

COUNTY OF CARROLL, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditors' Report	2-4
------------------------------------	-----

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		

Government-Wide Financial Statements:

Statement of Net Position	1	5
Statement of Activities	2	6

Fund Financial Statements:

Balance Sheet - Governmental Funds	3	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	10
Statement of Fiduciary Net Position - Fiduciary Funds	7	11
Notes to Financial Statements		12-69

Required Supplementary Information:

Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual: General Fund	8	70
Schedule of OPEB Funding Progress	9	71
Schedule of Employer's Proportionate Share of the Net Pension Liability	10	72
Schedule of Changes in Net Pension Liability and Related Ratios Component Unit School Board (nonprofessional)	11	73
Schedule of Employer's Contributions	12	74
Notes to Required Supplementary Information	13	75

COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION: (Continued)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information:		
Combining and Individual Fund Financial Statements and Schedules:		
Combining Statement of Fiduciary Net Position - Fiduciary Funds	14	76
Combining Statement of Changes in Assets and Liabilities - Agency Funds	15	77
Discretely Presented Component Unit - School Board:		
Balance Sheet	16	78
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17	79
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.....	18	80
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	81-86
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	87-90
Other Statistical Information:	<u>Table</u>	<u>Page</u>
Government-wide information:		
Government-Wide Expenses by Function	1	91
Government-Wide Revenues	2	92
Fund information:		
General Governmental Expenditures by Function	3	93
General Governmental Revenues by Source	4	94
Property Tax Levies and Collections	5	95
Assessed Value of Taxable Property	6	96
Property Tax Rates	7	97
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	98
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures.....	9	99

COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

Compliance:

	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	100-101
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	102-103
Schedule of Expenditures of Federal Awards	104-105
Schedule of Findings and Questioned Costs	106-107

INTRODUCTORY SECTION

COUNTY OF CARROLL, VIRGINIA

BOARD OF SUPERVISORS

R.J. "Bob" Martin, Jr, Chair
Rex L. Hill
Joshua A. Hendrick

Robbie McCraw, Vice Chair
Thomas W. Littrell
Phil D. McCraw

COUNTY SCHOOL BOARD

Joey D. Haynes, Vice Chair
Reginald M. Gardner

Brian E. Spencer, Chair

Olen L. Gallimore
Sanford "Sandy" G. Hendrick

SOCIAL SERVICES BOARD

Jeanne Gallimore, Chair
Joyce Bunn
David Clontz

Matthew Surratt, Vice Chair
Harold "Hal" Hanks
Robbie McCraw

OTHER OFFICIALS

Clerk of the Circuit Court	Gerald R. Goad
Commonwealth's Attorney	Nathan H. Lyons
Commissioner of the Revenue.....	Fran Zimmerman
Treasurer	Bonita M. Williams
Sheriff	John B. Gardner
Superintendent of Schools	Dr. Strader E. Blankenship
County Administrator	Steven Truitt
County Attorney	Steven V. Durbin

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members of the Board of Supervisors
County of Carroll, Virginia
Hillsville, 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 Carroll, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 21 to the financial statements, in 2017, the County adopted new accounting guidance, GASB Statement No. 77 Tax Abatement Disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and schedules related to pension and OPEB funding on pages 70, and 71-75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Carroll, Virginia's, 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.

Other Information (continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the County of Carroll, 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 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 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 Carroll, Virginia's internal control over financial reporting and compliance.

Polina, Fane, Cox Associates

Blacksburg, Virginia
November 30, 2017

Basic Financial Statements

County of Carroll, Virginia
Statement of Net Position
June 30, 2017

	Primary Government	Component Units		
	Governmental Activities	School Board	Public Service Authority	Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 5,369,570	\$ 2,139,474	\$ 333,954	\$ 339,457
Cash in custody of others	22,201	-	-	-
Investments	10,936	68,933	-	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	26,240,836	-	-	-
Interest receivable	-	-	-	118,104
Accounts receivable	409,917	-	310,603	11,550
Other local taxes receivable	94,580	-	-	-
Note receivable	759,088	-	362,721	2,318,588
Grants receivable	-	-	35,994	-
Due from component units	1,669,286	-	-	-
Due from other governmental units	1,239,179	1,563,380	-	-
Prepaid items	-	76,227	38,890	-
Lease purchase receivable	-	-	-	11,574,649
Assets held for resale:				
Industrial sites	-	-	-	2,743,358
Restricted assets:				
Cash and cash equivalents	-	319,214	761,868	67,442
Capital assets (net of accumulated depreciation):				
Land	2,906,402	1,489,200	264,837	46,451
Buildings and system	53,136,340	2,843,440	-	179,528
Improvements other than buildings	-	131,596	-	-
Machinery and equipment	3,359,072	1,103,165	532,974	66,800
Infrastructure	-	-	41,651,449	-
Construction in progress	-	-	44,357	63,464
Total assets	<u>\$ 95,217,407</u>	<u>\$ 9,734,629</u>	<u>\$ 44,337,647</u>	<u>\$ 17,529,391</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ 9,312
Pension contributions subsequent to measurement date	742,577	3,296,137	71,110	-
Items related to measurement of net pension liability	1,087,295	2,457,840	104,213	-
Total deferred outflows of resources	<u>\$ 1,829,872</u>	<u>\$ 5,753,977</u>	<u>\$ 175,323</u>	<u>\$ 9,312</u>
LIABILITIES				
Accounts payable	317,125	\$ 156,263	\$ 97,562	\$ 6,237
Salaries payable	443,946	1,967,982	-	-
Accrued interest payable	324,834	-	73,139	120,122
Amounts held for others	-	-	108,688	-
Due to other governmental units	31,637	-	-	-
Due to primary government	-	1,603,344	65,942	-
Long-term liabilities:				
Due within one year	4,367,065	707,882	713,722	-
Due in more than one year	38,197,094	41,492,999	25,456,987	12,348,188
Total liabilities	<u>\$ 43,681,701</u>	<u>\$ 45,928,470</u>	<u>\$ 26,516,040</u>	<u>\$ 12,474,547</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 22,129,405	\$ -	\$ -	\$ -
Items related to measurement of net pension liability	11,873	2,207,016	880	-
Total deferred inflows of resources	<u>\$ 22,141,278</u>	<u>\$ 2,207,016</u>	<u>\$ 880</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 24,427,615	\$ 5,567,401	\$ 17,407,196	\$ 275,086
Restricted:				
Asset forfeiture	61,306	-	-	-
School cafeterias	-	319,214	-	-
Debt service and bond covenants	-	-	653,180	67,442
Perpetual care	-	-	-	-
Unrestricted	6,735,379	(38,533,495)	(64,326)	4,721,628
Total net position	<u>\$ 31,224,300</u>	<u>\$ (32,646,880)</u>	<u>\$ 17,996,050</u>	<u>\$ 5,064,156</u>

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

County of Carroll, Virginia
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Capital	Primary Government		Component Units	
			Grants and Contributions	Grants and Contributions		Governmental Activities	Business-type Activities	School Board	Public Service Authority Industrial Development Authority
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 2,567,121	\$ -	\$ 280,502	\$ -	\$ -	\$ (2,286,619)	\$ -	\$ (2,286,619)	
Judicial administration	1,005,935	18,809	831,994	-	-	(155,132)	-	(155,132)	
Public safety	9,090,573	3,128,562	1,615,134	-	-	(4,346,877)	-	(4,346,877)	
Public works	1,485,311	80,306	9,923	-	-	(1,395,082)	-	(1,395,082)	
Health and welfare	6,039,186	-	4,362,501	-	-	(1,676,685)	-	(1,676,685)	
Education	13,443,189	-	-	-	-	(13,443,189)	-	(13,443,189)	
Parks, recreation, and cultural	1,399,180	259,449	5,000	-	-	(1,134,731)	-	(1,134,731)	
Community development	1,574,700	15,875	-	-	-	(1,558,825)	-	(1,558,825)	
Interest on long-term debt	1,535,786	-	633,417	-	-	(902,369)	-	(902,369)	
Total governmental activities	\$ 38,140,981	\$ 3,503,001	\$ 7,738,471	\$ -	\$ -	\$ (26,899,509)	\$ -	\$ (26,899,509)	
Business-type activities:									
Gas utilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total primary government	\$ 38,140,981	\$ 3,503,001	\$ 7,738,471	\$ -	\$ -	\$ (26,899,509)	\$ -	\$ (26,899,509)	
COMPONENT UNITS:									
School Board	\$ 43,187,896	\$ 741,257	\$ 29,979,504	\$ -	\$ -	\$ (12,467,135)	\$ -	\$ (12,467,135)	\$ -
Public Service Authority	4,824,683	2,785,953	-	-	789,176	-	-	-	(1,249,554)
Industrial Development Authority	1,019,747	-	-	-	-	-	-	-	(1,019,747)
Total component units	\$ 49,032,326	\$ 3,527,210	\$ 29,979,504	\$ -	\$ 789,176	\$ (12,467,135)	\$ (1,249,554)	\$ (1,019,747)	\$ (1,019,747)
General revenues:									
General property taxes						\$ 20,955,919	\$ -	\$ 20,955,919	\$ -
Local sales and use taxes						1,839,790	-	1,839,790	-
Consumer's utility tax						714,344	-	714,344	-
Motor vehicle taxes						607,314	-	607,314	-
Restaurant food taxes						570,071	-	570,071	-
Other local taxes						567,108	-	567,108	-
Unrestricted revenues from use of money and property						114,861	-	114,861	732,817
Miscellaneous						320,193	-	320,193	6
Payments from Primary Government						-	-	-	-
Grants and contributions not restricted to specific programs						2,173,636	-	2,173,636	-
Total general revenues and transfers						\$ 27,863,236	\$ -	\$ 27,863,236	\$ 732,823
Change in net position						\$ 963,727	\$ -	\$ 963,727	\$ (286,924)
Net position - beginning, as restated						30,260,573	-	30,260,573	5,351,080
Net position - ending						\$ 31,224,300	\$ -	\$ 31,224,300	\$ 5,064,156

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

County of Carroll, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,355,543	\$ 14,027	\$ 5,369,570
Cash in custody of others	22,201		22,201
Investments	10,936	-	10,936
Receivables (net of allowance for uncollectibles):			
Taxes receivable	26,240,836	-	26,240,836
Accounts receivable	409,917	-	409,917
Other local taxes receivable	94,580	-	94,580
Note receivable	759,088	-	759,088
Due from component unit	1,669,286	-	1,669,286
Due from other governmental units	1,239,179	-	1,239,179
Total assets	<u>\$ 35,801,566</u>	<u>\$ 14,027</u>	<u>\$ 35,815,593</u>
LIABILITIES			
Accounts payable	\$ 317,125	\$ -	\$ 317,125
Salaries payable	443,946	-	443,946
Due to other governmental units	31,637	-	31,637
Total liabilities	<u>\$ 792,708</u>	<u>\$ -</u>	<u>\$ 792,708</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 26,142,057	\$ -	\$ 26,142,057
FUND BALANCES			
Fund balances:			
Nonspendable:			
Note receivable	\$ 759,088	\$ -	\$ 759,088
Restricted:			
Asset forfeiture	61,306	-	61,306
Committed:			
Farmer's market funds	25,472	-	25,472
Narcotics funds	53,474	-	53,474
Law Library	1,181	-	1,181
Assigned:			
Sheriff funds	44,457	-	44,457
Unassigned:	7,921,823	14,027	7,935,850
Total fund balances	<u>\$ 8,866,801</u>	<u>\$ 14,027</u>	<u>\$ 8,880,828</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,801,566</u>	<u>\$ 14,027</u>	<u>\$ 35,815,593</u>

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

County of Carroll, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,880,828	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	2,906,402	
Buildings and improvements		53,136,340	
Machinery and equipment		<u>3,359,072</u>	59,401,814
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue - property taxes	\$	4,012,652	
Deferred inflows related to measurement of the net pension liability		<u>(11,873)</u>	4,000,779
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.			742,577
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligation bonds	\$	(20,275,055)	
Literary loans		(3,082,829)	
Capital lease		(445,492)	
Lease revenue bonds		(11,118,593)	
Unamortized premiums		(139,981)	
Unamortized discounts		87,751	
Accrued interest payable		(324,834)	
Compensated absences		(895,282)	
Net pension liability		(6,694,678)	
Deferred outflows related to measurement of the net pension liability		<u>1,087,295</u>	(41,801,698)
Net position of governmental activities			<u><u>\$ 31,224,300</u></u>

