

COUNTY OF CARROLL, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

COUNTY OF CARROLL, VIRGINIA

BOARD OF SUPERVISORS

Thomas W. Littrell
Ralph J. Bob Martin, Jr.

David V. Hutchins, Chair

Phil D. McGraw, Vice Chair

Joshua A. Hendrick
W. S. Sam Dickson

COUNTY SCHOOL BOARD

Reginald M. Gardner
Joey D. Haynes, Vice Chair

Brian E. Spencer, Chair

Olen L. Gallimore
Sanford G. Hendrick

OTHER OFFICIALS

Clerk of the Circuit Court.....	Carolyn H. Honeycutt
Commonwealth's Attorney.....	Nathan H. Lyons
Commissioner of the Revenue	Fran A. McPherson
Treasurer	Bonita M. Williams
Sheriff	John B. Gardner
Superintendent of Schools.....	Dr. Strader E. Blankenship
County Administrator	Gary Larrowe
County Attorney	James E. Cornwell, Jr

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Carroll, Virginia, as of and for the year ended June 30, 2013, 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, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. 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 schedule of pension and OPEB funding progress 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 basic financial statements. The introductory section, other supplementary information, supporting schedules, and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Information (continued)

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013, on our consideration of the County of Carroll, Virginia, 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 County of Carroll, Virginia, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, & Associates

Blacksburg, Virginia

December 31, 2013

Basic Financial Statements

County of Carroll, Virginia
Statement of Net Position
June 30, 2013

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Public Service Authority	Industrial Development Authority
ASSETS						
Cash and cash equivalents	\$ 11,250,290	\$ 24,128	\$ 11,274,418	\$ 2,353,053	\$ 379,226	\$ 134,696
Investments	1,949,575	-	1,949,575	117,433	-	-
Receivables (net of allowance for uncollectibles):						
Taxes receivable	3,672,028	-	3,672,028	-	-	-
Interest receivable	-	-	-	-	-	142,030
Accounts receivable	181,895	-	181,895	-	232,379	723,300
Other local taxes receivable	176,693	-	176,693	-	-	-
Note receivable	-	-	-	-	390,445	-
Grants receivable	-	-	-	-	236,459	-
Due from component units	2,212,207	-	2,212,207	-	-	-
Due from other governmental units	1,205,326	-	1,205,326	1,842,151	-	-
Prepaid items	-	-	-	445,204	34,559	19,391
Lease purchase receivable	-	-	-	-	-	7,227,911
Assets held for resale:						
Industrial sites	-	-	-	-	-	2,157,657
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	-	-	-	69,532	781,639	71,280
Investments	242,040	-	242,040	58,612	-	-
Capital assets (net of accumulated depreciation):						
Land	2,853,122	-	2,853,122	1,489,200	264,837	155,638
Buildings and system	55,312,311	-	55,312,311	836,260	4,598,772	219,492
Machinery and equipment	2,803,049	-	2,803,049	752,291	497,597	112,274
Construction in progress	-	-	-	-	33,832,506	1,692,020
Total assets	\$ 81,858,536	\$ 24,128	\$ 81,882,664	\$ 7,963,736	\$ 41,248,419	\$ 12,655,689
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,674
LIABILITIES						
Accounts payable	\$ 775,860	\$ 10,046	\$ 785,906	\$ 125,675	\$ 398,842	\$ 161,410
Salaries payable	297,083	-	297,083	1,801,872	-	-
Customers' deposits	-	-	-	-	80,546	-
Accrued interest payable	520,476	-	520,476	-	96,318	130,139
Due to primary government	-	-	-	2,178,829	33,378	-
Long-term liabilities:						
Due within one year	3,437,128	-	3,437,128	683,999	1,294,556	660,369
Due in more than one year	39,379,141	-	39,379,141	2,170,614	21,326,448	6,606,236
Total liabilities	\$ 44,409,688	\$ 10,046	\$ 44,419,734	\$ 6,960,989	\$ 23,230,088	\$ 7,558,154
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	\$ 66,019	\$ -	\$ 66,019	\$ -	\$ -	\$ -
NET POSITION						
Net investment in capital assets	\$ 19,080,448	\$ -	\$ 19,080,448	\$ 3,077,751	\$ 16,282,158	\$ 1,884,279
Restricted for:						
Asset forfeiture	11,724	-	11,724	-	-	-
School cafeterias	-	-	-	201,375	-	-
Debt service and bond covenants	-	-	-	-	781,639	71,280
Unrestricted (deficit)	18,290,657	14,082	18,304,739	(2,276,379)	954,534	3,172,650
Total net position	\$ 37,382,829	\$ 14,082	\$ 37,396,911	\$ 1,002,747	\$ 18,018,331	\$ 5,128,209

