

# County of Wythe, Virginia

## Financial Statements

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Fiscal Year Ended June 30, 2018

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

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COUNTY OF WYTHE, VIRGINIA  
 FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2018

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## INTRODUCTORY SECTION

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COUNTY OF WYTHE, VIRGINIA

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BOARD OF SUPERVISORS

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Timothy A. Reeves, Chair

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

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

Martha Collins, Clerk

COUNTY SCHOOL BOARD

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Chalmer L. Frye, Chair

Tonya M. Freeman, Vice Chair  
Ann H. Manley  
Peggy A. Wagy

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

Catrina Hall, Clerk

SOCIAL SERVICES BOARD

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Nancy Jackson, Chair

Joel Hash, Jr., Vice Chair  
Patty O'Quinn

Jonathan Harman  
Timothy A. Reeves

Nancy Jackson, Clerk

OTHER OFFICIALS

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

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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

### Report on the Financial Statements

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

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

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

#### *Auditors' Responsibility*

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

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

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

## *Opinions*

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

## *Change in Accounting Principle*

As described in Note 22 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

## *Restatement of Beginning Balances*

As described in Note 22 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 106 and 107-121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### *Supplementary and Other Information*

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the County of Wythe, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Wythe, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Wythe, Virginia's internal control over financial reporting and compliance.

*Robinson, Fauser, Cox Associates*

Blacksburg, Virginia  
December 12, 2018

## Basic Financial Statements

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

	Primary Government			Component Unit
	Governmental	Business-type	Total	School Board
	Activities	Activities		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 41,197,606	\$ 5,747,221	\$ 46,944,827	\$ 3,975,962
Investments	1,730,202	-	1,730,202	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,667,452	-	1,667,452	-
Other local taxes	344,317	-	344,317	-
Accounts receivable	8,767	710,389	719,156	124,713
Due from other governmental units	2,396,625	3,430,417	5,827,042	1,351,872
Prepaid items	-	-	-	297,878
Investment in land	14,029,913	-	14,029,913	-
Restricted assets:				
Cash and cash equivalents (in custody of others)	-	59,969	59,969	-
Investments	10,082,662	253	10,082,915	-
Capital assets (net of accumulated depreciation):				
Land	4,032,359	233,205	4,265,564	774,089
Buildings and improvements	37,103,307	-	37,103,307	10,442,025
Machinery and equipment	1,809,494	160,767	1,970,261	2,130,382
Infrastructure	1,327,761	45,363,258	46,691,019	-
Construction in progress	6,980,941	1,063,830	8,044,771	-
Total assets	<u>\$ 122,711,406</u>	<u>\$ 56,769,309</u>	<u>\$ 179,480,715</u>	<u>\$ 19,096,921</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 527,296	\$ 35,431	\$ 562,727	\$ 3,954,222
OPEB related items	63,254	2,495	65,749	625,956
Total deferred outflows of resources	<u>\$ 590,550</u>	<u>\$ 37,926</u>	<u>\$ 628,476</u>	<u>\$ 4,580,178</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,306,674	\$ 191,096	\$ 1,497,770	\$ 255,559
Retainage payable	-	17,392	17,392	-
Customer deposits	-	75,545	75,545	3,495,735
Accrued interest payable	341,775	33,312	375,087	-
Long-term liabilities:				
Due within one year	3,214,157	1,259,371	4,473,528	460,923
Due in more than one year	44,992,360	24,519,547	69,511,907	43,522,014
Total liabilities	<u>\$ 49,854,966</u>	<u>\$ 26,096,263</u>	<u>\$ 75,951,229</u>	<u>\$ 47,734,231</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes paid in advance	\$ 111,937	\$ -	\$ 111,937	\$ -
Pension related items	731,982	43,173	775,155	4,973,408
OPEB related items	57,418	2,201	59,619	296,000
Total deferred inflows of resources	<u>\$ 901,337</u>	<u>\$ 45,374</u>	<u>\$ 946,711</u>	<u>\$ 5,269,408</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 24,776,512	\$ 21,230,215	\$ 46,006,727	\$ 13,346,496
Restricted:				
Law library	21,759	-	21,759	-
Property seizure	129,603	-	129,603	-
Courtroom security	225,343	-	225,343	-
Clerk's records grant	25,299	-	25,299	-
JAG	2,478	-	2,478	-
School cafeterias	-	-	-	546,741
Unrestricted	47,364,659	9,435,383	56,800,042	(43,219,777)
Total net position	<u>\$ 72,545,653</u>	<u>\$ 30,665,598</u>	<u>\$ 103,211,251</u>	<u>\$ (29,326,540)</u>

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

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

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total	Component Unit School Board
		Expenses	Services	Operating Grants and Contributions	Capital Grants and Contributions			Governmental Activities	Business-type Activities		
<b>PRIMARY GOVERNMENT:</b>											
Governmental activities:											
General government administration	\$ 1,436,286	\$ 2,339	\$ 273,780	\$ -	\$ -	\$ (1,160,167)	\$ -	\$ -	\$ (1,160,167)	\$ -	\$ -
Judicial administration	1,295,981	12,248	982,070	-	-	(301,663)	-	-	(301,663)	-	-
Public safety	6,351,152	1,792,880	1,721,229	352,203	-	(2,484,840)	-	-	(2,484,840)	-	-
Public works	2,319,128	139,065	-	-	-	(2,180,063)	-	-	(2,180,063)	-	-
Health and welfare	7,483,031	-	5,576,291	-	-	(1,906,740)	-	-	(1,906,740)	-	-
Education	14,282,432	-	-	-	-	(14,282,432)	-	-	(14,282,432)	-	-
Parks, recreation, and cultural	603,606	78,000	4,500	-	-	(521,106)	-	-	(521,106)	-	-
Community development	571,414	-	-	581,279	-	9,865	-	-	9,865	-	-
Interest on long-term debt	1,107,291	-	-	-	-	(1,107,291)	-	-	(1,107,291)	-	-
Total governmental activities	\$ 35,450,321	\$ 2,024,532	\$ 8,557,870	\$ 933,482	\$ -	\$ (23,934,437)	\$ -	\$ -	\$ (23,934,437)	\$ -	\$ -
<b>Business-type activities:</b>											
Water and sewer	\$ 3,799,874	\$ 3,144,717	\$ -	\$ 1,039,651	\$ -	\$ -	\$ 384,494	\$ 384,494	\$ 384,494	\$ -	\$ -
Total primary government	\$ 39,250,195	\$ 5,169,249	\$ 8,557,870	\$ 1,973,133	\$ -	\$ (23,934,437)	\$ 384,494	\$ (23,549,943)	\$ (23,549,943)	\$ -	\$ -
<b>COMPONENT UNIT:</b>											
School Board	\$ 43,469,110	\$ 1,311,939	\$ 28,414,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,742,843)	\$ -
<b>General revenues:</b>											
General property taxes			\$ 19,774,868	\$ -	\$ -	\$ 19,774,868	\$ -	\$ -	\$ 19,774,868	\$ -	\$ -
Other local taxes:											
Local sales and use taxes			3,916,019	-	-	3,916,019	-	-	3,916,019	-	-
Consumers' utility taxes			731,193	-	-	731,193	-	-	731,193	-	-
Motor vehicle licenses			395,140	-	-	395,140	-	-	395,140	-	-
Bank stock taxes			47,915	-	-	47,915	-	-	47,915	-	-
Taxes on recordation and wills			170,784	-	-	170,784	-	-	170,784	-	-
Hotel and motel room taxes			200,663	-	-	200,663	-	-	200,663	-	-
Restaurant food taxes			807,025	-	-	807,025	-	-	807,025	-	-
Unrestricted revenues from use of money and property			1,085,105	-	-	1,085,105	100,237	-	1,185,342	49,493	-
Miscellaneous			403,052	-	-	403,052	-	-	403,052	196,758	-
Payments from the County of Wythe, Virginia			2,541,688	-	-	2,541,688	-	-	2,541,688	14,253,645	-
Grants and contributions not restricted to specific programs			707,397	-	-	707,397	(707,397)	-	-	-	-
Transfers											
Total general revenues and transfers			\$ 30,780,849	\$ (607,160)	\$ 30,173,689	\$ 30,173,689	\$ 14,499,896	\$ 14,499,896	\$ 14,499,896	\$ 14,499,896	\$ 14,499,896
Change in net position			\$ 6,846,412	\$ (222,666)	\$ 6,623,746	\$ 6,623,746	\$ 757,053	\$ 757,053	\$ 757,053	\$ 757,053	\$ 757,053
Net position - beginning, as restated			65,699,241	30,888,264	96,587,505	30,888,264	96,587,505	30,888,264	96,587,505	30,888,264	30,888,264
Net position - ending			\$ 72,545,653	\$ 30,665,598	\$ 103,211,251	\$ 103,211,251	\$ 29,326,540	\$ 29,326,540	\$ 29,326,540	\$ 29,326,540	\$ 29,326,540

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

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

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 34,712,533	\$ 6,485,073	\$ 41,197,606
Investments	1,716,905	13,297	1,730,202
Receivables (net of allowance for uncollectibles):			
Property taxes receivable	1,667,452	-	1,667,452
Other local taxes receivable	344,317	-	344,317
Accounts receivable	-	8,767	8,767
Due from other governmental units	2,396,625	-	2,396,625
Restricted assets:			
Temporarily restricted:			
Investments	10,082,662		10,082,662
Land held for resale	14,029,913	-	14,029,913
Total assets	<u>\$ 64,950,407</u>	<u>\$ 6,507,137</u>	<u>\$ 71,457,544</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,306,674	\$ -	\$ 1,306,674
Total liabilities	<u>\$ 1,306,674</u>	<u>\$ -</u>	<u>\$ 1,306,674</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	\$ 1,567,432	\$ -	\$ 1,567,432
Unavailable revenue-land held for resale	14,029,913	-	14,029,913
Total deferred inflows of resources	<u>\$ 15,597,345</u>	<u>\$ -</u>	<u>\$ 15,597,345</u>
<b>FUND BALANCES</b>			
Restricted			
Law library	\$ 21,759	\$ -	\$ 21,759
Property seizure	129,603	-	129,603
Construction projects	10,082,662	-	10,082,662
Courtroom security	225,343	-	225,343
Clerk's records grant	25,299	-	25,299
JAG	2,478	-	2,478
Committed for capital projects	1,831,191	6,507,137	8,338,328
Assigned for police activity	472,957	-	472,957
Unassigned	35,255,096	-	35,255,096
Total fund balances	<u>\$ 48,046,388</u>	<u>\$ 6,507,137</u>	<u>\$ 54,553,525</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 64,950,407</u>	<u>\$ 6,507,137</u>	<u>\$ 71,457,544</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 54,553,525
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 4,032,359	
Buildings and improvements	37,103,307	
Infrastructure	1,327,761	
Machinery and equipment	1,809,494	
Construction in progress	<u>6,980,941</u>	51,253,862

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

Unavailable revenue - property taxes	\$ 1,455,495	
Land held for resale	<u>14,029,913</u>	15,485,408

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

Pension related items	\$ 527,296	
OPEB related items	<u>63,254</u>	590,550

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	\$ (44,474,719)	
Accrued interest payable	(341,775)	
Unamortized bond premium	(67,156)	
Landfill postclosure liability	(74,561)	
Compensated absences	(271,933)	
Capital lease	(78,136)	
Net OPEB liabilities	(1,466,652)	
Net pension liability	<u>(1,773,360)</u>	(48,548,292)

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

Pension related items	\$ (731,982)	
OPEB related items	<u>(57,418)</u>	(789,400)

Net position of governmental activities

\$ 72,545,653

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

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

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 19,580,830	\$ -	\$ 19,580,830
Other local taxes	6,268,739	-	6,268,739
Permits, privilege fees, and regulatory licenses	77,810	40,332	118,142
Fines and forfeitures	1,465,260	-	1,465,260
Revenue from the use of money and property	978,711	106,394	1,085,105
Charges for services	298,923	142,207	441,130
Miscellaneous	46,352	356,700	403,052
Recovered costs	693,439	-	693,439
Intergovernmental	11,680,837	-	11,680,837
Total revenues	<u>\$ 41,090,901</u>	<u>\$ 645,633</u>	<u>\$ 41,736,534</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,698,557	\$ -	\$ 1,698,557
Judicial administration	1,380,955	-	1,380,955
Public safety	6,422,831	-	6,422,831
Public works	1,987,056	-	1,987,056
Health and welfare	7,669,206	-	7,669,206
Education	13,962,015	-	13,962,015
Parks, recreation, and cultural	589,712	-	589,712
Community development	499,811	-	499,811
Capital projects	5,196,093	-	5,196,093
Debt service:			
Principal retirement	10,651,394	-	10,651,394
Interest and other fiscal charges	1,165,245	-	1,165,245
Bond issuance costs	12,500	-	12,500
Total expenditures	<u>\$ 51,235,375</u>	<u>\$ -</u>	<u>\$ 51,235,375</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,144,474)</u>	<u>\$ 645,633</u>	<u>\$ (9,498,841)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 1,152,598	\$ 640,623	\$ 1,793,221
Transfers out	-	(1,085,824)	(1,085,824)
Issuance of general obligation bonds	10,000,000	-	10,000,000
Issuance of refunding bond	8,059,999	-	8,059,999
Total other financing sources (uses)	<u>\$ 19,212,597</u>	<u>\$ (445,201)</u>	<u>\$ 18,767,396</u>
Net change in fund balances	\$ 9,068,123	\$ 200,432	\$ 9,268,555
Fund balances - beginning	38,978,265	6,306,705	45,284,970
Fund balances - ending	<u>\$ 48,046,388</u>	<u>\$ 6,507,137</u>	<u>\$ 54,553,525</u>

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

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

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

Net change in fund balances - total governmental funds	\$	9,268,555
<p>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.</p>		
Capital outlays	\$ 5,767,598	
Depreciation expense	<u>(1,944,794)</u>	3,822,804
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
Deletions of assets	\$ (9,995)	
Donation of assets	<u>352,203</u>	342,208
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes		194,038
<p>The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.</p>		
Debt issued or incurred:		
Issuance of general obligation debt	\$ (10,000,000)	
Issuance of refunding bond	(8,059,999)	
Increase in accrued landfill postclosure liability	(1,319)	
Principal repayments:		
General obligation bonds and lease agreements	<u>10,651,394</u>	(7,409,924)
<p>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.</p>		
Change in compensated absences	\$ 39,188	
Change in inventory held for resale	(3,218)	
Change in accrued interest payable	47,800	
OPEB expense	(31,473)	
Pension expense	553,780	
Amortization of bond premium	<u>22,654</u>	628,731
Change in net position of governmental activities		<u>\$ 6,846,412</u>

