

COUNTY OF FLOYD, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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

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INTRODUCTORY SECTION

COUNTY OF FLOYD, VIRGINIA

BOARD OF SUPERVISORS

Joe D. Turman, Vice Chair Jerry Boothe	Lauren D. Yoder, Chair	W. Justin Coleman Linda Kuchenbuch
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COUNTY SCHOOL BOARD

Laura LeRoy, Vice Chair Pamela Snead	James Ingram, Chair	C. Gene Bishop Anthony "Tony" Morisco
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COUNTY SOCIAL SERVICES BOARD

Molly Hunter-Sloan, Vice Chair Jennifer Claytor	John McEnhill, Chair	Jerry Boothe Terra Alagna-Cole
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OTHER OFFICIALS

Clerk of the Circuit Court	Rhonda Vaughn
Commonwealth's Attorney	William Eric Branscom
Commissioner of the Revenue	Lisa D. Baker
Treasurer	Melissa M. Keith
Sheriff.....	Brian Craig
Superintendent of Schools.....	John F. Wheeler
Acting Director of Social Services	Bailey D. Stinnett
County Administrator.....	Terri W. Morris
Assistant County Administrator.....	Cynthia Ryan
County Attorney.....	Stephen V. Durbin

FINANCIAL SECTION



Independent Auditors' Report

**To the Honorable Members of the Board of Supervisors
County of Floyd, Virginia
Floyd, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Floyd, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Floyd, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-14, 88-90, and 91-100 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Supplementary and Other Information (continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of the County of Floyd, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Floyd, 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 Floyd, Virginia's internal control over financial reporting and compliance.

Robinson, James, Cox Associates

Blacksburg, Virginia
November 25, 2019

Management's Discussion and Analysis

As management of the County of Floyd, Virginia we offer the following discussion and analysis of the County's financial performance and overview of the County's financial activities for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County governmental activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,058,915 (net position).
- The County's governmental funds reported combined ending fund balances of \$15,631,799.
- The County's governmental funds reported combined unassigned fund balance of \$7,080,777.
- The liabilities and deferred inflows of resources of the Component Unit - School Board exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$14,446,382.
- The assets of the Component Unit - Economic Development Authority (EDA) exceeded its liabilities at the close of the most recent fiscal year by \$3,142,498.

Overview of the Financial Statements

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

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

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

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

Government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include:

- General Government Administration;
- Judicial Administration;
- Public Safety;
- Public Works;
- Health and Welfare;
- Education;
- Parks, Recreation, and Cultural;
- Community Development;
- Interest on Long-Term Debt.

The financial statements include not only the County of Floyd, Virginia itself (known as the primary government), but also a legally separate school district and an Economic Development Authority for which the County of Floyd, Virginia has incurred a moral obligation to provide funding for the payment of debt. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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

Governmental funds - Most of the County's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year end that are available for spending. Consequently, the governmental funds statements report financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided following the governmental fund statements that explains the relationship (or difference) between them.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are reported in a separate Statement of changes in Fiduciary Net Position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of financial statements for the discretely presented component units; School Board and Economic Development Authority. The School Board and Economic Development Authority do not issue separate financial statements.

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Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a County’s financial position. In the case of Floyd County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,058,915 at the close of fiscal year 2019. The largest portion of the County’s net position (51.1%) reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, machinery, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The next largest portion of the County’s net position (48.3%) is unrestricted.

Summary of Net Position

	Governmental Activities		Component Units	
	2019	2018	2019	2018
Current and other assets	\$23,940,888	\$17,422,264	\$ 4,685,470	\$ 5,110,619
Capital assets	<u>18,316,997</u>	<u>18,947,863</u>	<u>6,316,856</u>	<u>6,413,948</u>
Total assets	<u>42,257,885</u>	<u>36,370,127</u>	<u>11,002,326</u>	<u>11,524,567</u>
Deferred outflows of resources	1,212,365	1,241,667	2,930,030	2,927,112
Other liabilities	2,885,340	2,310,576	2,382,574	2,555,869
Long-term liabilities	<u>21,228,298</u>	<u>15,897,928</u>	<u>20,306,174</u>	<u>20,703,017</u>
Total liabilities	<u>24,083,638</u>	<u>18,208,504</u>	<u>22,688,748</u>	<u>23,258,886</u>
Deferred inflows of resources	<u>5,327,697</u>	<u>5,321,295</u>	<u>2,547,492</u>	<u>2,910,815</u>
Net position:				
Net investment in capital assets	7,177,172	6,589,793	6,175,653	6,413,948
Restricted	94,080	308,405	1,377,824	1,601,542
Unrestricted	<u>6,787,663</u>	<u>7,183,797</u>	<u>(18,857,361)</u>	<u>(19,733,512)</u>
Total net position	<u>\$14,058,915</u>	<u>\$14,081,995</u>	<u>\$(11,303,884)</u>	<u>\$(11,718,022)</u>

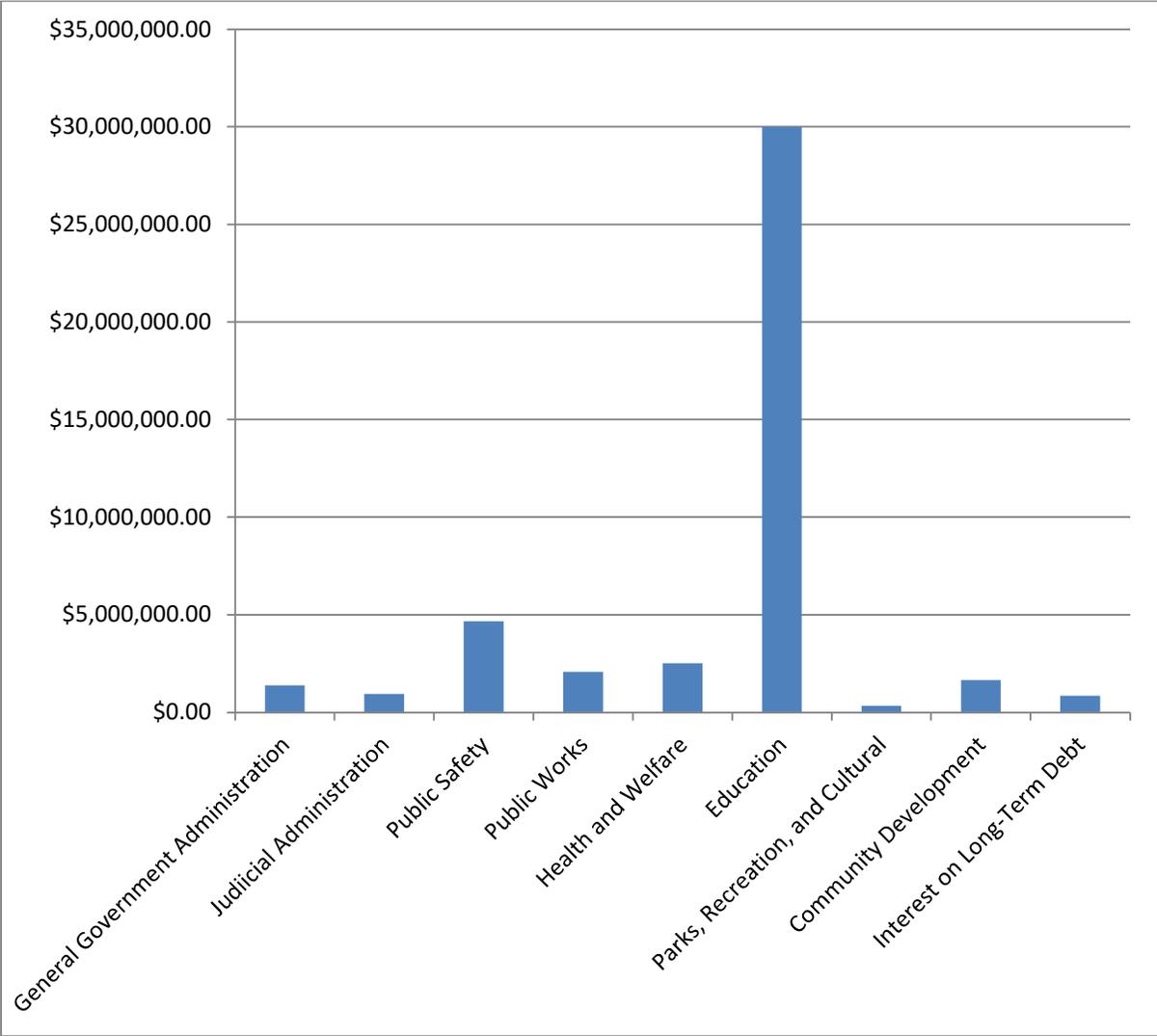
Governmental Activities: During the current fiscal year, the County’s net position decreased by \$23,080.

Component Units: The School Board increased net position by \$343,303 and the Economic Development Authority increased net position by \$70,835.

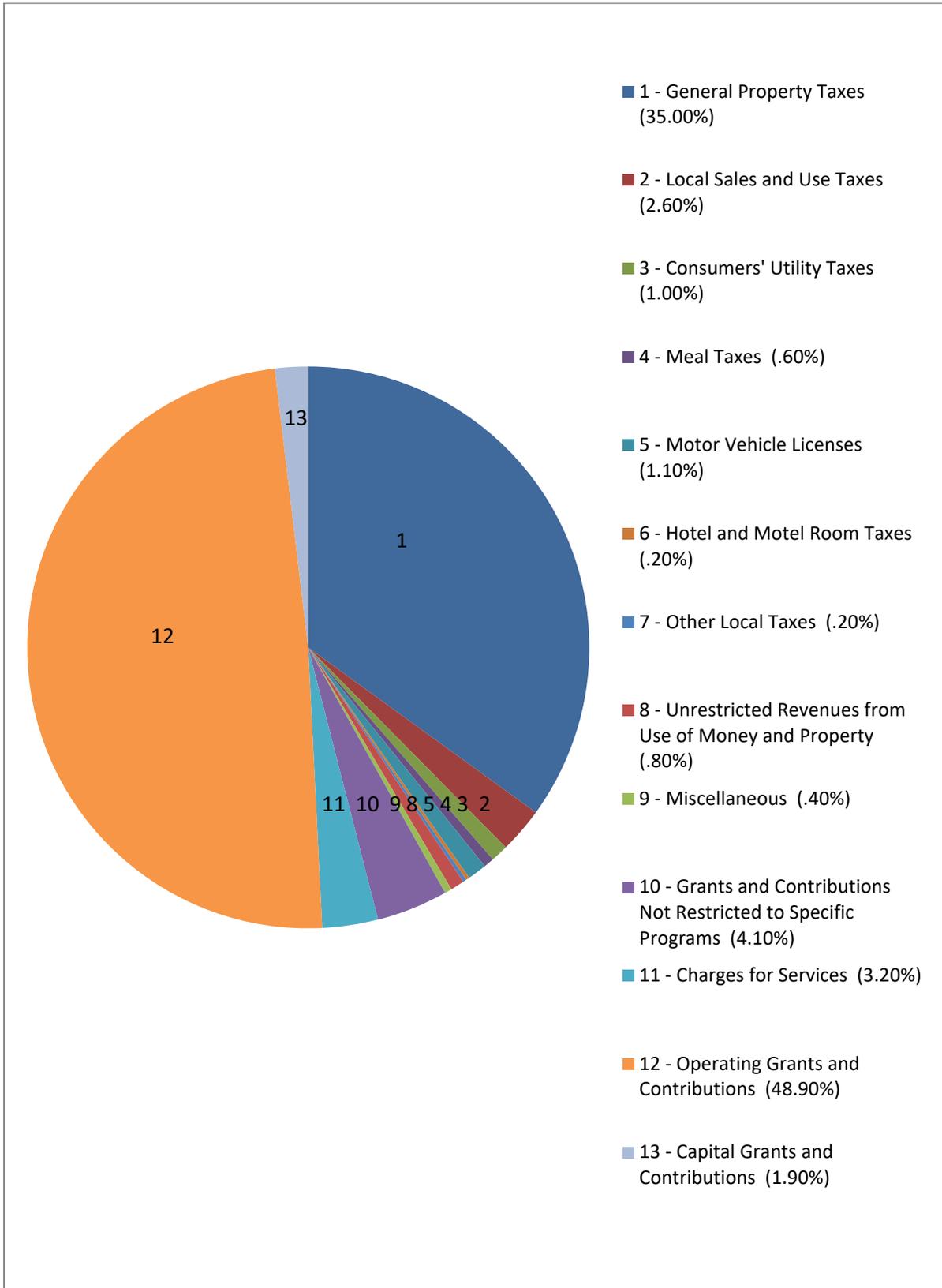
Key elements of current year activities are as follows:

	Changes in Net Position			
	Governmental Activities		Component Units	
	2019	2018	2019	2018
Program revenues:				
Charges for services	\$ 835,754	\$ 969,098	\$ 358,472	\$ 406,322
Operating grants and contributions	3,729,780	3,457,698	14,342,592	14,028,859
Capital grants and contributions	9,572	25,000	712,265	--
General revenues:				
General property taxes	12,922,871	12,360,981	--	--
Other taxes	2,083,309	1,789,751	--	--
Unrestricted revenues from use of money and property	203,394	75,193	85,884	91,515
Grants and contributions not restricted to specific purposes	1,522,993	1,564,750	--	9,281
Other general revenues	102,511	26,636	58,437	99,420
Payments from Floyd County		--	7,814,159	6,913,050
Total revenues	<u>21,410,184</u>	<u>20,269,107</u>	<u>23,371,809</u>	<u>21,548,447</u>
Expenses:				
General government administration	1,378,421	1,176,107	--	--
Judicial administration	938,783	938,308	--	--
Public safety	4,669,593	4,262,695	--	--
Public works	2,066,819	1,870,437	--	--
Health and welfare	2,508,243	2,223,129	--	--
Education	7,821,380	8,406,969	22,164,187	20,373,145
Parks, recreation, and cultural	337,520	335,237	--	--
Community development	864,007	364,338	793,484	180,665
Interest on long-term debt	848,498	413,480	--	--
Total expenses	<u>21,433,264</u>	<u>19,990,700</u>	<u>22,957,671</u>	<u>20,553,810</u>
Change in net position	(23,080)	278,407	414,138	994,637
Net position, beginning	14,081,995	13,803,588	(11,718,022)	(12,712,659)
Net position, ending	<u>\$14,058,915</u>	<u>\$14,081,995</u>	<u>\$(11,303,884)</u>	<u>\$(11,718,022)</u>

Expenses for Primary Government and Component Units by Governmental Activity



Revenues by Source for Primary Government and Component Units



Financial Analysis of the County's Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$15,631,799 an increase of \$5,878,720 in comparison with the prior year. Of this an increase of \$6,106,840 is the result of unspent bond proceeds as of June 30, 2019 that is held in restricted investments. Approximately 45.3% of the combined governmental fund balance, or \$7,080,777, constitutes unassigned fund balances, which are available for spending at the County's discretion. The remainder of fund balance is not available for new spending because it has already been restricted, committed, or assigned for:

- Capital improvement projects
- Encumbrances and carryovers for expenditures
- Fire and Rescue expenditures
- Long term note receivable from the Floyd-Floyd County Public Service Authority

The general fund is the operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,315,783, while the total general fund balance was \$16,235,274. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned general fund balance represents 36.7% of total general fund expenditures, while this amount represents 53.1% of that total fund balances.

The general fund balance increased by \$5,736,451 during the current fiscal year, or 54.6%.

The fire and rescue fund balance decreased by \$100,338 and has an ending deficit balance of \$1,235,006. A significant portion of expenditures in the fire and rescue fund were used to acquire capital items.

The County capital improvement fund is used for significant capital projects for the school system. The capital improvement fund has a fund balance of \$537,451.

Money received from the State by the Sheriff's Office and Commonwealth Attorney's Office is put in the asset forfeiture fund. This fund can only be used for specific expenditures which are reported annually to the State. As of June 30, 2019, the asset forfeiture fund balance was \$94,080.