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

Functions/Programs	Program Revenues				Primary Government			Component Units			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	School Board	Public Service Authority	Industrial Development Authority		
			Grants and Contributions	Capital Grants and Contributions						Total	
PRIMARY GOVERNMENT:											
Governmental activities:											
General government administration	\$ 2,646,748	\$ -	\$ 256,478	\$ -	\$ (2,390,270)	\$ -	\$ (2,390,270)				
Judicial administration	860,938	18,459	678,240	-	(164,239)	-	(164,239)				
Public safety	7,608,448	2,249,146	1,487,633	-	(3,871,669)	-	(3,871,669)				
Public works	2,523,430	68,443	11,562	-	(2,443,425)	-	(2,443,425)				
Health and welfare	5,029,724	-	3,483,125	-	(1,546,599)	-	(1,546,599)				
Education	12,055,049	-	-	-	(12,055,049)	-	(12,055,049)				
Parks, recreation, and cultural	1,198,123	264,492	133,311	179,133	(621,187)	-	(621,187)				
Community development	2,977,741	11,198	25,057	-	(2,941,486)	-	(2,941,486)				
Interest on long-term debt	941,166	-	-	-	(941,166)	-	(941,166)				
Total governmental activities	\$ 35,841,367	\$ 2,611,738	\$ 6,075,406	\$ 179,133	\$ (26,975,090)	\$ -	\$ (26,975,090)				
Business-type activities:											
Gas utilities	\$ 29,931	\$ -	\$ -	\$ -	\$ -	\$ (29,931)	\$ (29,931)				
Total primary government	\$ 35,871,298	\$ 2,611,738	\$ 6,075,406	\$ 179,133	\$ (26,975,090)	\$ (29,931)	\$ (27,005,021)				
COMPONENT UNITS:											
School Board	\$ 43,055,270	\$ 931,665	\$ 30,044,996	\$ -			\$ (12,078,609)	\$ -	\$ -		
Public Service Authority	4,116,541	2,217,652	-	2,454,586			-	555,697	-		
Industrial Development Authority	757,548	-	175,000	3,695,681			-	-	3,113,133		
Total component units	\$ 47,929,359	\$ 3,149,317	\$ 30,219,996	\$ 6,150,267			\$ (12,078,609)	\$ 555,697	\$ 3,113,133		
General revenues:											
General property taxes					\$ 19,131,036	\$ -	\$ 19,131,036				
Local sales and use taxes					1,629,191	-	1,629,191				
Consumer's utility tax					697,351	-	697,351				
Motor vehicle taxes					624,511	-	624,511				
Restaurant food taxes					406,092	-	406,092				
Other local taxes					460,999	-	460,999				
Unrestricted revenues from use of money and property					33,984	-	33,984				
Miscellaneous					374,007	-	374,007				
Payments from Primary Government					-	-	-				
Grants and contributions not restricted to specific programs					2,229,764	-	2,229,764				
Transfers					(44,013)	44,013	-				
Total general revenues and transfers					\$ 25,542,922	\$ 44,013	\$ 25,586,935				
Change in net position					\$ (1,432,168)	\$ 14,082	\$ (1,418,086)				
Net position - beginning, as restated					38,814,997	-	38,814,997				
Net position - ending					\$ 37,382,829	\$ 14,082	\$ 37,396,911				