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

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 20,527,734	\$ -	\$ 20,527,734
Other local taxes	4,298,627	-	4,298,627
Permits, privilege fees, and regulatory licenses	102,721	-	102,721
Fines and forfeitures	1,218,703	-	1,218,703
Revenue from the use of money and property	114,861	-	114,861
Charges for services	2,181,577	-	2,181,577
Miscellaneous	320,193	-	320,193
Recovered costs	2,232,940	-	2,232,940
Intergovernmental:			
Commonwealth	7,143,230	-	7,143,230
Federal	2,768,877	-	2,768,877
Total revenues	<u>\$ 40,909,463</u>	<u>\$ -</u>	<u>\$ 40,909,463</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,899,621	\$ -	\$ 2,899,621
Judicial administration	1,261,171	-	1,261,171
Public safety	8,890,135	-	8,890,135
Public works	2,499,126	-	2,499,126
Health and welfare	6,143,152	-	6,143,152
Education	11,697,154	-	11,697,154
Parks, recreation, and cultural	1,384,100	-	1,384,100
Community development	1,716,409	-	1,716,409
Debt service:			
Principal retirement	3,648,030	-	3,648,030
Interest and other fiscal charges	1,642,421	-	1,642,421
Total expenditures	<u>\$ 41,781,319</u>	<u>\$ -</u>	<u>\$ 41,781,319</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (871,856)</u>	<u>\$ -</u>	<u>\$ (871,856)</u>
Net change in fund balances	\$ (871,856)	\$ -	\$ (871,856)
Fund balances - beginning	9,738,657	14,027	9,752,684
Fund balances - ending	<u>\$ 8,866,801</u>	<u>\$ 14,027</u>	<u>\$ 8,880,828</u>

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

County of Carroll, 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, 2017

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

Net change in fund balances - total governmental funds	\$	(871,856)
--	----	-----------

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

Capital outlays	\$ 698,949	
Depreciation expense	(2,813,809)	(2,114,860)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(21,840)
--	--	----------

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

Property taxes	\$ 428,185	
Change in deferred inflows related to the measurement of the net pension liability	571,123	999,308

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.

Principal Payments

General obligation bonds	\$ 2,662,889	
Lease revenue bonds	260,443	
Literary loans	680,167	
Capital lease	44,531	3,648,030

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	\$ (20,783)	
Change in accrued interest payable	49,057	
Amortization of bond premium	50,266	
Amortization of bond discount	7,312	
Change in net pension liability	(1,409,616)	
Change in deferred outflows related to measurement of net pension liability	701,970	
Change in deferred outflows related to pension contributions subsequent to the measurement date	(53,261)	(675,055)

Change in net position of governmental activities	\$	<u>963,727</u>
---	----	----------------

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

County of Carroll, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 229,153
Investments	3,398
Total assets	<u>\$ 232,551</u>
LIABILITIES	
Amounts held for social services clients	\$ 17,756
Amounts held for performance bonds	187,854
Amounts held for School Board employees	22,198
Amounts held for County employees	1,345
Amounts held for Twin County Airport	3,398
Total liabilities	<u>\$ 232,551</u>

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

COUNTY OF CARROLL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

Discretely Presented Component Units- The component unit columns in the financial statements include the financial data of the County's discretely presented component units. The component units are reported in a separate column to emphasize that they are legally separate from the County.

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

The Carroll County Public Service Authority provides water and sewer service to County residents. The Public Service Authority is fiscally dependent upon the County because the County significantly funds Authority operations. In addition, the County Board appoints the Public Service Authority's Board. A copy of the Public Service Authority's report can be obtained from the Public Service Authority.

The Carroll County Industrial Development Authority promotes industrial development in the County. The Authority is fiscally dependent upon the County. In addition, the Authority's Board is appointed by the County Board of Supervisors. A copy of the Industrial Development Authority's report can be obtained from the Industrial Development Authority.

Related Organizations - The County Board appoints board members to outside organizations, but the County's accountability for these organizations do not extend beyond making the appointments.

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

A. Financial Reporting Entity (continued)

Jointly Governed Organizations:

The County along with the Counties of Wythe, Bland, Grayson, Smyth and the City of Galax participate in supporting the Mt. Rogers Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2017, the County contributed \$130,500 to the Community Services Board.

The County along with the City of Galax participates in supporting the Galax-Carroll Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2017, the County contributed \$310,868 to the Library.

The County along with the County of Grayson and the City of Galax participate in supporting the Carroll-Grayson-Galax Regional Solid Waste Authority through user charges. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions.

The County along with the County of Grayson and the City of Galax participate in supporting the Twin Counties E-911 Program. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. Payments to the program totaled \$374,154 for the fiscal year ended June 30, 2017.

The County along with the Counties of Bland, Floyd, Giles, Grayson, and Wythe and the City of Radford participate in supporting the New River Valley Regional Jail Authority. The monthly payment made by the County to the Regional Jail is based on the number of prisoners housed for the County. For the year ended June 30, 2017, the County paid \$1,907,403 for the confinement of prisoners.

B. Government-wide and fund financial statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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

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

B. Government-wide and fund financial statements (continued)

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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, if any, are reported as separate columns in the fund financial statements.

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

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

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 uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

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

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

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. Certain funds have been merged with the general fund for financial reporting purposes only.

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

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

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

Additionally, the County reports the following fund types:

Fiduciary funds (Trust and Agency Funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The Special Welfare, Twin County Airport, Performance Bond Escrow, County Flexible Spending Arrangement and School Board Flexible Spending Arrangement Funds are reported as agency funds.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and Cash Equivalents

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

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and Collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act").

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.

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

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

3. Receivables and Payables

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

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

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

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of December 6th. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

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 \$1,287,159 at June 30, 2017 and is comprised solely of property taxes.

6. Use of Estimates

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

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.

Note 1-Summary of Significant Accounting Policies: (continued)**D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)****8. Capital Assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County 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. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments. It is also comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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

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

9. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. These amounts are comprised of uncollected property taxes due prior to June 30 and amounts prepaid on installments due after year-end and are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

10. Compensated Absences

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

11. Pensions

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

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

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

12. Long-term Obligations

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

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

13. Net Position

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

14. Net Position Flow Assumption

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

The remainder of this page left blank intentionally.

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

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

15. Fund Equity

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

- Nonspendable 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 be taken to establish, modify, or rescind a fund balance commitment is an action by the Board of Supervisors.

The County has not delegated authority to assign fund balance to anyone other than itself as of June 30, 2017.

The County has designated unassigned fund balance into three categories. Unassigned for fiscal stability fund balance represents the funds designated for fiscal cash liquidity purposes (i.e. fiscal reserve) that will provide for sufficient cash flow to minimize the potential of short term tax anticipation borrowing. This amount shall be equal to but not less than 12% of the combined budgeted expenditures of the County General fund and the Carroll County School Board Operating Fund, net of the County's local share contribution to the School Board. The County must approve and adopt a plan to restore the fiscal stability fund balance to the target level within 24 months of falling below the threshold of 12%. Unassigned for grants fund balance represents the funds designated for grant matching and cash flow. This amount shall be equal to but not less than 2.5% of the budgeted expenditures of the County General Fund. Unassigned fund balance-no specification represents the funds available for increasing committed fund balances, assigning fund balances, increasing the unassigned for fiscal stability or unassigned for grants fund balances, purchase of capital items, or for use as beginning cash balance in support of the annual budget.

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

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

15. Fund Equity (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.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to April 1st, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the General Capital Projects Funds. The School Fund and School Construction Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 2-Stewardship, Compliance, and Accountability: (continued)

A. Budgetary information (continued)

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

B. Deficit fund equity

At June 30, 2017, there were no funds with deficit fund equity.

Note 3-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).

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, 2017 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 83,267

Concentration of Credit Risk:

At June 30, 2017, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Note 3-Deposits and Investments: (continued)External Investment Pools:

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

Interest Rate Risk:

	Investment Maturities (in years)	
	Fair Value	Less than 1 year
LGIP	\$ 83,267	\$ 83,267

Note 4-Note Receivable:

On June 29, 2014 the County issued a note receivable to the Carroll County Industrial Development Authority for \$1,000,000 for economic development activities. Repayment terms called for monthly payments in the amount of \$10,606, payable over 10 years at 5% per annum. As of June 30, 2017, the balance was \$759,088.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 5-Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
<u>Local Government:</u>		
BRECEDA	\$ 17,026	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	374,400	-
State sales tax	-	797,480
Categorical aid-shared expenses	197,580	-
Noncategorical aid	203,453	-
Virginia public assistance funds	77,943	-
Comprehensive services act	234,246	-
<u>Federal Government:</u>		
Virginia public assistance funds	127,031	-
Other categorical aid	7,500	-
School grants	-	765,900
Totals	<u>\$ 1,239,179</u>	<u>\$ 1,563,380</u>

Note 6-Interfund Transfers and Balances:

There were no interfund transfers for the year ended June 30, 2017.

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.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 7-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 1,669,286
Component Unit - School Board:		
School Operating Fund	1,603,344	-
Component Unit - Public Service Authority:		
PSA	<u>65,942</u>	<u>-</u>
Totals	<u>\$ 1,669,286</u>	<u>\$ 1,669,286</u>

Note 8-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, 2017:

	<u>Balance July 1, 2016, as restated</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2017</u>
General obligation bonds	\$ 22,937,944	\$ -	\$ (2,662,889)	\$ 20,275,055
Unamortized bond premium	190,247	-	(50,266)	139,981
Unamortized bond discount	(80,439)	-	(7,312)	(87,751)
Literary loans	3,762,996	-	(680,167)	3,082,829
Lease revenue bonds	11,379,036	-	(260,443)	11,118,593
Capital lease	490,023	-	(44,531)	445,492
Compensated absences	874,499	676,657	(655,874)	895,282
Net pension liability	<u>5,285,062</u>	<u>2,953,996</u>	<u>(1,544,380)</u>	<u>6,694,678</u>
Total	<u>\$ 44,839,368</u>	<u>\$ 3,630,653</u>	<u>\$ (5,905,862)</u>	<u>\$ 42,564,159</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 8-Long-Term Obligations: (continued)Primary Government - Governmental Activities Indebtedness: (continued)

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

Year Ending June 30,	General Obligation Bonds		Literary Loans		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 2,667,906	\$ 1,040,620	\$ 680,167	\$ 61,657	\$ 266,251	\$ 404,528
2019	2,673,240	963,140	680,167	48,053	281,016	410,319
2020	2,678,909	885,324	680,167	34,450	294,075	399,260
2021	2,535,000	814,500	680,170	20,847	307,244	387,691
2022	2,360,000	755,753	362,158	7,243	315,524	375,711
2023-2027	7,360,000	3,401,918	-	-	1,781,066	1,673,888
2028-2032	-	-	-	-	2,177,469	1,269,250
2033-2037	-	-	-	-	2,248,234	779,485
2038-2042	-	-	-	-	897,058	498,302
2043-2047	-	-	-	-	1,068,347	327,013
2048-2052	-	-	-	-	1,272,339	123,021
2053	-	-	-	-	209,970	109
Totals	<u>\$ 20,275,055</u>	<u>\$ 7,861,254</u>	<u>\$ 3,082,829</u>	<u>\$ 172,249</u>	<u>\$ 11,118,593</u>	<u>\$ 6,648,576</u>

The remainder of this page left blank intentionally.