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

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

	Enterprise Funds		
	Water Department	Sewer Department	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,801,352	\$ 2,945,869	\$ 5,747,221
Accounts receivable	473,240	237,149	710,389
Due from other governmental units	3,430,417	-	3,430,417
Total unrestricted current assets	<u>\$ 6,705,009</u>	<u>\$ 3,183,018</u>	<u>\$ 9,888,027</u>
Restricted current assets:			
Cash and cash equivalents	\$ 59,969	\$ -	\$ 59,969
Investments	253	-	253
Total restricted current assets	<u>\$ 60,222</u>	<u>\$ -</u>	<u>\$ 60,222</u>
Total current assets	<u>\$ 6,765,231</u>	<u>\$ 3,183,018</u>	<u>\$ 9,948,249</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 211,245	\$ 21,960	\$ 233,205
Utility plant in service	35,931,605	27,189,158	63,120,763
Machinery and equipment	271,234	52,053	323,287
Accumulated depreciation	(9,359,057)	(8,560,968)	(17,920,025)
Construction in progress	1,007,470	56,360	1,063,830
Total capital assets	<u>\$ 28,062,497</u>	<u>\$ 18,758,563</u>	<u>\$ 46,821,060</u>
Total noncurrent assets	<u>\$ 28,062,497</u>	<u>\$ 18,758,563</u>	<u>\$ 46,821,060</u>
Total assets	<u>\$ 34,827,728</u>	<u>\$ 21,941,581</u>	<u>\$ 56,769,309</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 11,026	\$ 24,405	\$ 35,431
OPEB related items	1,278	1,217	2,495
Total deferred outflows of resources	<u>\$ 12,304</u>	<u>\$ 25,622</u>	<u>\$ 37,926</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 27,899	\$ 163,197	\$ 191,096
Retainage payable	17,392	-	17,392
Customers' deposits	59,969	15,576	75,545
Accrued interest payable	25,247	8,065	33,312
Compensated absences - current portion	5,996	9,020	15,016
Bonds payable - current portion	688,244	556,111	1,244,355
Total current liabilities	<u>\$ 824,747</u>	<u>\$ 751,969</u>	<u>\$ 1,576,716</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 1,999	\$ 3,007	\$ 5,006
Bonds payable - net of current portion	17,581,340	6,807,727	24,389,067
Net pension liability	34,851	33,127	67,978
Net OPEB liabilities	29,464	28,032	57,496
Total noncurrent liabilities	<u>\$ 17,647,654</u>	<u>\$ 6,871,893</u>	<u>\$ 24,519,547</u>
Total liabilities	<u>\$ 18,472,401</u>	<u>\$ 7,623,862</u>	<u>\$ 26,096,263</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	\$ 32,483	\$ 10,690	\$ 43,173
OPEB related items	1,128	1,073	2,201
Total deferred inflows of resources	<u>\$ 33,611</u>	<u>\$ 11,763</u>	<u>\$ 45,374</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 9,835,490	\$ 11,394,725	\$ 21,230,215
Unrestricted	6,498,530	2,936,853	9,435,383
Total net position	<u>\$ 16,334,020</u>	<u>\$ 14,331,578</u>	<u>\$ 30,665,598</u>

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

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

	Enterprise Funds		Total
	Water Department	Sewer Department	
<b>OPERATING REVENUES</b>			
Charges for services:			
Water and sewer billings	\$ 1,722,162	\$ 1,403,910	\$ 3,126,072
Miscellaneous	18,645	-	18,645
Total operating revenues	<u>\$ 1,740,807</u>	<u>\$ 1,403,910</u>	<u>\$ 3,144,717</u>
<b>OPERATING EXPENSES</b>			
Personnel services	\$ 133,037	\$ 180,123	\$ 313,160
Fringe benefits	28,396	62,537	90,933
Professional services	26,155	24,244	50,399
Operating expenses	466,657	297,619	764,276
Purchase of water - regional plant	434,177	-	434,177
Repair and maintenance	70,631	44,233	114,864
Depreciation	796,023	647,318	1,443,341
Total operating expenses	<u>\$ 1,955,076</u>	<u>\$ 1,256,074</u>	<u>\$ 3,211,150</u>
Operating income (loss)	<u>\$ (214,269)</u>	<u>\$ 147,836</u>	<u>\$ (66,433)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	\$ 52,421	\$ 47,816	\$ 100,237
Interest expense	(348,342)	(228,382)	(576,724)
Bond issuance costs	(12,000)	-	(12,000)
Total nonoperating revenues (expenses)	<u>\$ (307,921)</u>	<u>\$ (180,566)</u>	<u>\$ (488,487)</u>
Income before contributions and transfers	\$ (522,190)	\$ (32,730)	\$ (554,920)
Capital contributions and construction grants	939,651	100,000	1,039,651
Transfers out	(674,010)	(33,387)	(707,397)
Change in net position	<u>\$ (256,549)</u>	<u>\$ 33,883</u>	<u>\$ (222,666)</u>
Total net position - beginning, as restated	16,590,569	14,297,695	30,888,264
Total net position - ending	<u>\$ 16,334,020</u>	<u>\$ 14,331,578</u>	<u>\$ 30,665,598</u>

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

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

	Enterprise Funds		
	Water Department	Sewer Department	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,678,014	\$ 1,387,455	\$ 3,065,469
Payments to suppliers	(1,096,580)	(407,944)	(1,504,524)
Payments to and for employees	(192,143)	(229,176)	(421,319)
Net cash provided by (used for) operating activities	<u>\$ 389,291</u>	<u>\$ 750,335</u>	<u>\$ 1,139,626</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	\$ (674,010)	\$ (33,387)	\$ (707,397)
Net cash provided by (used for) noncapital financing activities	<u>\$ (674,010)</u>	<u>\$ (33,387)</u>	<u>\$ (707,397)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital asset additions	\$ (1,154,589)	\$ (779,449)	\$ (1,934,038)
Construction grants	690,716	100,000	790,716
Principal payments on bonds	(3,694,424)	(434,869)	(4,129,293)
Proceeds from indebtedness	3,971,775	441,917	4,413,692
Bond issuance costs	(12,000)	-	(12,000)
Interest expense	(408,547)	(227,882)	(636,429)
Net cash provided by (used for) capital and related financing activities	<u>\$ (607,069)</u>	<u>\$ (900,283)</u>	<u>\$ (1,507,352)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	\$ 52,421	\$ 47,816	\$ 100,237
Net cash provided by (used for) investing activities	<u>\$ 52,421</u>	<u>\$ 47,816</u>	<u>\$ 100,237</u>
Net increase (decrease) in cash and cash equivalents	\$ (839,367)	\$ (135,519)	\$ (974,886)
Cash and cash equivalents - beginning (including \$775,473 of restricted deposits)	3,700,941	3,081,388	6,782,329
Cash and cash equivalents - ending (including \$59,969 of restricted deposits)	<u>\$ 2,861,574</u>	<u>\$ 2,945,869</u>	<u>\$ 5,807,443</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (214,269)	\$ 147,836	\$ (66,433)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 796,023	\$ 647,318	\$ 1,443,341
(Increase) decrease in accounts receivable	(68,146)	(17,555)	(85,701)
(Increase) decrease in deferred outflows of resources	8,152	37,455	45,607
Increase (decrease) in customer deposits	5,353	1,100	6,453
Increase (decrease) in accounts payable	(98,960)	(41,848)	(140,808)
Increase (decrease) in compensated absences	722	1,788	2,510
Increase (decrease) in net pension liability	(38,771)	(34,802)	(73,573)
Increase (decrease) in net OPEB liabilities	(259)	(245)	(504)
Increase (decrease) in deferred inflows of resources	(554)	9,288	8,734
Total adjustments	<u>\$ 603,560</u>	<u>\$ 602,499</u>	<u>\$ 1,206,059</u>
Net cash provided by (used for) operating activities	<u>\$ 389,291</u>	<u>\$ 750,335</u>	<u>\$ 1,139,626</u>

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

## FIDUCIARY FUNDS

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

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

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 47,366
Total assets	<u>\$ 47,366</u>
 <b>LIABILITIES</b>	
Amounts held for social services clients	\$ 47,366
Total liabilities	<u>\$ 47,366</u>

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

COUNTY OF WYTHE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

A. Financial Reporting Entity:

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

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

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

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

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

Jointly Governed Organizations -

The Counties of Wythe and Grayson participate in supporting the Wythe/Grayson Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2018, the County contributed \$329,400 to the Library.

The Counties of Wythe and Smyth participate in supporting the Smyth/Wythe Airport Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2018, the County contributed \$62,000 to the Airport.

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

B. Government-wide and fund financial statements:

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

The County reports the following major capital projects funds:

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

3. Receivables and Payables

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

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

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

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 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 \$496,494 at June 30, 2018. This allowance consists of delinquent taxes in the amount of \$203,726 and delinquent water and sewer bills of \$292,768.

6. Use of Estimates

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

7. Inventory

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

8. Capital Assets

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

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

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

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

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

8. Capital Assets (Continued)

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

Assets	Years
Buildings	40
Building improvements	40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

9. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The County accrues salary-related payments associated with the payment of compensated absences. The School Board and Social Services department accrue payments associated with sick leave upon retirement. The County does not pay for sick leave upon retirement. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

10. Pensions

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

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

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

11. Other Postemployment Benefits (OPEB)

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

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

12. Long-term Obligations

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

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

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

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

13. Net Position

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

14. Net Position Flow Assumption

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

15. Deferred Outflows/Inflows of Resources

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

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

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

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

16. Fund Equity

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

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

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

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

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

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

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

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

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

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

A. Budgetary information (Continued)

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

B. Excess of expenditures over appropriations

For fiscal year 2018, certain departments within the general fund expenditures exceeded their appropriations as demonstrated in Schedule 2 of this report.

C. Deficit fund equity

At June 30, 2018, there were no funds with deficit fund equity.

**Note 3-Deposits and Investments:**

A. Deposits

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

Note 3-Deposits and Investments: (Continued)

B. Investments

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County and its discretely presented component unit has an investment policy for custodial credit risk included within the County investment policy. The County's investments at June 30, 2018 were held in the County's name by the County's custodial bank. The County's investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

The investments, as reported in the financial statements as of June 30, 2018, consists of non-negotiable certificate of deposits with an original maturity date of twelve and twenty-four months and have a balance of \$918,245 at year end.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
First American Prime Obligation Fund	\$ 253
Wells Fargo Advantage MM Fund	798,407
SNAP	13,297
VML/VACO Virginia Investment Pool	10,082,662

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

B. Investments (Continued)

Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	1 Year
First American Prime Obligation Fund	\$ 253	\$ 253
Wells Fargo Advantage MM Fund	798,407	798,407
SNAP	13,297	13,297
VML/VACO Virginia Investment Pool	10,082,662	10,082,662

Concentration of Credit Risk

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

External Investment Pools

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

**Note 4-Fair Value Measurements:**

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

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 4-Fair Value Measurements: (Continued)**

- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

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

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

Investment	6/30/2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
First American Prime Obligation Fund	\$ 253	\$ 253	\$ -	\$ -
Wells Fargo Advantage MM Fund	798,407	798,407	-	-
VML/VACO Virginia Investment Pool	10,082,662	10,082,662		

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

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

	Primary Government		Component Unit School Board
	Governmental Activities	Business-type Activities	
<b>Local Government:</b>			
New River Valley Regional Water Authority	\$ -	\$ 1,485,825	\$ -
Town of Wytheville	-	1,810,933	-
<b>Commonwealth of Virginia:</b>			
Local sales tax	696,419	-	-
Local communication tax	111,971	-	-
State sales tax	-	-	531,943
Categorical aid	507,498	-	-
Non-categorical aid	28,373	-	-
Virginia public assistance funds	113,550	-	-
Community services act	728,467	-	-
<b>Federal Government:</b>			
Virginia public assistance funds	170,491	-	-
Categorical aid	39,856	133,659	819,929
<b>Totals</b>	<b>\$ 2,396,625</b>	<b>\$ 3,430,417</b>	<b>\$ 1,351,872</b>

The County constructed certain debt financed assets that are used by the New River Regional Water Authority and the Town of Wytheville, Virginia. The County has recorded a receivable in the Water Fund of \$3,296,758 for repayment of shared construction costs. The County bills these entities as debt service payments are due.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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**Note 6-Interfund Transfers/Component Unit Contributions:**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,152,598	\$ -
County Capital Projects Fund	640,623	1,085,824
Water Fund	-	674,010
Sewer Fund	-	33,387
Total	<u>\$ 1,793,221</u>	<u>\$ 1,793,221</u>

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

There were no interfund obligations at June 30, 2018.

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

Component Unit:	
School Board	\$ 13,933,228

There were no component unit obligations at June 30, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

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

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
General obligation bonds	\$ 37,035,546	\$ 18,059,999	\$ (10,620,826)	\$ 44,474,719
GO bond premium	89,810	-	(22,654)	67,156
Capital lease	108,704	-	(30,568)	78,136
Landfill postclosure liability	73,242	1,319	-	74,561
Compensated absences	311,121	194,153	(233,341)	271,933
Net OPEB liabilities	1,481,737	93,511	(108,596)	1,466,652
Net pension liability	3,514,865	2,783,291	(4,524,796)	1,773,360
	<u>\$ 42,615,025</u>	<u>\$ 21,132,273</u>	<u>\$ (15,540,781)</u>	<u>\$ 48,206,517</u>
Total	<u>\$ 42,615,025</u>	<u>\$ 21,132,273</u>	<u>\$ (15,540,781)</u>	<u>\$ 48,206,517</u>

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 2,979,255	\$ 1,468,483
2020	2,940,672	1,418,844
2021	3,016,573	1,305,153
2022	3,090,826	1,185,909
2023	3,154,547	1,062,440
2024-2028	11,651,257	3,940,029
2029-2033	10,437,460	2,000,394
2034-2038	7,204,129	341,814
Totals	<u>\$ 44,474,719</u>	<u>\$ 12,723,066</u>

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds						
GO bond	3.1-5.35%	11/6/03	2024	\$ 7,435,478	\$ 2,491,312	\$ 397,451
VPSA GO bond	2.35-5.1%	11/7/02	2023	9,209,707	2,538,518	489,960
VPSA GO bond	4.255%-5.1%	10/24/06	2027	3,593,557	1,734,946	183,731
GO bond	2.75%	3/18/12	2033	10,000,000	7,599,342	447,496
GO bond*	4.10%	3/15/10	2030	3,440,000	3,440,000	230,000
Rural Development GO bond	3.75%	12/29/10	2023	1,550,000	600,766	114,877
GO bond	2.14-3.34%	12/18/14	2035	9,063,000	7,959,836	385,563
GO bond**	2.50%	12/30/15	2035	5,000,000	50,000	50,000
GO refunding bond	3.98%	5/31/18	2034	8,059,999	8,059,999	351,177
VML/VACO Series 2017	3.05%	12/12/17	2038	10,000,000	10,000,000	329,000
Total General Obligation Bonds					<u>\$ 44,474,719</u>	<u>\$ 2,979,255</u>
Add: Unamortized premium on						
\$7,435,478 GO bond	n/a	11/6/03	2024	476,903	\$ 51,221	\$ -
\$3,593,557 GO bond	n/a	10/24/06	2027	102,414	15,935	-
Total Unamortized premiums					<u>\$ 67,156</u>	<u>\$ -</u>
Total General Obligation Bonds and unamortized premiums					<u>\$ 44,541,875</u>	<u>\$ 2,979,255</u>
Other Obligations:						
Landfill Postclosure Liability	n/a	n/a	n/a	n/a	\$ 74,561	\$ -
Compensated Absences	n/a	n/a	n/a	n/a	271,933	203,950
Net OPEB Liabilities	n/a	n/a	n/a	n/a	1,466,652	-
Capital Lease	1.50%	07/29/15	2021	153,827	78,136	30,952
Net Pension Liability	n/a	n/a	n/a	n/a	1,773,360	-
Total Other Obligations					<u>\$ 3,664,642</u>	<u>\$ 234,902</u>
Total Long-term obligations					<u>\$ 48,206,517</u>	<u>\$ 3,214,157</u>

\* Build America Bonds - effective yield

\*\* As of June 30, 2018, \$50,000 has been draw down.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

The County issued GO refunding bond in the amount of \$8,059,999 bearing interest at a rate of 3.98%. The County used \$8,005,000 of proceeds from same for the current refunding of a 2013 bond issuance. The remaining proceeds were used to cover issuance costs related to the bonds. The refinancing was undertaken to permanently refinance the balloon payment due under the prior issuance on August 1, 2018.