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

County of Carroll, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 10,989,523	\$ 260,767	\$ 11,250,290
Investments	1,949,575	-	1,949,575
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,672,028	-	3,672,028
Accounts receivable	181,895	-	181,895
Other local taxes receivable	176,693	-	176,693
Due from component unit	2,212,207	-	2,212,207
Due from other governmental units	1,205,326	-	1,205,326
Restricted assets:			
Temporarily restricted:			
Investments	-	242,040	242,040
Total assets	<u>\$ 20,387,247</u>	<u>\$ 502,807</u>	<u>\$ 20,890,054</u>
LIABILITIES			
Accounts payable	\$ 673,775	\$ 102,085	\$ 775,860
Salaries payable	297,083	-	297,083
Total liabilities	<u>\$ 970,858</u>	<u>\$ 102,085</u>	<u>\$ 1,072,943</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>3,452,554</u>	<u>\$ -</u>	<u>3,452,554</u>
FUND BALANCES			
Restricted:			
Construction	\$ -	\$ 139,955	\$ 139,955
Asset forfeiture	11,724	-	11,724
Committed:			
Farmer's market funds	11,841	-	11,841
Narcotics funds	60,247	-	60,247
Law Library	21,114	-	21,114
AS400 replacement funds	5,136	-	5,136
Construction	-	260,767	260,767
Assigned:			
Sheriff funds	67,926	-	67,926
Unassigned:	15,785,847	-	15,785,847
Total fund balances	<u>\$ 15,963,835</u>	<u>\$ 400,722</u>	<u>\$ 16,364,557</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,387,247</u>	<u>\$ 502,807</u>	<u>\$ 20,890,054</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, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	16,364,557
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	2,853,122		
Buildings and improvements	55,312,311		
Machinery and equipment	<u>2,803,049</u>		60,968,482

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		3,386,535
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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	(28,799,669)		
Literary loans	(5,803,497)		
Capital lease	(267,073)		
Lease revenue bond	(6,875,000)		
Unamortized premiums	(385,126)		
Unamortized discounts	102,376		
Accrued interest payable	(520,476)		
Compensated absences	<u>(788,280)</u>		(43,336,745)

Net position of governmental activities	\$	<u><u>37,382,829</u></u>
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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, 2013

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 18,964,978	\$ -	\$ 18,964,978
Other local taxes	3,818,144	-	3,818,144
Permits, privilege fees, and regulatory licenses	107,630	-	107,630
Fines and forfeitures	1,005,568	-	1,005,568
Revenue from the use of money and property	29,482	4,502	33,984
Charges for services	1,498,540	-	1,498,540
Miscellaneous	312,649	61,358	374,007
Recovered costs	2,006,800	389,538	2,396,338
Intergovernmental revenues:			
Commonwealth	6,516,932	-	6,516,932
Federal	1,967,371	-	1,967,371
Total revenues	<u>\$ 36,228,094</u>	<u>\$ 455,398</u>	<u>\$ 36,683,492</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,650,138	\$ -	\$ 2,650,138
Judicial administration	1,111,525	-	1,111,525
Public safety	6,997,334	-	6,997,334
Public works	2,509,702	-	2,509,702
Health and welfare	5,416,386	-	5,416,386
Education	10,937,291	-	10,937,291
Parks, recreation, and cultural	1,186,656	-	1,186,656
Community development	2,912,853	-	2,912,853
Capital projects	863,859	5,667,417	6,531,276
Debt service:			
Principal retirement	2,187,124	-	2,187,124
Interest and other fiscal charges	921,613	-	921,613
Total expenditures	<u>\$ 37,694,481</u>	<u>\$ 5,667,417</u>	<u>\$ 43,361,898</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,466,387)</u>	<u>\$ (5,212,019)</u>	<u>\$ (6,678,406)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>\$ (44,013)</u>	<u>\$ -</u>	<u>\$ (44,013)</u>
Net change in fund balances	\$ (1,510,400)	\$ (5,212,019)	\$ (6,722,419)
Fund balances - beginning, as restated	17,474,235	5,612,741	23,086,976
Fund balances - ending	<u>\$ 15,963,835</u>	<u>\$ 400,722</u>	<u>\$ 16,364,557</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, 2013

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

Net change in fund balances - total governmental funds \$ (6,722,419)

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

Capital outlays	5,655,808	
Depreciation expense	<u>(2,112,327)</u>	3,543,481

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (458,566)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 166,058

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	1,446,086	
Literary loans	680,167	
Capital lease	<u>60,871</u>	2,187,124

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

(Increase) decrease in compensated absences	(128,293)	
(Increase) decrease in accrued interest payable	(82,685)	
Amortization of bond premium	70,444	
Amortization of bond discount	<u>(7,312)</u>	(147,846)