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation Bonds*</u>						
VPSA general obligation bond	5.10%-6.35%	2000	2021	\$ 4,505,000	\$ 900,000	\$ 225,000
VPSA general obligation bond	5.10%-6.10%	2000	2020	2,145,297	415,055	132,906
VPSA general obligation bond	4.10%-5.10%	2003	2023	21,115,000	6,660,000	1,110,000
VPSA (QSCB) general obligation bond	4.50%	2011	2027	15,000,000	12,300,000	1,200,000
Total General Obligation Bonds				<u>\$ 42,765,297</u>	<u>\$ 20,275,055</u>	<u>\$ 2,667,906</u>
<u>Lease Revenue Bonds</u>						
County Complex Revenue Bond	3.25%-4.33%	2006	2036	\$ 10,510,000	\$ 5,315,000	\$ 190,000
Carroll County High School Revenue Bond - IDA	3.50%	2013	2054	5,932,500	5,803,593	76,251
Total Lease Revenue Bonds				<u>\$ 16,442,500</u>	<u>\$ 11,118,593</u>	<u>\$ 266,251</u>
<u>Literary Loans</u>						
Gladesboro Elementary	2.00%	2001	2021	\$ 2,873,440	\$ 574,688	\$ 143,672
Oakland Elementary	2.00%	2002	2022	3,075,495	768,874	153,775
Gladesville Elementary	2.00%	2002	2022	4,167,647	1,041,912	208,382
Laurel Elementary	2.00%	2001	2021	3,486,763	697,355	174,338
Total Literary Loans				<u>\$ 13,603,345</u>	<u>\$ 3,082,829</u>	<u>\$ 680,167</u>
Subtotal Bonds and Loans					<u>\$ 34,476,477</u>	<u>\$ 3,614,324</u>
Plus:						
Unamortized Premium					139,981	42,469
Unamortized Discount					(87,751)	(7,312)
Total Bonds and Loans					<u>\$ 34,528,707</u>	<u>\$ 3,649,481</u>
<u>Other Long-term Obligations</u>						
Capital lease (Note 10)					\$ 445,492	\$ 46,122
Compensated absences					895,282	671,462
Net pension liability					6,694,678	-
Total Other Long-term Obligations					<u>\$ 8,035,452</u>	<u>\$ 717,584</u>
Total Long-term Obligations					<u>\$ 42,564,159</u>	<u>\$ 4,367,065</u>

*VPSA (Virginia Public School Authority), QSCB (ARRA-Qualified School Construction Bond)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 8-Long-Term Obligations: (continued)Primary Government - Governmental Activities Indebtedness: (continued)

The 2011 issuance of the ARRA funded Qualified School Construction Bond contains a face interest rate of 4.50%. However, it contains a federal tax credit resulting in federal revenue to offset the entire interest payment. Therefore, the effective interest rate is 0.00%. However, for fiscal year 2017, the sequester reduction rate was 6.90%.

For financial reporting purposes the lease purchase agreements are treated as revenue bonds of the County as title to the property has passed to the County. The Industrial Development Authority acts as a conduit for these obligations and does not retain the asset or related liability.

Note 9-Long-term Obligations-Component Unit School Board:Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Net OPEB obligation	\$ 2,505,314	\$ 429,900	\$ (122,900)	\$ 2,812,314
Compensated absences	954,011	705,340	(715,508)	943,843
Net pension liability	34,913,880	9,049,242	(5,518,398)	38,444,724
Total	\$ 38,373,205	\$ 10,184,482	\$ (6,356,806)	\$ 42,200,881

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net OPEB obligation	\$ 2,812,314	\$ -
Compensated absences	943,843	707,882
Net pension liability	38,444,724	-
Total Long-Term Obligations	\$ 42,200,881	\$ 707,882

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 10-Capital Lease:Primary Government

The County has entered into a lease agreement to finance the acquisition of six school buses. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

	School Buses
	<u> </u>
Machinery and equipment	\$ 506,969
Less: Accumulated depreciation	<u>(96,036)</u>
Net Capital Assets	<u><u>\$ 410,933</u></u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2017, were as follows:

Year Ending June 30,	School Buses
	<u> </u>
2018	\$ 54,142
2019	59,064
2020	59,064
2021	59,064
2022	59,064
2023-2026	<u>218,306</u>
Subtotal	\$ 508,704
Less, amount representing interest	<u>(63,212)</u>
Present Value of Lease Agreement	<u><u>\$ 445,492</u></u>

Note 11-Pension Plan:*Plan Description*

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by 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 Carroll, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan.

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

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

Note 11-Pension Plan: (continued)*Plan Description (continued)*

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

Note 11-Pension Plan: (continued)*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Pension Plan: (continued)*Plan Description (continued)*

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

Note 11-Pension Plan: (continued)*Plan Description (continued)*

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

Note 11-Pension Plan: (continued)*Plan Description (continued)*

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

Note 11-Pension Plan: (continued)*Plan Description (continued)*

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

Note 11-Pension Plan: (continued)*Plan Description (continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Pension Plan: (continued)*Plan Description (continued)*

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

Note 11-Pension Plan: (continued)*Plan Description (continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Pension Plan: (continued)*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Note 11-Pension Plan: (continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2017 was 11.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$742,577 and \$795,838 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit Public Service Authority's (PSA) contractually required contribution rate for the year ended June 30, 2017 was 11.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit PSA were \$71,110 and \$76,159 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

At June 30, 2017, the County reported a liability of \$6,694,678 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 11-Pension Plan: (continued)

Net Pension Liability (continued)

Contributions as of June 30, 2017 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2016 and 2015, the County's proportions were 86.2946% and 86.5376%, respectively.

At June 30, 2017, the Authority reported a liability of \$641,092 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2016 and 2015 as a basis for allocation. At June 30, 2016 and 2015, the Authority's proportions were 8.2637% and 8.2813%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Carroll County's Retirement Plan and the Carroll County School Board Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Note 11-Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

The remainder of this page left blank intentionally.

Note 11-Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Carroll County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Note 11-Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees (continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

The remainder of this page left blank intentionally.

Note 11-Pension Plan: (continued)*Long-Term Expected Rate of Return*

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

The remainder of this page left blank intentionally.

Note 11-Pension Plan: (continued)*Discount Rate*

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the County Retirement Plan Net Pension Liability	\$ 10,563,911	\$ 6,694,678	\$ 3,483,131
Component Unit Public Service Authority Net Pension Liability	\$ 1,011,616	\$ 641,092	\$ 333,550

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 11-Pension Plan:** (continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2017, the County and Component Unit PSA recognized pension expense of \$930,157 and \$89,150, respectively. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the County and Component Unit PSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit- Public Service Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 490,643	\$ -	\$ 46,966	\$ -
Change in proportionate share	-	11,873	-	860
Net difference between projected and actual earnings on pension plan investments	596,652	-	57,160	-
Employer contributions subsequent to the measurement date	742,577	-	71,110	-
Total	<u>\$ 1,829,872</u>	<u>\$ 11,873</u>	<u>\$ 175,236</u>	<u>\$ 860</u>

\$742,577 and \$71,110 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit PSA's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit Public Service Authority
2017	\$ 186,693	\$ 17,955
2018	186,694	17,955
2019	444,374	42,614
2020	257,661	24,742
Thereafter	-	-

Note 11-Pension Plan: (continued)Component Unit School Board (nonprofessional)*Plan Description*

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

Employees Covered by Benefit Terms

As of the June 30, 2015 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	89
Inactive members:	
Vested inactive members	7
Non-vested inactive members	9
Inactive members active elsewhere in VRS	<u>12</u>
Total inactive members	28
Active members	<u>130</u>
Total covered employees	<u><u>247</u></u>

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 7.65% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Pension Plan: (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 Component Unit School Board's nonprofessional employees were \$160,137 and \$241,165 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 10,083,568	\$ 9,414,688	\$ 668,880
Changes for the year:			
Service cost	\$ 270,954	\$ -	\$ 270,954
Interest	685,916	-	685,916
Differences between expected and actual experience	24,401	-	24,401
Contributions - employer	-	240,176	(240,176)
Contributions - employee	-	122,474	(122,474)
Net investment income	-	160,748	(160,748)
Benefit payments, including refunds of employee contributions	(569,530)	(569,530)	-
Administrative expenses	-	(5,902)	5,902
Other changes	-	(69)	69
Net changes	\$ 411,741	\$ (52,103)	\$ 463,844
Balances at June 30, 2016	\$ 10,495,309	\$ 9,362,585	\$ 1,132,724

Note 11-Pension Plan: (continued)Component Unit School Board (nonprofessional) (continued)*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	2,316,443	1,132,724	132,011

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

For the year ended June 30, 2017, the Component Unit School Board (nonprofessional) recognized pension expense of \$124,850. At June 30, 2017, 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	\$ 17,824	\$ 133,016
Net difference between projected and actual earnings on pension plan investments	242,016	-
Employer contributions subsequent to the measurement date	160,137	-
Total	<u>\$ 419,977</u>	<u>\$ 133,016</u>

Note 11-Pension Plan: (continued)**Component Unit School Board (nonprofessional)** (continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

\$160,137 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 ended June 30, 2018. 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>
2018	\$ (63,939)
2019	(53,923)
2020	146,520
2021	98,166
Thereafter	-

Component Unit School Board (professional)*Plan Description*

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

Contributions

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$3,136,000 and \$2,844,000 for the years ended June 30, 2017 and June 30, 2016, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Pension Plan: (continued)Component Unit School Board (professional) (continued)*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2017, the school division reported a liability of \$37,312,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.26625% as compared to 0.27208% at June 30, 2016.

For the year ended June 30, 2017, the school division recognized pension expense of \$3,011,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,209,000
Net difference between projected and actual earnings on pension plan investments	2,131,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	67,000	865,000
Employer contributions subsequent to the measurement date	3,136,000	-
Total	\$ 5,334,000	\$ 2,074,000

Note 11-Pension Plan: (continued)Component Unit School Board (professional) (continued)*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

\$3,136,000 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 ended June 30, 2018. 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>	
2018	\$ (447,000)
2019	(447,000)
2020	736,000
2021	424,000
Thereafter	(142,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

Note 11-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions (continued)

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	53,189,000	37,312,000	24,234,000

Note 11-Pension Plan: (continued)Component Unit School Board (professional) (continued)*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	44,182,326
Plan Fiduciary Net Position		30,168,211
Employers' Net Pension Liability (Asset)	\$	<u><u>14,014,115</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		68.28%

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 remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 12-Capital Assets:**

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,906,402	\$ -	\$ -	\$ 2,906,402
Construction in progress	97,050	-	(97,050)	-
Total capital assets not being depreciated	<u>\$ 3,003,452</u>	<u>\$ -</u>	<u>\$ (97,050)</u>	<u>\$ 2,906,402</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 78,003,713	\$ -	\$ -	\$ 78,003,713
Machinery and equipment	10,198,681	795,999	(226,378)	10,768,302
Total capital assets being depreciated	<u>\$ 88,202,394</u>	<u>\$ 795,999</u>	<u>\$ (226,378)</u>	<u>\$ 88,772,015</u>
Accumulated depreciation:				
Buildings and improvements	\$ (22,755,714)	\$ (2,111,659)	\$ -	\$ (24,867,373)
Machinery and equipment	(6,911,618)	(702,150)	204,538	(7,409,230)
Total accumulated depreciation	<u>\$ (29,667,332)</u>	<u>\$ (2,813,809)</u>	<u>\$ 204,538</u>	<u>\$ (32,276,603)</u>
Total capital assets being depreciated, net	<u>\$ 58,535,062</u>	<u>\$ (2,017,810)</u>	<u>\$ (21,840)</u>	<u>\$ 56,495,412</u>
Governmental activities capital assets, net	<u>\$ 61,538,514</u>	<u>\$ (2,017,810)</u>	<u>\$ (118,890)</u>	<u>\$ 59,401,814</u>

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 12-Capital Assets: (continued)**

Primary Government: (continued)

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

Governmental activities:

General government administration	\$	73,501
Judicial administration		2,942
Public safety		560,380
Public works		356,335
Health and welfare		8,663
Education		1,746,035
Parks, recreation, and cultural		28,893
Community development		37,060
		<u>37,060</u>

Total depreciation governmental activities	\$	<u>2,813,809</u>
--	----	------------------

Capital asset activity for the School Board for the year ended June 30, 2017 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,489,200	\$ -	\$ -	\$ 1,489,200
Total capital assets not being depreciated	<u>\$ 1,489,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,489,200</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 11,384,768	\$ 67,750	\$ -	\$ 11,452,518
Improvement other than buildings	153,754	-	-	153,754
Machinery and equipment	6,094,261	265,694	(126,829)	6,233,126
Total capital assets being depreciated	<u>\$ 17,632,783</u>	<u>\$ 333,444</u>	<u>\$ (126,829)</u>	<u>\$ 17,839,398</u>
Accumulated depreciation:				
Buildings and improvements	\$ (8,349,718)	\$ (259,360)	\$ -	\$ (8,609,078)
Improvement other than buildings	(14,470)	(7,688)	-	(22,158)
Machinery and equipment	(4,968,779)	(286,462)	125,280	(5,129,961)
Total accumulated depreciation	<u>\$ (13,332,967)</u>	<u>\$ (553,510)</u>	<u>\$ 125,280</u>	<u>\$ (13,761,197)</u>
Total capital assets being depreciated, net	<u>\$ 4,299,816</u>	<u>\$ (220,066)</u>	<u>\$ (1,549)</u>	<u>\$ 4,078,201</u>
Governmental activities capital assets, net	<u>\$ 5,789,016</u>	<u>\$ (220,066)</u>	<u>\$ (1,549)</u>	<u>\$ 5,567,401</u>

Note 13-Other Postemployment Benefits - Health Insurance:

From an accrual accounting perspective, the cost of postemployment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the School Board recognizes the cost of postemployment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Component Unit: School Board**A. Plan Description**

The School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must be eligible to retire from the School Board under the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 604 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates were as follows at July 1, 2016:

Participants	Key Advantage 250	Key Advantage 500
Single	\$ 764	\$ 696
Dual	1,413	1,288
Family	2,063	1,879

The Board is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty nine years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 13-Other Postemployment Benefits - Health Insurance: (continued)Component Unit: School Board (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other post employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation to the plan.