Primary Government - Business-type Activities Obligations:

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

	Balance July 1, 2017, as restated	Increase/ Issuances	Decrease/ Retirements	Balance June 30, 2018
General obligation and revenue bonds	\$ 25,356,343	\$ 4,413,692	\$ (4,129,293)	\$ 25,640,742
General obligation bond discount	(8,235)	-	915	(7,320)
Compensated absences	17,512	15,644	(13,134)	20,022
Net OPEB liabilities	58,000	3,685	(4,189)	57,496
Net pension liability	141,551	106,692	(180,265)	67,978
<b>Total</b>	<b>\$ 25,565,171</b>	<b>\$ 4,539,713</b>	<b>\$ (4,325,966)</b>	<b>\$ 25,778,918</b>

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

Year Ending June 30,	General Obligation and Revenue Bonds	
	Principal	Interest
2019	\$ 1,244,355	\$ 651,161
2020	1,278,639	617,309
2021	1,313,956	581,670
2022	1,349,394	545,106
2023	1,385,262	507,297
2024-2028	5,798,989	1,973,180
2029-2033	3,510,007	1,452,899
2034-2038	2,679,433	1,029,858
2039-2043	2,323,592	700,052
2044-2048	2,421,259	409,911
2049-2053	1,830,031	141,180
2054-2056	505,825	12,441
<b>Totals</b>	<b>\$ 25,640,742</b>	<b>\$ 8,622,064</b>

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

Note 7-Long-Term Obligations: (Continued)

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

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
General Obligation and Revenue Bonds						
VRA GO Bond	0.00%	2/1/14	2025	\$ 110,100	\$ 36,676	\$ 5,239
VRA GO Bond	0.00%	5/15/12	2033	1,369,871	961,487	68,493
VRA GO Bond***	0.65%	9/30/16	2029	2,103,600	1,612,963	104,549
Rural Development Bond	4.50%	7/24/97	2037	2,521,100	1,728,081	62,972
Rural Development Bond	4.50%	10/31/02	2042	497,100	393,266	9,894
Rural Development Bond	4.50%	10/31/02	2042	547,700	436,048	10,894
Rural Development Bond	4.125%	6/23/10	2040	1,511,260	1,398,473	21,351
Rural Development Bond*	2.375%	3/31/10	2040	1,100,000	355,152	7,639
Rural Development Bond	2.375%	6/29/11	2051	640,000	583,849	11,943
Rural Development Bond	2.375%	6/14/11	2051	3,316,000	3,028,651	61,775
Rural Development Bond	2.375%	8/11/10	2049	1,065,000	925,930	20,932
Rural Development Bond	2.125%	11/16/12	2052	1,374,000	1,286,256	25,909
Rural Development Bond	2.125%	10/7/15	2055	3,754,000	3,708,175	67,913
Rural Development Bond	2.500%	5/19/16	2056	1,358,000	1,355,526	25,573
Rural Development Bond	3.500%	5/19/16	2056	684,000	683,020	11,595
GO Bond	4.36%	12/15/05	2026	5,900,000	3,031,950	314,858
GO Bond	2.36%	12/18/14	2035	927,000	814,058	39,437
GO Bond**	2.00%	11/19/14	2020	151,809	116,488	4,419
Less: Unamortized GO Bond discount					(7,320)	-
VML/VACO Series 2017	2.25%	12/20/2017	2026	3,184,693	3,184,693	368,970
Total General Obligation and Revenue Bonds					\$ 25,633,422	\$ 1,244,355
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 20,022	\$ 15,016
Net OPEB Liabilities	n/a	n/a	n/a	n/a	57,496	-
Net Pension Liability	n/a	n/a	n/a	n/a	67,978	-
Total Other Obligations					\$ 145,496	\$ 15,016
Total Long-term obligations					\$ 25,778,918	\$ 1,259,371

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

\*\* As of June 30, 2018, \$127,715 has been drawn down.

\*\*\* As of June 30, 2018, \$1,612,963 has been drawn down.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 7-Long-Term Obligations: (Continued)**

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

The County issued a refunding bond in the amount of \$3,184,693 bearing interest at a rate of 2.25%. The County used \$3,120,000 of proceeds from same for the current refunding of a 2005 bond issuance. The remaining proceeds were used to cover issuance costs related to the bonds. The refinancing decreased debt service payments over nine years period by \$265,170 and resulted in a net present value gain (discounted at 2.341%) of \$262,111.

**Note 8-Long-Term Obligations - Component Unit:**

Discretely Presented Component Unit - School Board Obligations:

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

	Balance July 1, 2017, as restated	Increase	Decrease	Balance June 30, 2018
Compensated absences	\$ 592,568	\$ 466,422	\$ (444,426)	\$ 614,564
Net OPEB liabilities	10,568,900	670,100	(892,500)	10,346,500
Net pension liability	38,307,073	5,626,359	(10,911,559)	33,021,873
<b>Total</b>	<b>\$ 49,468,541</b>	<b>\$ 6,762,881</b>	<b>\$ (12,248,485)</b>	<b>\$ 43,982,937</b>

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<b>Other Obligations:</b>						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 614,564	\$ 460,923
Net OPEB Liabilities	n/a	n/a	n/a	n/a	10,346,500	-
Net Pension Liability	n/a	n/a	n/a	n/a	33,021,873	-
<b>Total Long-term obligations</b>					<b>\$ 43,982,937</b>	<b>\$ 460,923</b>

**Note 9-Pension Plan:**

*Plan Description*

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

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

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

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

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

**Note 9-Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9-Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9-Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9-Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9-Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9-Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9-Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9-Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9-Pension Plan: (Continued)**

*Plan Description (Continued)*

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

**Note 9-Pension Plan: (Continued)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Disability Coverage</b>                      Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>                      Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>                      Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b>                      Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b>                      Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <u><b>Defined Benefit Component:</b></u>                      Same as Plan 1, with the following exceptions:                      •Hybrid Retirement Plan members are ineligible for ported service.</p> <p><u><b>Defined Contribution Component:</b></u>                      Not applicable.</p>

*Pension Plan Data*

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

**Note 9-Pension Plan: (Continued)**

*Contributions*

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

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 8.65% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$548,796 and \$553,130 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability*

At June 30, 2018, the County reported a liability of \$1,841,338 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Contributions as of June 30, 2017 and 2016 were used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2017 and 2016, the County's proportion was 96.16% and 96.35%, respectively.

*Actuarial Assumptions - General Employees*

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

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

**Note 9-Pension Plan: (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:**

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

**Post-Disablement:**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9-Pension Plan: (Continued)**

*Actuarial Assumptions - General Employees (Continued)*

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

Largest 10 - Non-Hazardous Duty:

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

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

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

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

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

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

Note 9-Pension Plan: (Continued)

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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**Note 9-Pension Plan: (Continued)**

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

**Note 9-Pension Plan: (Continued)**

*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9-Pension Plan: (Continued)**

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	\$ 5,990,391	\$ 1,841,338	\$ (1,614,077)

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

For the year ended June 30, 2018, the County recognized pension expense of \$(28,435). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 258,946
Change in assumptions	-	61,574
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,931	20,068
Net difference between projected and actual earnings on pension plan investments	-	434,567
Employer contributions subsequent to the measurement date	548,796	-
Total	\$ 562,727	\$ 775,155

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9-Pension Plan: (Continued)**

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

\$548,796 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2019	\$ (493,763)
2020	19,949
2021	3,912
2022	(291,322)
Thereafter	-

**Component Unit School Board (nonprofessional)**

*Plan Description*

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

*Employees Covered by Benefit Terms*

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

Inactive members or their beneficiaries currently receiving benefits	76
Inactive members:	
Vested inactive members	9
Non-vested inactive members	23
Inactive members active elsewhere in VRS	26
Total inactive members	58
Active members	60
Total covered employees	194

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9-Pension Plan: (Continued)**

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

*Contributions*

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 9.07% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$118,543 and \$115,538 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability*

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

*Changes in Net Pension Liability*

	<u>Component School Board (nonprofessional)</u>		
	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 6,137,996	\$ 5,362,923	\$ 775,073
Changes for the year:			
Service cost	\$ 121,007	\$ -	\$ 121,007
Interest	414,940	-	414,940
Changes of assumptions	(31,193)	-	(31,193)
Differences between expected and actual experience	(54,011)	-	(54,011)
Contributions - employer	-	115,538	(115,538)
Contributions - employee	-	62,491	(62,491)
Net investment income	-	639,326	(639,326)
Benefit payments, including refunds of employee contributions	(420,552)	(420,552)	-
Administrative expenses	-	(3,850)	3,850
Other changes	-	(562)	562
Net changes	<u>\$ 30,191</u>	<u>\$ 392,391</u>	<u>\$ (362,200)</u>
Balances at June 30, 2017	<u>\$ 6,168,187</u>	<u>\$ 5,755,314</u>	<u>\$ 412,873</u>

**Note 9-Pension Plan: (Continued)**

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 1,088,894	\$ 412,873	\$ (156,707)

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

For the year ended June 30, 2018, the Component Unit School Board (nonprofessional) recognized pension expense of \$31. At June 30, 2018, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 34,956
Changes of assumptions	-	15,827
Net difference between projected and actual earnings on pension plan investments	-	76,625
Employer contributions subsequent to the measurement date	118,543	-
Total	<u>\$ 118,543</u>	<u>\$ 127,408</u>

**Note 9-Pension Plan: (Continued)**

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

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

\$118,543 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board’s (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (104,768)
2020	28,508
2021	3,364
2022	(54,512)
Thereafter	-

**Component Unit School Board (professional)**

*Plan Description*

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

*Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$3,359,679 and \$3,028,364 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2018, the school division reported a liability of \$32,609,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.2652% as compared to 0.2678 % at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$1,947,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,309,000
Net difference between projected and actual earnings on pension plan investments	-	1,185,000
Changes of assumptions	476,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,352,000
Employer contributions subsequent to the measurement date	3,359,679	-
Total	\$ 3,835,679	\$ 4,846,000

**Note 9-Pension Plan: (Continued)**

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

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

\$3,359,679 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

	<u>Year ended June 30</u>	
	2019	\$ (1,739,000)
	2020	(519,000)
	2021	(722,000)
	2022	(1,234,000)
	Thereafter	(156,000)

***Actuarial Assumptions***

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

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

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

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

*Actuarial Assumptions (Continued)*

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 9-Pension Plan: (Continued)**

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

*Net Pension Liability*

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

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

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 48,696,000	\$ 32,609,000	\$ 19,302,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 9-Pension Plan: (Continued)**

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

*Pension Plan Fiduciary Net Position*

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

**Note 10-Capital Assets:**

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,032,359	\$ -	\$ -	\$ 4,032,359
Construction in progress	1,501,817	5,479,124	-	6,980,941
Total capital assets not being depreciated	<u>\$ 5,534,176</u>	<u>\$ 5,479,124</u>	<u>\$ -</u>	<u>\$ 11,013,300</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 52,146,023	\$ -	\$ -	\$ 52,146,023
Infrastructure	3,322,389	-	-	3,322,389
Machinery and equipment	5,731,537	640,677	(176,055)	6,196,159
Total capital assets being depreciated	<u>\$ 61,199,949</u>	<u>\$ 640,677</u>	<u>\$ (176,055)</u>	<u>\$ 61,664,571</u>
Accumulated depreciation:				
Buildings and improvements	\$ (13,691,528)	\$ (1,351,188)	\$ -	\$ (15,042,716)
Infrastructure	(1,827,972)	(166,656)	-	(1,994,628)
Machinery and equipment	(4,125,775)	(426,950)	166,060	(4,386,665)
Total accumulated depreciation	<u>\$ (19,645,275)</u>	<u>\$ (1,944,794)</u>	<u>\$ 166,060</u>	<u>\$ (21,424,009)</u>
Total capital assets being depreciated, net	<u>\$ 41,554,674</u>	<u>\$ (1,304,117)</u>	<u>\$ (9,995)</u>	<u>\$ 40,240,562</u>
Governmental activities capital assets, net	<u>\$ 47,088,850</u>	<u>\$ 4,175,007</u>	<u>\$ (9,995)</u>	<u>\$ 51,253,862</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 10-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 233,205	\$ -	\$ -	\$ 233,205
Construction in progress	5,681,636	1,915,561	(6,533,367)	1,063,830
Total capital assets not being depreciated	<u>\$ 5,914,841</u>	<u>\$ 1,915,561</u>	<u>\$ (6,533,367)</u>	<u>\$ 1,297,035</u>
Capital assets, being depreciated:				
Utility plant in service	\$ 56,587,396	\$ 6,533,367	\$ -	\$ 63,120,763
Machinery and equipment	342,669	8,534	(27,916)	323,287
Total capital assets being depreciated	<u>\$ 56,930,065</u>	<u>\$ 6,541,901</u>	<u>\$ (27,916)</u>	<u>\$ 63,444,050</u>
Accumulated depreciation:				
Utility plant in service	\$ (16,342,924)	\$ (1,414,581)	\$ -	\$ (17,757,505)
Machinery and equipment	(161,676)	(28,760)	27,916	(162,520)
Total accumulated depreciation	<u>\$ (16,504,600)</u>	<u>\$ (1,443,341)</u>	<u>\$ 27,916</u>	<u>\$ (17,920,025)</u>
Total capital assets being depreciated, net	<u>\$ 40,425,465</u>	<u>\$ 5,098,560</u>	<u>\$ -</u>	<u>\$ 45,524,025</u>
Business-type activities capital assets, net	<u>\$ 46,340,306</u>	<u>\$ 7,014,121</u>	<u>\$ (6,533,367)</u>	<u>\$ 46,821,060</u>

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

Governmental activities:	
General government administration	\$ 40,985
Judicial administration	8,441
Public safety	288,148
Public works	350,375
Health and welfare	4,851
Education	982,586
Parks, recreation, and culture	18,935
Community development	250,473
Total depreciation expense-governmental activities	<u>\$ 1,944,794</u>
Business type activities:	
Water and sewer	<u>\$ 1,443,341</u>
Total depreciation expense-Primary Government	<u>\$ 3,388,135</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 10-Capital Assets: (Continued)**

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

Discretely Presented Component Unit-School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 774,089	\$ -	\$ -	\$ 774,089
Total capital assets not being depreciated	<u>\$ 774,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 774,089</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 24,687,806	\$ -	\$ -	\$ 24,687,806
Machinery and equipment	8,644,436	232,134	(145,150)	8,731,420
Total capital assets being depreciated	<u>\$ 33,332,242</u>	<u>\$ 232,134</u>	<u>\$ (145,150)</u>	<u>\$ 33,419,226</u>
Accumulated depreciation:				
Buildings and improvements	\$ (13,742,943)	\$ (502,838)	\$ -	\$ (14,245,781)
Machinery and equipment	(6,335,118)	(411,070)	145,150	(6,601,038)
Total accumulated depreciation	<u>\$ (20,078,061)</u>	<u>\$ (913,908)</u>	<u>\$ 145,150</u>	<u>\$ (20,846,819)</u>
Total capital assets being depreciated, net	<u>\$ 13,254,181</u>	<u>\$ (681,774)</u>	<u>\$ -</u>	<u>\$ 12,572,407</u>
Governmental activities capital assets, net	<u>\$ 14,028,270</u>	<u>\$ (681,774)</u>	<u>\$ -</u>	<u>\$ 13,346,496</u>

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

**Note 11-Risk Management:**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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**Note 12-Commitments and Contingent Liabilities:**

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Uniform Guidance. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no material matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

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

A claim has been made against the County, in the amount of \$10.25 million dollars by a former County employee and that claim was denied by the County Board of Supervisors. The County does not feel the claim is valid and does not anticipate any liability to the same. As such, no liability has been recorded in the accompanying financial statements related to same.