General Fund Budgetary Highlights

A budget is an estimate of revenues and expenditures for a given period of time. The Floyd County Board of Supervisors adopts an annual appropriated budget for the period of July 1 through June 30 for its governmental funds. Because a budget is an estimate, actual events or opportunities necessitate updating the budget during the course of the fiscal year. Differences between the original expenditure budget of \$23,677,769 and the final amended budget of \$23,121,708 were relatively significant (\$556,061 decrease in appropriations) and can be briefly summarized as follows:

- **Community Development:** The main reason for this difference was because there was a change in plans on how to finance the construction of a building at the Commerce Park to be offered for sale or lease to potential businesses who desire to move or expand in the County. The original budget included \$2,500,000 in expenditures for construction that would be paid by using existing fund balance. With the assistance of bond counsel, it was determined that it would be a better long-term strategy to not finance capital assets from fund balance. Instead the County refinanced existing debt in order to get a low interest rate on a construction loan for the building.
- **Health and Welfare:** In FY19 supplemental appropriations were made to Floyd County Social Services Children Service's Act in the amount of \$299,100 because of increased funding from the State of Office of Children's Services for increased foster care caseload. Also, in FY19 supplemental appropriations were made to Floyd County Social Services in the amount of \$300,600 because of increased State funding for increased caseload in several other programs.

REVENUES AND EXPENDITURES GENERAL FUND - BUDGET TO ACTUAL

	Final Budget	Actual	Variance
Revenues:			
Local	\$16,583,159	\$16,034,739	\$ (548,420)
Intergovernmental	<u>5,880,037</u>	<u>5,151,124</u>	<u>(728,913)</u>
Total revenues	<u>\$22,463,196</u>	<u>\$21,185,863</u>	<u>\$(1,277,333)</u>
Expenditures:			
General government administration	\$ 1,461,384	\$ 1,358,867	\$ 102,517
Judicial administration	1,041,841	949,510	92,331
Public Safety	4,315,386	4,127,305	188,081
Public Works	2,013,391	1,852,654	160,737
Health and welfare	2,791,251	2,535,673	255,578
Education	7,220,145	7,009,046	211,099
Parks, recreation and cultural	304,969	302,567	2,402
Community development	1,242,802	856,024	386,778
Capital Projects	605,371	426,746	178,625
Debt service	<u>2,125,168</u>	<u>3,251,862</u>	<u>(1,126,694)</u>
Total expenditures	<u>\$23,121,708</u>	<u>\$22,670,254</u>	<u>\$ 451,454</u>

Revenues: Local revenue comprised 75.7% of total actual General Fund Revenue. Total actual local revenue was less than final budget by \$548,420 or 3.3%. The majority of this decrease was from miscellaneous revenues.

Intergovernmental revenue comprised 24.3% of total actual General Fund revenue. Actual intergovernmental revenue was \$728,913 less than final budget or 12.4%. \$348,019 of the difference was due to a grant received by Community Development. While budgeted in FY19 the revenue and related expenditures will not be recognized until FY20. In FY19 Floyd County received \$348,019 from the Department of Housing and Community Development to act as an agent to provide Virginia Telecommunication Initiative (VATI) funding to Citizens Telephone Cooperative as a qualified provider

in Floyd County. VATI extends broadband service to currently unserved areas. VATI prepares communities to build, utilize, and capitalize on telecommunications infrastructure with the goal of creating strong, competitive communities. VATI funds will be disbursed to upon proof of project completion status reports

Expenditures: Actual expenditures were under original budget estimates by \$1,007,515. Total General Fund actual expenditures of \$22,670,254 were \$451,454 less than the final budget of \$23,121,708. \$348,019 of the difference was due to the VATI grant discussed above.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds as of June 30, 2019 totals \$17,599,291 (net of accumulated depreciation) for a decrease of \$468,366. This investment in capital assets includes land, buildings, and improvements, vehicles and machinery, and equipment. Total accumulated depreciation expense for the year ending June 30, 2019 for all capital assets for Governmental Activities totaled \$15,472,250.

Capital Assets - Condensed As of June 30, 2019

Governmental Activities	Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land and land improvements	\$ 880,603	--	\$ 880,603
Construction in progress	498,377	--	498,377
Total capital assets, not being depreciated	<u>1,378,980</u>	<u>--</u>	<u>1,378,980</u>
Other capital assets:			
Buildings and improvements	21,177,582	(8,450,807)	12,726,775
Machinery and equipment	10,514,979	(7,021,443)	3,493,536
Total depreciable capital assets	<u>31,692,561</u>	<u>(15,472,250)</u>	<u>16,220,311</u>
Total capital assets	<u>\$33,071,541</u>	<u>\$(15,472,250)</u>	<u>\$17,599,291</u>
Component Units: EDA & School Board	Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land and land improvements	\$ 696,336	--	\$ 696,336
Total capital assets, not being depreciated	<u>696,336</u>	<u>--</u>	<u>696,336</u>
Other capital assets:			
Buildings and improvements	8,751,044	(3,842,461)	4,908,583
Machinery and equipment	3,929,782	(3,359,048)	570,734
Total capital assets, depreciable	<u>12,680,826</u>	<u>(7,201,509)</u>	<u>5,479,317</u>
Total capital assets	<u>\$13,377,162</u>	<u>\$(7,201,509)</u>	<u>\$ 6,175,653</u>

Debt Schedules

A major focus of the Floyd County Board of Supervisors in FY19 was being strategic in planning capital asset needs in the future and layering in debt to meet those needs. By layering in new debt as old debt is paid off, expenditures will be relatively stable and allows for planning expenditures while minimizing the need for annual tax increases. Of the total principal balance of outstanding debt at the end of the year, \$4,327,693 was for General Obligation Bonds and \$9,719,910 (including \$108,910 in drawdown phase) was for Lease Revenue Bonds. General Obligation Bonds amounted to .24% of the County's assessed value for real estate, well below the maximum limit set by the State of 10% of assessed value for real estate. Long-term bonded debt currently outstanding was used to finance school construction projects and other County improvements.

Annual requirements to amortize all County (excluding Schools and the Economic Development Authority) long-term debt and related interest, including capital leases, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,636,258	\$ 556,795	\$ 2,193,053
2021	1,555,823	516,469	2,072,292
2022	1,484,624	466,370	1,950,994
2023	1,644,176	418,252	2,062,428
2024	1,390,698	362,378	1,753,076
2025-2029	4,812,049	1,171,873	5,983,921
2030-2034	3,254,000	490,082	3,744,082
2035-2039	808,000	34,465	842,465
Amount in drawdown phase	108,910		108,910
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 16,694,538</u>	<u>\$ 4,016,684</u>	<u>\$ 20,711,222</u>

All outstanding debt shown in this table was used for the long-term financing of equipment and capital projects.

Annual debt service paid amounted to \$3,292,208 for principal and interest combined for the reporting period.

CONTACT THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions concerning any information provided in this report or need additional financial information, contact:

Assistant County Administrator
Floyd County
P. O. Box 218
Floyd, VA 24091
Phone number (540) 745-9300

Basic Financial Statements

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

	Primary Government Governmental Activities	Component Unit School Board	Component Unit EDA
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,704,975	\$ 1,705,790	\$ 213,541
Receivables (net of allowance for uncollectibles):			
Taxes receivable	5,456,527	-	-
Accounts receivable	187,647	-	3,818
Notes receivable - current portion	18,525	-	11,449
Capital lease receivable - current portion	162,500	-	19,100
Due from primary government	-	1,920,338	-
Intergovernmental receivable	720,816	396,665	-
Inventories	-	26,252	246,180
Prepaid items	72,502	44,546	-
Total current assets	<u>\$ 17,323,492</u>	<u>\$ 4,093,591</u>	<u>\$ 494,088</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 165,579	\$ -	\$ 97,791
Investments	6,106,840	-	-
Notes receivable - net of current portion	344,977	-	141,203
Capital lease receivable - net of current portion	717,706	-	-
Capital assets not being depreciated:			
Land	880,603	265,917	430,419
Construction in progress	498,377	-	-
Capital assets, net of accumulated depreciation:			
Buildings and improvements	12,726,775	2,856,837	2,051,746
Machinery and equipment	3,493,536	566,092	4,642
Total noncurrent assets	<u>\$ 24,934,393</u>	<u>\$ 3,688,846</u>	<u>\$ 2,725,801</u>
Total assets	<u>\$ 42,257,885</u>	<u>\$ 7,782,437</u>	<u>\$ 3,219,889</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 1,146,308	\$ 2,641,052	\$ -
OPEB related items	66,057	288,978	-
Total deferred outflows of resources	<u>\$ 1,212,365</u>	<u>\$ 2,930,030</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 349,785	\$ 30,627	\$ 60,440
Accrued liabilities	-	1,920,338	-
Health claim payable	-	354,218	-
Customers' deposits	-	-	12,896
Accrued interest payable	237,198	-	-
Due to component unit	1,920,338	-	-
Unearned revenues	348,019	-	4,055
Noncurrent liabilities:			
Due within one year	1,939,893	421,430	-
Due in more than one year	19,288,405	19,884,744	-
Total liabilities	<u>\$ 24,083,638</u>	<u>\$ 22,611,357</u>	<u>\$ 77,391</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 5,034,119	\$ -	\$ -
Pension related items	263,664	2,372,492	-
OPEB related items	29,914	175,000	-
Total deferred inflows of resources	<u>\$ 5,327,697</u>	<u>\$ 2,547,492</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 7,177,172	\$ 3,688,846	\$ 2,486,807
Restricted:			
Cafeteria	-	141,746	-
Asset forfeiture	94,080	-	-
Self-health insurance	-	1,236,078	-
Unrestricted (deficit)	6,787,663	(19,513,052)	655,691
Total Net Position	<u>\$ 14,058,915</u>	<u>\$ (14,446,382)</u>	<u>\$ 3,142,498</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Primary Governmental Activities	Component Units	
			Grants and Contributions	Grants and Contributions		School Board	EDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,378,421	\$ 115,332	\$ 219,829	\$ -	\$ (1,043,260)		
Judicial administration	938,783	1,238	452,195	9,572	(475,778)		
Public safety	4,669,593	521,948	986,931	-	(3,160,714)		
Public works	2,066,819	195,195	32,840	-	(1,838,784)		
Health and welfare	2,508,243	-	1,983,485	-	(524,758)		
Education	7,821,380	-	-	-	(7,821,380)		
Parks, recreation, and cultural	337,520	2,041	4,500	-	(330,979)		
Community development	864,007	-	50,000	-	(814,007)		
Interest on long-term debt	848,498	-	-	-	(848,498)		
Total primary government	\$ 21,433,264	\$ 835,754	\$ 3,729,780	\$ 9,572	\$ (16,858,158)		
COMPONENT UNITS:							
School Board	\$ 22,164,187	\$ 355,188	\$ 14,300,444	\$ -	\$ (7,508,555)		
EDA	793,484	3,284	42,148	712,265	-		(35,787)
Total component units	\$ 22,957,671	\$ 358,472	\$ 14,342,592	\$ 712,265	\$ (7,508,555)		\$ (35,787)
General revenues:							
General property taxes					\$ 12,922,871	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					961,822	-	-
Consumers' utility taxes					366,782	-	-
Meals taxes					207,673	-	-
Motor vehicle licenses					406,395	-	-
Hotel and motel room taxes					60,141	-	-
Other local taxes					80,496	-	-
Unrestricted revenues from use of money and property					203,394	-	85,884
Miscellaneous					102,511	37,699	20,738
Contributions from the County of Floyd					-	7,814,159	-
Grants and contributions not restricted to specific programs					1,522,993	-	-
Total general revenues					\$ 16,835,078	\$ 7,851,858	\$ 106,622
Change in net position					\$ (23,080)	\$ 343,303	\$ 70,835
Net position - beginning					14,081,995	(14,789,685)	3,071,663
Net position - ending					\$ 14,058,915	\$ (14,446,382)	\$ 3,142,498

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

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

	<u>General</u>	<u>Fire and Rescue</u>	<u>Asset Forfeiture</u>	<u>Capital Improvement</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 11,338,563	\$ -	\$ 94,246	\$ 506,542	\$ 11,939,351
Receivables (net of allowance for uncollectibles):					
Taxes receivable	5,456,527	-	-	-	5,456,527
Accounts receivable	156,738	-	-	30,909	187,647
Due from other governmental units	720,816	-	-	-	720,816
Prepaid items	72,502	-	-	-	72,502
Long term capital lease receivable	880,206	-	-	-	880,206
Long term note receivable - PSA	363,502	-	-	-	363,502
Restricted assets:					
Cash and cash equivalents	165,579	-	-	-	165,579
Investments	6,106,840	-	-	-	6,106,840
Total assets	<u>\$ 25,261,273</u>	<u>\$ -</u>	<u>\$ 94,246</u>	<u>\$ 537,451</u>	<u>\$ 25,892,970</u>
LIABILITIES					
Accounts payable	\$ 348,989	\$ 630	\$ 166	\$ -	\$ 349,785
Reconciled overdraft	-	1,234,376	-	-	1,234,376
Due to component unit	1,920,338	-	-	-	1,920,338
Unearned grant revenue	348,019	-	-	-	348,019
Total liabilities	<u>\$ 2,617,346</u>	<u>\$ 1,235,006</u>	<u>\$ 166</u>	<u>\$ -</u>	<u>\$ 3,852,518</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 5,241,522	\$ -	\$ -	\$ -	\$ 5,241,522
Unavailable revenue - EMS billings	34,184	-	-	-	34,184
Unavailable revenue - capital lease receivable	880,206	-	-	-	880,206
Unavailable revenue - prepaid taxes	252,741	-	-	-	252,741
Total deferred inflows of resources	<u>\$ 6,408,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,408,653</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	\$ 72,502	\$ -	\$ -	\$ -	\$ 72,502
Long-term note receivable	363,502	-	-	-	363,502
Restricted:					
Capital equipment purchases	165,579	-	-	-	165,579
Unspent bond proceeds	6,106,840	-	-	-	6,106,840
Asset forfeiture	-	-	94,080	-	94,080
Assigned:					
Environmental solid waste	4,671	-	-	-	4,671
Law Library	49,015	-	-	-	49,015
School capital projects	-	-	-	329,779	329,779
County capital projects	-	-	-	207,672	207,672
Courts	89,228	-	-	-	89,228
E-911	974,889	-	-	-	974,889
Courthouse Maintenance	93,265	-	-	-	93,265
Unassigned	8,315,783	(1,235,006)	-	-	7,080,777
Total fund balances (deficit)	<u>\$ 16,235,274</u>	<u>\$ (1,235,006)</u>	<u>\$ 94,080</u>	<u>\$ 537,451</u>	<u>\$ 15,631,799</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,261,273</u>	<u>\$ -</u>	<u>\$ 94,246</u>	<u>\$ 537,451</u>	<u>\$ 25,892,970</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 15,631,799

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

Land	\$ 880,603	
Buildings and improvements	12,726,775	
Machinery and equipment	3,493,536	
Construction in progress	498,377	17,599,291

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

Unavailable revenue - property taxes	\$ 460,144	
Unavailable revenue - EMS billings	34,184	
Unavailable revenue - capital lease receivable	880,206	1,374,534

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

Pension related items	\$ 1,146,308	
OPEB related items	66,057	1,212,365

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

Loans and bonds payable	\$ (14,047,603)	
Capital leases	(2,646,935)	
Compensated absences	(404,846)	
Accrued interest payable	(237,198)	
Net pension liability	(2,459,808)	
Net OPEB liability	(319,699)	
Landfill closure/post-closure liability	(1,349,407)	(21,465,496)

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

Pension related items	\$ (263,664)	
OPEB related items	(29,914)	(293,578)