Annual required contribution	\$ 434,000
Interest on net OPEB obligation	100,200
Adjustment to annual required contribution	(104,300)
Annual OPEB cost (expense)	<u>\$ 429,900</u>
Contributions made	122,900
Increase in net OPEB obligation	<u>\$ 307,000</u>
Net OPEB obligation - beginning of year	2,505,314
Net OPEB obligation - ending of year	<u>\$ 2,812,314</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	425,900	53%	2,320,014
6/30/2016	439,200	58%	2,505,314
6/30/2017	429,900	29%	2,812,314

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2016, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 5,239,500
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 5,239,500
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 23,676,700
UAAL as a percentage of covered payroll	22.13%

Note 13-Other Postemployment Benefits - Health Insurance: (continued)

Component Unit: School Board (continued)

D. Funded Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2016, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, and investment rate of return at 4%, and a health care trend rate of 7.00% decreasing 0.50% per year until an ultimate rate of 5.00% is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2016, was 30 years.

Note 14-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit:

Nonprofessional Employees - Discretely Presented Component Unit School Board

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 14-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit: (continued)

A. Plan Description (continued)

An employee of the School Board, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 11.

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2017 was 0.98% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2017, the School Board's contribution of \$20,514 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

Component Unit:	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
School Board	6/30/2015 \$	20,691	100.00%	\$ -
	6/30/2016	20,858	100.00%	-
	6/30/2017	20,514	100.00%	-

The remainder of this page left blank intentionally.

Note 14-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit: (continued)**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	296,514
Actuarial value of plan assets	\$	(21,628)
Unfunded actuarial accrued liability (UAAL)	\$	318,142
Funded ratio (actuarial value of plan assets/AAL)		-7.29%
Covered payroll (active plan members)	\$	2,444,376
UAAL as a percentage of covered payroll		13.02%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payrolls on an open basis. The remaining open amortization period at June 30, 2017 was 18-27 years.

The Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rates is needed or applied.

Note 14-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit: (continued)

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

The School Board participates in Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. Contribution rates were 1.11%, 1.06%, and 1.06%, of annual covered payroll for the years ending June 30, 2017, 2016, and 2015, respectively. The School Board's contributions to VRS for the years ending June 30, 2017, 2016, and 2015 were \$238,445, \$215,104, and \$214,298, respectively and equaled the required contributions for each year.

Note 15-Risk Management:

The County and its component unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit - School Board participate with other localities in a public entity risk pool for their coverage of general liability, property, crime and auto insurance with the VACO Insurance Program. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit - School Board pay the program 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 unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The remainder of this page left blank intentionally.

Note 16-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no 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 17-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Gerald R. Goad, Clerk of the Circuit Court	\$ 1,525,000
Bonita Williams, Treasurer	400,000
Fran Zimmerman, Commissioner of the Revenue	3,000
John B. Gardner, Sheriff	30,000

Note 18-Payroll Expenses:

All full-time employees of the Component Unit - Public Service Authority are paid through the County and the Authority reimburses the County for these expenses. Part-time employees are paid by the Public Service Authority along with any overtime pay that the Public Service Authority Board approves.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 19-Deferred/Unavailable Revenue:**

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

	Government-wide Statements	Balance Sheet
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable/deferred revenue		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 4,012,652
Tax assessments due after June 30	22,037,991	22,037,991
Prepaid property taxes due after June 30 but paid in advance by taxpayers	<u>91,414</u>	<u>91,414</u>
Total unavailable/deferred revenue	<u>\$ 22,129,405</u>	<u>\$ 26,142,057</u>

Note 20-Litigation:

As of June 30, 2017, there were no matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

Note 21-Adoption of Accounting Principles:**Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures**

GASB Statement 77, Tax Abatement Disclosures, requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 21-Adoption of Accounting Principles: (Continued)Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures (Continued)

In 2013, Carroll County and the Carroll County Industrial Development Authority entered into a performance agreement with Virginia Produce. The intent of the agreement was to create employment opportunities and expanding Carroll's industrial base. The agreement called for a grant based on a percentage of the taxes paid by the company over 5 years. For Fiscal Year ending June 30, 2017, Carroll County IDA provided a grant of 50% of the Machinery and Tools in the amount of \$24,859, and the IDA also provided a grant of 25% of the Real Estate Taxes Paid in the amount of \$3,666.

Note 22-Restatement of Fund Balance and Net Position:

	General Fund
Fund balance, July 1, 2016, as previously stated	\$ 9,767,368
Correction to tax receivable and deferred taxes	(69,449)
To merge Farmer's Market Fund	40,738
Fund balance, July 1, 2016, as restated	\$ 9,738,657
	Gov. Activities
Net position, July 1, 2016, as previously stated	\$ 30,437,818
Correction to tax receivable and deferred taxes	(69,449)
To merge Farmer's Market Fund	40,738
Items related to pension	(148,534)
Net position, July 1, 2016, as restated	\$ 30,260,573

Note 23-Upcoming Pronouncements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Note 23-Upcoming Pronouncements: (Continued)

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

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

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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

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

Required Supplementary Information

County of Carroll, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
REVENUES				
General property taxes	\$ 21,750,423	\$ 21,869,576	\$ 20,527,734	\$ (1,341,842)
Other local taxes	4,395,800	4,507,050	4,298,627	(208,423)
Permits, privilege fees, and regulatory licenses	106,000	106,000	102,721	(3,279)
Fines and forfeitures	1,080,000	1,080,000	1,218,703	138,703
Revenue from the use of money and property	161,855	161,854	114,861	(46,993)
Charges for services	1,481,500	1,686,683	2,181,577	494,894
Miscellaneous	126,800	254,205	320,193	65,988
Recovered costs	2,483,491	2,627,753	2,232,940	(394,813)
Intergovernmental:				
Commonwealth	7,110,443	7,721,466	7,143,230	(578,236)
Federal	2,264,000	2,320,538	2,768,877	448,339
Total revenues	<u>\$ 40,960,312</u>	<u>\$ 42,335,125</u>	<u>\$ 40,909,463</u>	<u>\$ (1,425,662)</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,130,794	\$ 3,107,881	\$ 2,899,621	\$ 208,260
Judicial administration	1,268,588	1,319,337	1,261,171	58,166
Public safety	8,798,698	9,429,618	8,890,135	539,483
Public works	2,715,510	2,728,233	2,499,126	229,107
Health and welfare	5,237,509	6,166,781	6,143,152	23,629
Education	11,316,507	11,316,507	11,697,154	(380,647)
Parks, recreation, and cultural	1,225,027	1,198,147	1,384,100	(185,953)
Community development	2,672,507	2,472,505	1,716,409	756,096
Debt service:				
Principal retirement	3,320,301	3,390,077	3,648,030	(257,953)
Interest and other fiscal charges	1,494,871	1,526,285	1,642,421	(116,136)
Total expenditures	<u>\$ 41,180,312</u>	<u>\$ 42,655,371</u>	<u>\$ 41,781,319</u>	<u>\$ 874,052</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (220,000)</u>	<u>\$ (320,246)</u>	<u>\$ (871,856)</u>	<u>\$ (551,610)</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	\$ -	\$ 97,075	\$ -	\$ (97,075)
Net change in fund balances	\$ (220,000)	\$ (223,171)	\$ (871,856)	\$ (648,685)
Fund balances - beginning, as restated	220,000	223,171	9,738,657	9,515,486
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,866,801</u>	<u>\$ 8,866,801</u>

County of Carroll, Virginia
Schedule of OPEB Funding Progress

School Board Postemployment Benefit Plan - Health Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2016	\$ -	\$ 5,239,500	\$ 5,239,500	0.00%	\$ 23,676,700	22.13%
7/1/2014	-	4,980,900	4,980,900	0.00%	22,205,000	22.43%
7/1/2012	-	4,503,200	4,503,200	0.00%	22,392,600	20.11%

School Board Postemployment Benefit Plan - VRS Health Insurance Credit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2016	\$ (21,628)	\$ 296,514	318,142	-7.29%	\$ 2,444,376	13.02%
6/30/2015	(21,547)	291,928	313,475	-7.38%	2,435,872	12.87%
6/30/2014	(21,120)	286,139	307,259	-7.38%	2,454,711	12.52%

County of Carroll, Virginia
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 For the Years Ended June 30, 2015 through June 30, 2017

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County Retirement Plan					
2016	86.2946% \$	6,694,678 \$	6,380,074	104.93%	77.51%
2015	86.5376%	5,285,062	6,286,487	84.07%	81.30%
2014	86.5376%	4,226,206	6,057,711	69.77%	83.61%
Component Unit Public Service Authority					
2016	8.2637% \$	641,092 \$	625,793	102.44%	122.99%
2015	8.2813%	505,758	678,989	74.49%	434.88%
2014	8.2813%	417,602	678,989	61.50%	510.11%
Component Unit School Board (professional)					
2016	0.2663% \$	37,312,000 \$	20,292,867	183.87%	68.28%
2015	0.2721%	34,245,000	20,216,777	169.39%	70.68%
2014	0.2746%	33,182,000	20,079,764	165.25%	70.88%

Schedule is intended to show information for 10 years. Prior to 2015, the PSA's information was consolidated in the County's totals and presented in the County report. Therefore, sufficient information to allocate the prior year balances is not available. Additional years will be included as they become available.

County of Carroll, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 270,954	\$ 272,694	\$ 282,837
Interest	685,916	678,210	650,702
Changes of benefit terms	-	-	-
Differences between expected and actual experience	24,401	(276,046)	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(569,530)	(559,995)	(521,158)
Net change in total pension liability	\$ 411,741	\$ 114,863	\$ 412,381
Total pension liability - beginning	10,083,568	9,968,705	9,556,324
Total pension liability - ending (a)	<u>\$ 10,495,309</u>	<u>\$ 10,083,568</u>	<u>\$ 9,968,705</u>
Plan fiduciary net position			
Contributions - employer	\$ 240,176	\$ 239,595	\$ 259,093
Contributions - employee	122,474	122,507	123,499
Net investment income	160,748	418,458	1,264,799
Benefit payments, including refunds of employee contributions	(569,530)	(559,995)	(521,158)
Administrative expense	(5,902)	(5,839)	(6,876)
Other	(69)	(88)	67
Net change in plan fiduciary net position	\$ (52,103)	\$ 214,638	\$ 1,119,424
Plan fiduciary net position - beginning	9,414,688	9,200,050	8,080,626
Plan fiduciary net position - ending (b)	<u>\$ 9,362,585</u>	<u>\$ 9,414,688</u>	<u>\$ 9,200,050</u>
School Division's net pension liability - ending (a) - (b)	\$ 1,132,724	\$ 668,880	\$ 768,655
Plan fiduciary net position as a percentage of the total pension liability	89.21%	93.37%	92.29%
Covered payroll	\$ 2,483,064	\$ 2,463,253	\$ 2,469,959
School Division's net pension liability as a percentage of covered payroll	45.62%	27.15%	31.12%

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 Carroll, Virginia
Schedule of Employer Contributions
For the Years Ended June 30, 2008 through June 30, 2017