Change in net position of governmental activities \$ (1,432,168)

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

County of Carroll, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2013

	Enterprise Fund Gas <u>Utilities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 24,128
Total assets	<u>\$ 24,128</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 10,046
Total liabilities	<u>\$ 10,046</u>
NET POSITION	
Unrestricted	\$ 14,082
Total net position	<u><u>\$ 14,082</u></u>

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

County of Carroll, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2013

	Enterprise Fund Gas <u>Utilities</u>
OPERATING EXPENSES	
Salaries and fringe benefits	\$ 10,465
Operating supplies	15,953
Miscellaneous	3,513
Total operating expenses	<u>\$ 29,931</u>
Operating income (loss)	<u>\$ (29,931)</u>
Income before transfers	\$ (29,931)
Transfers in	44,013
Change in net position	<u>\$ 14,082</u>
Total net position - beginning	-
Total net position - ending	<u><u>\$ 14,082</u></u>

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

County of Carroll, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013

	Enterprise Fund Gas Utilities
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	\$ (9,420)
Payments to employees	(10,465)
Net cash provided by (used for) operating activities	<u>\$ (19,885)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>\$ 44,013</u>
Net increase (decrease) in cash and cash equivalents	\$ 24,128
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	<u><u>\$ 24,128</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (29,931)</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	<u>\$ 10,046</u>
Total adjustments	<u>\$ 10,046</u>
Net cash provided by (used for) operating activities	<u><u>\$ (19,885)</u></u>

The 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, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 224,892
Total assets	<u>\$ 224,892</u>
LIABILITIES	
Amounts held for social services clients	\$ 11,944
Amounts held for performance bonds	2,500
Amounts held for School Board employees	15,043
Amounts held for County employees	1,999
Amounts held for Twin County Airport	193,406
Total liabilities	<u>\$ 224,892</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, 2013

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

The County of Carroll, Virginia 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, 2013, the County contributed \$161,996 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, 2013, the County contributed \$294,442 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 \$329,954 for the fiscal year ended June 30, 2013.

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.

The Statement of Net Position is designed to display financial position of the primary government (government 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.

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

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

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.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred 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.

The County reports the following major enterprise fund:

The *Gas Utilities Fund* accounts for activities related to the sales of natural gas and related expenses.

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.

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

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

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 *non-operating* 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 non-operating 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").

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. 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 either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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 reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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

3. 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.

4. 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 \$577,808 at June 30, 2013 and is comprised solely of property taxes.

5. 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.

6. 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.

7. Capital Assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 1-Summary of Significant Accounting Policies: (continued)****D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance: (continued)****7. Capital Assets (continued)**

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:

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

8. 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 does not have any deferred outflows of resources as of June 30, 2013.

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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. For fiscal year ending June 30, 2013, the County had deferred inflows of resources in the amount of \$3,452,554.

9. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of 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.

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

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

10. 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.

11. 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.

12. 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.

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

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

13. 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, 2013.

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)

13. 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.

14. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

15. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

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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 (except the School Fund), 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.
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, 2013, there were no funds with deficit fund equity.

C. Appropriations

The School Food Service, Sheriff Local, Sheriff Asset Forfeiture, and Commonwealth Attorney Asset Forfeiture Funds had expenditures that exceeded appropriations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**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, 2013 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>
	AAAm
LGIP	\$ 2,125,620
SNAP	242,040
	<u>\$ 2,367,660</u>

Concentration of Credit Risk:

At June 30, 2013, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

External Investment Pools:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC).

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 maintains a policy to operate in a manner consistent with SEC rule 2a-7.

Interest Rate Risk:

There are no interest rate risk disclosures required for the year ended June 30, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 4-Due from Other Governmental Units:**

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Local Authorities:</u>		
Carroll-Grayson-Galax Solid Waste Authority	\$ 80,714	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	303,347	-
State sales tax	-	688,326
Categorical aid-shared expenses	187,219	-
Non-categorical aid	183,338	-
Virginia public assistance funds	93,796	-
Other categorical aid	30,659	325,422
Comprehensive services act	155,230	-
<u>Federal Government:</u>		
Virginia public assistance funds	122,955	-
Other categorical aid	48,068	-
School grants	-	828,403
	<u> </u>	<u> </u>
Totals	<u>\$ 1,205,326</u>	<u>\$ 1,842,151</u>