Net position of governmental activities \$ 14,058,915

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

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

	<u>General</u>	<u>Fire and Rescue</u>	<u>Asset Forfeiture</u>	<u>Capital Improvement</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 12,610,437	\$ 267,706	\$ -	\$ -	\$ 12,878,143
Other local taxes	1,875,636	-	-	207,673	2,083,309
Permits, privilege fees, and regulatory licenses	115,111	-	-	-	115,111
Fines and forfeitures	24,614	-	-	-	24,614
Revenue from the use of money and property	365,852	-	42	-	365,894
Charges for services	857,559	-	-	-	857,559
Miscellaneous	102,511	-	-	-	102,511
Recovered costs	83,019	-	-	-	83,019
Intergovernmental:					
Commonwealth	4,205,304	87,054	24,167	-	4,316,525
Federal	945,820	-	-	-	945,820
Total revenues	<u>\$ 21,185,863</u>	<u>\$ 354,760</u>	<u>\$ 24,209</u>	<u>\$ 207,673</u>	<u>\$ 21,772,505</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,358,867	\$ -	\$ -	\$ -	\$ 1,358,867
Judicial administration	949,510	-	-	-	949,510
Public safety	4,127,305	414,752	59,787	-	4,601,844
Public works	1,852,654	-	-	-	1,852,654
Health and welfare	2,535,673	-	-	-	2,535,673
Education	7,009,046	-	-	257,338	7,266,384
Parks, recreation, and cultural	302,567	-	-	-	302,567
Community development	856,024	-	-	-	856,024
Capital projects	426,746	-	-	-	426,746
Debt service:					
Principal retirement	2,543,649	39,140	-	-	2,582,789
Interest and other fiscal charges	708,213	1,206	-	-	709,419
Total expenditures	<u>\$ 22,670,254</u>	<u>\$ 455,098</u>	<u>\$ 59,787</u>	<u>\$ 257,338</u>	<u>\$ 23,442,477</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,484,391)</u>	<u>\$ (100,338)</u>	<u>\$ (35,578)</u>	<u>\$ (49,665)</u>	<u>\$ (1,669,972)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ -	\$ 327,850	\$ 327,850
Transfers out	(327,850)	-	-	-	(327,850)
Issuance of capital lease	22,782	-	-	-	22,782
Issuance of lease revenue bonds	7,525,910	-	-	-	7,525,910
Total other financing sources (uses)	<u>\$ 7,220,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327,850</u>	<u>\$ 7,548,692</u>
Net change in fund balances	\$ 5,736,451	\$ (100,338)	\$ (35,578)	\$ 278,185	\$ 5,878,720
Fund balances - beginning	<u>10,498,823</u>	<u>(1,134,668)</u>	<u>129,658</u>	<u>259,266</u>	<u>9,753,079</u>
Fund balances (deficit) - ending	<u>\$ 16,235,274</u>	<u>\$ (1,235,006)</u>	<u>\$ 94,080</u>	<u>\$ 537,451</u>	<u>\$ 15,631,799</u>

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

County of Floyd, 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, 2019

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

Net change in fund balances - total governmental funds \$ 5,878,720

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

Capital asset additions	\$ 668,289	
Depreciation expense	<u>(1,126,093)</u>	(457,804)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (10,562)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase (decrease) in unavailable revenue - property taxes	\$ 44,728	
Increase (decrease) in unavailable revenue - EMS billings	(161,530)	
Increase (decrease) in unavailable revenue - capital lease receivable	<u>(162,500)</u>	(279,302)

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.

Issuance of capital lease	\$ (22,782)	
Issuance of lease revenue bonds	(7,525,910)	
Principal payments:		
Loans and bonds	1,931,473	
Capital leases	<u>651,316</u>	(4,965,903)

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.

(Increase) decrease in compensated absences	\$ (23,289)	
Change in net pension liability and related deferred items	(11,090)	
Change in net OPEB liability and related deferred items	15,568	
(Increase) decrease in accrued interest payable	(67,055)	
Increase (decrease) in deferred amount on refunding	(72,024)	
(Increase) decrease in landfill closure/post-closure liability	<u>(30,339)</u>	<u>(188,229)</u>

Change in net position of governmental activities \$ (23,080)

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 12,986
LIABILITIES	
Amounts held for social services clients	\$ 12,986
Total liabilities	\$ 12,986

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization’s governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Floyd, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

The County has no blended component units to be included for the fiscal year ended June 30, 2019.

Discretely Presented Component Units

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

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

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Floyd County Economic Development Authority - The Floyd County Economic Development Authority (EDA) was created to encourage and provide financing for economic development in the County. The EDA's directors are appointed by the Board of Supervisors and the County is financially accountable for the EDA in that it provides local funding for the EDA's activities. The EDA is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. The EDA is presented as a proprietary fund type and does not issue separate financial statements.

Related Organizations - The County is also responsible for appointing the members of the boards of other organizations, however, the County's accountability to these organizations does not extend beyond making the appointments.

Jointly Governed Organizations

Floyd-Floyd County Public Service Authority

The Floyd-Floyd County Public Service Authority (PSA) was created by the County and the Town of Floyd to operate local water and sewer systems. All obligations of the Authority are payable from and secured by revenues derived from the operation of the water and sewer systems.

In 2017, the County issued a note receivable to the PSA in the amount of \$400,000 with a 1% interest rate. The receivable consists of an annual principal and interest payment of \$22,075 from June 30, 2018 through June 30, 2037.

Floyd-Floyd County Recreational Authority

The County, along with the Town of Floyd, provides support to the Floyd-Floyd County Recreational Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed \$55,676 to the Authority for the current year.

Floyd-Floyd County Tourism Authority

The County, along with the Town of Floyd, provides support to the Floyd-Floyd County Tourism Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed \$28,000 to the Authority for the current year.

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

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations (Continued)

Montgomery-Floyd Regional Library

The County, in conjunction with Montgomery County, participates in the Montgomery-Floyd Regional Library. The governing board is composed of members from each of the participating localities. The County contributed \$75,725 to the Library for the current year.

New River Valley Community Services

The County and the Counties of Montgomery, Giles, Pulaski, and the City of Radford participate in supporting New River Valley Community Services. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed \$33,294 to NRVCS for the current year.

New River Valley Regional Jail Authority

The County, in conjunction with the Counties of Bland, Carroll, Giles, Grayson, and Pulaski, and the City of Radford, participates in the New River Valley Regional Jail Authority. Each member jurisdiction pays a per-diem charge for each day that one of its prisoners is at the regional jail facility. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-diem charge is based upon an assumed number of prisoner days, and is subject to adjustment at the end of each fiscal year. The County paid the Authority \$489,345 for the current year.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The County reports no *business-type activities*. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 are reported as separate columns in the fund financial statements.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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.

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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

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

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government reports the following major governmental funds:

The *general fund* is the County's primary operating fund of the County. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues are used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.

The *fire and rescue fund* is a special revenue fund that accounts for and reports the proceeds of specific revenue sources, (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions. The Fire and Rescue Fund accounts for tax collections earmarked for fire and rescue services and related expenses. This fund is considered a major special revenue fund.

The *asset forfeiture fund* accounts for and reports financial resources that are restricted to expenditure for the County's seized assets. This fund is considered a major special revenue fund.

The *capital improvement fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays. This fund is considered a major capital projects fund.

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the County in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The Special Welfare Fund is reported as an Agency fund. These funds utilize the accrual basis of accounting but have no measurement focus. Fiduciary funds are not included in the government-wide financial statements.

The component unit (School Board) of the government reports the following major governmental fund:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts and reports for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Floyd, and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

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

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

D. Budgets and Budgetary Accounting

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

1. Prior to May 1, the County Administrator submits to the County 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, Fire and Rescue, Asset Forfeiture, Capital Improvement, and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the County Board of Supervisors can change the appropriation by function at the County or category at the School Board. The County Administrator is authorized to transfer budgeted amounts within general government activities or 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. The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate capital projects by project.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is part of the County's accounting system.

Excess of expenditures over appropriations

At June 30, 2019, the correction and detention department had expenditures in excess of appropriations.

Deficit fund equity

At June 30, 2019, the Fire and Rescue Fund had deficit fund equity.

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Restricted cash at year end consists of unspent capital lease proceeds.

2. Investments

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

3. Receivables and Payables

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$70,664 for property taxes and \$876,761 for EMS billings at June 30, 2019.

6. Use of Estimates

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

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance (Continued)

7. Prepaid Items

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

8. Capital Assets

Capital assets, which include property, plant and equipment, 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.

Expenditures for capital assets and improvements are capitalized as projects are completed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	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 current reporting standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance
(Continued)

10. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. 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.

11. Fund Balance

The County reports fund balance in accordance with current financial reporting standards. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

The Board of Supervisors is the County's highest level of decision-making authority and the formal action that is required to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board of Supervisors. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance (Continued)

11. Fund Balance (Continued)

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

12. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable and EMS billings receivable are reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments and uncollected EMS revenue are reported as deferred inflows of resources. In addition certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, 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.

The County's net position is classified as follows:

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset.

Restricted- This category includes resources for which the County is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the County and may be used at the County's discretion to meet current expenses for any lawful purposes.

14. Net Position Flow Assumption

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

15. 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.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

E. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance
(Continued)

16. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2—Deposits and Investments:

Deposits

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

Investments

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

Custodial Credit Risk (Investments)

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. Neither the County nor its discretely presented component unit has an investment policy for custodial credit risk. As of June 30, 2019, the County and the Component Unit - School Board did not hold any investments that were subject to custodial credit risk.

Concentration of Credit Risk

At June 30, 2019, the County did not have any investments meeting the definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

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

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
SNAP	\$ 6,106,840

External Investment Pools

The value of the positions in the external investment pools (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. There are no withdrawal limitations or restrictions imposed on participants.

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	Less than 1 year
SNAP	\$ 6,106,840	\$ 6,106,840

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 3—Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 188,323	\$ -
State sales tax	-	302,012
Noncategorical aid	102,463	-
Categorical aid - shared expenses	120,033	-
Categorical aid - welfare payments	51,879	-
Categorical aid - CSA funds	155,173	-
Categorical aid - other	6,952	-
<u>Federal Government:</u>		
Categorical aid	95,993	-
School federal programs	-	94,653
	<u> </u>	<u> </u>
Totals	\$ <u>720,816</u>	\$ <u>396,665</u>

Note 4-Interfund/Component-Unit Obligations:

At year end, due to or due from obligations between the primary government and component units consisted of the following:

<u>Fund</u>	<u>Due from Primary Government/ Component Unit</u>	<u>Due to Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 1,920,338
	<u> </u>	<u> </u>
Component Unit:		
School Board	\$ 1,920,338	\$ -
	<u> </u>	<u> </u>

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 4-Interfund/Component-Unit Obligations: (Continued)

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. During the fiscal year, the County had the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 327,850
Capital Improvement Fund	327,850	-
Total	<u>\$ 327,850</u>	<u>\$ 327,850</u>

Note 5—Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

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

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Direct borrowings and direct placements:				
General obligation bonds	\$ 6,083,166	\$ -	\$ (1,755,473)	\$ 4,327,693
Lease revenue bonds	2,370,000	7,525,910	(176,000)	9,719,910
Capital leases	3,275,469	22,782	(651,316)	2,646,935
Landfill closure/post-closure liability	1,319,068	30,339	-	1,349,407
Compensated absences	381,557	309,457	(286,168)	404,846
Net pension liability	2,166,478	1,795,784	(1,502,454)	2,459,808
Net OPEB liability	302,190	84,131	(66,622)	319,699
Total	<u>\$ 15,897,928</u>	<u>\$ 9,768,403</u>	<u>\$ (4,438,033)</u>	<u>\$ 21,228,298</u>

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 5—Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

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

Year Ending June 30,	Direct Borrowings and Direct Placements			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 717,850	\$ 195,087	\$ 254,000	\$ 317,387
2021	731,174	158,137	255,000	325,428
2022	555,677	125,322	349,000	318,441
2023	566,288	96,712	626,000	308,104
2024	575,976	69,025	626,000	287,638
2025-2029	1,180,728	55,273	3,439,000	1,116,074
2030-2034	-	-	3,254,000	490,082
2035-2039	-	-	808,000	34,465
Totals	<u>\$ 4,327,693</u>	<u>\$ 699,556</u>	<u>\$ 9,611,000</u>	<u>\$ 3,197,619</u>
		Amount in Drawdown Phase:	<u>108,910</u>	
		Adjusted Total:	<u>\$ 9,719,910</u>	

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 5—Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
Direct Borrowings and Direct Placements:						
<i>General Obligation Bonds:</i>						
General obligation bonds (VPSA)	4.60-5.10%	11/10/2005	7/15/2025	\$ 10,259,045	\$ 3,960,277	\$ 536,013
General obligation bonds (VPSA)	5.10-5.80%	11/16/2000	7/15/2020	3,110,483	367,416	181,837
Total general obligation bonds					\$ 4,327,693	\$ 717,850
<i>Lease Revenue Bonds:</i>						
Lease revenue bond	2.40%	8/4/2016	1/31/2038	\$ 903,000	\$ 830,000	\$ 35,000
Lease revenue bond	1.70%	8/4/2016	1/31/2024	734,000	500,000	97,000
Lease revenue bond	3.60%	8/4/2016	1/31/2034	1,008,000	864,000	48,000
Lease revenue bond*	3.25%	6/28/2019	2/1/2023	3,500,000	108,910	-
Lease revenue bond	3.75%	6/28/2019	2/1/2029	865,000	865,000	74,000
Lease revenue bond	3.67%	2/6/2019	2/1/2035	6,552,000	6,552,000	-
Total lease revenue bonds					\$ 9,719,910	\$ 254,000
Total direct borrowings and direct placements					\$ 14,047,603	\$ 971,850
Capital Leases:						
Capital lease - County equipment	1.74%	9/25/2014	2/1/2020	\$ 556,000	\$ 104,804	\$ 104,804
Capital lease - County equipment	4.00%	10/3/2018	10/3/2023	22,782	20,025	4,337
Capital lease - County equipment	1.95%	5/29/2015	6/15/2025	1,750,000	1,092,204	173,032
Capital lease - School network	0.00%	3/29/2018	8/15/2022	585,914	428,731	107,183
Capital lease - School buses	2.53%	6/1/2017	8/1/2022	900,849	602,825	145,112
Capital lease - County equipment	2.15%	6/13/2017	6/20/2022	650,000	398,346	129,940
Total capital leases					\$ 2,646,935	\$ 664,408
Other Obligations:						
Landfill closure/post-closure liability					\$ 1,349,407	\$ -
Compensated absences					404,846	303,635
Net pension liability					2,459,808	-
Net OPEB liability					319,699	-
Total other obligations					\$ 4,533,760	\$ 303,635
Total long-term obligations					\$ 21,228,298	\$ 1,939,893

*bond is in drawdown phase at year-end

Collateral:

The County's \$6,552,000 lease revenue bond issued in February 2019 is secured by Indian Valley Elementary School.

Events of Default:

The County's general obligation and lease revenue bonds are subject to the state aid intercept program. Under terms of the program, the County's State aid is redirected to bond holders to cure any event(s) of default.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 6—Long-Term Obligations - Component Units:

Discretely Presented Component Unit - School Board-Indebtedness:

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

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Compensated absences	\$ 570,614	\$ 419,252	\$ (427,961)	\$ 561,906
Net pension liability	17,542,403	5,031,270	(5,480,405)	17,093,268
Net OPEB liabilities	2,590,000	429,000	(368,000)	2,651,000
Total	\$ 20,703,017	\$ 5,879,522	\$ (6,276,366)	\$ 20,306,174

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Compensated absences	\$ 561,906	\$ 421,430
Net pension liability	17,093,268	-
Net OPEB liabilities	2,651,000	-
Total other obligations	<u>\$ 20,306,174</u>	<u>\$ 421,430</u>
Total long-term obligations	<u>\$ 20,306,174</u>	<u>\$ 421,430</u>

Discretely Presented Component Unit - EDA-Indebtedness:

The Economic Development Authority did not have any outstanding loans as of year-end. However, after year-end the Authority did issue a line of credit in the amount of \$100,000.