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					
2017	\$ 742,577	\$ 742,577	\$ -	\$ 6,436,392	11.54%
2016	770,617	770,617	-	6,380,074	12.08%
2015	762,325	762,325	-	6,286,487	12.13%
Component Unit Public Service Authority					
2017	\$ 71,110	\$ 71,110	\$ -	\$ 614,367	11.57%
2016	76,159	76,159	-	625,793	12.17%
2015	75,339	75,339	-	678,989	11.10%
Component Unit School Board (nonprofessional)					
2017	\$ 160,137	\$ 160,137	\$ -	\$ 2,093,296	7.65%
2016	241,165	241,165	-	2,483,064	9.71%
2015	239,595	239,595	-	2,463,253	9.73%
2014	259,099	259,099	-	2,469,959	10.49%
2013	261,420	261,420	-	2,492,084	10.49%
2012	198,487	198,487	-	2,544,710	7.80%
2011	194,444	194,444	-	2,492,872	7.80%
2010	219,606	219,606	-	2,544,679	8.63%
2009	225,013	225,013	-	2,607,334	8.63%
2008	247,999	247,999	-	2,749,432	9.02%
Component Unit School Board (professional)					
2017	\$ 3,136,000	\$ 3,136,000	\$ -	\$ 21,481,554	14.60%
2016	2,844,000	2,844,000	-	20,292,867	14.01%
2015	2,933,000	2,933,000	-	20,216,777	14.51%
2014	2,341,300	2,341,300	-	20,079,764	11.66%
2013	2,289,845	2,289,845	-	19,638,470	11.66%
2012	1,239,333	1,239,333	-	19,578,718	6.33%
2011	765,893	765,893	-	19,488,369	3.93%
2010	1,744,737	1,744,737	-	19,804,052	8.81%
2009	1,782,901	1,782,901	-	20,237,242	8.81%
2008	2,242,405	2,242,405	-	21,770,922	10.30%

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

Schedule is intended to show information for 10 years. Prior to 2015, the PSA's information was consolidated in the County's totals and presented in the County report. Therefore, sufficient information to allocate the prior year balances is not available. Additional years will be included as they become available.

County of Carroll, Virginia
Notes to Required Supplementary Information
June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information

FIDUCIARY FUNDS

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

Twin County Airport - The Twin County Airport fund accounts for those funds belonging to the regional Twin County Airport.

Performance Bond Escrow - The Performance Bond Escrow fund accounts for those funds belonging to an outstanding performance bond.

County FSA - The County Flexible Spending Arrangement fund accounts for those funds belonging to the employees of the County participating in the Flexible Spending Plan.

School Board FSA - The School Board Flexible Spending Arrangement fund accounts for those funds belonging to the employees of the School participating in the Flexible Spending Plan.

County of Carroll, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Funds					<u>Total</u>
	<u>Special Welfare</u>	<u>School Board FSA</u>	<u>County FSA</u>	<u>Performance Bond Escrow</u>	<u>Twin County Airport</u>	
ASSETS						
Cash and cash equivalents	\$ 17,756	\$ 22,198	\$ 1,345	\$ 187,854	\$ -	\$ 229,153
Investments	-	-	-	-	3,398	3,398
Total assets	<u>\$ 17,756</u>	<u>\$ 22,198</u>	<u>\$ 1,345</u>	<u>\$ 187,854</u>	<u>\$ 3,398</u>	<u>\$ 232,551</u>
LIABILITIES						
Amounts held for social services clients	\$ 17,756	\$ -	\$ -	\$ -	\$ -	\$ 17,756
Amounts held for performance bonds	-	-	-	187,854	-	187,854
Amounts held for School Board employees	-	22,198	-	-	-	22,198
Amounts held for County employees	-	-	1,345	-	-	1,345
Amounts held for the Twin County Airport	-	-	-	-	3,398	3,398
Total liabilities	<u>\$ 17,756</u>	<u>\$ 22,198</u>	<u>\$ 1,345</u>	<u>\$ 187,854</u>	<u>\$ 3,398</u>	<u>\$ 232,551</u>

County of Carroll, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Current Assets				
Cash and cash equivalents				
Special Welfare	\$ 12,509	\$ 77,633	\$ (72,386)	\$ 17,756
Performance Bond Escrow	187,854	2,500	(2,500)	187,854
School Board FSA	16,834	81,209	(75,845)	22,198
County FSA	1,666	12,800	(13,121)	1,345
Total cash and cash equivalents	<u>\$ 218,863</u>	<u>\$ 174,142</u>	<u>\$ (163,852)</u>	<u>\$ 229,153</u>
Investments				
Twin County Airport	\$ 3,373	\$ 25	\$ -	\$ 3,398
Total Assets	<u><u>\$ 222,236</u></u>	<u><u>\$ 174,167</u></u>	<u><u>\$ (163,852)</u></u>	<u><u>\$ 232,551</u></u>
Liabilities				
Amounts held for social services clients	\$ 12,509	\$ 77,633	\$ (72,386)	\$ 17,756
Amounts held for performance bonds	187,854	2,500	(2,500)	187,854
Amounts held for School Board employees	16,834	81,209	(75,845)	22,198
Amounts held for County employees	1,666	12,800	(13,121)	1,345
Amounts held for Twin County Airport	3,373	25	-	3,398
Total Liabilities	<u><u>\$ 222,236</u></u>	<u><u>\$ 174,167</u></u>	<u><u>\$ (163,852)</u></u>	<u><u>\$ 232,551</u></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 Carroll, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2017

	School Operating <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,139,474
Investments	68,933
Due from other governmental units	1,563,380
Prepaid items	76,227
Restricted assets:	
Cash and cash equivalents	319,214
Total assets	<u>\$ 4,167,228</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 156,263
Accrued liabilities	1,967,982
Due to primary government	1,603,344
Total liabilities	<u>\$ 3,727,589</u>
Fund balances:	
Nonspendable:	
Prepaid items	\$ 76,227
Restricted:	
Cafeteria operations	319,214
Committed:	
Textbook purchases	120,425
Unassigned:	(76,227)
Total fund balances	<u>\$ 439,639</u>
Total liabilities and fund balances	<u>\$ 4,167,228</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 439,639
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 1,489,200
Buildings and improvements	2,843,440
Improvement other than buildings	131,596
Machinery and equipment	<u>1,103,165</u>
	5,567,401
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Deferred inflows related to measurement of net pension liability	(2,207,016)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	
	3,296,137
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net OPEB obligation	\$ (2,812,314)
Compensated absences	(943,843)
Net pension liability	(38,444,724)
Deferred outflows related to measurement of net pension liability	<u>2,457,840</u>
	(39,743,041)
Net position of governmental activities	<u>\$ (32,646,880)</u>

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

	School Operating <u>Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 36,144
Charges for services	741,257
Miscellaneous	474,664
Recovered costs	888,496
Intergovernmental:	
Local government	11,631,827
Commonwealth	25,675,512
Federal	4,303,992
Total revenues	<u>\$ 43,751,892</u>
EXPENDITURES	
Current:	
Education	\$ 43,701,243
Total expenditures	<u>\$ 43,701,243</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 50,649</u>
Net change in fund balances	\$ 50,649
Fund balances - beginning	388,990
Fund balances - ending	<u>\$ 439,639</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	\$ 50,649
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	\$ 333,444
Depreciation in current year	<u>(553,510)</u> (220,066)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(1,549)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred inflows of resources related to the measurement of the net pension liability	1,098,330
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	\$ 10,168
Change in net OPEB obligation	(307,000)
Change in net pension liability	(3,530,844)
Change in deferred outflows of resources related to pensions	<u>2,575,812</u> (1,251,864)
Change in net position of governmental activities	<u>\$ (324,500)</u>

County of Carroll, 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, 2017

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 35,150	\$ 35,150	\$ 36,144	\$ 994
Charges for services	1,246,697	1,246,697	741,257	(505,440)
Miscellaneous	170,500	170,500	474,664	304,164
Recovered costs	970,563	970,563	888,496	(82,067)
Intergovernmental:				
Local government	11,251,664	11,251,664	11,631,827	380,163
Commonwealth	25,444,986	25,444,986	25,675,512	230,526
Federal	4,524,905	4,524,905	4,303,992	(220,913)
Total revenues	<u>\$ 43,644,465</u>	<u>\$ 43,644,465</u>	<u>\$ 43,751,892</u>	<u>\$ 107,427</u>
EXPENDITURES				
Current:				
Education	\$ 43,540,119	\$ 43,540,119	\$ 43,701,243	\$ (161,124)
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 104,346</u>	<u>\$ 104,346</u>	<u>\$ 50,649</u>	<u>\$ (53,697)</u>
Net change in fund balances	\$ 104,346	\$ 104,346	\$ 50,649	\$ (53,697)
Fund balances - beginning	361,750	361,750	388,990	27,240
Fund balances - ending	<u><u>\$ 466,096</u></u>	<u><u>\$ 466,096</u></u>	<u><u>\$ 439,639</u></u>	<u><u>\$ (26,457)</u></u>

Supporting Schedules

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 15,194,300	\$ 15,194,300	\$ 14,505,686	\$ (688,614)
Real and personal public service corporation taxes	797,840	892,888	853,070	(39,818)
Personal property taxes	4,138,153	4,138,153	3,456,308	(681,845)
Mobile home taxes	75,000	75,000	84,230	9,230
Machinery and tools taxes	913,130	937,235	964,197	26,962
Merchant's capital taxes	202,000	202,000	190,944	(11,056)
Penalties	150,000	150,000	166,804	16,804
Interest	280,000	280,000	306,495	26,495
Total general property taxes	\$ 21,750,423	\$ 21,869,576	\$ 20,527,734	\$ (1,341,842)
Other local taxes:				
Local sales and use taxes	\$ 1,800,800	\$ 1,800,800	\$ 1,839,790	\$ 38,990
Consumers' utility taxes- electric	665,000	665,000	670,037	5,037
Consumers' utility taxes- telephone	40,000	40,000	44,307	4,307
Consumption taxes	100,000	100,000	97,799	(2,201)
Franchise license taxes	10,000	10,000	-	(10,000)
Recordation taxes	125,000	125,000	146,939	21,939
Motor vehicle licenses	825,000	825,000	607,314	(217,686)
Bank stock taxes	10,000	10,000	12,962	2,962
Hotel and motel room taxes	260,000	371,250	309,408	(61,842)
Restaurant food taxes	560,000	560,000	570,071	10,071
Total other local taxes	\$ 4,395,800	\$ 4,507,050	\$ 4,298,627	\$ (208,423)
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 70,000	\$ 70,000	\$ 70,430	\$ 430
Animal licenses	20,000	20,000	16,416	(3,584)
Other permits and licenses	16,000	16,000	15,875	(125)
Total permits, privilege fees, and regulatory licenses	\$ 106,000	\$ 106,000	\$ 102,721	\$ (3,279)
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,080,000	\$ 1,080,000	\$ 1,218,703	\$ 138,703
Revenue from use of money and property:				
Revenue from use of money	\$ 135,753	\$ 135,752	\$ 49,769	\$ (85,983)
Revenue from use of property	26,102	26,102	65,092	38,990
Total revenue from use of money and property	\$ 161,855	\$ 161,854	\$ 114,861	\$ (46,993)
Charges for services:				
Charges for EMS	\$ 1,112,000	\$ 1,314,000	\$ 1,579,870	\$ 265,870
Charges for courthouse security	180,000	180,000	203,640	23,640
Charges for parks and recreation	78,500	78,500	47,230	(31,270)
Charges for sanitation and waste removal	37,000	37,000	40,503	3,503
Charges for courthouse maintenance	30,000	30,000	39,803	9,803
Charges for cannery	19,000	19,000	212,219	193,219
Charges for circuit court copies	10,500	10,500	8,426	(2,074)

