.38%	354

(1) Center for Public Service at the University of Virginia.

(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 Buchanan, 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
2018-19	\$ 1,327,630	\$ 270,656	\$ 1,598,286	\$ 82,083,008	1.95%
2017-18	1,317,965	290,283	1,608,248	73,032,325	2.20%
2016-17	1,404,534	347,424	1,751,958	73,144,531	2.40%
2015-16	1,195,546	465,756	1,661,302	83,249,515	2.00%
2014-15	1,314,635	319,005	1,633,640	84,901,180	1.92%
2013-14	992,028	391,786	1,383,814	82,148,108	1.68%
2012-13	1,997,774	445,943	2,443,717	88,586,243	2.76%
2011-12	1,043,211	479,551	1,522,762	92,102,084	1.65%
2010-11	947,291	503,495	1,450,786	79,821,662	1.82%
2009-10	1,059,841	521,493	1,581,334	85,474,739	1.85%

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

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**COMPLIANCE SECTION**

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**Compliance**





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

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To the Honorable Members of  
The Board of Supervisors  
County of Buchanan, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units (School Board and Public Service Authority), each major fund, and the aggregate remaining fund information of the County of Buchanan, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Buchanan, Virginia's basic financial statements and have issued our report thereon dated January 21, 2020.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Buchanan, 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 Buchanan, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Buchanan, 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Buchanan, 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 Buchanan, Virginia's Response to Findings

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
January 21, 2020



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

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To the Honorable Members of  
The Board of Supervisors  
County of Buchanan, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited the County of Buchanan, 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 Buchanan, Virginia's major federal programs for the year ended June 30, 2019. The County of Buchanan, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the County of Buchanan, 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 Buchanan, 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the County of Buchanan, Virginia's compliance.

**Basis for Qualified Opinion on Major Federal Program (CFDA 84.027/84.173 - *Special Education Cluster*)**

As described in the accompanying schedule of findings and questioned costs, the County of Buchanan, Virginia did not comply with allowable cost requirements regarding CFDA 84.027/84.173 Special Education Cluster as described in finding number 2019-002. Compliance with such requirements is necessary, in our opinion, for the County of Buchanan, Virginia to comply with the requirements applicable to that program.

### *Qualified Opinion on Major Federal Programs (CFDA 84.027/84.173 - Special Education Cluster)*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County of Buchanan, 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 the major federal programs listed in the Basis for Qualified Opinion on Major Federal Programs paragraphs for the year ended June 30, 2019.

### *Unmodified Opinion on Each of the Other Major Federal Programs*

In our opinion, the County of Buchanan, 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

### *Other Matters*

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

### **Report on Internal Control over Compliance**

Management of the County of Buchanan, 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 Buchanan, 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 Buchanan, Virginia's internal control over compliance.

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

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a material weakness.

*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.

The County of Buchanan, Virginia's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Buchanan, Virginia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
January 21, 2020