The County and School Board had the following construction commitments at June 30, 2018:

<u>Project</u>	<u>Original Contract Amount</u>	<u>Outstanding at June 30, 2018</u>
County		
Appalachian Expo	\$ 6,268,997	\$ 1,835,286
Speedwell Phase 3	461,580	99,611
Totals	<u>\$ 6,730,577</u>	<u>\$ 1,934,897</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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**Note 13-Surety Bonds:**

Primary Government:

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

Component Unit - School Board:

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

**Note 14-Transfer Station Closure Costs:**

State and federal laws and regulations require the County to clean up the transfer station site (used by the Wythe-Bland PSA) when it stops accepting waste. Total cost estimated for cleanup of the transfer site are estimated to be \$74,561. This amount is based on what it would cost to perform all care in 2018. Actual costs for may change due to inflation, deflation, changes in technology or changes in regulations. The County has demonstrated financial assurance requirements for closure and postclosure care through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 15-Unearned and Deferred/Unavailable Revenue:**

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for funding of current expenditures	\$ -	\$ 1,455,495
Prepaid property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers	111,937	111,937
Unavailable revenue represents the proceeds of land held for resale of which are not available for funding of current expenditures	-	14,029,913
Total deferred revenue/unavailable revenue	<u>\$ 111,937</u>	<u>\$ 15,597,345</u>

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

*Plan Description*

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

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

*Benefits Provided*

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

*Contributions*

The Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2018 was \$20,471.

*Actuarial Assumptions*

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Salaries are assumed to increase 2.50% annually.
Discount Rate	3.56%

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

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

*Discount Rate*

The discount rate has been set equal to 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.

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

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

Rate		
1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
\$ 1,099,994	\$ 991,422	\$ 894,325

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

The following presents the total OPEB liability of the City, 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 (11.80% decreasing to an ultimate rate of 4.00%) or one percentage point higher (13.80% decreasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (11.80% decreasing to 4.00%)	Trend (12.80% decreasing to 5.00%)	1% Increase (13.80% decreasing to 6.00%)
\$ 863,522	\$ 991,422	\$ 1,143,807

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

For the year ended June 30, 2018, the County recognized OPEB expense in the amount of \$77,963. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 20,471	\$ -
Total	\$ 20,471	\$ -

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

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

\$20,471 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019. Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

**Note 17-Other Postemployment Benefits - Health Insurance - Component Unit School Board:**

*Plan Description*

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

*Benefits Provided*

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

*Plan Membership*

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

Inactive employees or beneficiaries currently receiving benefits	52
Active employees	504
	<hr/>
Total	556
	<hr/> <hr/>

*Contributions*

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$239,500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 17-Other Postemployment Benefits - Health Insurance - Component Unit School Board:  
 (Continued)**

*Total OPEB Liability*

The School Board’s total OPEB liability was measured as of July 1, 2017. The total OPEB liability was determined by an actuarial valuation as of July 1, 2016.

*Actuarial Assumptions*

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Salaries are assumed to increase 2.50% annually.
Discount Rate	3.56%

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

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

*Discount Rate*

The discount rate has been set equal to 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.

*Changes in Total OPEB Liability*

	Component Unit School Board <u>Total OPEB Liability</u>
Balances at June 30, 2017	\$ 4,933,900
Changes for the year:	
Service cost	192,800
Interest	178,300
Benefit payments	<u>(239,500)</u>
Net changes	131,600
Balances at June 30, 2018	<u>\$ 5,065,500</u>

**Note 17-Other Postemployment Benefits - Health Insurance - 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 (2.56%) or one percentage point higher (4.56%) than the current discount rate:

Rate		
1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
\$ 5,561,200	\$ 5,065,500	\$ 4,616,500

*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 (11.80% decreasing to an ultimate rate of 4.00%) or one percentage point higher (13.80% decreasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (11.80% decreasing to 4.00%)	Trend (12.80% decreasing to 5.00%)	1% Increase (13.80% decreasing to 6.00%)
\$ 4,454,200	\$ 5,065,500	\$ 5,793,500

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$371,100. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 239,500	\$ -
Total	\$ 239,500	\$ -

**Note 17-Other Postemployment Benefits - Health Insurance - Component Unit School Board:**  
 (Continued)

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

\$239,500 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019. Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan):**

*Plan Description*

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

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

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

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

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Plan Description (Continued)*

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

**Contributions**

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

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Contributions (Continued)*

Contributions to the Group Life Insurance Program from the County were \$33,739 and \$33,958 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were \$7,051 and \$6,915 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (professional) were \$108,031 and \$108,289 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

*County of Wythe, Virginia Group Life Insurance Program*

At June 30, 2018, the entity reported a liability of \$532,726 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.0354% as compared to 0.0346% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$7,693. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

*Component Unit School Board (nonprofessional) Group Life Insurance Program*

At June 30, 2018, the entity reported a liability of \$108,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.0072% as compared to 0.0069% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$2,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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

*Component Unit School Board (professional) Group Life Insurance Program*

At June 30, 2018, the entity reported a liability of \$1,699,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.1129% as compared to 0.1136% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$17,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 11,539	\$ -	\$ 2,000	\$ -	\$ 37,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	20,193	-	4,000	-	64,000
Change in assumptions	-	27,887	-	6,000	-	88,000
Changes in proportion	11,539	-	5,000	-	-	11,000
Employer contributions subsequent to the measurement date	33,739	-	7,051	-	108,031	-
Total	\$ 45,278	\$ 59,619	\$ 12,051	\$ 12,000	\$ 108,031	\$ 200,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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

\$33,739, \$7,051, and \$108,031 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>	<u>Component Unit School Board (professional)</u>
2019	\$ (10,577)	\$ (1,000)	\$ (41,000)
2020	(10,577)	(1,000)	(41,000)
2021	(10,577)	(1,000)	(41,000)
2022	(10,577)	(1,000)	(41,000)
2023	(4,809)	(3,000)	(25,000)
Thereafter	(963)	-	(11,000)

**Actuarial Assumptions**

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

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

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions (Continued)*

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

**Mortality Rates - General State Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Teachers**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - SPORS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - VaLORS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - JRS Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions: (Continued)*

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**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 18-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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**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 18-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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**NET GLI OPEB Liability**

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

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

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

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

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

**Note 18-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 689,467	\$ 532,726	\$ 406,757
Component Unit School Board's (nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 140,000	\$ 108,000	\$ 82,000
Component Unit School Board's (professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 2,197,000	\$ 1,699,000	\$ 1,295,000

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

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

**Note 19-Health Insurance Credit (HIC) Program:**

*Plan Description*

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

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

<b>POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b>                      The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees of participating employers are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.</li> </ul>
<p><b>Benefit Amounts</b>                      The political subdivision’s Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b><u>At Retirement</u></b> - For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.</li> <li>• <b><u>Disability Retirement</u></b>- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.</li> </ul>
<p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>• No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.</li> <li>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</li> </ul>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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**Note 19-Health Insurance Credit (HIC) Program: (Continued)**

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>36</u>
Inactive members:	
Vested inactive members	1
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>37</u>
Active members	<u>60</u>
Total covered employees	<u><u>97</u></u>

***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Component Unit School Board (nonprofessional) contractually required employer contribution rate for the year ended June 30, 2018 was 0.80% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Component Unit School Board (nonprofessional) to the Health Insurance Credit Program were \$10,843 and \$11,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

***Net HIC OPEB Liability***

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

**Note 19-Health Insurance Credit (HIC) Program: (Continued)**

*Actuarial Assumptions*

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

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

**Note 19-Health Insurance Credit (HIC) Program: (Continued)**

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 19-Health Insurance Credit (HIC) Program: (Continued)**

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 19-Health Insurance Credit (HIC) Program: (Continued)**

*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

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

**Note 19-Health Insurance Credit (HIC) Program: (Continued)**

*Changes in Net HIC OPEB Liability*

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 161,000	\$ 32,000	\$ 129,000
Changes for the year:			
Service cost	\$ 2,000	\$ -	\$ 2,000
Interest	11,000	-	11,000
Contributions - employer	-	11,000	(11,000)
Net investment income	-	3,000	(3,000)
Benefit payments	(16,000)	(16,000)	-
Other changes	-	1,000	(1,000)
Net changes	\$ (3,000)	\$ (1,000)	\$ (2,000)
Balances at June 30, 2017	\$ 158,000	\$ 31,000	\$ 127,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 19-Health Insurance Credit (HIC) Program: (Continued)**

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board's (nonprofessional) Net HIC OPEB Liability	\$ 140,000	\$ 127,000	\$ 116,000

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

For the year ended June 30, 2018, the Component Unit School Board (nonprofessional) recognized Health Insurance Credit Program OPEB expense of \$10,000. At June 30, 2018, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the Component Unit School Board's (nonprofessional) Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,000
Employer contributions subsequent to the measurement date	10,843	-
Total	\$ 10,843	\$ 1,000

**Note 19-Health Insurance Credit (HIC) Program: (Continued)**

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

\$10,843 reported as deferred outflows of resources related to the HIC OPEB resulting from the Component Unit School Board’s (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2019	\$	(1,000)
2020		-
2021		-
2022		-
2023		-
Thereafter		-

*Health Insurance Credit Program Plan Data*

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

**Note 20-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):**

*Plan Description*

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

**Note 20-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

*Plan Description (Continued)*

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

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

**Contributions**

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division’s contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$255,531 and \$231,155 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 20-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

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

At June 30, 2018, the school division reported a liability of \$3,347,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.2639% as compared to 0.2678% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$265,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	6,000
Change in assumptions	-	34,000
Change in proportion	-	43,000
Employer contributions subsequent to the measurement date	255,531	-
Total	\$ 255,531	\$ 83,000

**Note 20-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

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

\$255,531 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2019	\$	(14,000)
2020		(14,000)
2021		(14,000)
2022		(14,000)
2023		(12,000)
Thereafter		(15,000)

**Actuarial Assumptions**

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

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

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

**Note 20-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

*Actuarial Assumptions (Continued)*

**Mortality Rates - Teachers**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

**Note 20-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

*Net Teacher Employee HIC OPEB Liability*

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

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

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

**Note 20-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

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

**Note 20-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**

*Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate*

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 3,736,000	\$ 3,347,000	\$ 3,017,000

*Teacher Employee HIC OPEB Fiduciary Net Position*

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

**Note 21-Capital Lease:**

The County has entered into a capital lease for the purchase of election machines. This lease agreement qualifies as a capital lease for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

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

Election machines	\$ 150,327
Total capital assets	\$ 150,327
Accumulated Depreciation	(20,840)
Net Book Value of Capital Assets	<u>\$ 129,487</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 21-Capital Lease: (Continued)**

Present value of future minimum lease payments:

Year Ending June 30,	Capital Lease
2019	\$ 32,240
2020	32,240
2021	16,006
Total minimum lease payments	\$ 80,486
Less: amount representing interest	(2,350)
Present value of future minimum lease payments	\$ 78,136

**Note 22-Adoption of Accounting Principles:**

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

	Primary Government			Component Unit
	Governmental	Business-type Activities		School
	Activities	Water Department	Sewer Department	Board
Net Position, July 1, 2017, as previously stated	\$ 66,697,984	\$ 16,619,249	\$ 14,324,980	\$ (21,152,952)
Remove prior year OPEB liability-health insurance	430,600	-	-	1,041,400
GASB 75 implementation-health insurance	(878,604)	(17,857)	(16,997)	(4,694,400)
GASB 75 implementation- group life insurance (GLI) program	(550,739)	(10,823)	(10,288)	(1,993,796)
GASB 75 implementation-health insurance credit (HIC) program	-	-	-	(3,283,845)
Net Position, July 1, 2017, as restated	\$ 65,699,241	\$ 16,590,569	\$ 14,297,695	\$ (30,083,593)

**Note 23-Upcoming Pronouncements:**

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

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

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

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

**Note 23-Upcoming Pronouncements: (Continued)**

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

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

## Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 18,963,400	\$ 18,963,400	\$ 19,580,830	\$ 617,430
Other local taxes	5,695,000	5,695,000	6,268,739	573,739
Permits, privilege fees, and regulatory licenses	59,100	59,100	77,810	18,710
Fines and forfeitures	1,350,000	1,350,000	1,465,260	115,260
Revenue from the use of money and property	707,853	707,853	978,711	270,858
Charges for services	304,300	310,300	298,923	(11,377)
Miscellaneous	-	44,000	46,352	2,352
Recovered costs	814,693	835,415	693,439	(141,976)
Intergovernmental:				
Commonwealth	8,977,826	8,992,814	8,775,390	(217,424)
Federal	2,350,115	2,371,995	2,905,447	533,452
Total revenues	<u>\$ 39,222,287</u>	<u>\$ 39,329,877</u>	<u>\$ 41,090,901</u>	<u>\$ 1,761,024</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,823,492	\$ 1,897,816	\$ 1,698,557	\$ 199,259
Judicial administration	1,481,266	1,498,264	1,380,955	117,309
Public safety	6,383,643	7,114,060	6,422,831	691,229
Public works	2,074,245	2,103,968	1,987,056	116,912
Health and welfare	8,129,896	8,283,646	7,669,206	614,440
Education	23,837,783	24,033,492	13,962,015	10,071,477
Parks, recreation, and cultural	690,492	698,992	589,712	109,280
Community development	903,985	1,012,685	499,811	512,874
Capital projects	940,440	12,075,094	5,196,093	6,879,001
Debt service:				
Principal retirement	2,646,394	2,646,394	10,651,394	(8,005,000)
Interest and other fiscal charges	1,455,557	1,455,557	1,165,245	290,312
Bond issuance costs	-	-	12,500	(12,500)
Total expenditures	<u>\$ 50,367,193</u>	<u>\$ 62,819,968</u>	<u>\$ 51,235,375</u>	<u>\$ 11,584,593</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (11,144,906)</u>	<u>\$ (23,490,091)</u>	<u>\$ (10,144,474)</u>	<u>\$ 13,345,617</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 365,218	\$ 234,000	\$ 1,152,598	\$ 918,598
Transfers out	-	(2,663,579)	-	2,663,579
Issuance of general obligation bonds	10,000,000	10,000,000	10,000,000	-
Issuance of refunding bond	-	-	8,059,999	8,059,999
Total other financing sources (uses)	<u>\$ 10,365,218</u>	<u>\$ 7,570,421</u>	<u>\$ 19,212,597</u>	<u>\$ 11,642,176</u>
Net change in fund balances	\$ (779,688)	\$ (15,919,670)	\$ 9,068,123	\$ 24,987,793
Fund balances - beginning	779,688	15,919,670	38,978,265	23,058,595
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,046,388</u>	<u>\$ 48,046,388</u>