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for commonwealth's attorney	\$ 5,000	\$ 5,000	\$ 6,278	\$ 1,278
Charges for law enforcement and traffic control	5,700	8,500	39,503	31,003
Charges for law library	3,000	3,383	3,703	320
Other charges for services	800	800	402	(398)
Total charges for services	\$ 1,481,500	\$ 1,686,683	\$ 2,181,577	\$ 494,894
Miscellaneous:				
Miscellaneous	\$ 126,800	\$ 254,205	\$ 320,193	\$ 65,988
Recovered costs:				
Solid Waste Authority	\$ 556,191	\$ 556,191	\$ 516,746	\$ (39,445)
BRECEDA	483,407	483,407	131,329	(352,078)
Public Service Authority	949,971	949,971	892,303	(57,668)
Industrial Development Authority	10,000	40,000	50,414	10,414
City of Galax-shared expenses	250,000	250,000	275,000	25,000
Social services	103,422	103,422	142,070	38,648
School resource officer	40,000	55,755	55,755	-
Other recovered costs	90,500	189,007	169,323	(19,684)
Total recovered costs	\$ 2,483,491	\$ 2,627,753	\$ 2,232,940	\$ (394,813)
Total revenue from local sources	\$ 31,585,869	\$ 32,293,121	\$ 30,997,356	\$ (1,295,765)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 52,000	\$ 52,000	\$ 52,415	\$ 415
Motor vehicle rental taxes	8,000	8,000	6,876	(1,124)
Telecommunications Taxes	980,000	980,000	954,644	(25,356)
Rolling stock taxes	1,151	1,151	2,272	1,121
State recordation taxes	85,000	85,000	86,110	1,110
Personal property tax relief funds	1,051,552	1,051,552	1,051,552	-
Total noncategorical aid	\$ 2,177,703	\$ 2,177,703	\$ 2,153,869	\$ (23,834)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 444,140	\$ 444,140	\$ 437,541	\$ (6,599)
Sheriff	1,408,750	1,408,750	1,343,290	(65,460)
Commissioner of revenue	123,506	123,506	121,125	(2,381)
Treasurer	119,650	119,650	117,099	(2,551)
Registrar/electoral board	40,000	40,000	41,896	1,896
Clerk of the Circuit Court	284,315	284,315	276,180	(8,135)
Total shared expenses	\$ 2,420,361	\$ 2,420,361	\$ 2,337,131	\$ (83,230)

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 1,100,000	\$ 1,233,000	\$ 1,223,412	\$ (9,588)
Comprehensive Services Act	1,212,500	1,559,500	1,132,887	(426,613)
Animal friendly plates	400	400	382	(18)
Fire program	78,000	78,000	88,790	10,790
Litter control grant	10,200	9,923	9,923	-
Emergency and medical services grant	28,000	76,825	75,508	(1,317)
Records preservation grant	-	46,058	51,830	5,772
School Resource Officer	-	36,417	27,529	(8,888)
Victim witness	78,279	78,279	22,411	(55,868)
Asset forfeiture	-	-	14,558	14,558
Arts grant	5,000	5,000	5,000	-
Total other categorical aid	<u>\$ 2,512,379</u>	<u>\$ 3,123,402</u>	<u>\$ 2,652,230</u>	<u>\$ (471,172)</u>
Total categorical aid	<u>\$ 4,932,740</u>	<u>\$ 5,543,763</u>	<u>\$ 4,989,361</u>	<u>\$ (554,402)</u>
Total revenue from the Commonwealth	<u>\$ 7,110,443</u>	<u>\$ 7,721,466</u>	<u>\$ 7,143,230</u>	<u>\$ (578,236)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 19,767</u>	<u>\$ (233)</u>
Categorical aid:				
Public assistance and welfare administration	\$ 1,610,100	\$ 1,610,100	\$ 1,885,061	\$ 274,961
Comprehensive Services Act	-	-	121,141	121,141
QSCB interest	626,400	626,400	633,417	7,017
Victim witness	-	-	44,032	44,032
Emergency management preparedness grants	7,500	7,500	14,676	7,176
Federal justice assistance grants	-	1,263	1,263	-
State and community highway safety	-	26,256	22,175	(4,081)
High intensity drug trafficking grant	-	29,019	25,980	(3,039)
Asset forfeiture	-	-	1,365	1,365
Total categorical aid	<u>\$ 2,244,000</u>	<u>\$ 2,300,538</u>	<u>\$ 2,749,110</u>	<u>\$ 448,572</u>
Total revenue from the federal government	<u>\$ 2,264,000</u>	<u>\$ 2,320,538</u>	<u>\$ 2,768,877</u>	<u>\$ 448,339</u>
Total General Fund	<u>\$ 40,960,312</u>	<u>\$ 42,335,125</u>	<u>\$ 40,909,463</u>	<u>\$ (1,425,662)</u>
Total Primary Government	<u>\$ 40,960,312</u>	<u>\$ 42,335,125</u>	<u>\$ 40,909,463</u>	<u>\$ (1,425,662)</u>

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 150	\$ 150	\$ 879	\$ 729
Revenue from the use of property	35,000	35,000	35,265	265
Total revenue from use of money and property	\$ 35,150	\$ 35,150	\$ 36,144	\$ 994
Charges for services:				
Fees from pupils	\$ 19,000	\$ 19,000	\$ 20,060	\$ 1,060
Tuition from other localities	4,000	4,000	-	(4,000)
Cafeteria sales	1,190,067	1,190,067	690,330	(499,737)
Transportation of pupils	10,000	10,000	27,555	17,555
Other payments from other localities	23,630	23,630	3,312	(20,318)
Total charges for services	\$ 1,246,697	\$ 1,246,697	\$ 741,257	\$ (505,440)
Miscellaneous:				
E-rate	\$ 140,000	\$ 140,000	\$ 437,493	\$ 297,493
Other miscellaneous	30,500	30,500	37,171	6,671
Total miscellaneous	\$ 170,500	\$ 170,500	\$ 474,664	\$ 304,164
Recovered costs:				
Insurance recoveries and rebates	\$ 970,563	\$ 970,563	\$ 888,496	\$ (82,067)
Total revenue from local sources	\$ 2,422,910	\$ 2,422,910	\$ 2,140,561	\$ (282,349)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	\$ 11,251,664	\$ 11,251,664	\$ 11,631,827	\$ 380,163
Revenue from the Commonwealth:				
Share of state sales tax	\$ 4,543,186	\$ 4,543,186	\$ 4,442,920	\$ (100,266)
Basic school aid	12,075,061	12,075,061	11,941,956	(133,105)
Remedial summer education	110,118	110,118	117,410	7,292
Regular foster care	-	-	32,772	32,772
Gifted and talented	132,663	132,663	130,601	(2,062)
Remedial education	576,680	576,680	567,713	(8,967)
Alternative education	167,580	167,580	167,699	119
Special education	1,391,612	1,391,612	1,369,975	(21,637)
Textbook payment	297,220	297,220	216,676	(80,544)
Vocational standards of quality payments	511,702	511,702	503,745	(7,957)
Vocational adult education	900	900	712	(188)
Vocational education - equipment	29,836	29,836	11,738	(18,098)
Vocational occupational preparedness	15,000	15,000	11,784	(3,216)
Social security fringe benefits	785,151	785,151	772,943	(12,208)

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
Page 5 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Retirement fringe benefits	\$ 1,619,035	\$ 1,619,035	\$ 1,593,861	\$ (25,174)
Group life insurance instructional	54,148	54,148	53,306	(842)
State lottery payments	141,923	141,923	216,012	74,089
Homebound education	21,142	21,142	25,594	4,452
School nutrition	37,816	37,816	37,642	(174)
Special education - foster children	48,266	48,266	57,290	9,024
Special education - regional	111,859	111,859	123,753	11,894
Salary supplement	194,282	194,282	-	(194,282)
At risk payments	619,127	619,127	568,011	(51,116)
Early reading intervention	92,680	92,680	85,551	(7,129)
VPSA technology	362,000	362,000	594,000	232,000
Standards of Learning algebra readiness	73,228	73,228	65,970	(7,258)
At risk four-year olds	436,680	436,680	427,946	(8,734)
Primary class size	623,319	623,319	618,867	(4,452)
Breakfast after the Bell Initiative	-	-	6,647	6,647
Mentor teacher program	2,033	2,033	2,317	284
ISAEF	15,717	15,717	16,835	1,118
Jobs for VA grads	-	-	25,000	25,000
CTE industry credentials	4,500	4,500	20,204	15,704
English as a second language	74,339	74,339	80,015	5,676
Project graduation	-	-	16,705	16,705
Small School Division Enrollment	-	-	341,486	341,486
Other state funds	276,183	276,183	409,856	133,673
Total categorical aid	\$ 25,444,986	\$ 25,444,986	\$ 25,675,512	\$ 230,526
Total revenue from the Commonwealth	\$ 25,444,986	\$ 25,444,986	\$ 25,675,512	\$ 230,526
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 10,000	\$ 10,000	\$ 1,028	\$ (8,972)
Title I	1,096,320	1,096,320	1,012,568	(83,752)
Title VI-B, flow-through	1,058,400	1,058,400	1,061,242	2,842
Title VI-B, preschool	35,187	35,187	35,784	597
Title VI-B, rural and low income	91,000	91,000	80,762	(10,238)
Advanced Placement Grant	-	-	31	31
Vocational education	78,118	78,118	73,387	(4,731)
Teacher quality	222,093	222,093	189,890	(32,203)
SNP equipment	-	-	13,431	13,431
Migrant education	38,256	38,256	45,742	7,486
School breakfast program	487,097	487,097	411,115	(75,982)
National school lunch program	1,188,683	1,188,683	1,192,911	4,228
Title III	40,049	40,049	11,367	(28,682)
Twenty first century learning centers	179,702	179,702	174,734	(4,968)

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
Page 6 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Total revenue from the federal government	\$ 4,524,905	\$ 4,524,905	\$ 4,303,992	\$ (220,913)
 Total Discretely Presented Component Unit - School Board	 \$ 43,644,465	 \$ 43,644,465	 \$ 43,751,892	 \$ 107,427

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 2
Page 1 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 492,686	\$ 439,614	\$ 420,900	\$ 18,714
General and financial administration:				
County administrator	\$ 440,207	\$ 440,207	\$ 418,199	\$ 22,008
County attorney	75,000	92,300	76,363	15,937
Commissioner of revenue	669,935	661,993	654,729	7,264
Treasurer	384,368	378,289	353,013	25,276
Finance	159,996	261,539	257,835	3,704
Management information systems	592,733	592,733	504,598	88,135
Human resources	101,543	-	-	-
Web development	7,500	7,500	4,605	2,895
Total general and financial administration	\$ 2,431,282	\$ 2,434,561	\$ 2,269,342	\$ 165,219
Board of elections:				
Electoral board and officials	\$ 79,712	\$ 106,592	\$ 90,140	\$ 16,452
Registrar	127,114	127,114	119,239	7,875
Total board of elections	\$ 206,826	\$ 233,706	\$ 209,379	\$ 24,327
Total general government administration	\$ 3,130,794	\$ 3,107,881	\$ 2,899,621	\$ 208,260
Judicial administration:				
Courts:				
Circuit court	\$ 66,910	\$ 66,910	\$ 63,092	\$ 3,818
General district court	27,892	27,892	39,334	(11,442)
Juvenile court	10,500	10,500	8,558	1,942
Special magistrates	4,950	4,950	4,745	205
Victim witness	76,464	93,808	78,732	15,076
Clerk of the circuit court	454,413	479,750	473,332	6,418
Law library	3,000	8,339	7,844	495
Total courts	\$ 644,129	\$ 692,149	\$ 675,637	\$ 16,512
Commonwealth's attorney:				
Commonwealth's attorney	\$ 624,459	\$ 627,188	\$ 585,534	\$ 41,654
Total judicial administration	\$ 1,268,588	\$ 1,319,337	\$ 1,261,171	\$ 58,166
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,220,877	\$ 2,298,589	\$ 2,289,941	\$ 8,648
Courtroom Security	218,083	215,075	195,157	19,918
Total law enforcement and traffic control	\$ 2,438,960	\$ 2,513,664	\$ 2,485,098	\$ 28,566