Note 5-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	\$ -	\$ 2,212,207
Component Unit - School Board:		
School Operating Fund	2,178,829	-
Component Unit - Public Service Authority		
PSA	<u>33,378</u>	<u>-</u>
Totals	<u>\$ 2,212,207</u>	<u>\$ 2,212,207</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6-Long-Term Obligations:Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2013:

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General obligation bonds	\$ 30,245,755	\$ -	\$ (1,446,086)	\$ 28,799,669
Unamortized bond premium	455,570	-	(70,444)	385,126
Unamortized bond discount	(109,688)	-	7,312	(102,376)
Literary loans	6,483,664	-	(680,167)	5,803,497
Lease revenue bond	6,875,000	-	-	6,875,000
Capital lease	327,944	-	(60,871)	267,073
Compensated absences	659,987	623,283	(494,990)	788,280
Total	\$ 44,938,232	\$ 623,283	\$ (2,745,246)	\$ 42,816,269

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

Year Ending June 30,	General Obligation Bonds		Literary Loans		Lease Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,449,758	\$ 1,347,354	\$ 680,167	\$ 116,070	\$ 590,000	\$ 278,625
2015	1,453,799	1,271,167	680,167	102,467	615,000	255,263
2016	2,958,168	1,194,651	680,167	88,863	175,000	239,463
2017	2,662,889	1,117,784	680,167	75,260	180,000	232,363
2018	2,667,906	1,040,620	680,167	61,656	190,000	224,963
2019-2023	12,607,149	4,120,634	2,402,662	110,593	1,065,000	1,002,425
2024-2028	5,000,000	2,700,000	-	-	1,305,000	754,459
2029-2033	-	-	-	-	1,610,000	437,344
2034-2038	-	-	-	-	1,145,000	78,634
Totals	\$ 28,799,669	\$ 12,792,210	\$ 5,803,497	\$ 554,909	\$ 6,875,000	\$ 3,503,539

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activity 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	\$ 1,800,000	\$ 225,000
VPSA general obligation bond	5.10%-6.10%	2000	2020	2,145,297	899,669	114,758
VPSA general obligation bond	4.10%-5.10%	2003	2023	21,115,000	11,100,000	1,110,000
VPSA (QSCB) general obligation bond	4.50%	2011	2027	15,000,000	15,000,000	-
Total General Obligation Bonds				42,765,297	28,799,669	1,449,758
<u>Lease Revenue Bond</u>						
County Complex Revenue Bond	3.25%-4.33%	2006	2036	\$ 10,510,000	\$ 6,875,000	\$ 590,000
<u>Literary Loans</u>						
Gladesboro Elementary	2.00%	2001	2021	\$ 2,873,440	\$ 1,149,376	\$ 143,672
Oakland Elementary	2.00%	2002	2022	3,075,495	1,383,973	153,775
Gladesville Elementary	2.00%	2002	2022	4,167,647	1,875,441	208,382
Laurel Elementary	2.00%	2001	2021	3,486,763	1,394,707	174,338
Total Literary Loans				\$ 13,603,345	\$ 5,803,497	\$ 680,167
Subtotal Bonds and Loans					\$ 41,478,166	\$ 2,719,925
Plus:						
Unamortized Premium					\$ 385,126	\$ 71,821
Unamortized Discount					(102,376)	(7,312)
Total Bonds and Loans					\$ 41,760,916	\$ 2,784,434
<u>Other Long-term Obligations</u>						
Compensated absences					\$ 788,280	\$ 591,210
Capital lease (Note 7)					267,073	61,484
Total Other Long-term Obligations					\$ 1,055,353	\$ 652,694
Total Long-term Obligations					\$ 42,816,269	\$ 3,437,128

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

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%.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 7-Capital Lease:****Primary Government:**

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

The assets acquired through capital lease are as follows:

	<u>Machinery & Equipment</u>
Machinery and equipment	\$ 434,900
Less: Accumulated depreciation	<u>(179,237)</u>
Net capital assets	\$ <u>255,663</u>