County of Wythe, Virginia  
 Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset)  
 For the Years Ended June 30, 2015 through June 30, 2018

Date (1)	Proportion of the Net Pension Liability (Asset) (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
<b>Primary Government</b>					
2017	96.16%	\$ 1,841,338	\$ 6,519,560	28.24%	94.37%
2016	96.35%	3,656,416	6,168,475	59.28%	88.53%
2015	96.42%	2,513,192	6,040,131	41.61%	92.90%
2014	96.42%	2,483,113	6,030,523	41.18%	91.69%
<b>Component Unit School Board (professional)</b>					
2017	0.2652%	\$ 32,609,000	\$ 20,823,957	156.59%	72.92%
2016	0.2678%	37,532,000	20,401,102	183.97%	68.28%
2015	0.2741%	34,501,000	20,379,338	169.29%	70.68%
2014	0.2808%	33,939,000	18,333,516	185.12%	70.88%

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

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

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

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

County of Wythe, Virginia  
 Schedule of Employer Contributions  
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2018	\$ 548,796	\$ 548,796	\$ -	\$ 6,523,683	8.41%
2017	553,130	553,130	-	6,519,560	8.48%
2016	709,867	709,867	-	6,168,475	11.51%
2015	700,844	700,844	-	6,040,131	11.60%
<b>Component Unit School Board (nonprofessional)</b>					
2018	\$ 118,543	\$ 118,543	\$ -	\$ 1,355,799	8.74%
2017	115,538	115,538	-	1,329,756	8.69%
2016	133,755	133,755	-	1,240,650	10.78%
2015	134,362	134,362	-	1,228,806	10.93%
2014	133,742	133,742	-	1,243,058	10.76%
2013	125,228	125,228	-	1,162,746	10.77%
2012	138,525	138,525	-	1,565,251	8.85%
2011	135,500	135,500	-	1,531,077	8.85%
2010	128,027	128,027	-	1,572,810	8.14%
2009	125,363	125,363	-	1,540,090	8.14%
<b>Component Unit School Board (professional)</b>					
2018	\$ 3,359,679	\$ 3,359,679	\$ -	\$ 20,774,929	16.17%
2017	3,028,364	3,028,364	-	20,823,957	14.54%
2016	2,853,193	2,853,193	-	20,401,102	13.99%
2015	2,946,998	2,946,998	-	20,379,338	14.46%
2014	2,137,688	2,137,688	-	18,333,516	11.66%
2013	2,372,402	2,372,402	-	20,346,501	11.66%
2012	1,215,732	1,215,732	-	19,205,877	6.33%
2011	973,244	973,244	-	24,764,478	3.93%
2010	1,586,501	1,586,501	-	18,007,957	8.81%
2009	2,283,774	2,283,774	-	25,922,520	8.81%

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

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

County of Wythe, Virginia  
Notes to Required Supplementary Information  
June 30, 2018

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

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

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

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

**Largest 10 - Hazardous Duty:**

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

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

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

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

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

**Component Unit School Board - Professional Employees**

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

County of Wythe, Virginia  
 Schedule of County's Proportionate Share of the Total Health Insurance OPEB Liability  
 For the Year Ended June 30, 2018

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

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

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

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		2017
Total OPEB liability		
Service cost	\$	192,800
Interest		178,300
Benefit payments		(239,500)
Net change in total OPEB liability	\$	131,600
Total OPEB liability - beginning		4,933,900
Total OPEB liability - ending	\$	5,065,500
 Covered-employee payroll	 \$	 20,624,300
 Component Unit School Board's total OPEB liability (asset) as a percentage of covered-employee payroll		24.56%

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

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

**Primary Government**

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

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	The discount rate has been set equal to 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.
Inflation	2.50%
Healthcare Trend Rate	12.80% for fiscal year end 2018, reverting to 6.50% for fiscal year end 2019, decreasing 0.50% per year to an ultimate rate of 5.00%.
Salary Increase Rates	Salaries are assumed to increase 2.50% annually.
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

**Component Unit School Board**

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

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	The discount rate has been set equal to 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.
Inflation	2.50%
Healthcare Trend Rate	12.80% for fiscal year end 2018, reverting to 6.50% for fiscal year end 2019, decreasing 0.50% per year to an ultimate rate of 5.00%.
Salary Increase Rates	Salaries are assumed to increase 2.50% annually.
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
<b>Primary Government</b>					
2017	0.0354%	\$ 532,726	\$ 6,519,560	8.17%	48.86%
<b>Component Unit School Board (nonprofessional)</b>					
2017	0.0072%	\$ 108,000	\$ 1,329,756	8.12%	48.86%
<b>Component Unit School Board (professional)</b>					
2017	0.1129%	\$ 1,699,000	\$ 20,823,957	8.16%	48.86%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2018	\$ 33,739	\$ 33,739	\$ -	\$ 6,523,683	0.52%
2017	33,958	33,958	-	6,519,560	0.52%
2016	33,034	29,918	3,116	6,168,475	0.49%
2015	32,066	29,041	3,026	6,040,131	0.48%
<b>Component Unit School Board (nonprofessional)</b>					
2018	\$ 7,051	\$ 7,051	\$ -	\$ 1,355,799	0.52%
2017	6,915	6,915	-	1,329,756	0.52%
2016	5,946	5,946	-	1,240,650	0.48%
2015	5,893	5,893	-	1,228,806	0.48%
2014	5,967	5,967	-	1,243,058	0.48%
2013	5,581	5,581	-	1,162,746	0.48%
2012	4,383	4,383	-	1,565,251	0.28%
2011	4,287	4,287	-	1,531,077	0.28%
2010	3,159	3,159	-	1,572,810	0.20%
2009	4,158	4,158	-	1,540,090	0.27%
<b>Component Unit School Board (professional)</b>					
2018	\$ 108,031	\$ 108,031	\$ -	\$ 20,774,929	0.52%
2017	108,289	108,289	-	20,823,957	0.52%
2016	98,014	98,014	-	20,401,102	0.48%
2015	97,823	97,823	-	20,379,338	0.48%
2014	98,598	98,598	-	18,333,516	0.54%
2013	97,639	97,639	-	20,346,501	0.48%
2012	53,739	53,739	-	19,205,877	0.28%
2011	51,733	51,733	-	24,764,478	0.21%
2010	38,152	38,152	-	18,007,957	0.21%
2009	54,390	54,390	-	25,922,520	0.21%

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

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

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

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

**General State Employees**

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

**Teachers**

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

**SPORS Employees**

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

**VaLORS Employees**

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

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

**JRS Employees**

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

**Largest Ten Locality Employers - General Employees**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Component Unit School Board (nonprofessional)</b>					
2018	\$ 10,843	\$ 10,843	\$ -	\$ 1,355,799	0.80%
2017	11,000	11,000	-	1,329,756	0.83%
2016	9,538	9,538	-	1,240,650	0.77%
2015	9,454	9,454	-	1,228,806	0.77%
2014	9,572	9,572	-	1,243,058	0.77%
2013	8,977	8,977	-	1,162,746	0.77%
2012	12,052	12,052	-	1,565,251	0.77%
2011	11,797	11,797	-	1,531,077	0.77%
2010	18,245	18,245	-	1,572,810	1.16%
2009	17,865	17,865	-	1,540,090	1.16%
<b>Component Unit School Board (professional)</b>					
2018	\$ 255,531	\$ 255,531	\$ -	\$ 20,774,929	1.23%
2017	231,155	231,155	-	20,823,957	1.11%
2016	216,447	216,447	-	20,401,102	1.06%
2015	216,025	216,025	-	20,379,338	1.06%
2014	227,968	227,968	-	18,333,516	1.24%
2013	225,876	225,876	-	20,346,501	1.11%
2012	115,235	115,235	-	19,205,877	0.60%
2011	110,856	110,856	-	24,764,478	0.45%
2010	146,956	146,956	-	18,007,957	0.82%
2009	217,559	217,559	-	25,922,520	0.84%

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

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**Component Unit School Board (nonprofessional)**

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

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

**Largest Ten Locality Employers - General Employees**

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

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

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

**Component Unit School Board (professional)**

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

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

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

## Other Supplementary Information

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Permits, privilege fees, and regulatory licenses	\$ 5,000	\$ 5,000	\$ 40,332	\$ 35,332
Revenue from the use of money and property	95,000	95,000	106,394	11,394
Charges for services	134,000	134,000	142,207	8,207
Miscellaneous	-	-	356,700	356,700
Total revenues	\$ 234,000	\$ 234,000	\$ 645,633	\$ 411,633
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 640,623	\$ 640,623
Transfers out	(234,000)	(234,000)	(1,085,824)	(851,824)
Total other financing sources (uses)	\$ (234,000)	\$ (234,000)	\$ (445,201)	\$ (211,201)
Net change in fund balances	\$ -	\$ -	\$ 200,432	\$ 200,432
Fund balances - beginning	-	-	6,306,705	6,306,705
Fund balances - ending	\$ -	\$ -	\$ 6,507,137	\$ 6,507,137

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
MAJOR GOVERNMENTAL FUNDS**

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

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

		<u>School Operating Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	3,975,962
Receivables (net of allowance for uncollectibles):		
Accounts receivable		124,713
Due from other governmental units		1,351,872
Prepaid items		297,878
Total assets		<u>\$ 5,750,425</u>
<b>LIABILITIES</b>		
Accounts payable	\$	255,559
Salaries payable		3,495,735
Total liabilities	\$	<u>3,751,294</u>
<b>FUND BALANCES</b>		
Nonspendable	\$	297,878
Restricted:		
School cafeterias		546,741
Unassigned		1,154,512
Total fund balances	\$	<u>1,999,131</u>
Total liabilities and fund balances	\$	<u>5,750,425</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	1,999,131
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	774,089
Buildings and improvements		10,442,025
Machinery and equipment		2,130,382
		<u>13,346,496</u>
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	3,954,222
OPEB related items		625,956
		<u>4,580,178</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(614,564)
Net OPEB liabilities		(10,346,500)
Net pension liability		(33,021,873)
		<u>(43,982,937)</u>
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(4,973,408)
OPEB related items		(296,000)
		<u>(5,269,408)</u>
Net position of governmental activities	\$	<u>(29,326,540)</u>

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

		<u>School Operating Fund</u>
<b>REVENUES</b>		
Revenue from the use of money and property	\$	49,493
Charges for services		1,311,939
Miscellaneous		196,758
Recovered costs		642,823
Intergovernmental:		
Local government		13,933,228
Commonwealth		24,833,820
Federal		3,580,508
Total revenues	\$	<u>44,548,569</u>
<b>EXPENDITURES</b>		
Current:		
Education	\$	43,902,933
Capital projects		662,169
Total expenditures	\$	<u>44,565,102</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>(16,533)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale of capital assets	\$	1,106
Total other financing sources (uses)	\$	<u>1,106</u>
Net change in fund balances	\$	(15,427)
Fund balances - beginning		2,014,558
Fund balances - ending	\$	<u>1,999,131</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	\$	(15,427)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded the capital outlays in the current period.		
Capital outlays	\$	232,134
Depreciation expenses		<u>(913,908)</u>
		(681,774)
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	\$	(21,996)
OPEB expense		(44,503)
Pension expense		<u>1,520,753</u>
		1,454,254
Change in net position of governmental activities	\$	<u>757,053</u>

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 49,493	\$ 49,493
Charges for services	1,187,198	1,187,198	1,311,939	124,741
Miscellaneous	203,251	203,251	196,758	(6,493)
Recovered costs	621,290	621,290	642,823	21,533
Intergovernmental:				
Local government	13,100,000	13,295,709	13,933,228	637,519
Commonwealth	25,193,399	25,193,399	24,833,820	(359,579)
Federal	3,431,645	3,431,645	3,580,508	148,863
Total revenues	<u>\$ 43,736,783</u>	<u>\$ 43,932,492</u>	<u>\$ 44,548,569</u>	<u>\$ 616,077</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 43,736,783	\$ 43,932,492	\$ 43,902,933	\$ 29,559
Capital projects	-	-	662,169	(662,169)
Total expenditures	<u>\$ 43,736,783</u>	<u>\$ 43,932,492</u>	<u>\$ 44,565,102</u>	<u>\$ (632,610)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (16,533)	\$ (16,533)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	\$ -	\$ -	\$ 1,106	\$ 1,106
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,106</u>	<u>\$ 1,106</u>
Net change in fund balances	\$ -	\$ -	\$ (15,427)	\$ (15,427)
Fund balances - beginning	-	-	2,014,558	2,014,558
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,999,131</u>	<u>\$ 1,999,131</u>