Note 7—Capital Leases:

Primary Government

The County has entered into capital leases to finance the acquisition of various items as noted below. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of the minimum lease payments at the date of inception.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 7—Capital Leases: (Continued)

Total capital assets acquired through capital leases are as follows:

Brush trucks-Public Safety	\$	225,000
Ambulance-Public Safety		141,225
Firetruck-Public Safety		439,647
Trash truck-Public Works		231,224
Vehicles-Public Safety		55,620
School buses		235,575
Voting machine		80,710
Utility trailer		28,818
Police vehicles		88,128
Firetruck		464,038
Ambulance		189,985
Network Refresh		585,914
School buses		900,849
Animal control vehicles		57,550
CAMA software		125,062
Forklift		22,782
Public works vehicle		30,898
Less: Accumulated depreciation		(1,079,208)
Net capital assets	\$	<u>2,823,817</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2019, were as follows:

Year Ending June 30,	Capital Leases
2020	\$ 708,729
2021	602,553
2022	602,553
2023	465,324
2024	194,436
2025	<u>192,848</u>
Sub-total	\$ 2,766,443
Less: Amount representing interest	<u>(119,508)</u>
Present Value of Lease Agreements	<u>\$ 2,646,935</u>

Note 8—Pension Plans:

Plan Description

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

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

Benefit Structures

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

Note 8—Pension Plans: (Continued)

Benefit Structures (Continued)

- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

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

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

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 8—Pension Plans: (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.

The County's contractually required employer contribution rate for the year ended June 30, 2019 was 10.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$443,606 and \$311,388 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

At June 30, 2019, the County reported a liability of \$2,459,808 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2018 and 2017 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2018 and 2017, the County's proportion was 93.48% and 93.56%, respectively.

Actuarial Assumptions - General Employees

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

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

Note 8—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

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

Note 8—Pension Plans: (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.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8—Pension Plans: (Continued)

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

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

Largest 10 - 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%

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.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Long-Term Expected Rate of Return

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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Discount Rate (Continued)

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>Discount Rate</u>	<u>(8.00%)</u>
		<u>(7.00%)</u>	
County's proportionate share of the County of Floyd's Retirement Plan Net Pension Liability (Asset)	\$ 4,662,888	\$ 2,459,808	\$ 635,105

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

For the year ended June 30, 2019, the County recognized pension expense of \$454,840. 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.

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8—Pension Plans: (Continued)

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

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

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 702,702	\$ 132,077
Change in assumptions	-	10,612
Net difference between projected and actual earnings on pension plan investments	-	116,062
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,913
Employer contributions subsequent to the measurement date	<u>443,606</u>	<u>-</u>
Total	<u>\$ 1,146,308</u>	<u>\$ 263,664</u>

\$443,606 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2020	\$ 333,790
2021	211,919
2022	(94,921)
2023	(11,750)
2024	-
Thereafter	-

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Pension Plan Data

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

Component Unit School Board (nonprofessional)

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

Employees Covered by Benefit Terms

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

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	88
Inactive members:	
Vested inactive members	14
Non-vested inactive members	23
Inactive members active elsewhere in VRS	15
Total inactive members	<u>52</u>
Active members	<u>72</u>
Total covered employees	<u><u>212</u></u>

Contributions

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 13.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Floyd County School Board's nonprofessional employees were \$202,604 and \$169,734 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

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

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Changes in Net Pension Liability

	Component Unit - School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 7,865,517	\$ 6,070,114	\$ 1,795,403
Changes for the year:			
Service cost	\$ 133,029	\$ -	\$ 133,029
Interest	532,720	-	532,720
Differences between expected and actual experience	(79,455)	-	(79,455)
Contributions - employer	-	169,734	(169,734)
Contributions - employee	-	74,558	(74,558)
Net investment income	-	441,480	(441,480)
Benefit payments, including refunds of employee contributions	(510,474)	(510,474)	-
Administrative expenses	-	(3,956)	3,956
Other changes	-	(387)	387
Net changes	\$ 75,820	\$ 170,955	\$ (95,135)
Balances at June 30, 2018	\$ 7,941,337	\$ 6,241,069	\$ 1,700,268

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

The following presents the net pension liability of the Floyd County School Board (nonprofessional) using the discount rate of 7.00%, as well as what the Floyd County 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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>Discount Rate</u>	<u>(8.00%)</u>
	<u>(7.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 2,506,730	\$ 1,700,268	\$ 1,013,797

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

For the year ended June 30, 2019, the Component Unit School Board (nonprofessional) recognized pension expense of \$163,135. At June 30, 2019, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,741	\$ 41,799
Change in assumptions	-	9,354
Net difference between projected and actual earnings on pension plan investments	-	41,339
Employer contributions subsequent to the measurement date	<u>202,604</u>	<u>-</u>
Total	<u>\$ 231,345</u>	<u>\$ 92,492</u>

\$202,604 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, 2020.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

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>
2020	\$ 9,786
2021	(5,073)
2022	(63,256)
2023	(5,208)
2024	-
Thereafter	-

Component Unit School Board (professional)

Plan Description

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

Additional information regarding the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,691,707 and \$1,713,031 for the years ended June 30, 2019 and June 30, 2018, respectively.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2019, the school division reported a liability of \$15,393,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division’s proportion of the Net Pension Liability was based on the school division’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division’s proportion was 0.13089% as compared to 0.12805% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$1,010,771. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Component Unit-School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,316,000
Change in assumptions	184,000	-
Net difference between projected and actual earnings on pension plan investments	-	326,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	534,000	638,000
Employer contributions subsequent to the measurement date	<u>1,691,707</u>	<u>-</u>
Total	<u>\$ 2,409,707</u>	<u>\$ 2,280,000</u>

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

\$1,691,707 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 year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (professional)</u>
2020	\$ (213,000)
2021	(411,000)
2022	(717,000)
2023	(202,000)
2024	(19,000)
Thereafter	-

Actuarial Assumptions

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

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

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

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

		Teacher Employee Retirement Plan
Total Pension Liability	\$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	\$	81,599,118
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		
		74.81%

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

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

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

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

	<u>1% Decrease</u> <u>(6.00%)</u>		<u>Current</u> <u>Discount Rate</u> <u>(7.00%)</u>		<u>1% Increase</u> <u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 23,513,000	\$	15,393,000	\$	8,672,000

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

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

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 1,146,308	\$ 263,664	\$ 2,459,808	\$ 454,840	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	231,345	92,492	1,700,268	163,135
School Board Professional	-	-	-	-	2,409,707	2,280,000	15,393,000	1,010,771
Totals	\$ 1,146,308	\$ 263,664	\$ 2,459,808	\$ 454,840	\$ 2,641,052	\$ 2,372,492	\$ 17,093,268	\$ 1,173,906

Note 9-Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Plan Description (continued)

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

Eligible Employees

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

Benefit Amounts

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

Contributions

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

Contributions to the Group Life Insurance Program from the County were \$23,056 and \$20,842 for the years ended June 30, 2019 and June 30, 2018, respectively.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Contributions (continued)

Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were \$8,263 and \$8,273 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (professional) were \$57,960 and \$55,389 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

Primary Government

At June 30, 2019, the entity reported a liability of \$319,699 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.02106% as compared to 0.02006% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$7,478. 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)

At June 30, 2019, the entity reported a liability of \$128,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.00837% as compared to 0.00824% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$4,000. 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.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

Component Unit School Board (professional)

At June 30, 2019, the entity reported a liability of \$851,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.05602% as compared to 0.05519% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$4,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the 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	\$ 15,892	\$ 6,544	\$ 6,000	\$ 3,000	\$ 42,000	\$ 15,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	10,283	-	4,000	-	28,000
Change in assumptions	-	13,087	-	5,000	-	35,000
Changes in proportion	27,109	-	-	-	11,000	19,000
Employer contributions subsequent to the measurement date	23,056	-	8,263	-	57,960	-
Total	\$ 66,057	\$ 29,914	\$ 14,263	\$ 12,000	\$ 110,960	\$ 97,000

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

\$23,056, \$8,263, and \$57,960 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2020	\$ 935	\$ (2,000)	\$ (15,000)
2021	935	(2,000)	(15,000)
2022	935	(2,000)	(15,000)
2023	3,739	-	(7,000)
2024	5,609	-	2,000
Thereafter	934	-	6,000

Actuarial Assumptions

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

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

Note 9-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 - 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 9-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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (continued)

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

Post-Disablement:

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

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

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 9-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees (continued)

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and 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 GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

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

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

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Discount Rate (continued)

Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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 GLI Program Net OPEB Liability	\$ 417,852	\$ 319,699	\$ 240,242
Component Unit School Board's (nonprofessional) proportionate share of the GLI Program Net OPEB Liability	167,000	128,000	96,000
Component Unit School Board's (professional) proportionate share of the GLI Program Net OPEB Liability	1,112,000	851,000	639,000

GLI Program Fiduciary Net Position

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

Note 10-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Program Notes

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

Note 10-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$133,755 and \$131,018 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$1,672,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was 0.13171% as compared to 0.12893% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$134,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 10-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 8,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	15,000
Change in proportion	30,000	42,000
Employer contributions subsequent to the measurement date	<u>133,755</u>	<u>-</u>
Total	<u>\$ 163,755</u>	<u>\$ 66,000</u>

\$133,755 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (6,000)
2021	(6,000)
2022	(6,000)
2023	(6,000)
2024	(6,000)
Thereafter	(6,000)

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 10-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

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

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

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 10- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions (continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

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

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

Note 10- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Note 10- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Discount Rate

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,868,000	\$ 1,672,000	\$ 1,506,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 11—Line of Duty Act (LODA) (OPEB):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County’s LODA coverage is fully covered or “insured” through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County’s LODA premium for the year ended June 30, 2019 was \$21,920.

Note 12—Summary of Other Post-Employment Benefits (OPEB):

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
GLI Program (Note 9)								
County	\$ 66,057	\$ 29,914	\$ 319,699	\$ 7,478	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	14,263	12,000	128,000	4,000
School Board Professional	-	-	-	-	110,960	97,000	851,000	4,000
Teacher HIC Program (Note 10)	-	-	-	-	163,755	66,000	1,672,000	134,000
Totals	<u>\$ 66,057</u>	<u>\$ 29,914</u>	<u>\$ 319,699</u>	<u>\$ 7,478</u>	<u>\$ 288,978</u>	<u>\$ 175,000</u>	<u>\$ 2,651,000</u>	<u>\$ 142,000</u>

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 13—Capital Assets:

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 880,603	\$ -	\$ -	\$ 880,603
Construction in progress	10,190	498,377	(10,190)	498,377
Total capital assets not being depreciated	<u>\$ 890,793</u>	<u>\$ 498,377</u>	<u>\$ (10,190)</u>	<u>\$ 1,378,980</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 21,177,582	\$ -	\$ -	\$ 21,177,582
Machinery and equipment	10,439,512	169,912	(94,445)	10,514,979
Total capital assets being depreciated	<u>\$ 31,617,094</u>	<u>\$ 169,912</u>	<u>\$ (94,445)</u>	<u>\$ 31,692,561</u>
Accumulated depreciation:				
Buildings and improvements	\$ (7,921,707)	\$ (529,100)	\$ -	\$ (8,450,807)
Machinery and equipment	(6,518,523)	(596,993)	94,073	(7,021,443)
Total accumulated depreciation	<u>\$ (14,440,230)</u>	<u>\$ (1,126,093)</u>	<u>\$ 94,073</u>	<u>\$ (15,472,250)</u>
Total capital assets being depreciated, net	<u>\$ 17,176,864</u>	<u>\$ (956,181)</u>	<u>\$ (372)</u>	<u>\$ 16,220,311</u>
Governmental activities capital assets, net	<u>\$ 18,067,657</u>	<u>\$ (457,804)</u>	<u>\$ (10,562)</u>	<u>\$ 17,599,291</u>

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

Governmental Activities:	
General government administration	\$ 43,899
Judicial administration	590
Public safety	333,463
Public works	150,000
Health and welfare	10,965
Education	554,996
Parks, recreation, and cultural	31,558
Community development	622
Total depreciation expense-governmental activities	<u>\$ 1,126,093</u>

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 13—Capital Assets: (Continued)

Discretely Presented Component Unit - School Board

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 265,917	\$ -	\$ -	\$ 265,917
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,409,656	\$ 29,560	\$ -	\$ 6,439,216
Machinery and equipment	3,738,237	119,280	-	3,857,517
Total capital assets being depreciated	\$ 10,147,893	\$ 148,840	\$ -	\$ 10,296,733
Accumulated depreciation:				
Buildings and improvements	\$ (3,444,636)	\$ (137,743)	\$ -	\$ (3,582,379)
Machinery and equipment	(3,101,685)	(189,740)	-	(3,291,425)
Total accumulated depreciation	\$ (6,546,321)	\$ (327,483)	\$ -	\$ (6,873,804)
Total capital assets being depreciated, net	\$ 3,601,572	\$ (178,643)	\$ -	\$ 3,422,929
Governmental activities capital assets, net	\$ 3,867,489	\$ (178,643)	\$ -	\$ 3,688,846

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COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 13—Capital Assets: (Continued)

Discretely Presented Component Unit - EDA

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 430,419	\$ -	\$ -	\$ 430,419
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,311,828	\$ -	\$ -	\$ 2,311,828
Machinery and equipment	72,265	-	-	72,265
Total capital assets being depreciated	<u>\$ 2,384,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,384,093</u>
Accumulated depreciation:				
Buildings and improvements	\$ (202,286)	\$ (57,796)	\$ -	\$ (260,082)
Machinery and equipment	(65,767)	(1,856)	-	(67,623)
Total accumulated depreciation	<u>\$ (268,053)</u>	<u>\$ (59,652)</u>	<u>\$ -</u>	<u>\$ (327,705)</u>
Total capital assets being depreciated, net	<u>\$ 2,116,040</u>	<u>\$ (59,652)</u>	<u>\$ -</u>	<u>\$ 2,056,388</u>
Business-type activities capital assets, net	<u>\$ 2,546,459</u>	<u>\$ (59,652)</u>	<u>\$ -</u>	<u>\$ 2,486,807</u>

Note 14—Risk Management:

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 15—Contingent Liabilities:

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

Note 16—Deferred/Unavailable Revenue:

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

	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 the funding of current expenditures.	\$ -	\$ 460,144
Tax assessments due after June 30	4,781,378	4,781,378
Unavailable EMS revenue representing uncollected EMS billings that are not available for funding of current expenditures.	-	34,184
Capital lease receivable	-	880,206
Prepaid taxes relating to taxes due in a future period.	252,741	252,741
Total deferred/unavailable revenue	\$ 5,034,119	\$ 6,408,653

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 17-Landfill Closure and Post-closure Care Cost:

The County closed its former landfill site in 1995. In accordance with federal and state laws, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure.

The presence of certain contaminants has been detected in the groundwater, which thereby extends the monitoring period in excess of the initial requirement. The estimated liability for post closure care is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the County, as discussed below. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. The cumulative amount of estimated post closure care and corrective costs to date for this site, less cash paid for such costs to date, totals \$1,349,407. This amount is included in the long-term liabilities in the primary government.

The County's current plan of remediation is monitored natural attenuation. This remedy consists of monitoring wells on the site for up to ten years. It is the County's and its external engineer's belief that during this period, the groundwater contaminants will decrease to an acceptable level and the County will be released by the DEQ from all other monitoring requirements.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 18 - Operating Lease

The County leases a manufacturing building to Legacy, Inc. The agreement was for a ten-year term that initially ended on January 31, 2010. However, the lease has been renewed annually for additional one year periods through January 31, 2020. The lease requires Legacy maintain a certain level of employment at the facility or the County can declare the company in default and take possession of the building. Legacy has an option to purchase the building at any time during the term of the lease at a then determined fair market appraised value of the property. The 2019 minimum monthly rental payment under this lease is \$4,500.