The future minimum lease obligation and the net present value of minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2014	\$ 71,592
2015	71,592
2016	71,592
2017	71,592
2018	<u>11,932</u>
Subtotal	\$ 298,300
Less, amount representing interest	<u>(31,227)</u>
Present Value of Lease Agreement	\$ <u><u>267,073</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 8-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, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Net OPEB obligation	\$ 1,790,814	\$ 392,900	\$ (241,100)	\$ 1,942,614
Compensated absences	888,696	689,825	(666,522)	911,999
Total	<u>\$ 2,679,510</u>	<u>\$ 1,082,725</u>	<u>\$ (907,622)</u>	<u>\$ 2,854,613</u>

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net OPEB obligation	\$ 1,942,614	\$ -
Compensated absences	911,999	683,999
Total Long-Term Obligations	<u>\$ 2,854,613</u>	<u>\$ 683,999</u>

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Note 9-Employee Retirement System and Defined Benefit Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as service credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option.

Note 9-Employee Retirement System and Defined Benefit Pension Plan: (continued)

A. Plan Description (continued)

A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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% member contribution. This could be phased in over a period 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. In addition, the County of Carroll, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Carroll, Virginia's contribution rate for the fiscal year ended 2013 was 12.10% of annual covered payroll.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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% member contribution. This could be phased in over a period 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. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2013 was 10.49% of annual covered payroll.

Note 9-Employee Retirement System and Defined Benefit Pension Plan: (continued)**C. Annual Pension Cost**

For fiscal year 2013, the County of Carroll, Virginia's annual pension cost of \$827,705 and \$261,420 was equal to the County of Carroll, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2013	\$ 827,705	100.00%	\$ -
	6/30/2012	562,870	100.00%	-
	6/30/2011	561,315	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2013	\$ 261,420	100.00%	\$ -
	6/30/2012	198,487	100.00%	-
	6/30/2011	187,319	100.00%	-

¹ Employer portion only

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the unfunded actuarial accrued liability (UAAL) was 30 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 9-Employee Retirement System and Defined Benefit Pension Plan: (continued)

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 70.26% funded. The actuarial accrued liability for benefits was \$29,250,542, and the actuarial value of assets was \$20,552,682, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,697,860. The covered payroll (annual payroll of active employees covered by the plan) was \$6,498,572, and ratio of the UAAL to the covered payroll was 133.84%.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

As of June 30, 2012, the most recent actuarial valuation date, the plan was 77.08% funded. The actuarial accrued liability for benefits was \$9,671,555, and the actuarial value of assets was \$7,454,436, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,217,119. The covered payroll (annual payroll of active employees covered by the plan) was \$2,533,950, and ratio of the UAAL to the covered payroll was 87.50%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

E. Discretely Presented Component Unit - School Board (Professional Employees)

Plan Description

The Carroll County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The system issues a publicly available comprehensive annual financial report that includes financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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Note 9-Employee Retirement System and Defined Benefit Pension Plan: (continued)

E. Discretely Presented Component Unit - School Board (Professional Employees) (continued)

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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% member contribution. This could be phased in over a period 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. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees, not including the 5.00% member contribution, was \$2,289,845, \$1,239,333, and \$765,893 for the fiscal years ended 2013, 2012, and 2011, respectively. Required employer contributions represented 11.66%, 6.33%, and 3.93% of covered payroll for the fiscal years ended 2013, 2012, and 2011, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 10-Capital Assets:**

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,022,573	\$ -	\$ (169,451)	\$ 2,853,122
Construction in progress	9,439,622	5,386,366	(14,825,988)	-
Total capital assets not being depreciated	<u>\$ 12,462,195</u>	<u>\$ 5,386,366</u>	<u>\$ (14,995,439)</u>	<u>\$ 2,853,122</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 57,760,745	\$ 14,825,988	\$ (560,134)	\$ 72,026,599
Machinery and equipment	8,775,426	269,442	(295,044)	8,749,824
Total capital assets being depreciated	<u>\$ 66,536,171</u>	<u>\$ 15,095,430</u>	<u>\$ (855,178)</u>	<u>\$ 80,776,423</u>
Accumulated depreciation:				
Buildings and improvements	\$ (15,553,084)	\$ (1,456,753)	\$ 295,549	\$ (16,714,288)
Machinery and equipment	(5,561,715)	(655,574)	270,514	(5,946,775)
Total accumulated depreciation	<u>\$ (21,114,799)</u>	<u>\$ (2,112,327)</u>	<u>\$ 566,063</u>	<u>\$ (22,661,063)</u>
Total capital assets being depreciated, net	<u>\$ 45,421,372</u>	<u>\$ 12,983,103</u>	<u>\$ (289,115)</u>	<u>\$ 58,115,360</u>
Governmental activities capital assets, net	<u>\$ 57,883,567</u>	<u>\$ 18,369,469</u>	<u>\$ (15,284,554)</u>	<u>\$ 60,968,482</u>