COUNTY OF BUCHANAN, VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number		Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE:</b>				
Direct Payments:				
Child and Adult Care Food Program	10.558	NA	\$ 77,733	
Pass Through Payments:				
Child Nutrition Cluster:				
State Department of Agriculture:				
Food Distribution-Summer Food Service Program for Children (Note C)	10.559	80285	\$ 5,907	
Food Distribution-Schools (Note C)	10.555	00070	\$ 115,083	
Department of Education:				
National School Lunch Program	10.555	40623	1,016,503	\$ 1,131,586
Summer Food Service Program for Children	10.559	Unknown	13,780	19,687
School Breakfast Program	10.553	40591		506,850
Total Child Nutrition Cluster				1,658,123
Child Nutrition Discretionary Grants Limited Availability	10.579	Unknown		5,183
Child and Adult Care Food Program	10.558	Unknown	140,758	218,491
Fresh Fruit and Vegetable Program	10.582	40599		60,751
Healthy, Hunger-Free Kids Act of 2010 Childhood Hunger Research	10.592	Unknown		35,927
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118/0010119/ 040118/040119		575,622
Total Department of Agriculture				\$ 2,554,097
<b>DEPARTMENT OF TRANSPORTATION:</b>				
Pass Through Payments:				
State Department of Motor Vehicles:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	Unknown		\$ 460,947
National Highway Traffic Safety Administration:				
Highway Safety Cluster:				
National Priority Safety Program	20.616	Unknown		13,285
Total Department of Transportation				\$ 474,232
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>				
Direct Payment:				
Head Start	93.600	NA		\$ 1,675,172
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950117/0950118		22,243
TANF Cluster:				
Temporary Assistance for Needy Families (TANF)	93.558	0400118/0400119		420,383
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118/0500119		243
Chafee Education and Training Vouchers Program	93.599	9160118		2,580
Low-Income Home Energy Assistance	93.568	0600418/0600419		68,308
Chafee Foster Care Independence Program	93.674	9150118		6,678
Children's Health Insurance Program	93.767	0540118/0540119		14,079
Social Services Block Grant	93.667	1000118/1000119		395,922
Medicaid Cluster:				
Medical Assistance Program	93.778	1200118/1200119		650,293
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118		486
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760118/0760119		76,345
Foster Care - Title IV-E	93.658	1100118/1100119		500,633
Adoption Assistance	93.659	1120118/1120119		667,734
Total Department of Health and Human Services				\$ 4,501,099
<b>DEPARTMENT OF JUSTICE:</b>				
Pass Through Payments:				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	Unknown		\$ 74,480
Violence Against Women Formula Grants	16.588	Unknown		9,326
Total Department of Justice				\$ 83,806
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>				
Pass Through Payments:				
State Department of Housing and Community Development:				
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii*	14.228	50796/50799/50798		\$ 399,658
Total Department of Housing and Urban Development				\$ 399,658
<b>APPALACHIAN REGIONAL COMMISSION:</b>				
State Department of Housing and Community Development:				
Appalachian Area Development*	23.002	Unknown		\$ 417,516
Total Appalachian Regional Commission				\$ 417,516

COUNTY OF BUCHANAN, VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>DEPARTMENT OF EDUCATION:</b>			
Pass Through Payments:			
Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	86647	\$ 58,742
Twenty-First Century Community Learning Centers	84.287	86784	199,276
Rural Education	84.358	86619	34,085
Supporting Effective Instruction State Grant	84.367	86739	156,007
Title I Grants to Local Educational Agencies	84.010	86595	954,999
<i>Special Education Cluster (IDEA):</i>			
Special Education-Grants to States	84.027	87007A	\$ 739,117
Special Education-Preschool Grants	84.173	87063A	48,739
<i>Total Special Education Cluster (IDEA)</i>			787,856
Student Support and Academic Enrichment Grants	84.424	Unknown	67,743
Total Department of Education			<u>\$ 2,258,708</u>
 Total Expenditures of Federal Awards			 <u>\$ 10,689,116</u>

COUNTY OF BUCHANAN, VIRGINIA  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

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NOTE A--BASIS OF PRESENTATION:

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

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

NOTE C -- FOOD DONATION

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

NOTE D -- OUTSTANDING BALANCE OF FEDERAL LOANS

The County has received federal funding through loans. At June 30, 2019 the outstanding balance of these loans was: \$ 767,081

NOTE E -- SUBRECIPIENTS

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

NOTE F -- RELATIONSHIP TO THE FINANCIAL STATEMENTS:

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

Primary government:

General Fund-Intergovernmental	\$ 14,980,627
Less: Revenue from the Commonwealth	(8,450,961)
Coal Road Fund-Intergovernmental	1,373,937
Less: Revenue from the Commonwealth	(1,373,937)

Component Unit School Board:

School Operating Fund-Intergovernmental	33,227,561
Less: Revenue from Local Governments	(9,462,953)
Less: Revenue from the Commonwealth	<u>(19,605,158)</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 10,689,116</u></u>
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\*These federal awards were received by the County of Buchanan, Virginia and passed through to the Buchanan County PSA. Since the PSA is a component of the County the federal awards will be shown in the County's report.