Note 19-Capital Lease Receivable

During the fiscal year ending June 30, 2014, the County purchased a building and related land with debt proceeds and subsequently transferred ownership to the Floyd County Economic Development Authority (EDA). During fiscal year 2015, the EDA leased the building to a local corporation and assigned all rental payments to the County. For financial reporting purposes, the lease is considered a capital lease. As such, the County has recorded a long-term receivable (\$880,206 as of June 30, 2019) for anticipated lease payments. Terms of the lease agreement require monthly payments of \$13,542 for a period of ten years beginning on December 1, 2014.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 20—Litigation:

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

Note 21-Self Health Insurance:

The Floyd County School Board established a limited risk management program for health insurance. Premiums are paid into the Virginia Health Alliance health plan account from the School Board and are available to pay claims, reinsurance, and administrative costs of the program. During the fiscal year 2019, a total of \$1,339,826 was paid in benefits and administrative costs. Claims for the fiscal year totaled \$1,551,099. The risk assumed by the School Board is based on the number of participants in the program and is limited to \$90,000 per participant or \$1,560,948 in the aggregate. Incurred but not reported claims of \$354,218 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Changes in the claims liability for the current and two prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2018-19	\$ 142,945	\$ 1,551,099	\$ (1,339,826)	\$ 354,218
2017-18	121,217	1,376,427	(1,354,699)	142,945
2016-17	158,246	1,613,253	(1,650,282)	121,217

Note 22—Commitments

At June 30, 2019, the County had the following outstanding construction commitments:

<u>Project</u>	<u>Amount of Contract</u>	<u>Amount Outstanding</u>	<u>Accounts Payable</u>
Floyd County Schools Upgrade (Contractor)	\$ 2,745,000	\$ 2,745,000	\$ -
Floyd County Schools Upgrade (Engineering)	480,411	112,259	12,115
Total	\$ 3,225,411	\$ 2,857,259	\$ 12,115

Note 23—Subsequent Events:

In July 2019, the jointly governed Floyd-Floyd County Recreational Authority dissolved and became a department of the County. All assets and liabilities of the Authority became those of the County in July 2019.

Subsequent to year-end, the County entered into a construction contract for school construction in the amount of \$2,745,000. The project will be funded by the loan funds remaining to be drawn down.

The Economic Development Authority opened a line of credit on July 19, 2019 in the amount of \$100,000 with a interest rate of Prime plus .25% or 5.75% as of July 19, 2019.

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 24—Adoption of Accounting Principles:

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

Note 25—Upcoming Pronouncements:

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

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

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

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

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

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

Required Supplementary Information

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 12,385,109	\$ 12,393,334	\$ 12,610,437	\$ 217,103
Other local taxes	1,848,803	1,848,803	1,875,636	26,833
Permits, privilege fees, and regulatory licenses	114,500	114,500	115,111	611
Fines and forfeitures	17,500	27,827	24,614	(3,213)
Revenue from the use of money and property	293,405	293,405	365,852	72,447
Charges for services	872,438	889,036	857,559	(31,477)
Miscellaneous	375,761	943,623	102,511	(841,112)
Recovered costs	50,000	72,631	83,019	10,388
Intergovernmental:				
Commonwealth	3,779,640	4,808,093	4,205,304	(602,789)
Federal	1,071,944	1,071,944	945,820	(126,124)
Total revenues	\$ 20,809,100	\$ 22,463,196	\$ 21,185,863	\$ (1,277,333)
EXPENDITURES				
Current:				
General government administration	\$ 1,539,274	\$ 1,461,384	\$ 1,358,867	\$ 102,517
Judicial administration	1,003,528	1,041,841	949,510	92,331
Public safety	4,197,225	4,315,386	4,127,305	188,081
Public works	1,673,506	2,013,391	1,852,654	160,737
Health and welfare	2,102,759	2,791,251	2,535,673	255,578
Education	7,220,145	7,220,145	7,009,046	211,099
Parks, recreation, and cultural	316,248	304,969	302,567	2,402
Community development	3,101,343	1,242,802	856,024	386,778
Nondepartmental	200,000	-	-	-
Capital projects	249,336	605,371	426,746	178,625
Debt service:				
Principal retirement	1,572,555	1,711,122	2,543,649	(832,527)
Interest and other fiscal charges	501,850	414,046	708,213	(294,167)
Total expenditures	\$ 23,677,769	\$ 23,121,708	\$ 22,670,254	\$ 451,454
Excess (deficiency) of revenues over (under) expenditures	\$ (2,868,669)	\$ (658,512)	\$ (1,484,391)	\$ (825,879)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (327,850)	\$ (327,850)
Issuance of capital lease	-	-	22,782	22,782
Issuance of lease revenue bonds	-	-	7,525,910	7,525,910
Total other financing sources (uses)	\$ -	\$ -	\$ 7,220,842	\$ 7,220,842
Net change in fund balances	\$ (2,868,669)	\$ (658,512)	\$ 5,736,451	\$ 6,394,963
Fund balances - beginning	2,868,669	658,512	10,498,823	9,840,311
Fund balances - ending	\$ -	\$ -	\$ 16,235,274	\$ 16,235,274

Statement of Net Position
 Fire and Rescue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 240,431	\$ 240,431	\$ 267,706	\$ 27,275
Intergovernmental:				
Commonwealth	69,366	87,595	87,054	(541)
Total revenues	\$ 309,797	\$ 328,026	\$ 354,760	\$ 26,734
EXPENDITURES				
Current:				
Public safety	\$ 400,472	\$ 418,713	\$ 414,752	\$ 3,961
Debt service:				
Principal retirement	39,140	39,140	39,140	-
Interest and other fiscal charges	4,007	4,007	1,206	2,801
Total expenditures	\$ 443,619	\$ 461,860	\$ 455,098	\$ 6,762
Excess (deficiency) of revenues over (under) expenditures	\$ (133,822)	\$ (133,834)	\$ (100,338)	\$ 33,496
Net change in fund balances	\$ (133,822)	\$ (133,834)	\$ (100,338)	\$ 33,496
Fund balances - beginning	133,822	133,834	(1,134,668)	(1,268,502)
Fund balances (deficit) - ending	\$ -	\$ -	\$ (1,235,006)	\$ (1,235,006)

Statement of Net Position
 Asset Forfeiture Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 42	\$ 42
Intergovernmental:				
Commonwealth	-	-	24,167	24,167
Total revenues	\$ -	\$ -	\$ 24,209	\$ 24,209
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ 59,787	\$ (59,787)
Total expenditures	\$ -	\$ -	\$ 59,787	\$ (59,787)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (35,578)	\$ (35,578)
Net change in fund balances	\$ -	\$ -	\$ (35,578)	\$ (35,578)
Fund balances - beginning	-	-	129,658	129,658
Fund balances (deficit) - ending	\$ -	\$ -	\$ 94,080	\$ 94,080

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

Measurement Date	Proportion of the Net Pension Liability (NPL)	Proportionate Share of the NPL	Covered Employee Payroll	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability
(1)	(2)	(3)	(4)	(5)	(6)
Primary Government - Floyd County Retirement Plan					
6/30/2018	93.4793%	\$ 2,459,808	\$ 4,008,077	61.37%	85.30%
6/30/2017	93.5572%	2,166,478	3,699,615	58.56%	86.27%
6/30/2016	93.9623%	1,653,111	3,350,265	49.34%	88.35%
6/30/2015	93.9623%	1,710,798	3,243,562	52.74%	87.93%
6/30/2014	93.9623%	1,559,230	3,158,882	49.36%	88.43%
Component Unit - School Board (professional)					
6/30/2018	0.1309%	\$ 15,393,000	\$ 10,651,747	144.51%	74.81%
6/30/2017	0.1281%	15,747,000	10,175,499	154.75%	72.92%
6/30/2016	0.1333%	18,685,000	10,166,273	183.79%	68.28%
6/30/2015	0.1313%	16,527,000	9,762,551	169.29%	70.68%
6/30/2014	0.1360%	16,432,000	9,943,630	165.25%	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 Floyd, Virginia
 Schedule of Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 133,029	\$ 136,373	\$ 135,188	\$ 141,862	\$ 141,371
Interest	532,720	511,312	508,111	494,918	484,197
Differences between expected and actual experience	(79,455)	302,461	(38,179)	99,493	-
Changes in assumptions	-	(98,446)	-	-	-
Benefit payments, including refunds of employee contributions	(510,474)	(581,269)	(537,531)	(558,076)	(386,746)
Net change in total pension liability	\$ 75,820	\$ 270,431	\$ 67,589	\$ 178,197	\$ 238,822
Total pension liability - beginning	7,865,517	7,595,086	7,527,497	7,349,300	7,110,478
Total pension liability - ending (a)	\$ 7,941,337	\$ 7,865,517	\$ 7,595,086	\$ 7,527,497	\$ 7,349,300
Plan fiduciary net position					
Contributions - employer	\$ 169,734	\$ 161,903	\$ 151,165	\$ 146,934	\$ 120,805
Contributions - employee	74,558	71,504	75,643	72,990	71,995
Net investment income	441,480	679,894	94,757	265,834	838,193
Benefit payments, including refunds of employee contributions	(510,474)	(581,269)	(537,531)	(558,076)	(386,746)
Administrative expense	(3,956)	(4,184)	(3,838)	(3,938)	(4,638)
Other	(387)	(593)	(42)	(57)	45
Net change in plan fiduciary net position	\$ 170,955	\$ 327,255	\$ (219,846)	\$ (76,313)	\$ 639,654
Plan fiduciary net position - beginning	6,070,114	5,742,859	5,962,705	6,039,018	5,399,364
Plan fiduciary net position - ending (b)	\$ 6,241,069	\$ 6,070,114	\$ 5,742,859	\$ 5,962,705	\$ 6,039,018
School Division's net pension liability - ending (a) - (b)	\$ 1,700,268	\$ 1,795,403	\$ 1,852,227	\$ 1,564,792	\$ 1,310,282
Plan fiduciary net position as a percentage of the total pension liability	78.59%	77.17%	75.61%	79.21%	82.17%
Covered payroll	\$ 1,590,936	\$ 1,505,465	\$ 1,480,882	\$ 1,423,176	\$ 1,449,434
School Division's net pension liability as a percentage of covered payroll	106.87%	119.26%	125.08%	109.95%	90.40%

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 Floyd, Virginia
 Schedule of Employer Contributions
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess)* (1) - (2) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (2)/(4) (5)
Primary Government - Floyd County Retirement Plan					
2019	\$ 443,606	\$ 443,606	\$ -	\$ 4,414,382	10.05%
2018	311,388	311,388	-	4,008,077	7.77%
2017	298,223	298,223	-	3,699,615	8.06%
2016	366,184	366,184	-	3,350,265	10.93%
2015	347,839	347,839	-	3,243,562	10.72%
2014	378,434	378,434	-	3,158,882	11.98%
2013	370,739	370,739	-	3,094,649	11.98%
2012	305,053	305,053	-	2,896,988	10.53%
2011	292,169	292,169	-	2,774,634	10.53%
2010	283,748	283,748	-	2,773,683	10.23%
Component Unit School Board (nonprofessional)					
2019	\$ 202,604	\$ 202,604	\$ -	\$ 1,589,082	12.75%
2018	169,734	169,734	-	1,590,936	10.67%
2017	161,903	161,903	-	1,505,465	10.75%
2016	191,774	150,059	41,715	1,480,882	10.13%
2015	184,301	146,934	37,367	1,423,176	10.32%
2014	172,641	120,805	51,836	1,449,434	8.33%
2013	160,342	112,199	48,143	1,337,294	8.39%
2012	95,527	95,527	-	1,296,159	7.37%
2011	98,938	98,938	-	1,342,443	7.37%
2010	104,397	104,397	-	1,023,072	10.20%
Component Unit School Board (professional) (1)					
2019	\$ 1,691,707	\$ 1,691,707	\$ -	\$ 11,146,168	15.18%
2018	1,713,031	1,713,031	-	10,651,747	16.08%
2017	1,486,250	1,486,250	-	10,175,499	14.61%
2016	1,411,023	1,411,023	-	10,166,273	13.88%
2015	1,415,570	1,415,570	-	9,762,551	14.50%
2014	1,159,427	1,159,427	-	9,943,630	11.66%

(1) Only 6 years of information are available.

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

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government - Floyd County Retirement Plan					
2018	0.0211% \$	319,699	\$ 4,008,077	7.98%	51.22%
2017	0.0201%	302,190	3,699,615	8.17%	48.86%
Component Unit - School Board (non-professional)					
2018	0.0084% \$	128,000	\$ 1,590,936	8.05%	51.22%
2017	0.0082%	123,000	1,505,465	8.17%	48.86%
Component Unit - School Board (professional)					
2018	0.0560% \$	851,000	\$ 10,651,747	7.99%	51.22%
2017	0.0552%	831,000	10,175,499	8.17%	48.86%

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

County of Floyd, Virginia
 Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government - County					
2019	\$ 23,056	\$ 23,056	\$ -	4,414,382	0.52%
2018	20,842	20,842	-	4,008,077	0.52%
2017	19,238	19,238	-	3,699,615	0.52%
2016	16,081	16,081	-	3,350,265	0.48%
2015	15,275	15,275	-	3,243,562	0.47%
2014	15,163	15,163	-	3,158,882	0.48%
2013	14,854	14,854	-	3,094,649	0.48%
2012	8,112	8,112	-	2,896,988	0.28%
2011	7,769	7,769	-	2,774,634	0.28%
2010	7,489	7,489	-	2,773,683	0.27%
Component Unit School Board (nonprofessional)					
2019	\$ 8,263	\$ 8,263	\$ -	1,589,082	0.52%
2018	8,273	8,273	-	1,590,936	0.52%
2017	7,828	7,828	-	1,505,465	0.52%
2016	7,108	7,108	-	1,480,882	0.48%
2015	6,831	6,831	-	1,423,176	0.48%
2014	6,957	6,957	-	1,449,434	0.48%
2013	6,419	6,419	-	1,337,294	0.48%
2012	3,629	3,629	-	1,296,159	0.28%
2011	3,759	3,759	-	1,342,443	0.28%
2010	2,762	2,762	-	1,023,072	0.27%
Component Unit School Board (professional)					
2019	\$ 57,960	\$ 57,960	\$ -	11,146,168	0.52%
2018	55,389	55,389	-	10,651,747	0.52%
2017	52,933	52,933	-	10,175,499	0.52%
2016	48,911	48,911	-	10,166,273	0.48%
2015	46,860	46,860	-	9,762,551	0.48%
2014	47,747	47,747	-	9,943,630	0.48%
2013	44,344	44,344	-	9,114,430	0.49%
2012	25,821	25,821	-	9,145,953	0.28%
2011	27,151	27,151	-	9,696,940	0.28%
2010	20,385	20,385	-	7,549,944	0.27%

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

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

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

Teachers

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.1317% \$	1,672,000 \$	10,651,747	15.70%	8.08%
2017	0.1289%	1,636,000	10,175,499	16.08%	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 Floyd, Virginia
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 133,755	\$ 133,755	\$ -	\$ 11,146,168	1.20%
2018	131,018	131,018	-	10,651,747	1.23%
2017	112,948	112,948	-	10,175,499	1.11%
2016	107,763	107,763	-	10,166,273	1.06%
2015	103,483	103,483	-	9,762,551	1.06%
2014	110,374	110,374	-	9,943,630	1.11%
2013	101,170	101,170	-	9,114,430	1.11%
2012	54,876	54,876	-	9,145,953	0.60%
2011	58,182	58,182	-	9,696,940	0.60%
2010	78,519	78,519	-	7,549,944	1.04%

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

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

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

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

Other Supplementary Information

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ 75,000	\$ 75,000	\$ 207,673	\$ 132,673
Total revenues	\$ 75,000	\$ 75,000	\$ 207,673	\$ 132,673
EXPENDITURES				
Current:				
Education	\$ -	\$ -	\$ 257,338	\$ (257,338)
Total expenditures	\$ -	\$ -	\$ 257,338	\$ (257,338)
Excess (deficiency) of revenues over (under) expenditures	\$ 75,000	\$ 75,000	\$ (49,665)	\$ (124,665)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 327,850	\$ 327,850
Total other financing sources and uses	\$ -	\$ -	\$ 327,850	\$ 327,850
Net change in fund balances	\$ 75,000	\$ 75,000	\$ 278,185	\$ 203,185
Fund balances - beginning	(75,000)	(75,000)	259,266	334,266
Fund balances (deficit) - ending	\$ -	\$ -	\$ 537,451	\$ 537,451

FIDUCIARY FUNDS - AGENCY FUNDS

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

County of Floyd, Virginia
 Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets				
Current Assets				
Cash and cash equivalents				
Special Welfare Fund	\$ 3,162	\$ 51,124	\$ (41,300)	\$ 12,986
Total Assets	<u>\$ 3,162</u>	<u>\$ 51,124</u>	<u>\$ (41,300)</u>	<u>\$ 12,986</u>
Liabilities				
Amounts held for social services clients	\$ 3,162	\$ 51,124	\$ (41,300)	\$ 12,986
Total Liabilities	<u>\$ 3,162</u>	<u>\$ 51,124</u>	<u>\$ (41,300)</u>	<u>\$ 12,986</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