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

Governmental activities:	
General government administration	\$ 14,502
Public safety	553,417
Public works	363,539
Health and welfare	10,842
Education	1,093,758
Parks, recreation, and cultural	21,967
Community development	54,302
Total depreciation expense-primary government	<u>\$ 2,112,327</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 10-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2013 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
Construction in progress	54,746	-	(54,746)	-
Total capital assets not being depreciated	<u>\$ 1,543,946</u>	<u>\$ -</u>	<u>\$ (54,746)</u>	<u>\$ 1,489,200</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,933,297	\$ 94,746	\$ -	\$ 11,028,043
Machinery and equipment	4,848,063	155,822	(206,607)	4,797,278
Total capital assets being depreciated	<u>\$ 15,781,360</u>	<u>\$ 250,568</u>	<u>\$ (206,607)</u>	<u>\$ 15,825,321</u>
Accumulated depreciation:				
Buildings and improvements	\$ (9,394,381)	\$ (797,402)	\$ -	\$ (10,191,783)
Machinery and equipment	(3,996,736)	(250,588)	202,337	(4,044,987)
Total accumulated depreciation	<u>\$ (13,391,117)</u>	<u>\$ (1,047,990)</u>	<u>\$ 202,337</u>	<u>\$ (14,236,770)</u>
Total capital assets being depreciated, net	<u>\$ 2,390,243</u>	<u>\$ (797,422)</u>	<u>\$ (4,270)</u>	<u>\$ 1,588,551</u>
Governmental activities capital assets, net	<u>\$ 3,934,189</u>	<u>\$ (797,422)</u>	<u>\$ (59,016)</u>	<u>\$ 3,077,751</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 11-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 County of Carroll's Component Unit - School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health 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 699 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 June 30, 2013:

<u>Participants</u>	<u>Total Premium</u>
Employee	\$543-635
Employee / Spouse	\$1,005-1,175
Family	\$1,466-1,715

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, 2013Note 11-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	\$ 395,900
Interest on net OPEB obligation	71,600
Adjustment to annual required contribution	(74,600)
Annual OPEB cost (expense)	<u>392,900</u>
Contributions made	<u>241,100</u>
Increase in net OPEB obligation	151,800
Net OPEB obligation - beginning of year	<u>1,790,814</u>
Net OPEB obligation - ending of year	\$ 1,942,614

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 570,900	44%	\$ 1,505,714
6/30/2012	592,500	52%	1,790,814
6/30/2013	392,900	61%	1,942,614

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 4,503,200
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 4,503,200
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 22,392,600
UAAL as a percentage of covered payroll	20.11%

Note 11-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, 2012, 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 9% decreasing .5% per year until an ultimate rate of 5.0% is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2012, was 30 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 12-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit:****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.

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 9.

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 2013 was 0.51% 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 2013, the School Board's contribution of \$12,710 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 2013 are as follows (fiscal year 2013 was the first year of participation):

	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
Primary Government: School Board	6/30/2013	\$ 12,710	100.00%	\$ -

Note 12-Other Post-Employment Benefits-VRS Health Insurance Credit: (continued)**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	261,700
Actuarial value of plan assets	\$	(5,603)
Unfunded actuarial accrued liability (UAAL)	\$	267,303
Funded ratio (actuarial value of plan assets/AAL)		(2.14%)
Covered payroll (active plan members)	\$	2,533,950
UAAL as a percentage of covered payroll		10.55%

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, 2012 was 29 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 13-Risk Management:**

The County and its component unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit - School Board participate with other localities in a public entity risk pool for their coverage of general liability, 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.