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

Schedule 1  
 Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 11,039,100	\$ 11,039,100	\$ 11,309,230	\$ 270,130
Real and personal public service corporation taxes	1,200,000	1,200,000	1,525,007	325,007
Personal property taxes	4,325,000	4,325,000	4,285,156	(39,844)
Mobile home taxes	54,200	54,200	57,682	3,482
Machinery and tools taxes	1,795,000	1,795,000	1,696,639	(98,361)
Merchant's capital taxes	400,100	400,100	453,349	53,249
Penalties	50,000	50,000	91,600	41,600
Interest	100,000	100,000	162,167	62,167
Total general property taxes	<u>\$ 18,963,400</u>	<u>\$ 18,963,400</u>	<u>\$ 19,580,830</u>	<u>\$ 617,430</u>
Other local taxes:				
Local sales and use taxes	\$ 3,500,000	\$ 3,500,000	\$ 3,916,019	\$ 416,019
Consumers' utility and consumption taxes	700,000	700,000	731,193	31,193
Motor vehicle licenses	330,000	330,000	395,140	65,140
Bank stock taxes	30,000	30,000	47,915	17,915
Taxes on recordation and wills	150,000	150,000	170,784	20,784
Hotel and motel room taxes	165,000	165,000	200,663	35,663
Restaurant food taxes	820,000	820,000	807,025	(12,975)
Total other local taxes	<u>\$ 5,695,000</u>	<u>\$ 5,695,000</u>	<u>\$ 6,268,739</u>	<u>\$ 573,739</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 4,413	\$ (587)
Land use application fees	1,000	1,000	1,437	437
Transfer fees	500	500	902	402
Building permits	50,000	50,000	57,002	7,002
Other permits and licenses	2,600	2,600	14,056	11,456
Total permits, privilege fees, and regulatory licenses	<u>\$ 59,100</u>	<u>\$ 59,100</u>	<u>\$ 77,810</u>	<u>\$ 18,710</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,350,000	\$ 1,350,000	\$ 1,465,260	\$ 115,260
Total fines and forfeitures	<u>\$ 1,350,000</u>	<u>\$ 1,350,000</u>	<u>\$ 1,465,260</u>	<u>\$ 115,260</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 459,000	\$ 459,000	\$ 726,683	\$ 267,683
Revenue from use of property	248,853	248,853	252,028	3,175
Total revenue from use of money and property	<u>\$ 707,853</u>	<u>\$ 707,853</u>	<u>\$ 978,711</u>	<u>\$ 270,858</u>
Charges for services:				
Charges for sheriff's fees	\$ 1,500	\$ 1,500	\$ 1,557	\$ 57
Charges for animal control	2,800	2,800	6,173	3,373
Charges for Commonwealth's Attorney	1,000	1,000	5,350	4,350
Charges for courthouse security	220,000	220,000	200,945	(19,055)
Charges for law library	4,000	4,000	6,898	2,898
Charges for parks and recreation	75,000	81,000	78,000	(3,000)
Total charges for services	<u>\$ 304,300</u>	<u>\$ 310,300</u>	<u>\$ 298,923</u>	<u>\$ (11,377)</u>

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

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ -	\$ 44,000	\$ 46,352	\$ 2,352
Total miscellaneous	\$ -	\$ 44,000	\$ 46,352	\$ 2,352
Recovered costs:				
Social services	\$ 50,000	\$ 50,000	\$ 11,488	\$ (38,512)
Crossroads	-	-	342,442	342,442
Other recovered costs	764,693	785,415	339,509	(445,906)
Total recovered costs	\$ 814,693	\$ 835,415	\$ 693,439	\$ (141,976)
Total revenue from local sources	\$ 27,894,346	\$ 27,965,068	\$ 29,410,064	\$ 1,444,996
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 48,000	\$ 48,000	\$ 10,530	\$ (37,470)
Communication sales and use tax	760,000	760,000	697,270	(62,730)
Mobile home titling tax	20,000	20,000	35,452	15,452
Grantor's tax	37,200	37,200	83,088	45,888
State recordation tax	40,000	40,000	57,215	17,215
Personal property tax relief funds	1,500,814	1,500,814	1,500,814	-
Total noncategorical aid	\$ 2,406,014	\$ 2,406,014	\$ 2,384,369	\$ (21,645)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 524,136	\$ 524,136	\$ 525,584	\$ 1,448
Sheriff	1,411,680	1,411,680	1,442,065	30,385
Commissioner of revenue	115,414	115,414	117,539	2,125
Treasurer	113,737	113,737	113,920	183
Registrar/electoral board	42,000	42,000	42,321	321
Clerk of the Circuit Court	317,851	317,851	327,135	9,284
Total shared expenses	\$ 2,524,818	\$ 2,524,818	\$ 2,568,564	\$ 43,746
Other categorical aid:				
Public assistance and welfare administration	\$ 1,888,139	\$ 1,888,139	\$ 1,518,374	\$ (369,765)
Comprehensive Services Act program	1,672,813	1,672,813	1,521,477	(151,336)
Litter control grant	25,000	25,000	9,280	(15,720)
Fire program grant	60,000	60,000	65,328	5,328
Wireless E-911 grant	22,065	22,065	51,570	29,505
Four for life grant	36,000	36,000	28,604	(7,396)
Arts grant	5,000	5,000	4,500	(500)
Asset forfeiture collections	-	-	1,957	1,957
VJCCA	33,156	33,156	39,741	6,585
VDOT Fund	-	-	29,200	29,200
Victim witness grant	95,402	105,797	-	(105,797)
Tobacco indemnification funds	-	-	552,079	552,079

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
VITA grant	\$ 209,419	\$ 209,419	\$ -	\$ (209,419)
PSAP grant	-	2,000	-	(2,000)
Other state grants	-	2,593	347	(2,246)
Total other categorical aid	<u>\$ 4,046,994</u>	<u>\$ 4,061,982</u>	<u>\$ 3,822,457</u>	<u>\$ (239,525)</u>
Total categorical aid	<u>\$ 6,571,812</u>	<u>\$ 6,586,800</u>	<u>\$ 6,391,021</u>	<u>\$ (195,779)</u>
Total revenue from the Commonwealth	<u>\$ 8,977,826</u>	<u>\$ 8,992,814</u>	<u>\$ 8,775,390</u>	<u>\$ (217,424)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 80,000	\$ 80,000	\$ 157,319	\$ 77,319
Total noncategorical aid	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 157,319</u>	<u>\$ 77,319</u>
Categorical aid:				
Public assistance and welfare administration	\$ 2,235,300	\$ 2,235,300	\$ 2,536,440	\$ 301,140
State and Highway Safety Grants	-	-	69,137	69,137
Victim witness grant	-	-	89,610	89,610
Emergency management grant	-	-	13,017	13,017
Violence against women	34,815	34,815	14,937	(19,878)
Edward Byrne memorial justice assistance grant	-	21,880	20,247	(1,633)
Asset forfeiture funds	-	-	4,740	4,740
Total categorical aid	<u>\$ 2,270,115</u>	<u>\$ 2,291,995</u>	<u>\$ 2,748,128</u>	<u>\$ 456,133</u>
Total revenue from the federal government	<u>\$ 2,350,115</u>	<u>\$ 2,371,995</u>	<u>\$ 2,905,447</u>	<u>\$ 533,452</u>
Total General Fund	<u><u>\$ 39,222,287</u></u>	<u><u>\$ 39,329,877</u></u>	<u><u>\$ 41,090,901</u></u>	<u><u>\$ 1,761,024</u></u>
<b>Capital Projects Fund:</b>				
<b>County Capital Projects Fund:</b>				
Revenue from use of money and property:				
Revenue from the use of money	\$ 95,000	\$ 95,000	\$ 98,894	\$ 3,894
Revenue from the use of property	-	-	7,500	7,500
Total revenue from use of money and property	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ 106,394</u>	<u>\$ 11,394</u>
Charges for services:				
Charges for courthouse maintenance	\$ 41,000	\$ 41,000	\$ 41,352	\$ 352
Electronic summons fees	90,000	90,000	97,713	7,713
Charges for jail processing	3,000	3,000	3,142	142
Total charges for services	<u>\$ 134,000</u>	<u>\$ 134,000</u>	<u>\$ 142,207</u>	<u>\$ 8,207</u>
Permits, privilege fees, and regulatory licenses:				
Concealed weapons permits	\$ 5,000	\$ 5,000	\$ 40,332	\$ 35,332
Total permits, privilege fees, and regulatory licenses	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 40,332</u>	<u>\$ 35,332</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Capital Projects Fund: (Continued)</b>				
<b>County Capital Projects Fund: (Continued)</b>				
Miscellaneous:				
Sale of easements	\$ -	\$ -	\$ 356,700	\$ 356,700
Total miscellaneous	\$ -	\$ -	\$ 356,700	\$ 356,700
Total revenue from local sources	\$ 234,000	\$ 234,000	\$ 645,633	\$ 411,633
Total County Capital Projects Fund	\$ 234,000	\$ 234,000	\$ 645,633	\$ 411,633
Total Primary Government	\$ 39,456,287	\$ 39,563,877	\$ 41,736,534	\$ 2,172,657
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 49,493	\$ 49,493
Total revenue from use of money and property	\$ -	\$ -	\$ 49,493	\$ 49,493
Charges for services:				
Cafeteria sales	\$ 691,198	\$ 691,198	\$ 589,709	\$ (101,489)
Payments from other divisions	25,000	25,000	31,248	6,248
Transportation of pupils	36,000	36,000	38,793	2,793
Dual course credits	435,000	435,000	649,209	214,209
Charges for textbooks	-	-	2,980	2,980
Total charges for services	\$ 1,187,198	\$ 1,187,198	\$ 1,311,939	\$ 124,741
Miscellaneous:				
Contributions and donations	\$ 149,325	\$ 149,325	\$ 161,976	\$ 12,651
Foundation for excellence	53,926	53,926	34,782	(19,144)
Total miscellaneous	\$ 203,251	\$ 203,251	\$ 196,758	\$ (6,493)
Recovered costs:				
JROTC	\$ 62,271	\$ 62,271	\$ 46,453	\$ (15,818)
E-rate	229,019	229,019	240,585	11,566
Medicaid reimbursements	250,000	250,000	227,362	(22,638)
CCEC reimbursements	50,000	50,000	75,170	25,170
Sale of supplies	-	-	3,530	3,530
Insurance recoveries	-	-	28,391	28,391
Other recovered costs	30,000	30,000	21,332	(8,668)
Total recovered costs	\$ 621,290	\$ 621,290	\$ 642,823	\$ 21,533
Total revenue from local sources	\$ 2,011,739	\$ 2,011,739	\$ 2,201,013	\$ 189,274
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Wythe, Virginia	\$ 13,100,000	\$ 13,295,709	\$ 13,933,228	\$ 637,519
Total revenues from local governments	\$ 13,100,000	\$ 13,295,709	\$ 13,933,228	\$ 637,519