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

		<u>School Operating Fund</u>
ASSETS		
Cash and cash equivalents	\$	1,705,790
Due from primary government		1,920,338
Due from other governmental units		396,665
Inventories		26,252
Prepaid items		44,546
Total assets	\$	<u>4,093,591</u>
LIABILITIES		
Accounts payable	\$	30,627
Accrued payroll liabilities		1,920,338
Health claim payable		354,218
Total liabilities	\$	<u>2,305,183</u>
FUND BALANCES		
Nonspendable:		
Prepaid items and inventory	\$	70,798
Restricted:		
Cafeteria		115,494
Self health insurance		1,236,078
Unassigned		366,038
Total fund balances	\$	<u>1,788,408</u>
Total liabilities and fund balances	\$	<u>4,093,591</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	1,788,408
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	265,917
Buildings and improvements		2,856,837
Machinery and equipment		<u>566,092</u>
		3,688,846
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	2,641,052
OPEB related items		<u>288,978</u>
		2,930,030
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(561,906)
Net pension liability		(17,093,268)
Net OPEB liabilities		<u>(2,651,000)</u>
		(20,306,174)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(2,372,492)
OPEB related items		<u>(175,000)</u>
		(2,547,492)
Net position of governmental activities	\$	<u>(14,446,382)</u>

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

		School Operating <u>Fund</u>
REVENUES		
Charges for services	\$	355,188
Miscellaneous		37,699
Recovered costs		202,748
Intergovernmental:		
Local government		7,259,163
Commonwealth		12,499,977
Federal		1,800,467
Total revenues	\$	<u>22,155,242</u>
EXPENDITURES		
Current:		
Education	\$	<u>22,396,380</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>(241,138)</u>
Net change in fund balances	\$	(241,138)
Fund balances - beginning		<u>2,029,546</u>
Fund balances - ending	\$	<u><u>1,788,408</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Net change in fund balances - total governmental funds - per above	\$	(241,138)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.		
Capital asset additions	\$	148,840
Depreciation expense		<u>(327,483)</u>
		(178,643)
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	\$	8,708
Change in net pension liability and related deferred items		698,078
Change in net OPEB liability and related deferred items		<u>56,298</u>
		763,084
Change in net position of governmental activities	\$	<u><u>343,303</u></u>

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 498,624	\$ 498,624	\$ 355,188	\$ (143,436)
Miscellaneous	35,496	35,495	37,699	2,204
Recovered costs	81,000	174,093	202,748	28,655
Intergovernmental:				
Local government	7,212,924	7,470,262	7,259,163	(211,099)
Commonwealth	12,632,386	12,632,386	12,499,977	(132,409)
Federal	1,717,029	1,790,437	1,800,467	10,030
Total revenues	<u>\$ 22,177,459</u>	<u>\$ 22,601,297</u>	<u>\$ 22,155,242</u>	<u>\$ (446,055)</u>
EXPENDITURES				
Current:				
Education	\$ 22,177,459	\$ 22,601,297	\$ 22,396,380	\$ 204,917
Total expenditures	<u>\$ 22,177,459</u>	<u>\$ 22,601,297</u>	<u>\$ 22,396,380</u>	<u>\$ 204,917</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (241,138)</u>	<u>\$ (241,138)</u>
Net change in fund balances	\$ -	\$ -	\$ (241,138)	\$ (241,138)
Fund balances - beginning	-	-	2,029,546	2,029,546
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,788,408</u>	<u>\$ 1,788,408</u>

**DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC
DEVELOPMENT AUTHORITY**

PROPRIETARY FUNDS

Enterprise Fund - The Enterprise Fund accounts for the operations of the County's Economic Development Authority. Financing is provided by charges for services and the Federal government, as well as contributions from the General Fund.

County of Floyd, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Net Position - Proprietary Fund
June 30, 2019

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 213,541
Accounts receivable	3,818
Loan receivable - current portion	11,449
Lease receivable	19,100
Inventory, held for resale	246,180
Total current assets	\$ 494,088
Noncurrent assets:	
Other assets:	
Loan receivable - net of current portion	\$ 141,203
Restricted cash and cash equivalents	97,791
Capital assets:	
Land	430,419
Machinery and equipment	72,265
Building	2,311,828
Accumulated depreciation	(327,705)
Total capital assets	\$ 2,486,807
Total noncurrent assets	\$ 2,725,801
Total assets	\$ 3,219,889
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 60,440
Customers' deposits	12,896
Unearned revenue	4,055
Total liabilities	\$ 77,391
NET POSITION	
Investment in capital assets	\$ 2,486,807
Unrestricted	655,691
Total net position	\$ 3,142,498

County of Floyd, Virginia
Discretely Presented Component Unit
Economic Development Authority
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2019

	Enterprise Fund
OPERATING REVENUES	
IRB Fees	\$ 3,284
Use of property	75,485
Miscellaneous revenue	20,738
Intergovernmental:	
Local government	42,148
Total operating revenues	\$ 141,655
OPERATING EXPENSES	
Operations	\$ 96,567
Depreciation	59,652
Total operating expenses	\$ 156,219
Operating income (loss)	\$ (14,564)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental:	
State	\$ 637,265
Federal	75,000
Economic incentive payments	(637,265)
Interest income	10,399
Total nonoperating revenues (expenses)	\$ 85,399
Change in net position	\$ 70,835
Total net position - beginning	3,071,663
Total net position - ending	\$ 3,142,498

County of Floyd, Virginia
 Discretely Presented Component Unit
 Economic Development Authority
 Statement of Cash Flows - Proprietary Fund
 For the Year Ended June 30, 2019

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 148,576
Payments to suppliers	(96,377)
Net cash provided by (used for) operating activities	<u>\$ 52,199</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grants to local companies	\$ (578,939)
Contributions in aid of construction	712,265
Net cash provided by (used for) capital and related financing activities	<u>\$ 133,326</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 10,399
Loans/notes issued to customers	(114,898)
Payments received on notes/loans receivable	50,900
Net cash provided by (used for) investing activities	<u>\$ (53,599)</u>
Net increase (decrease) in cash and cash equivalents	\$ 131,926
Cash and cash equivalents - beginning (including restricted cash of \$86,058)	179,406
Cash and cash equivalents - ending (including restricted cash of \$97,791)	<u>\$ 311,332</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (14,564)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	\$ 59,652
(Increase) decrease in accounts receivable	5,498
(Increase) decrease in lease receivable	1,100
Increase (decrease) in customer deposits	484
Increase (decrease) in accounts payables	190
Increase (decrease) in unearned revenue	(161)
Total adjustments	<u>\$ 66,763</u>
Net cash provided by (used for) operating activities	<u>\$ 52,199</u>

Supporting Schedules

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 9,293,594	\$ 9,293,594	\$ 9,347,830	\$ 54,236
Real and personal public service corporation taxes	367,184	367,184	366,571	(613)
Personal property taxes	2,289,149	2,289,149	2,394,501	105,352
Mobile home taxes	55,182	55,182	50,798	(4,384)
Machinery and tools taxes	183,500	183,500	232,533	49,033
Merchant's capital	64,500	64,500	56,302	(8,198)
DMV Stops and administration fees	7,000	15,225	16,589	1,364
Penalties	75,000	75,000	99,163	24,163
Interest	50,000	50,000	46,150	(3,850)
Total general property taxes	<u>\$ 12,385,109</u>	<u>\$ 12,393,334</u>	<u>\$ 12,610,437</u>	<u>\$ 217,103</u>
Other local taxes:				
Local sales and use taxes	\$ 948,568	\$ 948,568	\$ 961,822	\$ 13,254
Consumers' utility taxes	395,000	395,000	366,782	(28,218)
Consumption taxes	-	-	45,738	45,738
Motor vehicle licenses	414,235	414,235	406,395	(7,840)
Recordation tax	6,000	6,000	3,920	(2,080)
Hotel and motel room taxes	60,000	60,000	60,141	141
Other local taxes	25,000	25,000	30,838	5,838
Total other local taxes	<u>\$ 1,848,803</u>	<u>\$ 1,848,803</u>	<u>\$ 1,875,636</u>	<u>\$ 26,833</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 10,680	\$ 2,680
Transfer fees	1,000	1,000	648	(352)
Building permits	90,000	90,000	87,753	(2,247)
Land use application fees	10,000	10,000	11,350	1,350
Other permits and licenses	5,500	5,500	4,680	(820)
Total permits, privilege fees, and regulatory licenses	<u>\$ 114,500</u>	<u>\$ 114,500</u>	<u>\$ 115,111</u>	<u>\$ 611</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 17,500	\$ 27,827	\$ 24,614	\$ (3,213)
Revenue from use of money and property:				
Revenue from use of money	\$ 73,305	\$ 73,305	\$ 156,452	\$ 83,147
Revenue from use of property	220,100	220,100	209,400	(10,700)
Total revenue from use of money and property	<u>\$ 293,405</u>	<u>\$ 293,405</u>	<u>\$ 365,852</u>	<u>\$ 72,447</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 151,238	\$ 167,836	\$ 217,525	\$ 49,689
Charges for courthouse maintenance	3,500	3,500	2,963	(537)
Charges for courthouse security	10,000	10,000	10,278	278
Recordation fees	85,000	85,000	98,654	13,654
Charges for Commonwealth's Attorney	2,000	2,000	1,238	(762)
Charges for sanitation and waste removal	219,000	219,000	192,232	(26,768)
Charges for emergency medical services	400,000	400,000	331,752	(68,248)
Charges for library	1,700	1,700	2,041	341
Jail admission fees	-	-	876	876
Total charges for services	<u>\$ 872,438</u>	<u>\$ 889,036</u>	<u>\$ 857,559</u>	<u>\$ (31,477)</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 375,761	\$ 943,623	\$ 102,511	\$ (841,112)
Recovered costs:				
Welfare recoveries	\$ 10,000	\$ 10,000	\$ 42,349	\$ 32,349
Insurance recoveries	20,000	27,743	22,949	(4,794)
Other recovered costs	20,000	34,888	17,721	(17,167)
Total recovered costs	\$ 50,000	\$ 72,631	\$ 83,019	\$ 10,388
Total revenue from local sources	\$ 15,957,516	\$ 16,583,159	\$ 16,034,739	\$ (548,420)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 22,000	\$ 22,000	\$ 33,239	\$ 11,239
Motor vehicle carriers tax	100	100	110	10
Motor vehicle rental tax	2,000	2,000	4,282	2,282
State recordation tax	30,000	30,000	33,454	3,454
Communication tax	596,000	596,000	526,167	(69,833)
Personal property tax relief funds	922,892	922,892	925,741	2,849
Total noncategorical aid	\$ 1,572,992	\$ 1,572,992	\$ 1,522,993	\$ (49,999)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 247,065	\$ 247,065	\$ 245,438	\$ (1,627)
Sheriff	743,723	743,723	744,203	480
Commissioner of revenue	96,590	96,590	96,549	(41)
Treasurer	86,253	86,253	85,780	(473)
Medical examiner	300	300	-	(300)
Registrar/electoral board	40,147	40,147	37,500	(2,647)
Clerk of the Circuit Court	194,549	207,182	206,757	(425)
Total shared expenses	\$ 1,408,627	\$ 1,421,260	\$ 1,416,227	\$ (5,033)
Other categorical aid:				
Welfare payments	\$ 206,481	\$ 507,081	\$ 521,408	\$ 14,327
CSA payments	487,716	786,816	570,313	(216,503)
Arts grant	5,000	5,000	4,500	(500)
Litter control grant	7,000	7,000	6,971	(29)
E911 PSAP grants	48,605	48,605	41,121	(7,484)
School resource officer grant	12,749	16,340	25,869	9,529
Four-for-life	30,470	30,470	29,745	(725)
VJCCA grant	-	4,938	6,585	1,647
Tobacco Commission grants	-	50,000	50,000	-
VDHCD VATI grant	-	348,019	-	(348,019)
Clerk of the court technology grant	-	9,572	9,572	-
Total other categorical aid	\$ 798,021	\$ 1,813,841	\$ 1,266,084	\$ (547,757)
Total categorical aid	\$ 2,206,648	\$ 3,235,101	\$ 2,682,311	\$ (552,790)
Total revenue from the Commonwealth	\$ 3,779,640	\$ 4,808,093	\$ 4,205,304	\$ (602,789)

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 13,390	\$ 13,390	\$ -	\$ (13,390)
Categorical aid:				
Welfare payments	\$ 821,470	\$ 821,470	\$ 844,680	\$ 23,210
Children's Services Act funds	47,084	47,084	47,084	-
Emergency management performance grant	190,000	190,000	7,500	(182,500)
Violence against women grants	-	-	31,000	31,000
Bulletproof vest partnership grants	-	-	4,749	4,749
Open container/highway safety grant	-	-	10,807	10,807
Total categorical aid	<u>\$ 1,058,554</u>	<u>\$ 1,058,554</u>	<u>\$ 945,820</u>	<u>\$ (112,734)</u>
Total revenue from the federal government	<u>\$ 1,071,944</u>	<u>\$ 1,071,944</u>	<u>\$ 945,820</u>	<u>\$ (126,124)</u>
Total General Fund	<u>\$ 20,809,100</u>	<u>\$ 22,463,196</u>	<u>\$ 21,185,863</u>	<u>\$ (1,277,333)</u>
Special Revenue Funds:				
Fire and Rescue Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 186,094	\$ 186,094	\$ 189,892	\$ 3,798
Real and personal public service corporation taxes	7,494	7,494	7,800	306
Personal property taxes	45,789	45,789	68,899	23,110
Mobile home taxes	1,054	1,054	1,115	61
Total general property taxes	<u>\$ 240,431</u>	<u>\$ 240,431</u>	<u>\$ 267,706</u>	<u>\$ 27,275</u>
Total revenue from local sources	<u>\$ 240,431</u>	<u>\$ 240,431</u>	<u>\$ 267,706</u>	<u>\$ 27,275</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Fire program funds	\$ 52,000	\$ 52,000	\$ 51,414	\$ (586)
Four-for-life	17,366	35,595	35,640	45
Total categorical aid	<u>\$ 69,366</u>	<u>\$ 87,595</u>	<u>\$ 87,054</u>	<u>\$ (541)</u>
Total revenue from the Commonwealth	<u>\$ 69,366</u>	<u>\$ 87,595</u>	<u>\$ 87,054</u>	<u>\$ (541)</u>
Total Fire and Rescue Fund	<u>\$ 309,797</u>	<u>\$ 328,026</u>	<u>\$ 354,760</u>	<u>\$ 26,734</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Asset Forfeiture Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 42	\$ 42
Total revenue from local sources	\$ -	\$ -	\$ 42	\$ 42
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture	\$ -	\$ -	\$ 24,167	\$ 24,167
Total revenue from the Commonwealth	\$ -	\$ -	\$ 24,167	\$ 24,167
Total Asset Forfeiture Fund	\$ -	\$ -	\$ 24,209	\$ 24,209
Capital Projects Fund:				
Capital Improvements Fund:				
Revenue from local sources:				
Other local taxes:				
Meals taxes	\$ 75,000	\$ 75,000	\$ 207,673	\$ 132,673
Total Capital Improvements Fund	\$ 75,000	\$ 75,000	\$ 207,673	\$ 132,673
Total Primary Government	\$ 21,193,897	\$ 22,866,222	\$ 21,772,505	\$ (1,093,717)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition and payments from other divisions	\$ 10,000	\$ 10,000	\$ 13,523	\$ 3,523
Cafeteria	478,124	478,124	326,785	(151,339)
Other charges for services	10,500	10,500	14,880	4,380
Total charges for services	\$ 498,624	\$ 498,624	\$ 355,188	\$ (143,436)
Miscellaneous:				
Donations	\$ -	\$ -	\$ 556	\$ 556
Sale of supplies and equipment	500	500	200	(300)
Other miscellaneous	34,996	34,995	36,943	1,948
Total miscellaneous	\$ 35,496	\$ 35,495	\$ 37,699	\$ 2,204
Recovered costs:				
Rebates and refunds	\$ 6,000	\$ 6,000	\$ 6,625	\$ 625
Insurance recoveries	-	-	6,897	6,897
Medicaid payments	75,000	168,093	189,226	21,133
Total recovered costs	\$ 81,000	\$ 174,093	\$ 202,748	\$ 28,655
Total revenue from local sources	\$ 615,120	\$ 708,212	\$ 595,635	\$ (112,577)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Floyd, Virginia	\$ 7,212,924	\$ 7,470,262	\$ 7,259,163	\$ (211,099)
Total revenues from local governments	\$ 7,212,924	\$ 7,470,262	\$ 7,259,163	\$ (211,099)