## County of Buchanan, Virginia

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

## Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified: Governmental activities; business-type activities; discretely presented component units-School Board and PSA; each major fund and aggregate remaining fund information

Disclaimer: Discretely presented component unit-IDA

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs:

Unmodified: Social Services Block Grant (93.667); Medical Assistance Program (93.778); Title I Grants to Local Educational Agencies (84.010); Child Nutrition Cluster (10.553/10.555/10.559)

Qualified: Special Education Cluster (84.027/84.173)

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?

Yes

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
93.667	Social Services Block Grant
93.778	Medical Assistance Program
84.010	Title I Grants to Local Educational 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

## County of Buchanan, Virginia

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

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## Section II - Financial Statement Findings

Finding 2019-001  
(Material Weakness)

Criteria:	Identification of material adjustments to the financial statements that were not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP).
Cause of Condition:	Controls in place were inadequate to identify all year end adjustments that were necessary for the financial statements to be presented in accordance with current reporting standards.
Effect of Condition:	There is a reasonable possibility that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The County and School Board should review proposed audit adjustments and consider same as they close out the books for the 2019/2020 fiscal year.
Management's Response	Management will implement the procedures recommended by the Auditor above.

## County of Buchanan, Virginia

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

## Section III - Federal Award Findings and Questioned Costs

Finding 2019-002

Agency:	Department of Education
Federal Award Number/Year:	H027A160107/2016; H027A170107/2017; H027A150107/2015; H027A150107
Program and CFDA Numbers:	Special Education Cluster (84.027/84.173)
Pass-through Entities:	Department of Education
Compliance Requirement:	Allowable Cost
Finding Type:	Noncompliance and Material Weakness
Criteria:	Grant reimbursement requests should be reconciled to underlying documentation.
Condition:	Grant reimbursement requests were not reconciled to underlying documentation and salaries were requested twice for the month of May 2019.
Questioned Costs:	\$58,452.62
Context:	The School Board did not reconcile Title VI-B expenditures to reimbursement requests and requested salary reimbursements twice for the month of May 2019.
Cause:	Reconciliations were not performed and reviewed prior to the reimbursement requested being submitted.
Effect:	Amounts could be under or over-requested from the federal government.
Recommendation:	The School System should reconcile actual expenditures as posted in the Title VI-B departments to their reimbursement requests to ensure reimbursements are correct.
Views of Responsible Officials and Planned Corrective Action:	The School System will implement the recommendation above.

## County of Buchanan, Virginia

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

## Section IV - Status of Prior Audit Findings and Questioned Costs

**Finding 2018-001**

Finding Type: Significant Deficiency

Finding 2018-001 is recurring in fiscal year 2019 as 2019-001 as a material weakness.

**Finding 2018-002**

Finding Type: Noncompliance and Material Weakness

Condition: Grant reimbursement requests should be reconciled to underlying documentation.

Recommendation: The School System should reconcile actual expenditures as posted in the Title I departments to their reimbursement requests to ensure reimbursements are correct.

Current Status: The School System implemented the recommendation above and are working toward reconciling all expenditure as posted in the Title I departments to reimbursement requests. During the current year, immaterial misspostings were noted but these were not significant to the program.

**Finding 2018-003**

Finding Type: Noncompliance and Material Weakness

Finding 2018-003 is recurring in fiscal year 2019 as 2019-002 as a noncompliance finding and material weakness.

**Finding 2018-004**

Finding Type: Noncompliance and Material Weakness

Condition: Free and reduced lunch applications should be entered in the system exactly as the amounts are shown on the application.

Recommendation: Management should establish a system to review amounts keyed in the system to ensure that data agrees to underlying applications.

Current Status: The School System has established a process to ensure applications entered in the system are exactly as the amounts shown on the application.