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Adult secondary education	\$ 15,717	\$ 15,717	\$ 16,587	\$ 870
Alternative education	127,306	127,306	128,877	1,571
At risk four-year olds	299,107	299,107	299,107	-
At risk payments	403,165	403,165	412,628	9,463
Basic school aid	12,597,023	12,597,023	12,499,312	(97,711)
Early reading intervention	74,112	74,112	83,095	8,983
English as second language	8,564	8,564	8,207	(357)
Gifted and talented	132,718	132,718	132,035	(683)
Governor's school	26,572	26,572	26,572	-
Group life insurance instructional	52,534	52,534	52,264	(270)
Homebound education	111,751	111,751	82,208	(29,543)
Other state funds	72,082	72,082	107,559	35,477
Mentor teacher program	3,791	3,791	2,482	(1,309)
Primary class size	471,920	471,920	464,987	(6,933)
Project graduation	7,861	7,861	3,931	(3,930)
Reading recovery	31,306	31,306	38,837	7,531
Regional program tuition	133,743	133,743	135,830	2,087
Regular foster care	50,000	50,000	72,153	22,153
Remedial education	494,927	494,927	492,380	(2,547)
Compensation supplement	-	-	120,643	120,643
Remedial summer education	6,203	6,203	2,412	(3,791)
Retirement	1,730,862	1,730,862	1,721,954	(8,908)
School food	30,045	30,045	27,933	(2,112)
Share of state sales tax	4,462,369	4,462,369	4,211,377	(250,992)
Social security fringe benefits	754,833	754,833	750,948	(3,885)
State lottery payments	866,814	866,814	754,717	(112,097)
Industry certification	7,500	7,500	15,557	8,057
Special education	870,961	870,961	866,479	(4,482)
Special education - foster children	42,023	42,023	42,041	18
Algebra readiness	60,098	60,098	56,683	(3,415)
National board certification	15,000	15,000	10,000	(5,000)
Technology resource	442,000	442,000	441,600	(400)
Textbook payment	303,537	303,537	301,975	(1,562)
Vocational education - adult	2,819	2,819	3,778	959
Vocational occupational preparedness	44,508	44,508	9,307	(35,201)
Vocational standards of quality payments	439,628	439,628	437,365	(2,263)
Total categorical aid	<u>\$ 25,193,399</u>	<u>\$ 25,193,399</u>	<u>\$ 24,833,820</u>	<u>\$ (359,579)</u>
Total revenue from the Commonwealth	<u>\$ 25,193,399</u>	<u>\$ 25,193,399</u>	<u>\$ 24,833,820</u>	<u>\$ (359,579)</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve funds	\$ -	\$ -	\$ 66,782	\$ 66,782
Title I	965,000	965,000	981,291	16,291
Title VI-B, special education flow-through	873,225	873,225	839,211	(34,014)
Title VI-B, preschool	28,260	28,260	29,602	1,342
Vocational education	72,000	72,000	74,903	2,903
National school food program	900,000	900,000	951,988	51,988
School breakfast program	300,000	300,000	347,559	47,559
Improving teacher quality	183,160	183,160	155,048	(28,112)
Rural and low income schools	70,000	70,000	73,898	3,898
Summer food	40,000	40,000	59,826	19,826
English language acquisition state grant	-	-	400	400
Total categorical aid	<u>\$ 3,431,645</u>	<u>\$ 3,431,645</u>	<u>\$ 3,580,508</u>	<u>\$ 148,863</u>
Total revenue from the federal government	<u>\$ 3,431,645</u>	<u>\$ 3,431,645</u>	<u>\$ 3,580,508</u>	<u>\$ 148,863</u>
Total School Operating Fund	<u>\$ 43,736,783</u>	<u>\$ 43,932,492</u>	<u>\$ 44,548,569</u>	<u>\$ 616,077</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 236,241	\$ 240,215	\$ 234,903	\$ 5,312
Total legislative	<u>\$ 236,241</u>	<u>\$ 240,215</u>	<u>\$ 234,903</u>	<u>\$ 5,312</u>
General and financial administration:				
County administrator	\$ 351,167	\$ 361,167	\$ 340,337	\$ 20,830
Commissioner of revenue	287,849	287,849	275,739	12,110
Treasurer	352,845	363,845	275,086	88,759
Financial administration	252,117	252,117	249,788	2,329
Assessors	-	35,000	29,402	5,598
Mapping	20,700	33,700	24,744	8,956
Public information office	68,699	68,699	49,649	19,050
Technology	124,005	124,005	96,768	27,237
Total general and financial administration	<u>\$ 1,457,382</u>	<u>\$ 1,526,382</u>	<u>\$ 1,341,513</u>	<u>\$ 184,869</u>
Board of elections:				
Electoral board and officials	\$ 42,945	\$ 43,895	\$ 37,436	\$ 6,459
Registrar	86,924	87,324	84,705	2,619
Total board of elections	<u>\$ 129,869</u>	<u>\$ 131,219</u>	<u>\$ 122,141</u>	<u>\$ 9,078</u>
Total general government administration	<u>\$ 1,823,492</u>	<u>\$ 1,897,816</u>	<u>\$ 1,698,557</u>	<u>\$ 199,259</u>
Judicial administration:				
Courts:				
Circuit court	\$ 48,402	\$ 58,402	\$ 47,171	\$ 11,231
General district court	10,210	10,210	9,652	558
Juvenile and domestic relations court	9,407	11,407	10,487	920
Magistrates	1,630	1,630	1,063	567
Clerk of the circuit court	497,579	501,309	446,491	54,818
Commissioner of accounts	5,000	5,000	5,000	-
Courtroom security	233,090	233,216	194,935	38,281
Law library	12,600	12,600	9,881	2,719
Total courts	<u>\$ 817,918</u>	<u>\$ 833,774</u>	<u>\$ 724,680</u>	<u>\$ 109,094</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 663,348	\$ 664,490	\$ 656,275	\$ 8,215
Total commonwealth's attorney	<u>\$ 663,348</u>	<u>\$ 664,490</u>	<u>\$ 656,275</u>	<u>\$ 8,215</u>
Total judicial administration	<u>\$ 1,481,266</u>	<u>\$ 1,498,264</u>	<u>\$ 1,380,955</u>	<u>\$ 117,309</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,243,307	\$ 3,786,806	\$ 3,655,689	\$ 131,117
Total law enforcement and traffic control	<u>\$ 3,243,307</u>	<u>\$ 3,786,806</u>	<u>\$ 3,655,689</u>	<u>\$ 131,117</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
<b>Public safety: (Continued)</b>				
Fire and rescue services:				
Fire department	\$ 354,290	\$ 430,804	\$ 282,784	\$ 148,020
Consolidated dispatch	657,205	666,174	395,654	270,520
Ambulance and rescue services	161,593	193,885	159,893	33,992
Total fire and rescue services	<u>\$ 1,173,088</u>	<u>\$ 1,290,863</u>	<u>\$ 838,331</u>	<u>\$ 452,532</u>
Correction and detention:				
Jail	\$ 1,430,000	\$ 1,454,972	\$ 1,449,309	\$ 5,663
Probation office	3,250	3,250	1,919	1,331
Total correction and detention	<u>\$ 1,433,250</u>	<u>\$ 1,458,222</u>	<u>\$ 1,451,228</u>	<u>\$ 6,994</u>
Inspections:				
Building	\$ 103,170	\$ 103,170	\$ 96,179	\$ 6,991
Total inspections	<u>\$ 103,170</u>	<u>\$ 103,170</u>	<u>\$ 96,179</u>	<u>\$ 6,991</u>
Other protection:				
Animal control	\$ 151,262	\$ 151,547	\$ 131,160	\$ 20,387
Medical examiner	500	500	540	(40)
Wireless E-911 grant	36,131	39,914	39,919	(5)
Emergency services	82,569	84,909	74,602	10,307
VAVWA Law enforcement	40,859	40,859	22,112	18,747
PAF	34,500	61,868	26,997	34,871
Victim witness program	85,007	95,402	86,074	9,328
Total other protection	<u>\$ 430,828</u>	<u>\$ 474,999</u>	<u>\$ 381,404</u>	<u>\$ 93,595</u>
Total public safety	<u>\$ 6,383,643</u>	<u>\$ 7,114,060</u>	<u>\$ 6,422,831</u>	<u>\$ 691,229</u>
Public works:				
Engineering:				
Engineering	\$ 126,055	\$ 126,055	\$ 124,803	\$ 1,252
Total engineering	<u>\$ 126,055</u>	<u>\$ 126,055</u>	<u>\$ 124,803</u>	<u>\$ 1,252</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,440,940	\$ 1,440,940	\$ 1,421,404	\$ 19,536
Total sanitation and waste removal	<u>\$ 1,440,940</u>	<u>\$ 1,440,940</u>	<u>\$ 1,421,404</u>	<u>\$ 19,536</u>
Maintenance of general buildings and grounds:				
Courthouse building	\$ 278,160	\$ 302,055	\$ 248,998	\$ 53,057
County administrative building	154,747	154,747	133,845	20,902
Sixth Street building	2,062	2,062	1,380	682
Building and grounds maintenance	61,328	61,856	44,521	17,335
Library building	3,752	9,052	8,240	812
Spiller annex building	676	676	-	676
Fairview house building	5,670	5,670	3,642	2,028
Other properties	855	855	223	632
Total maintenance of general buildings and grounds	<u>\$ 507,250</u>	<u>\$ 536,973</u>	<u>\$ 440,849</u>	<u>\$ 96,124</u>
Total public works	<u>\$ 2,074,245</u>	<u>\$ 2,103,968</u>	<u>\$ 1,987,056</u>	<u>\$ 116,912</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Health and welfare:				
Health:				
Supplement of local health department	\$ 351,900	\$ 351,900	\$ 351,900	\$ -
Total health	<u>\$ 351,900</u>	<u>\$ 351,900</u>	<u>\$ 351,900</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 143,820	\$ 143,820	\$ 143,820	\$ -
Total mental health and mental retardation	<u>\$ 143,820</u>	<u>\$ 143,820</u>	<u>\$ 143,820</u>	<u>\$ -</u>
Welfare:				
Public assistance	\$ 7,603,492	\$ 7,753,492	\$ 7,142,802	\$ 610,690
Family resource center	3,750	7,500	3,750	3,750
District III coop	26,934	26,934	26,934	-
Total welfare	<u>\$ 7,634,176</u>	<u>\$ 7,787,926</u>	<u>\$ 7,173,486</u>	<u>\$ 614,440</u>
Total health and welfare	<u>\$ 8,129,896</u>	<u>\$ 8,283,646</u>	<u>\$ 7,669,206</u>	<u>\$ 614,440</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 38,383	\$ 38,383	\$ 28,787	\$ 9,596
Contribution to County School Board	13,100,000	13,295,709	13,933,228	(637,519)
School Construction	10,699,400	10,699,400	-	10,699,400
Total education	<u>\$ 23,837,783</u>	<u>\$ 24,033,492</u>	<u>\$ 13,962,015</u>	<u>\$ 10,071,477</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation Commission	\$ 175,153	\$ 175,153	\$ 144,284	\$ 30,869
Rural Retreat Lake campground	89,522	98,022	69,823	28,199
Rural Retreat Lake swimming pool	41,649	41,649	31,131	10,518
Ager Park	16,776	16,776	5,966	10,810
Sheffey Recreation Center	37,992	37,992	8,987	29,005
Max Meadows ball park	-	-	121	(121)
Total parks and recreation	<u>\$ 361,092</u>	<u>\$ 369,592</u>	<u>\$ 260,312</u>	<u>\$ 109,280</u>
Library:				
Contribution to regional library	\$ 329,400	\$ 329,400	\$ 329,400	\$ -
Total library	<u>\$ 329,400</u>	<u>\$ 329,400</u>	<u>\$ 329,400</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 690,492</u>	<u>\$ 698,992</u>	<u>\$ 589,712</u>	<u>\$ 109,280</u>
Community development:				
Planning and community development:				
Planning commission	\$ 85,715	\$ 85,965	\$ 81,925	\$ 4,040
Regional water	272,541	272,541	2,659	269,882
Contributions to Crossroads	-	10,000	-	10,000
Wythe county joint IDA	230,076	230,076	230,076	-
Appalachian Regional Expo	50,000	148,450	49,191	99,259
Regional tourism	22,500	22,500	10,344	12,156

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Community development: (Continued)				
Planning and community development: (Continued)				
Smyth/Wythe airport commission	\$ 62,000	\$ 62,000	\$ 62,000	\$ -
New River/Highlands RC&D	1,000	1,000	-	1,000
Virginia Industrial Advancement	105,236	105,236	-	105,236
Total planning and community development	<u>\$ 829,068</u>	<u>\$ 937,768</u>	<u>\$ 436,195</u>	<u>\$ 501,573</u>
Environmental management:				
Contribution to soil and water district	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Total environmental management	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	\$ 68,917	\$ 68,917	\$ 57,616	\$ 11,301
Total cooperative extension program	<u>\$ 68,917</u>	<u>\$ 68,917</u>	<u>\$ 57,616</u>	<u>\$ 11,301</u>
Total community development	<u>\$ 903,985</u>	<u>\$ 1,012,685</u>	<u>\$ 499,811</u>	<u>\$ 512,874</u>
Capital projects: (1)				
Progress park improvements and land purchase	\$ 26,021	\$ 276,021	\$ 39,555	\$ 236,466
Road construction	-	594,127	3,750	590,377
Other capital projects	914,419	11,204,946	5,152,788	6,052,158
Total capital projects	<u>\$ 940,440</u>	<u>\$ 12,075,094</u>	<u>\$ 5,196,093</u>	<u>\$ 6,879,001</u>
Debt service:				
Principal retirement (2)	\$ 2,646,394	\$ 2,646,394	\$ 10,651,394	\$ (8,005,000)
Interest and other fiscal charges	1,455,557	1,455,557	1,165,245	290,312
Bond issuance costs	-	-	12,500	(12,500)
Total debt service	<u>\$ 4,101,951</u>	<u>\$ 4,101,951</u>	<u>\$ 11,829,139</u>	<u>\$ (7,727,188)</u>
Total General Fund	<u>\$ 50,367,193</u>	<u>\$ 62,819,968</u>	<u>\$ 51,235,375</u>	<u>\$ 11,584,593</u>
Total Primary Government	<u>\$ 50,367,193</u>	<u>\$ 62,819,968</u>	<u>\$ 51,235,375</u>	<u>\$ 11,584,593</u>

(1) Budgeted within departmental budgets, (2) Includes early refunding of \$8,005,000.

**Discretely Presented Component Unit - School Board:**

**School Operating Fund:**

Education:

  Administration of schools:

    Administration and health services

\$ 1,296,802   \$ 1,296,802   \$ 1,278,691   \$ 18,111

      Total administration of schools

\$ 1,296,802   \$ 1,296,802   \$ 1,278,691   \$ 18,111

  Instruction costs:

    Instruction

\$ 32,243,422   \$ 32,243,422   \$ 31,839,697   \$ 403,725

    Technology instruction

1,473,238   1,473,238   1,829,877   (356,639)

      Total instruction costs

\$ 33,716,660   \$ 33,716,660   \$ 33,669,574   \$ 47,086

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Operating costs:				
Pupil transportation	\$ 2,567,331	\$ 2,567,331	\$ 2,581,158	\$ (13,827)
Operation and maintenance of school plant	4,194,747	4,390,456	4,431,535	(41,079)
Total operating costs	<u>\$ 6,762,078</u>	<u>\$ 6,957,787</u>	<u>\$ 7,012,693</u>	<u>\$ (54,906)</u>
School food services:				
Administration of school food program	\$ 1,961,243	\$ 1,961,243	\$ 1,941,975	\$ 19,268
Total school food services	<u>\$ 1,961,243</u>	<u>\$ 1,961,243</u>	<u>\$ 1,941,975</u>	<u>\$ 19,268</u>
Total education	<u>\$ 43,736,783</u>	<u>\$ 43,932,492</u>	<u>\$ 43,902,933</u>	<u>\$ 29,559</u>
Capital projects:				
School capital projects	\$ -	\$ -	\$ 662,169	\$ (662,169)
Total capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 662,169</u>	<u>\$ (662,169)</u>
Total School Operating Fund	<u>\$ 43,736,783</u>	<u>\$ 43,932,492</u>	<u>\$ 44,565,102</u>	<u>\$ (632,610)</u>

## Statistical Information

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water/Sewer Department	Total
2017-18	\$ 1,436,286	\$ 1,295,981	\$ 6,351,152	\$ 2,319,128	\$ 7,483,031	\$ 14,282,432	\$ 603,606	\$ 571,414	\$ 1,107,291	\$ 3,799,874	\$ 39,250,195
2017-16	2,077,350	1,397,035	5,933,755	2,421,854	7,059,375	14,076,234	587,212	1,132,949	1,134,619	3,625,177	39,445,560
2015-16	1,962,812	1,415,646	6,054,094	2,227,414	6,796,270	14,417,669	546,211	1,407,644	1,217,966	3,318,125	39,363,851
2014-15	1,352,398	1,092,798	6,237,978	2,306,367	6,604,731	14,166,892	553,381	879,896	1,164,014	3,650,586	38,009,041
2013-14	1,557,004	1,136,607	6,416,496	1,960,842	6,223,639	12,134,257	533,197	533,516	1,256,115	3,403,181	35,154,854
2012-13	1,187,678	1,119,156	6,372,381	2,419,128	6,468,123	14,422,799	610,551	787,448	1,284,699	3,519,922	38,191,885
2011-12	1,512,480	1,086,359	6,180,621	2,289,730	7,058,798	12,836,648	626,033	492,238	1,425,958	3,295,194	36,804,059
2010-11	1,114,168	1,113,061	6,044,161	2,260,019	6,792,651	13,486,880	501,448	340,134	1,491,857	3,039,478	36,183,856
2009-10	1,430,893	1,121,160	5,730,414	2,256,629	6,611,511	9,430,330	525,341	1,005,579	1,402,162	2,570,803	32,084,822
2008-09	1,638,876	1,037,073	5,364,813	2,457,234	6,391,877	10,236,820	585,718	538,549	1,308,787	2,595,395	32,155,142

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2017-18	\$ 5,169,249	\$ 8,557,870	\$ 1,973,133	\$	\$ 19,774,868	\$ 6,268,739	\$ 1,185,342	\$ 403,052	\$ 2,541,688	\$	\$ 45,873,941	
2016-17	5,393,714	8,309,992	1,097,712		18,926,937	5,908,026	1,101,874	292,421	2,459,363		43,490,039	
2015-16	4,957,694	7,877,176	824,304		18,844,528	5,796,378	1,104,094	326,712	2,475,547		42,206,433	
2014-15	4,879,094	7,434,357	1,611,079		17,470,264	5,869,453	1,054,365	525,963	2,502,844		41,347,419	
2013-14	4,568,488	7,498,457	1,909,241		17,303,112	5,448,614	1,393,622	642,961	2,525,329		41,289,824	
2012-13	4,743,836	7,955,016	2,282,618		16,817,889	5,483,817	1,342,421	437,423	2,568,029		41,631,049	
2011-12	4,244,008	7,596,199	1,289,131		16,761,296	6,101,266	1,439,970	569,158	1,721,897		39,722,925	
2010-11	4,740,137	8,417,319	4,017,436		16,413,526	5,875,452	1,165,451	211,242	1,715,976		42,556,539	
2009-10	4,238,317	7,546,764	1,470,916		16,239,400	5,784,144	1,001,236	368,416	1,747,887		38,397,080	
2008-09	4,670,134	7,341,206	18,525		16,095,756	5,992,791	1,423,635	-	1,805,916		37,347,963	