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,441,518	\$ 2,441,518	\$ 2,476,465	\$ 34,947
Basic school aid	6,103,860	6,103,860	5,936,308	(167,552)
Remedial summer education	79,642	79,642	62,552	(17,090)
Foster care	-	-	20,433	20,433
Gifted and talented	63,732	63,732	62,453	(1,279)
Remedial education	197,568	197,568	193,604	(3,964)
Special education	800,469	800,469	784,409	(16,060)
Textbook payment	128,343	128,343	125,768	(2,575)
Vocational standards of quality payments	168,251	168,251	164,876	(3,375)
Vocational adult education	-	-	736	736
School food	28,818	28,818	25,534	(3,284)
Social security fringe benefits	376,016	376,016	368,472	(7,544)
Retirement fringe benefits	829,785	829,785	813,138	(16,647)
Group life insurance benefits	25,493	25,493	24,981	(512)
State lottery payments	442,631	442,631	454,845	12,214
Early reading intervention	24,499	24,499	46,771	22,272
Homebound education	2,140	2,140	3,751	1,611
ISAFP	7,859	7,859	8,355	496
Vocational education - equipment	4,400	4,400	5,025	625
Vocational occupational preparedness	36,098	36,098	5,250	(30,848)
Special education - foster care	31,398	31,398	10,817	(20,581)
At risk payments	184,946	184,946	200,285	15,339
Primary class size	237,594	237,594	235,699	(1,895)
Technology	180,000	180,000	180,000	-
Standards of Learning algebra readiness	29,503	29,503	24,917	(4,586)
At risk four-year olds	151,740	151,740	151,741	1
Mentor teach program	1,241	1,241	1,857	616
English as a second language	44,378	44,378	26,896	(17,482)
Other state funds	10,464	10,464	84,039	73,575
Total categorical aid	<u>\$ 12,632,386</u>	<u>\$ 12,632,386</u>	<u>\$ 12,499,977</u>	<u>\$ (132,409)</u>
Total revenue from the Commonwealth	<u>\$ 12,632,386</u>	<u>\$ 12,632,386</u>	<u>\$ 12,499,977</u>	<u>\$ (132,409)</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 461,319	\$ 499,052	\$ 456,858	\$ (42,194)
Title VI-B, special education flow-through	499,032	499,032	491,721	(7,311)
Title VI-B, special education pre-school	22,329	22,329	22,732	403
Vocational education	38,506	38,506	40,379	1,873
Improving teacher quality	83,371	83,371	52,462	(30,909)
English language acquisition skills	6,144	6,144	11,328	5,184
School food	606,328	621,045	698,379	77,334
Student support	-	20,958	26,608	5,650
Total categorical aid	<u>\$ 1,717,029</u>	<u>\$ 1,790,437</u>	<u>\$ 1,800,467</u>	<u>\$ 10,030</u>
Total revenue from the federal government	<u>\$ 1,717,029</u>	<u>\$ 1,790,437</u>	<u>\$ 1,800,467</u>	<u>\$ 10,030</u>
Total School Operating Fund	<u>\$ 22,177,459</u>	<u>\$ 22,601,297</u>	<u>\$ 22,155,242</u>	<u>\$ (446,055)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 22,177,459</u>	<u>\$ 22,601,297</u>	<u>\$ 22,155,242</u>	<u>\$ (446,055)</u>

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

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 91,285	\$ 93,985	\$ 85,362	\$ 8,623
General and financial administration:				
County administrator	\$ 379,285	\$ 360,285	\$ 353,087	\$ 7,198
Legal services	40,000	76,035	75,950	85
Commissioner of revenue	392,700	305,151	276,544	28,607
Reassessment	175,500	175,500	135,622	39,878
Audit	60,000	52,000	51,800	200
Treasurer	228,861	237,185	232,195	4,990
Total general and financial administration	<u>\$ 1,276,346</u>	<u>\$ 1,206,156</u>	<u>\$ 1,125,198</u>	<u>\$ 80,958</u>
Board of elections:				
Electoral board and officials	\$ 49,383	\$ 38,983	\$ 28,530	\$ 10,453
Registrar	122,260	122,260	119,777	2,483
Total board of elections	<u>\$ 171,643</u>	<u>\$ 161,243</u>	<u>\$ 148,307</u>	<u>\$ 12,936</u>
Total general government administration	<u>\$ 1,539,274</u>	<u>\$ 1,461,384</u>	<u>\$ 1,358,867</u>	<u>\$ 102,517</u>
Judicial administration:				
Courts:				
Circuit court	\$ 13,410	\$ 13,410	\$ 10,807	\$ 2,603
General district court	3,430	3,430	3,399	31
Magistrates office	1,050	1,050	426	624
Clerk of the circuit court	310,387	344,905	314,078	30,827
Sheriff (court)	354,933	348,401	298,790	49,611
Total courts	<u>\$ 683,210</u>	<u>\$ 711,196</u>	<u>\$ 627,500</u>	<u>\$ 83,696</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 320,318	\$ 330,645	\$ 322,010	\$ 8,635
Total judicial administration	<u>\$ 1,003,528</u>	<u>\$ 1,041,841</u>	<u>\$ 949,510</u>	<u>\$ 92,331</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 19,000	\$ 19,000	\$ 16,625	\$ 2,375
Sheriff	1,626,872	1,722,867	1,724,946	(2,079)
Total law enforcement and traffic control	<u>\$ 1,645,872</u>	<u>\$ 1,741,867</u>	<u>\$ 1,741,571</u>	<u>\$ 296</u>
Fire and rescue services:				
Public safety	\$ 64,157	\$ 54,859	\$ 47,496	\$ 7,363
E-911	604,211	604,211	416,206	188,005
Emergency medical services	1,099,792	1,126,316	1,131,686	(5,370)
Total fire and rescue services	<u>\$ 1,768,160</u>	<u>\$ 1,785,386</u>	<u>\$ 1,595,388</u>	<u>\$ 189,998</u>

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

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Payments to New River Juvenile Detention	\$ 20,550	\$ 9,550	\$ 9,420	\$ 130
Payments to New River Regional Jail	450,000	464,200	489,345	(25,145)
Total correction and detention	<u>\$ 470,550</u>	<u>\$ 473,750</u>	<u>\$ 498,765</u>	<u>\$ (25,015)</u>
Inspections:				
Building	\$ 140,062	\$ 140,062	\$ 128,283	\$ 11,779
Other protection:				
Forest service	\$ 13,069	\$ 13,069	\$ 11,106	\$ 1,963
Animal control	159,312	160,912	151,912	9,000
Medical examiner	200	340	280	60
Total other protection	<u>\$ 172,581</u>	<u>\$ 174,321</u>	<u>\$ 163,298</u>	<u>\$ 11,023</u>
Total public safety	<u>\$ 4,197,225</u>	<u>\$ 4,315,386</u>	<u>\$ 4,127,305</u>	<u>\$ 188,081</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,197,436	\$ 1,508,307	\$ 1,338,345	\$ 169,962
Recycling program	181,811	198,068	219,543	(21,475)
Total sanitation and waste removal	<u>\$ 1,379,247</u>	<u>\$ 1,706,375</u>	<u>\$ 1,557,888</u>	<u>\$ 148,487</u>
Maintenance of general buildings and grounds:				
Maintenance of properties	\$ 294,259	\$ 307,016	\$ 294,766	\$ 12,250
Total public works	<u>\$ 1,673,506</u>	<u>\$ 2,013,391</u>	<u>\$ 1,852,654</u>	<u>\$ 160,737</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 102,189	\$ 102,189	\$ 102,189	\$ -
Behavioral Health and Development Services:				
Contribution to New River Valley Community Services Board	\$ 33,294	\$ 33,294	\$ 33,294	\$ -
Welfare:				
Public assistance	\$ 1,261,233	\$ 1,619,225	\$ 1,510,374	\$ 108,851
Children's Services Act	700,000	1,030,500	883,773	146,727
New River Valley Area on Aging	6,043	6,043	6,043	-
Total welfare	<u>\$ 1,967,276</u>	<u>\$ 2,655,768</u>	<u>\$ 2,400,190</u>	<u>\$ 255,578</u>
Total health and welfare	<u>\$ 2,102,759</u>	<u>\$ 2,791,251</u>	<u>\$ 2,535,673</u>	<u>\$ 255,578</u>

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

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contribution to Community College	\$ 7,221	\$ 7,221	\$ 7,221	\$ -
Contribution to County School Board	7,212,924	7,212,924	7,001,825	211,099
Total education	<u>\$ 7,220,145</u>	<u>\$ 7,220,145</u>	<u>\$ 7,009,046</u>	<u>\$ 211,099</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Contribution to Floyd Parks and Recreation Authority	\$ 55,000	\$ 55,721	\$ 55,676	\$ 45
Library:				
County library	\$ 261,248	\$ 249,248	\$ 246,891	\$ 2,357
Total parks, recreation, and cultural	<u>\$ 316,248</u>	<u>\$ 304,969</u>	<u>\$ 302,567</u>	<u>\$ 2,402</u>
Community development:				
Planning and community development:				
Community services programs	\$ 180,095	\$ 583,477	\$ 210,250	\$ 373,227
Community development	225,221	227,163	220,892	6,271
Planning	4,000	4,913	2,303	2,610
New River Valley Planning District Commission	23,622	23,622	19,622	4,000
Economic development	2,553,700	299,062	299,819	(757)
Total planning and community development	<u>\$ 2,986,638</u>	<u>\$ 1,138,237</u>	<u>\$ 752,886</u>	<u>\$ 385,351</u>
Environmental management:				
Soil conservation	\$ 13,000	\$ 13,000	\$ 13,000	\$ -
Cooperative extension program:				
Extension office	\$ 101,705	\$ 91,565	\$ 90,138	\$ 1,427
Total community development	<u>\$ 3,101,343</u>	<u>\$ 1,242,802</u>	<u>\$ 856,024</u>	<u>\$ 386,778</u>
Nondepartmental:				
Contingencies	\$ 200,000	\$ -	\$ -	\$ -
Capital projects:				
Other capital projects	\$ 249,336	\$ 605,371	\$ 426,746	\$ 178,625
Total capital projects	<u>\$ 249,336</u>	<u>\$ 605,371</u>	<u>\$ 426,746</u>	<u>\$ 178,625</u>
Debt service:				
Principal retirement	\$ 1,572,555	\$ 1,711,122	\$ 2,543,649	\$ (832,527)
Interest and other fiscal charges	501,850	414,046	708,213	(294,167)
Total debt service	<u>\$ 2,074,405</u>	<u>\$ 2,125,168</u>	<u>\$ 3,251,862</u>	<u>\$ (1,126,694)</u>
Total General Fund	<u><u>\$ 23,677,769</u></u>	<u><u>\$ 23,121,708</u></u>	<u><u>\$ 22,670,254</u></u>	<u><u>\$ 451,454</u></u>

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

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
Fire and Rescue Fund:				
Public safety:				
Fire and rescue services	\$ 400,472	\$ 418,713	\$ 414,752	\$ 3,961
Debt service:				
Principal retirement	\$ 39,140	\$ 39,140	\$ 39,140	\$ -
Interest and other fiscal charges	4,007	4,007	1,206	2,801
Total debt service	\$ 43,147	\$ 43,147	\$ 40,346	\$ 2,801
Total Fire and Rescue Fund	\$ 443,619	\$ 461,860	\$ 455,098	\$ 6,762
Asset Forfeiture Fund:				
Public Safety				
Asset forfeiture	\$ -	\$ -	\$ 59,787	\$ (59,787)
Total public safety	\$ -	\$ -	\$ 59,787	\$ (59,787)
Total Asset Forfeiture Fund	\$ -	\$ -	\$ 59,787	\$ (59,787)
Capital Projects Fund:				
Capital Improvements Fund:				
Education:				
Contribution to County School Board	\$ -	\$ -	\$ 257,338	\$ (257,338)
Total education	\$ -	\$ -	\$ 257,338	\$ (257,338)
Total Capital Projects Fund	\$ -	\$ -	\$ 257,338	\$ (257,338)
Total Primary Government	\$ 24,121,388	\$ 23,583,568	\$ 23,442,477	\$ 141,091
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 896,897	\$ 896,897	\$ 895,232	\$ 1,665
Instructional costs:				
Instructional costs	\$ 14,833,914	\$ 14,985,697	\$ 14,831,309	\$ 154,388
Operating costs:				
Pupil transportation	\$ 1,682,494	\$ 1,696,594	\$ 1,640,485	\$ 56,109
Operation and maintenance services	2,489,335	2,554,823	2,540,115	14,708
School food service	1,113,271	1,127,988	1,164,434	(36,446)
Technology	1,161,548	1,339,298	1,324,805	14,493
Total operating costs	\$ 6,446,648	\$ 6,718,703	\$ 6,669,839	\$ 48,864
Total Discretely Presented Component Unit - School Board	\$ 22,177,459	\$ 22,601,297	\$ 22,396,380	\$ 204,917

Other Statistical Information

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

Fiscal Year	General Government Administration (1)	Judicial Administration (2)	Public Safety	Public Works (1)	Health and Welfare	Education	Parks, Recreation, and Cultural Development (3)	Community Development (3)	Interest on Long-Term Debt	Total
2018-19	\$ 1,378,421	\$ 938,783	\$ 4,669,593	\$ 2,066,819	\$ 2,508,243	\$ 7,821,380	\$ 337,520	\$ 864,007	\$ 848,498	\$ 21,433,264
2017-18	1,176,107	938,308	4,262,695	1,870,437	2,223,129	8,406,969	335,237	364,338	413,480	19,990,700
2016-17	1,026,702	861,947	3,714,857	1,907,134	1,767,024	7,023,158	343,105	291,251	516,439	17,451,617
2015-16	985,309	866,991	3,612,094	1,959,374	1,489,708	6,415,200	328,238	250,068	509,781	16,416,763
2014-15	1,166,572	870,484	3,344,721	1,732,404	1,576,986	6,107,460	314,111	261,084	544,738	15,918,560
2013-14	1,121,324	901,284	3,383,379	1,629,690	2,017,139	6,826,189	294,817	1,794,392	586,840	18,555,054
2012-13	1,441,385	653,873	3,378,798	1,337,042	1,724,585	5,363,536	299,345	426,620	626,805	15,251,989
2011-12	1,370,445	662,893	3,369,356	1,344,955	1,708,336	4,907,803	284,145	387,713	677,762	14,713,408
2010-11	1,234,218	580,392	3,094,884	1,155,191	1,580,615	5,737,881	264,853	416,021	723,796	14,787,851
2009-10	1,670,581	582,654	3,104,849	1,139,165	1,756,824	5,591,957	300,663	339,872	792,376	15,278,941

Notes:

- 1.) Maintenance of properties was reported under general government administration prior to the 2013-2014 fiscal year. Thereafter, same is reported in public works.
- 2.) Cost related to court activity of the Sheriff was reported in public safety prior to the 2013-2014 fiscal year. Thereafter, same is reported in judicial administration.
- 3.) Includes the transfer of a building and land during the 2013-2014 fiscal year totaling \$1,363,850.