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 2
Page 2 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire departments	\$ 775,292	\$ 775,292	\$ 412,701	\$ 362,591
Rescue squads	456,938	456,938	382,960	73,978
Carroll EMS	1,484,265	1,555,090	1,500,626	54,464
Total fire and rescue services	<u>\$ 2,716,495</u>	<u>\$ 2,787,320</u>	<u>\$ 2,296,287</u>	<u>\$ 491,033</u>
Correction and detention:				
Payments to New River Regional Jail	\$ 1,400,000	\$ 1,886,320	\$ 1,907,403	\$ (21,083)
Juvenile probation and detention	148,950	168,950	170,989	(2,039)
Total correction and detention	<u>\$ 1,548,950</u>	<u>\$ 2,055,270</u>	<u>\$ 2,078,392</u>	<u>\$ (23,122)</u>
Inspections:				
Building	\$ 341,069	\$ 341,068	\$ 321,230	\$ 19,838
Other protection:				
Animal warden	\$ 118,014	\$ 118,014	\$ 120,058	\$ (2,044)
Emergency services	218,186	218,186	206,061	12,125
E-911	374,154	374,154	374,154	-
Day reporting program	61,503	62,855	60,394	2,461
Highway safety	981,367	959,087	948,461	10,626
Total other protection	<u>\$ 1,753,224</u>	<u>\$ 1,732,296</u>	<u>\$ 1,709,128</u>	<u>\$ 23,168</u>
Total public safety	<u>\$ 8,798,698</u>	<u>\$ 9,429,618</u>	<u>\$ 8,890,135</u>	<u>\$ 539,483</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 609,024	\$ 609,724	\$ 576,187	\$ 33,537
Public Service Authority	949,971	949,971	895,308	54,663
Litter control	10,200	9,923	9,901	22
Total sanitation and waste removal	<u>\$ 1,569,195</u>	<u>\$ 1,569,618</u>	<u>\$ 1,481,396</u>	<u>\$ 88,222</u>
Maintenance of general buildings and grounds:				
Governmental complex	\$ 352,678	\$ 352,677	\$ 324,612	\$ 28,065
Cannery	53,879	66,879	58,577	8,302
Maintenance force	593,758	593,759	494,347	99,412
Maintenance of other properties	146,000	145,300	140,194	5,106
Total maintenance of general buildings and grounds	<u>\$ 1,146,315</u>	<u>\$ 1,158,615</u>	<u>\$ 1,017,730</u>	<u>\$ 140,885</u>
Total public works	<u>\$ 2,715,510</u>	<u>\$ 2,728,233</u>	<u>\$ 2,499,126</u>	<u>\$ 229,107</u>

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 2
Page 3 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 270,992	\$ 270,992	\$ 268,459	\$ 2,533
Mental health and mental retardation:				
Community services board	\$ 130,500	\$ 130,500	\$ 130,500	\$ -
Welfare:				
Public assistance and welfare administration	\$ 4,762,402	\$ 5,691,674	\$ 5,670,578	\$ 21,096
Senior citizens center	73,615	73,615	73,615	-
Total welfare	\$ 4,836,017	\$ 5,765,289	\$ 5,744,193	\$ 21,096
Total health and welfare	\$ 5,237,509	\$ 6,166,781	\$ 6,143,152	\$ 23,629
Education:				
Other instructional costs:				
Contributions to Community College	\$ 38,343	\$ 38,343	\$ 38,343	\$ -
Contribution to County School Board	11,251,664	11,251,664	11,631,827	(380,163)
School Board utilities	26,500	26,500	26,984	(484)
Total education	\$ 11,316,507	\$ 11,316,507	\$ 11,697,154	\$ (380,647)
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 453,578	\$ 453,579	\$ 439,355	\$ 14,224
Farmer's Market	389,711	362,831	564,407	(201,576)
County Fair	70,000	70,000	69,470	530
Total parks and recreation	\$ 913,289	\$ 886,410	\$ 1,073,232	\$ (186,822)
Library:				
Contribution to Carroll-Galax Regional Library	\$ 311,738	\$ 311,737	\$ 310,868	\$ 869
Total parks, recreation, and cultural	\$ 1,225,027	\$ 1,198,147	\$ 1,384,100	\$ (185,953)
Community development:				
Planning and community development:				
Planning commission	\$ 4,800	\$ 4,800	\$ 735	\$ 4,065
Economic development	707,044	507,044	205,769	301,275
Business development	114,596	114,595	111,019	3,576
Tourism	156,753	156,753	151,707	5,046
Geographic information services	89,772	89,771	84,404	5,367
Contribution to Carroll Industrial Development Authority	414,363	414,363	-	414,363
Contribution to Public Service Authority	1,036,533	1,036,533	1,036,533	-
Contribution to Twin County Airport	70,460	70,460	59,124	11,336
Total planning and community development	\$ 2,594,321	\$ 2,394,319	\$ 1,649,291	\$ 745,028

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 2
Page 4 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Environmental management:				
Contribution to soil and water district	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Cooperative extension program:				
Extension office	\$ 70,186	\$ 70,186	\$ 59,118	\$ 11,068
Total community development	\$ 2,672,507	\$ 2,472,505	\$ 1,716,409	\$ 756,096
Debt service:				
Principal retirement	\$ 3,320,301	\$ 3,390,077	\$ 3,648,030	\$ (257,953)
Interest and other fiscal charges	1,494,871	1,526,285	1,642,421	(116,136)
Total debt service	\$ 4,815,172	\$ 4,916,362	\$ 5,290,451	\$ (374,089)
Total General Fund	\$ 41,180,312	\$ 42,655,371	\$ 41,781,319	\$ 874,052
Total Primary Government	\$ 41,180,312	\$ 42,655,371	\$ 41,781,319	\$ 874,052
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,735,008	\$ 1,735,008	\$ 1,643,894	\$ 91,114
Instruction costs:				
Instruction	\$ 31,459,291	\$ 31,459,291	\$ 32,665,572	\$ (1,206,281)
Operating costs:				
Pupil transportation	\$ 3,170,144	\$ 3,170,144	\$ 2,724,746	\$ 445,398
Operation and maintenance of school plant	4,251,078	4,251,078	4,382,655	(131,577)
Food services and other non-instructional costs	2,924,598	2,924,598	2,281,716	642,882
Facilities	-	-	2,660	(2,660)
Total operating costs	\$ 10,345,820	\$ 10,345,820	\$ 9,391,777	\$ 954,043
Total Discretely Presented Component Unit - School Board	\$ 43,540,119	\$ 43,540,119	\$ 43,701,243	\$ (161,124)

Other Statistical Section

Table 1

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

Fiscal Year	General Government		Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Gas Utilities	Gladeville Cranberry Sewer		Total
	\$	\$												
2016-17	\$ 2,567,121	\$ 1,005,935	\$ 9,090,573	\$ 1,485,311	\$ 6,039,186	\$ 13,443,189	\$ 1,399,180	\$ 1,574,700	\$ 1,535,786	\$ -	\$ -	-	\$ -	\$ 38,140,981
2015-16	2,620,043	977,670	9,096,396	1,319,668	5,860,929	13,265,166	852,516	1,794,103	1,653,289	109,257	-	-	-	37,549,037
2014-15	2,160,757	910,625	8,251,074	1,391,661	5,415,823	13,291,086	811,369	1,293,877	1,160,247	386,978	-	-	-	35,073,497
2013-14	2,314,221	968,302	8,397,574	1,616,367	5,074,792	13,954,909	1,178,753	2,568,641	1,008,885	343,869	-	-	-	37,426,313
2012-13	2,646,748	860,938	7,608,448	2,423,430	5,029,724	12,055,049	1,198,123	2,977,741	941,166	29,931	-	-	-	35,771,298
2011-12	2,149,650	927,275	7,051,156	1,430,936	5,563,512	10,059,750	987,821	2,535,682	1,445,238	-	-	-	-	32,151,020
2010-11	2,323,036	820,260	7,186,720	1,600,919	5,600,560	8,312,852	1,034,858	2,115,102	1,178,018	-	-	-	-	30,172,325
2009-10	1,703,677	925,671	6,994,784	1,213,242	5,237,690	9,607,514	1,131,080	3,927,237	1,362,010	-	-	-	-	32,102,905
2008-09	2,274,741	917,156	5,527,643	1,403,993	4,560,878	9,318,301	1,090,266	2,210,516	1,456,967	-	-	3,128,996	-	31,889,457
2007-08	2,386,740	873,323	4,688,063	830,990	4,208,213	10,319,961	366,720	1,734,643	1,561,537	-	-	467,272	-	27,437,462

Table 2

County of Carroll, 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 (1)	Gain on Disposal of Capital Asset		
2016-17	\$ 3,503,001	\$ 7,738,471	\$ -	\$ 20,955,919	\$ 4,298,627	\$ 114,861	\$ 320,193	\$ 2,173,636	\$ -	\$ 39,104,708	
2015-16	2,682,745	7,663,546	500,400	20,002,849	4,240,575	73,852	228,482	2,188,053	-	37,580,502	
2014-15	3,239,583	6,644,265	25,000	18,833,801	4,028,765	73,235	348,630	2,218,368	-	35,411,647	
2013-14	2,912,339	6,478,610	-	19,208,363	3,972,989	28,290	313,093	2,239,412	46,389	35,199,485	
2012-13	2,611,738	6,075,406	179,133	19,131,036	3,818,144	33,984	374,007	2,229,764	-	34,453,212	
2011-12	2,966,308	6,505,064	114,386	19,268,656	3,881,421	64,812	322,075	2,178,196	-	35,300,918	
2010-11	2,183,703	6,706,032	283,621	18,764,027	4,064,005	54,982	289,482	2,222,581	-	34,568,433	
2009-10	1,878,271	6,322,099	1,955,261	18,930,242	3,851,833	66,952	1,187,572	2,224,997	-	36,417,227	
2008-09	1,756,912	6,012,860	59,414	19,133,533	4,921,995	375,242	264,578	1,204,174	-	33,728,708	
2007-08	984,574	5,837,979	-	16,382,540	4,015,754	424,501	83,283	1,174,594	-	28,903,225	

(1) Fiscal Year 2009-10 is the first year State Communications tax is classified as Grants and Contributions Not Restricted to Specific Programs.

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Capital Projects (3)	Debt Service	Total
2016-17	\$ 2,899,621	\$ 1,261,171	\$ 8,890,135	\$ 2,499,126	\$ 6,143,152	\$ 43,766,570	\$ 1,384,100	\$ 1,716,409	\$ -	\$ -	\$ 5,290,451	\$ 73,850,735
2015-16	2,775,409	1,246,123	9,145,079	2,534,232	6,053,026	43,035,846	1,183,511	1,939,046	-	222,000	5,663,430	73,797,702
2014-15	2,769,189	1,268,976	8,204,703	2,637,210	5,544,042	41,956,209	1,103,510	2,221,814	-	-	4,082,215	69,787,868
2013-14	2,354,836	1,231,350	7,662,543	2,625,281	5,350,134	41,837,633	1,151,267	6,323,395	-	926,859	3,907,166	73,370,464
2012-13	2,650,138	1,111,525	6,997,334	2,509,702	5,416,386	42,945,068	1,186,656	2,912,853	-	863,859	3,108,737	69,702,258
2011-12	2,540,222	927,380	6,436,744	2,388,506	5,689,210	40,839,883	986,813	2,654,658	574	861,584	4,887,370	68,212,944
2010-11	2,412,057	821,010	6,646,958	2,286,302	5,931,970	40,328,396	1,015,205	2,140,204	59,348	1,148,367	3,883,177	66,672,994
2009-10	2,412,585	924,889	6,814,501	2,026,004	5,258,218	40,562,878	1,101,482	3,983,899	-	919,374	4,174,649	68,178,479
2008-09	2,560,055	910,971	6,500,497	1,886,658	4,541,186	41,262,282	1,106,315	2,975,348	-	-	4,507,996	66,251,308
2007-08	2,516,169	874,219	4,777,341	1,453,133	4,284,238	39,375,766	533,165	1,657,164	-	-	4,391,942	59,863,137

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

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

(3) Expenditures posted to capital projects department in General Fund.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes (3)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2016-17	\$ 20,527,734	\$ 4,298,627	\$ 102,721	\$ 1,218,703	\$ 151,005	\$ 2,922,834	\$ 794,857	\$ 3,121,436	\$ 39,891,611	\$ 73,029,528
2015-16	19,809,119	4,240,575	130,250	1,009,917	106,225	2,093,922	373,656	3,464,564	39,462,068	70,690,296
2014-15	19,020,352	4,028,765	101,352	1,376,217	106,735	2,180,195	550,751	4,246,706	37,448,874	69,059,947
2013-14	19,017,610	3,972,989	116,399	1,103,263	63,640	2,360,739	577,957	6,678,982	36,249,264	70,140,843
2012-13	18,964,978	3,818,144	107,630	1,005,568	66,221	2,430,205	501,277	2,887,919	38,529,299	68,311,241
2011-12	19,016,267	3,881,421	109,925	1,136,326	69,592	2,817,672	392,210	2,949,356	38,821,355	69,194,124
2010-11	18,306,907	4,064,005	119,914	721,019	90,376	2,489,700	288,838	2,425,069	39,154,945	67,660,773
2009-10	18,198,583	3,851,833	193,447	323,043	106,881	2,228,272	505,956	2,127,298	40,430,674	67,965,987
2008-09	18,689,595	4,921,995	140,040	213,615	421,492	2,331,949	392,921	1,780,396	39,183,413	68,075,416
2007-08	16,552,335	5,176,431	210,405	10,176	474,065	1,343,173	307,401	1,542,265	37,000,054	62,616,305