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

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation & Cultural	Community Development	Non-Departmental	Debt Service	Capital Projects	Totals
2017-18	\$ 1,698,557	\$ 1,380,955	\$ 6,422,831	\$ 1,987,056	\$ 7,669,206	\$ 43,931,720	\$ 589,712	\$ 499,811	\$ -	\$ 11,816,639	\$ 5,858,262	\$ 81,854,749
2016-17	2,004,152	1,437,378	5,723,203	1,915,022	7,234,170	43,535,284	568,641	489,361	-	3,792,409	2,269,432	68,969,052
2015-16	1,966,330	1,523,426	6,125,887	1,905,660	6,991,520	42,053,220	535,211	988,124	-	3,880,823	2,239,793	68,209,994
2014-15	1,805,152	1,176,799	6,201,763	1,985,530	6,813,281	41,971,276	539,507	539,507	-	3,640,919	1,866,662	66,540,396
2013-14	1,678,577	1,136,912	6,326,660	1,978,276	6,252,476	40,863,572	517,575	377,251	-	2,968,668	8,046,916	70,146,883
2012-13	1,681,639	1,118,560	6,711,245	2,127,453	6,542,255	40,333,239	628,288	588,539	-	6,582,063	5,731,661	72,044,942
2011-12	1,636,064	1,085,673	6,077,487	2,050,075	7,210,950	40,136,400	634,687	3,144,429	-	13,408,608	3,094,561	78,478,934
2010-11	1,703,178	1,113,471	7,821,789	1,998,963	6,905,096	37,673,890	490,075	321,127	-	3,540,547	7,407,413	68,975,549
2009-10	1,504,404	1,120,632	5,683,068	2,055,263	6,714,792	41,660,550	541,329	809,283	162,427	3,307,881	1,565,615	65,125,244
2008-09	1,539,578	1,035,285	5,276,627	2,307,558	6,538,139	40,489,013	580,323	972,300	-	3,284,554	5,615,252	67,638,629

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

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenue from use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2017-18	\$ 19,580,830	\$ 6,268,739	\$ 118,142	\$ 1,465,260	\$ 1,134,598	\$ 1,753,069	\$ 599,810	\$ 1,336,262	\$ 28,414,328	\$ 60,671,038
2016-17	18,951,683	5,908,026	127,241	1,692,160	1,050,864	1,547,688	560,990	978,447	28,064,662	58,881,761
2015-16	18,524,308	5,796,378	77,292	1,399,738	1,017,302	1,624,708	556,491	1,259,319	38,488,738	68,744,274
2014-15	17,556,567	5,869,453	68,301	1,612,103	976,595	1,260,761	703,672	1,168,853	39,056,478	68,272,783
2013-14	17,172,749	5,448,614	101,343	1,403,682	1,256,176	1,424,470	695,482	1,578,479	37,008,850	66,089,845
2012-13	17,063,127	5,483,817	76,747	1,486,658	1,192,266	1,387,282	495,944	1,183,146	37,331,804	65,700,791
2011-12	16,486,825	6,101,266	115,217	1,379,334	1,264,808	1,427,734	620,535	1,019,784	35,874,279	64,289,782
2010-11	16,464,384	5,875,452	81,452	1,347,286	1,032,789	1,368,655	270,860	1,592,502	40,077,460	68,110,840
2009-10	16,207,800	5,784,144	96,092	1,299,841	907,156	1,429,685	410,546	898,874	40,008,871	67,043,009
2008-09	15,725,637	5,992,791	87,501	1,203,414	1,334,434	1,418,220	2,675	1,152,933	40,335,213	67,252,818

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2)		
2017-18	\$ 19,463,749	\$ 18,875,600	96.98%	\$ 451,463	\$ 19,327,063	99.30%	\$ 1,585,301	8.14%	
2016-17	18,774,651	18,215,033	97.02%	473,797	18,688,830	99.54%	1,431,921	7.63%	
2015-16	18,627,762	17,781,494	95.46%	465,647	18,247,141	97.96%	1,547,751	8.31%	
2014-15	17,290,714	16,637,385	96.22%	612,697	17,250,082	99.77%	1,398,648	8.09%	
2013-14	17,066,280	16,429,324	96.27%	479,991	16,909,315	99.08%	1,434,679	8.41%	
2012-13	16,630,536	16,264,884	97.80%	514,040	16,778,924	100.89%	1,324,184	7.96%	
2011-12	16,469,488	15,896,576	96.52%	380,655	16,277,231	98.83%	1,499,609	9.11%	
2010-11	16,445,210	15,900,211	96.69%	312,712	16,212,923	98.59%	1,373,871	8.35%	
2009-10	16,032,364	15,492,730	96.63%	513,352	16,006,082	99.84%	1,460,821	9.11%	
2008-09	15,632,362	15,152,408	96.93%	363,918	15,516,326	99.26%	1,465,066	9.37%	

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

(2) Delinquent balances include penalties.

Table 6

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

Fiscal Year	Real Estate/ Mobile Homes	Personal Property	Public Service Companies	Total
2017-18	\$ 2,335,399,637	\$ 478,348,830	\$ 310,470,506	\$ 3,124,218,973
2016-17	2,282,641,328	474,626,902	260,499,067	3,017,767,297
2015-16	2,274,033,452	475,988,249	229,662,169	2,979,683,870
2014-15	2,269,613,917	482,753,439	205,805,120	2,958,172,476
2013-14	2,269,183,693	480,753,909	198,369,106	2,948,306,708
2012-13	2,259,165,524	478,834,582	187,095,907	2,925,096,013
2011-12	2,260,390,881	471,509,420	159,110,024	2,891,010,325
2010-11	2,249,458,695	471,521,559	156,715,339	2,877,695,593
2009-10	2,210,517,580	500,123,110	162,428,985	2,873,069,675
2008-09	2,181,140,120	503,080,112	143,965,550	2,828,185,782

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

Table 7

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

Fiscal Year	Real Estate/ Mobile Homes	Personal Property	Machinery and Tools	Merchant's Capital
2017-18	\$ 0.49	\$ 2.32	\$ 1.50	\$ 0.56
2016-17	0.49	2.27	1.50	0.56
2015-16	0.49	2.27	1.50	0.56
2014-15	0.44	2.27	1.50	0.56
2013-14	0.44	2.27	1.50	0.56
2012-13	0.44	2.08	1.50	0.56
2011-12	0.44	2.08	1.50	0.56
2010-11	0.44	2.08	1.50	0.56
2009-10	0.43	2.08	1.50	0.56
2008-09	0.43	2.08	1.50	0.56

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Gross Assessed Value	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2017-18	\$ 29,235	\$ 3,124,218,973	\$ 70,108,141	2.24%	2,398
2016-17	29,235	3,017,767,297	62,473,464	2.07%	2,137
2015-16	29,235	2,979,683,870	61,034,667	2.05%	2,088
2014-15	29,235	2,958,172,476	61,787,459	2.09%	2,113
2013-14	29,235	2,948,306,708	61,811,256	2.10%	2,114
2012-13	29,235	2,925,096,013	55,704,496	1.90%	1,905
2011-12	29,235	2,891,010,325	57,445,157	1.99%	1,965
2010-11	29,235	2,877,695,593	51,005,571	1.77%	1,745
2009-10	29,235	2,873,069,675	45,521,384	1.58%	1,557
2008-09	27,599	2,828,185,782	42,750,112	1.51%	1,549

(1) United States Bureau of the Census

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

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
2017-18 (4)	\$ 10,651,394	\$ 1,165,245	\$ 11,816,639	\$ 81,854,749	14.436%
2016-17	2,592,749	1,199,660	3,792,409	68,969,052	5.499%
2015-16	1,898,541	951,619	2,850,160	76,437,104	3.729%
2014-15	2,362,227	1,278,692	3,640,919	66,486,269	5.476%
2013-14	1,725,738	1,242,930	2,968,668	70,146,883	4.232%
2012-13 (4)	5,165,301	1,416,762	6,582,063	72,044,942	9.136%
2011-12 (4)	11,944,430	1,464,178	13,408,608	78,478,934	17.086%
2010-11	1,990,809	1,549,738	3,540,547	68,975,549	5.133%
2009-10	1,822,011	1,485,870	3,307,881	65,125,244	5.079%
2008-09	1,889,349	1,395,205	3,284,554	67,638,629	4.856%

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

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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Wythe, Virginia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Wythe, Virginia's basic financial statements and have issued our report thereon dated December 12, 2018.

### Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weaknesses. [2018-001]

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. [2018-002]

## Compliance and Other Matters

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

## County of Wythe, Virginia's Response to Findings

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
December 12, 2018

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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 of the  
County of Wythe, Virginia

### Report on Compliance for Each Major Federal Program

We have audited the County of Wythe, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Wythe, Virginia's major federal programs for the year ended June 30, 2018. The County of Wythe, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

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

### *Auditors' Responsibility*

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

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

### *Opinion on Each Major Federal Program*

In our opinion, the County of Wythe, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control over Compliance

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

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

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

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

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
December 12, 2018

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

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
<b>DEPARTMENT OF AGRICULTURE:</b>				
Direct Payments:				
Water and Waste Disposal Systems for Rural Communities	10.760	Not applicable		\$ 1,158,000
Pass Through Payments:				
<i>Child Nutrition Cluster:</i>				
<i>State Department of Agriculture:</i>				
Summer Food Service Program for Children	10.559	Not available	\$ 59,826	
Food Distribution (Note C)	10.555	Not available	\$ 110,592	
<i>Department of Education:</i>				
National School Lunch Program	10.555	40623	<u>841,396</u>	951,988
School Breakfast Program	10.553	40591		<u>347,559</u>
<i>Total Child Nutrition Cluster</i>				1,359,373
 <i>Department of Social Services:</i>				
State Administrative Matching Grants for the		0010117/0010118/0040117/004011		
Supplemental Nutrition Assistance Program	10.561	8		460,592
 <i>Department of Education:</i>				
Schools and Roads - Grants to States	10.665	43841		66,782
 Total Department of Agriculture				<u>\$ 3,044,747</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>				
Pass Through Payments:				
<i>Department of Social Services:</i>				
Promoting Safe and Stable Families	93.556	0950116/0950117		\$ 19,567
Temporary Assistance for Needy Families	93.558	0400117/0400118		314,351
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118		473
Low-Income Home Energy Assistance	93.568	0600417/0600418		46,412
Chafee Education and Training Vouchers Program	93.599	9160116/9160117		8,550
Stephanie Tubbs Jones - Child Welfare Services Program	93.645	0900116/0900117		1,143
Social Services Block Grant	93.667	1000117/1000118		305,326
Chafee Foster Care Independence Program	93.674	9150117/9150118		11,171
Children's Health Insurance Program	93.767	0540117/0540118		18,689
Medical Assistance Program	93.778	1200117/1200118		469,769
Child Care Mandatory and Matching Funds of the				
Child Care and Development Fund	93.596	0760117/0760118		52,698
Foster Care - Title IV-E	93.658	1100117/1100118		346,459
Adoption Assistance	93.659	1120117/1120118		481,240
 Total Department of Health and Human Services				<u>\$ 2,075,848</u>
<b>DEPARTMENT OF HOMELAND SECURITY:</b>				
Pass Through Payments:				
<i>Office of the Virginia Attorney General:</i>				
Emergency Management Performance Grants	97.042	LEMPGFY14 201604018945		\$ 13,017
 <b>DEPARTMENT OF TRANSPORTATION:</b>				
Pass Through Payments:				
<i>Department of Motor Vehicles:</i>				
State and Community Highway Safety	20.600	50326		\$ 50,392
<i>National Highway Traffic Safety Administration (NHTSA)</i>				
Alcohol Open Container Requirements	20.607	Not available		18,745
 Total Department of Transportation				<u>\$ 69,137</u>

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018 (Continued)

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>DEPARTMENT OF JUSTICE:</b>			
Direct Payments:			
Equitable Sharing Program	16.922	Not applicable	\$ 4,740
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women - Formula Grants	16.588	46500	14,937
Crime Victim Assistance	16.575	15-R9570VW14 - VICT	89,610
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not available	20,247
Total Department of Justice			\$ 129,534
 <b>DEPARTMENT OF EDUCATION:</b>			
Pass Through Payments:			
<i>Department of Education:</i>			
Career and Technical Education-Basic Grants to States	84.048	61095	\$ 74,903
Supporting Effective Instruction State Grant	84.367	61480	155,048
Rural Education	84.358	43481	73,898
Title I Grants to Local Educational Agencies	84.010	42901	981,291
<i>Special Education Cluster (IDEA):</i>			
Special Education-Grants to States	84.027	73071	\$839,211
Special Education-Preschool Grants	84.173	62521	29,602
<i>Total Special Education Cluster (IDEA)</i>			868,813
English Language Acquisition State Grants	84.365	Not available	400
Total Department of Education			\$ 2,154,353
Total Expenditure of Federal Awards			\$ 7,486,636

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF WYTHE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Note A -- Basis of Presentation

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

Note B -- Summary of Significant Accounting Policies

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

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

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

Note C -- Food Donation

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

Note D -- Subrecipients

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

Note E -- Outstanding Balance of Federal Loans

The County has received federal funding through loans. At June 30, 2018, the outstanding balances of these loans were:

\$13,799,193

Note F -- Relationship to the Financial Statements

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

Primary government:

General Fund - Intergovernmental	\$ 11,680,837
Less: Payments in Lieu of Taxes	(157,319)
Less: Revenue from the Commonwealth	(8,775,390)
Capital Projects Fund - Intergovernmental	-
Water and Sewer Fund Grants	232,476
Water and Sewer Fund Loans	925,524
Component Unit School Board:	
School Operating Fund - Intergovernmental	42,347,556
Less: Revenue from Local Governments	(13,933,228)
Less: Revenue from the Commonwealth	(24,833,820)

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 7,486,636

## County of Wythe, Virginia

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

## Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

## Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

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

## County of Wythe, Virginia

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

## Section II - Financial Statement Findings

2018-001	Material Weakness
Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The County's financial statements required material adjusting entries by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.
Cause of Condition:	The County failed to identify all year end accounting adjustments necessary for the books to be prepared in accordance with current reporting standards.
Effect of Condition:	There is a reasonable possibility that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The County's closing process improved significantly over prior years as current staff continues to gain an understanding of the year-end closing process and related reconciliations and adjustments that are necessary. Staff should review the current year adjusting entries and consider same during the next fiscal year close.
Management's Response:	The County has reduced its reliance on external consultants and current staff have a good understanding of the County's books and accounting processes. It is anticipated that the number of audit adjustments will continue to decrease in future periods.
2018-002	Significant Deficiency
Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	A proper segregation of duties has not been established over collections in the Treasurer's Office or over the payroll and accounts payable functions at the School Board.
Cause of Condition:	Limited staffing and resources
Effect of Condition:	There is reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The Locality should review tasks performed by accounting personnel and revise same as necessary to create a proper segregation of duties.
Management's Response:	Management will review controls in relation to current staffing levels and consider implementing compensating controls to address audit concerns.

## Section III - Federal Award Findings and Questioned Costs

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

County of Wythe, Virginia

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

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Section IV - Status of Prior Audit Findings

Finding 2017-001 is recurring in fiscal year 2018 as finding 2018-001.

Finding 2017-002 is recurring in fiscal year 2018 as finding 2018-002.

Finding 2017-003

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Condition: The County implemented a new accounting system during the 2016/2017 fiscal year. During implementation the County did not maintain control accounts for tax receivables. As such, the County did not have a reconciliation process in place over tax collections and delinquent taxes.

Recommendation: The County should maintain control accounts for tax receivables and those control accounts should be updated for adjustments to tax assessments and collections. Finally, the control accounts should be reconciled monthly to delinquent tax reports.

Current Status: The County updated the general ledger by creating accounts to track delinquent tax balances.