County of Floyd, 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			
2018-19	\$ 835,754	\$ 3,729,780	\$ 9,572	\$ 12,922,871	\$ 2,083,309	\$ 203,394	\$ 102,511	\$ 1,522,993	\$ 21,410,184			
2017-18	969,098	3,457,698	25,000	12,360,981	1,789,751	75,193	26,636	1,564,750	20,269,107			
2016-17	934,788	3,042,936	36,300	11,722,686	1,786,832	72,008	45,178	1,611,233	19,251,961			
2015-16	740,546	2,695,822	12,750	11,357,048	1,682,658	70,273	57,260	1,614,105	18,230,462			
2014-15	964,336	2,717,408	90,729	10,884,157	1,684,197	90,873	52,641	1,600,210	18,084,551			
2013-14	792,635	3,152,668	26,535	10,476,419	1,632,967	263,667	5,219	1,620,369	17,970,479			
2012-13	828,529	2,703,733	18,655	10,026,812	2,332,055	36,829	7,133	947,258	16,901,004			
2011-12	867,964	3,227,246	17,420	9,978,277	2,279,216	37,118	6,228	950,845	17,364,314			
2010-11	669,200	2,448,965	15,469	9,430,383	2,396,573	59,097	7,891	942,652	15,970,230			
2009-10	903,722	2,544,873	72,088	9,690,586	2,169,806	112,664	50,799	905,044	16,449,582			

Note: State communications tax allocations are reported as other local taxes prior to the 2013-14 fiscal year, thereafter they are reported as grants and contributions not restricted to specific programs.

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

Fiscal Year	General Government Administration (3)	Judicial Administration(4)	Public Safety (4)	Public Works (3)	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development (5)	Debt Service	Total
2018-19	\$ 1,358,867	\$ 949,510	\$ 4,601,844	\$ 1,852,654	\$ 2,535,673	\$ 22,403,601	\$ 302,567	\$ 856,024	\$ 2,427,208	\$ 37,287,948
2017-18	1,299,716	931,290	4,501,608	1,816,996	2,255,019	23,444,988	307,996	357,137	2,092,534	37,007,284
2016-17	1,224,288	892,993	4,242,824	1,702,009	1,831,878	20,970,693	312,960	322,782	1,852,491	33,352,918
2015-16	1,073,384	900,242	3,462,062	1,780,079	1,583,268	20,726,647	296,560	248,572	1,992,722	32,063,536
2014-15	1,233,287	891,424	3,264,554	1,512,674	1,646,621	20,049,552	273,475	259,004	1,817,237	30,947,828
2013-14	1,146,905	896,080	3,268,916	1,539,330	2,045,758	19,583,094	263,000	1,791,284	1,878,772	32,413,139
2012-13	1,399,783	643,972	3,179,691	1,169,183	1,716,104	18,550,878	267,787	427,993	1,887,332	29,242,723
2011-12	1,344,702	652,992	3,152,116	1,156,775	1,703,558	17,860,304	252,587	383,339	1,880,725	28,387,098
2010-11	1,189,294	570,491	3,133,541	1,482,318	1,577,706	19,021,947	242,195	414,213	1,731,103	29,362,808
2009-10	1,628,664	572,753	2,898,201	1,177,625	1,751,651	20,204,293	269,105	338,392	2,068,342	30,909,026

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

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

(3) Maintenance of properties was reported under general government administration prior to the 2013-2014 fiscal year. Thereafter, same is reported in public works.

(4) Cost related to court activity of the Sheriff was reported in public safety prior to the 2013-2014 fiscal year. Thereafter, same is reported in judicial administration.

(5) Includes the transfer of a building and land during the 2013-2014 fiscal year totaling \$1,363,850.

(6) Excludes current refunding principal payment of \$1,696,626 during the fiscal year 2017.

(7) Excludes current refunding principal payment of \$865,000 during the fiscal year 2019.

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2018-19	\$ 12,878,143	\$ 2,083,309	\$ 115,111	\$ 24,614	\$ 365,894	\$ 1,212,747	\$ 140,210	\$ 285,767	\$ 19,820,127	\$ 36,925,922
2017-18	12,395,535	1,789,751	105,525	25,451	237,693	1,171,362	115,045	292,880	19,260,457	35,393,699
2016-17	11,714,536	1,786,832	125,121	1,343	234,508	1,194,198	79,925	244,918	18,576,997	33,958,378
2015-16	11,351,835	1,682,658	122,396	1,319	232,773	1,182,199	86,890	331,429	17,981,381	32,972,880
2014-15	10,988,181	1,684,197	126,682	2,737	185,667	1,103,298	132,876	177,845	17,914,903	32,316,386
2013-14	10,313,229	1,632,967	114,441	3,357	263,667	990,430	47,943	108,587	17,805,672	31,280,293
2012-13	9,999,012	2,293,901	118,534	1,296	76,380	1,129,802	38,987	279,633	16,665,184	30,602,729
2011-12	10,023,595	2,249,172	113,667	2,019	80,318	1,232,726	17,790	340,457	16,756,774	30,816,518
2010-11	9,352,323	2,284,927	103,143	369	98,406	1,211,318	27,580	219,914	16,377,285	29,675,265
2009-10	9,622,323	2,156,204	105,299	21,515	155,864	1,134,792	48,767	267,145	17,755,770	31,267,679

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2018-19	\$ 12,780,768	\$ 12,526,551	98.01%	\$ 189,690	\$ 12,716,241	99.50%
2017-18	12,133,218	11,921,139	98.25%	242,154	12,163,293	100.25%
2016-17	11,525,353	11,321,050	98.23%	196,835	11,517,885	99.94%
2015-16	11,145,856	10,715,502	96.14%	428,572	11,144,074	99.98%
2014-15	10,667,263	10,382,783	97.33%	395,208	10,777,991	101.04%
2013-14	10,567,840	10,225,051	96.76%	310,415	10,535,466	99.69%
2012-13	11,638,602	11,320,876	97.27%	127,339	11,448,215	98.36%
2011-12	11,503,857	11,199,325	97.35%	136,163	11,335,488	98.54%
2010-11	11,198,967	10,865,523	97.02%	242,866	11,108,389	99.19%
2009-10	10,651,549	10,327,803	96.96%	265,046	10,592,849	99.45%

(1) Exclusive of penalties and interest. For years prior to 2013-14, the levy and collections included PPTRA payments from the Commonwealth and taxes abated under relief programs and land use programs of the County.

Table 6

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital	Public Service Corporation	Mobile Homes	Total
2018-19	\$ 1,784,109,250	\$ 116,778,191	\$ 14,850,736	\$ 1,622,331	\$ 62,753,816	\$ 9,294,008	\$ 1,989,408,332
2017-18	1,769,881,050	113,534,666	11,834,401	1,836,526	60,397,417	8,960,280	1,966,444,340
2016-17	1,754,973,700	108,545,983	12,221,078	1,835,453	58,852,393	8,827,356	1,945,255,963
2015-16	1,741,451,550	101,444,306	8,498,992	1,798,177	58,207,051	8,610,200	1,920,010,276
2014-15	1,729,802,350	100,337,126	9,001,502	2,166,141	56,699,842	9,805,608	1,907,812,569
2013-14	1,718,580,400	99,049,234	9,547,310	1,978,236	52,179,669	9,624,608	1,890,959,457
2012-13	1,713,460,100	96,726,393	9,576,889	1,668,252	51,951,775	9,642,650	1,883,026,059
2011-12	1,698,467,400	94,384,042	10,213,298	1,540,093	56,284,341	9,685,700	1,870,574,874
2010-11	1,685,064,100	93,824,459	7,233,844	1,668,037	50,096,979	9,685,500	1,847,572,919
2009-10	1,677,140,200	89,705,582	10,266,338	1,593,199	34,930,266	10,741,328	1,824,376,913

(1) Assessed value is as of January 1 of the previous fiscal year; does not include tax exempt property.

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital	Mobile Homes
2018-19	\$ 0.60	\$ 2.95	\$ 1.55	\$ 3.50	\$ 0.60
2017-18	0.55/0.60	2.95	1.55	3.50	0.55
2016-17	0.55	2.95	1.55	3.50	0.55
2015-16	0.55	2.95	1.55	3.50	0.55
2014-15	0.50	2.95	1.55	3.50	0.50
2013-14	0.50	2.95	1.55	3.50	0.50
2012-13	0.50	2.95	1.55	3.50	0.50
2011-12	0.50	2.95	1.55	3.50	0.50
2010-11	0.47	2.70	1.55	3.50	0.47
2009-10	0.47	2.70	1.55	3.50	0.47

(1) Per \$100 of assessed value.

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

Fiscal Year	Population (1)	Assessed Value(2)	Net Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2018-19	15,279	\$ 1,989,408,332	\$ 4,327,693	\$ 4,327,693	0.22%	\$ 283
2017-18	15,279	1,966,444,340	6,083,166	6,083,166	0.31%	398
2016-17	15,279	1,945,255,963	6,996,782	6,996,782	0.36%	458
2015-16	15,279	1,920,010,276	7,893,718	7,893,718	0.41%	517
2014-15	15,279	1,907,812,569	8,963,331	8,963,331	0.47%	587
2013-14	15,279	1,890,959,457	10,566,179	10,566,179	0.56%	692
2012-13	15,279	1,883,026,059	11,680,581	11,680,581	0.62%	764
2011-12	15,279	1,870,574,874	12,875,145	12,875,145	0.69%	843
2010-11	15,279	1,847,572,919	13,991,379	13,991,379	0.76%	916
2009-10	15,013	1,827,376,913	14,912,453	14,912,453	0.82%	993

(1) Bureau of the Census.

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

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.
Excludes lease revenue bonds, net OPEB obligation, capital leases, and compensated absences.

Table 9

County of Floyd, 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 (2)	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2018-19	\$ 1,717,789	\$ 709,419	\$ 2,427,208	\$ 37,287,948	6.51%
2017-18	1,686,473	406,061	2,092,534	37,007,284	5.65%
2016-17	1,284,947	484,344	1,769,291	33,352,918	5.30%
2015-16	1,466,817	525,905	1,992,722	32,063,536	6.21%
2014-15	1,262,310	554,927	1,817,237	30,947,828	5.87%
2013-14	1,274,664	604,108	1,878,772	32,413,139	5.80%
2012-13	1,194,564	559,182	1,753,746	29,242,723	6.00%
2011-12	1,116,234	623,310	1,739,544	28,387,098	6.13%
2010-11	921,074	673,887	1,594,961	29,362,808	5.43%
2009-10	1,102,313	671,165	1,773,478	30,909,026	5.74%

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

(2) Excludes bond issuance and other costs.

(3) Excludes current refunding principal payment of \$1,696,626 during the fiscal year 2017.

(4) Excludes current refunding principal payment of \$865,000 during the fiscal year 2019.

COMPLIANCE SECTION



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

**To the Honorable Members of the Board of Supervisors
County of Floyd, Virginia
Floyd, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Floyd, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Floyd, Virginia's basic financial statements and have issued our report thereon dated November 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Floyd, 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 Floyd, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Floyd, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2019-001 and 2019-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Floyd, 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*.

The County of Floyd, Virginia's Response to Findings

The County of Floyd, Virginia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County of Floyd, Virginia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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, James, Cox Associates

Blacksburg, Virginia
November 25, 2019



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

**To the Honorable Members of the Board of Supervisors
County of Floyd, Virginia
Floyd, Virginia**

Report on Compliance for Each Major Federal Program

We have audited the County of Floyd, 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 Floyd, Virginia's major federal programs for the year ended June 30, 2019. The County of Floyd, 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 Floyd, 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 Floyd, 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 Floyd, Virginia's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the County of Floyd, 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 Floyd, 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 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 Floyd, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Blacksburg, Virginia
November 25, 2019

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

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number			Federal Expenditures
Department of Health and Human Services:					
Pass Through Payments:					
<i>Department of Social Services:</i>					
Promoting Safe and Stable Families	93.556	0950117, 0950118			\$ 1,296
TANF Cluster:					
Temporary Assistance for Needy Families	93.558	0400118, 0400119			109,511
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118, 0500119			59
Low-Income Home Energy Assistance	93.568	0600418, 0600419			16,874
Child Care and Development Cluster:					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760118, 0760119			18,687
Chafee Education and Training Vouchers Program	93.599	9160118			567
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118, 0900119			118
Foster Care - Title IV-E	93.658	1100118, 1100119			193,930
Adoption Assistance	93.659	1120118, 1120119			128,752
Social Services Block Grant	93.667	1000118, 1000119			118,618
Chafee Foster Care Independence Program	93.674	9150118, 9150119			1,288
Children's Health Insurance Program	93.767	0540118, 0540119			3,287
Medicaid Cluster:					
Medical Assistance Program	93.778	1200118, 1200119			<u>157,495</u>
Total Department of Health and Human Services					<u>\$ 750,482</u>
Department of Agriculture:					
Direct Payments:					
Rural Business Development Grants	10.351	Not applicable			\$ 75,000
Pass Through Payments:					
Child Nutrition Cluster:					
<i>Department of Agriculture and Consumer Services:</i>					
Food Distribution (Note 3)	10.559	Not applicable	\$ 711		
Summer Food Service Program for Children	10.559	Not available	<u>13,611</u>	\$ 14,322	
Food Distribution (Note 3)	10.555	Not applicable	74,602		
<i>Department of Education:</i>					
National School Lunch Program	10.555	APE40254	<u>430,324</u>	504,926	
School Breakfast Program	10.553	APE40253		<u>179,131</u>	
Total Child Nutrition Cluster					698,379
<i>Department of Social Services:</i>					
SNAP Cluster:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118, 0010119 0040118, 0040119			<u>141,282</u>
Total Department of Agriculture					<u>\$ 914,661</u>
Department of Justice:					
Pass Through Payments:					
<i>Department of Criminal Justice Services:</i>					
Violence Against Women Formula Grants	16.588	17WFA0013			\$ 31,000
Bulletproof Vest Partnership Program	16.607	Not available			<u>4,749</u>
Total Department of Justice					<u>\$ 35,749</u>
Department of Transportation:					
Pass Through Payments:					
<i>Department of Motor Vehicles:</i>					
Highway Safety Cluster:					
State and Community Highway Safety	20.600	FSC-2018-58030-8030 FSC-2019-59037-9037			<u>\$ 10,807</u>
Department of Homeland Security:					
Pass Through Payments:					
<i>Department of Emergency Management:</i>					
Emergency Management Performance Grants	97.042	EMP-2018-EP-00007			<u>\$ 7,500</u>

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

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	APE42901	\$ 456,858
Special Education Cluster:			
Special Education - Grants to States	84.027	APE43071	\$ 491,721
Special Education - Preschool Grants	84.173	APE62521	<u>22,732</u>
Total Special Education Cluster			514,453
Career and Technical Education: Basic Grants to States	84.048	APE61095	40,379
English Language Acquisition State Grants	84.365	APE86783	11,328
Supporting Effective Instruction State Grant	84.367	APE61480	52,462
Student Support and Academic Enrichment Program	84.424	APE60019	<u>26,608</u>
Total Department of Education			<u>\$ 1,102,088</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,821,287</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Floyd, Virginia and its discretely presented component units under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The County did not elect an indirect cost rate because they only request direct costs for reimbursement.
- (4) The County did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

Note 3 -- Food Distribution

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

Note 4 -- Subrecipients

No awards were passed through to subrecipients.

Note 5 -- Relationship to the Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:		
General Fund		<u>\$ 945,820</u>
Component Unit School Board:		
School Operating Fund		<u>\$ 1,800,467</u>
Component Unit EDA:		<u>\$ 75,000</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards		<u><u>\$ 2,821,287</u></u>

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559 84.010	Child Nutrition Cluster 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 Floyd, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II - Financial Statement Findings

2019-001

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:	The County lacks proper segregation of duties over collections in the Treasurer's office.
Cause of Condition:	The County lacks the funding to fully support a completely segregated Treasurer's office.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the entity's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties among current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over the functions listed above lack proper segregation of duties; however, to alleviate same would require additional staff. Due to cost constraints, the County has decided not to address the aforementioned internal control deficiency; however, the County will consider implementing compensating controls to improve internal controls.

2019-002

Criteria:	Per AU-C Section 265, an auditee should have controls in place to prepare financial statements in accordance with current reporting standards.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The County staff is working to provide properly adjusted trial balances and related schedules but is still learning the nuances of this process.
Effect of Condition:	There is a reasonable possibility that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected and corrected by the County's internal controls over financial reporting.

**County of Floyd, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section II - Financial Statement Findings (Continued)

2019-002 (Continued)

Recommendation: The County should review the auditors' proposed audit adjustments for 2019 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Management's Response: The County will review the auditors' proposed audit adjustments for 2019 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

Findings 2018-001 and 2018-002 repeated in the current year as 2019-001 and 2019-002, respectively.