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

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

(3) Fiscal Year 2009-10 is the first year State Communications Tax is classified as Intergovernmental revenue and not Other Local Taxes.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Total Tax Collections		
2016-17	\$ 21,738,710	\$ 19,919,233	91.63%	\$ 1,172,082	\$ 21,091,315	97.02%	\$ 5,490,004	25.25%	
2015-16	20,961,120	19,500,727	93.03%	918,697	20,419,424	97.42%	5,321,466	25.39%	
2014-15	20,252,227	18,746,563	92.57%	941,768	19,688,331	97.22%	4,721,641	23.31%	
2013-14	20,053,028	18,498,334	92.25%	1,183,665	19,681,999	98.15%	4,700,070	23.44%	
2012-13	19,886,065	18,480,517	92.93%	1,133,380	19,613,897	98.63%	4,249,835	21.37%	
2011-12	19,869,528	18,490,236	93.06%	1,171,181	19,661,417	98.95%	3,993,255	20.10%	
2010-11	19,768,722	18,198,136	92.06%	885,223	19,083,359	96.53%	3,732,556	18.88%	
2009-10	19,721,304	18,215,777	92.37%	798,592	19,014,369	96.42%	3,303,172	16.75%	
2008-09	19,904,746	18,823,904	94.57%	644,206	19,468,110	97.81%	2,566,863	12.90%	
2007-08	17,331,553	16,409,298	94.68%	867,468	17,276,766	99.68%	2,190,593	12.64%	

(1) Exclusive of penalties and interest.

(2) Does not include land redemption.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools (3)	Merchant's Capital (3)	Farm Equipment (4)	Public Service Corporations (2)	Total
2016-17	\$ 2,177,124,027	\$ 269,848,776	\$ 53,794,835	\$ 29,157,025	\$ -	\$ 125,696,739	\$ 2,655,621,402
2015-16	2,171,983,967	260,253,329	52,156,600	29,892,051	-	118,794,393	2,633,080,340
2014-15	2,160,547,151	256,700,342	50,745,280	9,065,040	18,120,000	111,939,519	2,607,117,332
2013-14	2,144,065,417	247,561,253	50,667,085	8,741,339	17,702,676	107,848,891	2,576,586,661
2012-13	2,434,652,756	248,219,837	55,680,165	9,089,115	17,921,290	103,112,644	2,868,675,807
2011-12	2,427,272,971	247,400,317	57,114,155	8,645,475	17,750,500	103,112,644	2,861,296,062
2010-11	2,411,198,906	258,802,749	56,181,685	8,424,505	-	99,302,189	2,833,910,034
2009-10	2,393,470,955	257,258,260	60,840,765	10,216,725	-	100,657,481	2,822,444,186
2008-09	2,375,104,457	276,213,445	63,712,645	10,086,080	-	101,292,633	2,826,409,260
2007-08	1,751,236,733	252,077,395	74,085,710	9,942,670	-	79,044,406	2,166,386,914

(1) Real estate and personal property are assessed at 100% of fair market value.

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

(3) Prior to 2015 taxes, the County assessed merchant's capital tax at 30%. The 2015 taxes were assessed at 100%.

(4) In fiscal year 2012, the County establish a new class of personal property for farm equipment. In fiscal year 2016, the County stopped assessing farm equipment.

Table 7

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

Fiscal Year	Real Estate	Personal Property (2)	Machinery and Tools (2)	Merchant's Capital (4)	Farm Equipment (3)
2016-17	\$ 0.660	\$ 1.95	\$ 1.75	\$ 0.69	\$ -
2015-16	0.660	1.95	1.75	0.69	-
2014-15	0.680	1.60	1.30	2.30	0.80
2013-14	0.680	1.60	1.30	2.30	0.80
2012-13	0.595	1.60	1.30	2.30	0.80
2011-12	0.595	1.60	1.30	2.30	0.80
2010-11	0.595	1.60	1.30	2.30	-
2009-10	0.595	1.60	1.30	2.30	-
2008-09	0.595	1.60	1.30	2.30	-
2007-08	0.71	1.30	1.30	2.30	-

(1) Per \$100 of assessed value.

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

(3) In fiscal year 2012, the County establish a new class of personal property for farm equipment.
In fiscal year 2017, the County did not tax farm equipment.

(4) Starting in fiscal year 2016, the County started assessing merchant's capital at 100%. Prior to this, it was assessed at 30%.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2016-17	\$ 30,042	\$ 2,655,621	\$ 23,410,114	\$ 23,410,114	0.88%	779
2015-16	30,042	2,633,080	26,810,748	26,810,748	1.02%	892
2014-15	30,042	2,607,117	30,499,900	30,499,900	1.17%	1,015
2013-14	30,042	2,576,587	32,691,483	32,691,483	1.27%	1,088
2012-13	30,042	2,868,676	34,885,916	34,885,916	1.22%	1,161
2011-12	30,042	2,861,296	36,729,419	36,729,419	1.28%	1,223
2010-11	30,042	2,833,910	38,852,410	38,852,410	1.37%	1,293
2009-10	29,245	2,822,444	25,790,540	25,790,540	0.91%	882
2008-09	29,245	2,826,409	27,981,785	27,981,785	0.99%	957
2007-08	29,245	2,166,387	30,400,081	30,400,081	1.40%	1,039

(1) Bureau of the Census.

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

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

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2016-17	\$ 3,648,030	\$ 1,642,421	\$ 5,290,451	\$ 73,850,735	7.16%
2015-16	3,915,936	1,747,494	5,663,430	73,797,702	7.67%
2014-15	2,987,109	1,095,106	4,082,215	69,787,868	5.85%
2013-14	2,779,993	1,127,173	3,907,166	73,370,464	5.33%
2012-13	2,187,124	921,613	3,108,737	69,702,258	4.46%
2011-12	3,299,432	1,587,938	4,887,370	68,212,944	7.16%
2010-11	2,523,235	1,359,942	3,883,177	66,672,994	5.82%
2009-10	2,711,245	1,463,404	4,174,649	68,178,479	6.12%
2008-09	2,923,296	1,584,700	4,507,996	66,251,308	6.80%
2007-08	2,737,868	1,654,074	4,391,942	59,863,137	7.34%

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

Compliance

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of the Board of Supervisors
County of Carroll, Virginia
Hillsville, 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 Carroll, Virginia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Carroll, Virginia's basic financial statements and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Carroll, 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 Carroll, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Carroll, 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses [2017-001].

Compliance and Other Matters

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

County of Carroll, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farrow, Cox Associates

Blacksburg, Virginia
November 30, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of the Board of Supervisors
County of Carroll, Virginia
Hillsville, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Carroll, 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 Carroll, Virginia's major federal programs for the year ended June 30, 2017. County of Carroll, 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 Carroll, 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 Carroll, 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 Carroll, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Carroll, 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, 2017.

Report on Internal Control over Compliance

Management of the County of Carroll, 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 Carroll, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Carroll, Virginia's internal control over compliance.

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

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

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

Robinson, Finner, Cox Associates

Blacksburg, Virginia
November 30, 2017

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115, 0950116	\$ 12,674
Temporary Assistance for Needy Families	93.558	0400116, 0400117	282,604
Refugee and Entrant Assistance - State Administered Programs	93.566	0500116, 0500117	885
Low-Income Home Energy Assistance	93.568	0600416, 0600417	29,820
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770117	\$ (3,300)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116, 0760117	44,901
Chafee Education and Training Vouchers Program	93.599	9160115, 9160116	3,110
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116, 0900117	454
Foster Care - Title IV-E	93.658	1100116, 1100117	416,220
Adoption Assistance	93.659	1120116, 1120117	215,438
Social Services Block Grant	93.667	1000116, 1000117	309,966
Chafee Foster Care Independence Program	93.674	9150116, 9150117	3,399
Children's Health Insurance Program	93.767	0540116, 0540117	11,813
Medical Assistance Program	93.778	1200116, 1200117	378,818
Total Department of Health and Human Services			\$ 1,706,802
Department of Homeland Security:			
Direct Payments:			
Pass Through Payments:			
Department of Emergency Services:			
Emergency Management Performance Grants	97.042	201607019180	\$ 14,676
Total Department of Homeland Security			\$ 14,676
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Summer Food Service Program for Children	10.559	Not available	\$ 1,129
Food Distribution (Note 3)	10.555	Not available	161,934
Department of Education:			
National School Lunch Program	10.555	40623	1,029,848
School Breakfast Program	10.553	40591	\$ 1,192,911
Schools and Roads - Grants to States	10.665	43841	411,115
Child Nutrition Discretionary Grants Limited Availability	10.579	40593	1,604,026
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010116, 0010117, 0040116, 0040117	1,028
Total Department of Agriculture			13,431
Department of Justice:			
Direct payments:			
Asset Forfeiture Proceeds	16.922	Not available	\$ 1,365
Pass Through Payments:			
Department of Criminal Justice:			
Crime Victim Assistance	16.575	CJS86015	44,032
Edward Byrne Memorial Justice Assistance Grant Program	15.738	16-R1128L015	1,263
Total Department of Criminal Justice Service-pass through payments:			\$ 45,295
Total Department of Justice			\$ 46,660
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC1757126, SC1656288	\$ 22,175
Total Department of Transportation			\$ 22,175
Executive Office of the President			
Pass Through Payments:			
Appalachia High Intensity Drug Trafficking Areas Program	95.001	G17AP0001A	\$ 25,980

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 1,012,568
Migrant Education - State Grant Program	84.011	42910	39,658
Special Education Cluster:			
Special Education - Grants to States	84.027	43071, 87138	\$ 1,061,242
Special Education - Preschool Grants	84.173	62521	35,784
Career and Technical Education: Basic Grants to States	84.048	61095	73,387
Twenty-First Century Community Learning Centers	84.287	60565	174,734
Advanced Placement Program	84.330		31
Rural Education	84.358	43481	80,762
Migrant Education - Coordination Program	84.144	61399	6,084
English Language Acquisition State Grants	84.365	60512	11,367
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	61480	189,890
Total Department of Education			\$ 2,685,507
Total Expenditures of Federal Awards			\$ 6,419,685
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 grant activity of County of Carroll, Virginia under programs of the federal government for the year ended June 30, 2017. 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 County of Carroll, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Carroll, Virginia.			
Note 2 -- Summary of Significant Accounting Policies			
(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.			
(2) Pass-through entity identifying numbers are presented where available.			
(3) The County did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursements			
Note 3 -- Food Distribution			
Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, Carroll County, Virginia had food commodities totaling \$0 in inventory.			
Note 4 -- Subrecipients			
The County did not have any subrecipients for the year ended June 30, 2017.			
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			\$ 2,768,877
Less: QSCB subsidy			(633,417)
Less: Payment in lieu of taxes			(19,767)
Total primary government			\$ 2,115,693
Component Unit School Board:			
School Operating Fund			\$ 4,303,992
Total expenditures of federal awards per the basic financial statements			\$ 6,419,685

County of Carroll, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

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	Child Nutrition Cluster
84.027/84.173	Special Education Cluster (IDEA)
93.778	Medical Assistance Program

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

County of Carroll, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section II - Financial Statement Findings

2017-001

Criteria: Per Statement on Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose *adjustments* necessary to comply with reporting standards is not a component of such controls.

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/Component Unit School Board does not have proper controls in place to detect and correct errors in closing their year end financial statements.

Effect of Condition: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County/School Board's internal controls over financial reporting.

Recommendation: The County/School Board should review the auditors' proposed audit adjustments for 2017 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Management's Response: The County had two entries that were considered material to the financial statements. The first had to do with adding the Farmer's Market to the County's Books and the other was property tax related. The Farmer's Market account was closed at the beginning of FY2018 and the property tax adjustment will be remedied for FY2018.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

No federal findings or questioned costs in prior year.