Note 14-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 Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 15-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Carolyn H. Honeycutt, Clerk of the Circuit Court	\$ 1,525,000
Bonita Williams, Treasurer	400,000
Fran A. McPherson, Commissioner of the Revenue	3,000
John B. Gardner, Sheriff	30,000

Note 16-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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 17-School Board Early Retirement Incentive Program:**

SunTrust administers an early retirement incentive program for the Component Unit - School Board employees. Early retirement is available to those contracted employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The employee must have been employed with Carroll County School System for 10 consecutive years, immediately preceding retirement and must not be eligible for disability retirement benefits from the VRS and/or Social Security. Finally, participants must be approved by the School Board and must have a bonafide separation from service of at least 30 days. The program allows for several different methods of payment depending upon the number of months the participant wishes to be paid. SunTrust holds a trust account to fund these incentive payments. During fiscal year 2010, the School Board implemented an additional benefit of \$400 in health insurance premiums per month for seven years. Both programs require the employee to work for twenty days of each year to receive the benefit; therefore, there is a commitment and not a liability. Twelve employees agreed to participate in the plan, creating an unfunded commitment of \$230,400. The School Board reserves the right to amend or terminate these programs.

Note 18-Commitments and Contingencies:

On June 27, 2013, the School Board agreed to lease arrangements with the Carroll County Industrial Development Authority and the County to pursue a \$5,000,000 loan to construct and equip HVAC system, STEM labs, and natural gas transmissions related to Carroll High School.

IN addition, the School Board has obligated funds for the projects described below as of June 30, 2013:

	Original Contract	Amount Paid As of 6/30/2013	Remaining Contract Amount	Accounts Payable	Retainage Payable
Phase III Schools	\$ 6,979,720	\$ 6,877,635	\$ 102,085	\$ 102,085	\$ -

Note 19-Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements.

Note 20-Litigation:

As of June 30, 2013, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 21-Subsequent Events:**

On October 7, 2013, the Carroll County Industrial Development Authority approved the issuance of a taxable lease revenue bond to Rural Development in the amount of \$5,932,500 to improve HVAC systems in the schools. The School Board executed an agreement with the IDA regarding the improvements/equipment to be purchased on June 27, 2013, as noted above.

On October 8, 2013, the Carroll County School Board declared that the Woodlawn School Property is surplus to the needs of the Carroll County Public Schools, as authorized by Virginia Code Section 22.1-129 and conveys the title to the property to the Carroll County Board of Supervisors.

Note 22-Restatement:

Due to the implementation of GASB Statement No. 65, bond issuance costs are to be expensed. In addition, the County and its auditors noted the following errors in the prior year financial statements. Therefore, the County has restated the net position as demonstrated below.

	Primary Government Governmental Activities	School Board Governmental Activities
Fund Balance as previously reported 6/30/12	\$ 17,758,344	\$ 454,239
Correct prepaid taxes	(80,700)	-
Unrecorded CSA accounts payable	(150,831)	-
Remove PPTRA from 60 day collections	(52,578)	-
Outstanding check between cash accounts	-	250,000
Fund Balance as restated 6/30/12	17,474,235	704,239
Net Position as previously reported 6/30/12	\$ 39,159,769	\$ 1,708,918
Adjustments to fund balance (above)	(284,109)	250,000
Bond issuance costs	(60,663)	-
Net Position as restated 6/30/12	\$ 38,814,997	\$ 1,958,918

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 18,885,448	\$ 19,181,165	\$ 18,964,978	\$ (216,187)
Other local taxes	3,697,000	3,747,214	3,818,144	70,930
Permits, privilege fees, and regulatory licenses	117,500	117,500	107,630	(9,870)
Fines and forfeitures	833,326	879,674	1,005,568	125,894
Revenue from the use of money and property	46,122	46,122	29,482	(16,640)
Charges for services	1,642,287	1,642,287	1,498,540	(143,747)
Miscellaneous	256,845	292,410	312,649	20,239
Recovered costs	1,888,431	2,112,560	2,006,800	(105,760)
Intergovernmental revenues:				
Commonwealth	6,502,039	6,963,933	6,516,932	(447,001)
Federal	1,555,800	1,878,656	1,967,371	88,715
Total revenues	\$ 35,424,798	\$ 36,861,521	\$ 36,228,094	\$ (633,427)
EXPENDITURES				
Current:				
General government administration	\$ 2,759,240	\$ 2,857,516	\$ 2,650,138	\$ 207,378
Judicial administration	1,134,430	1,166,396	1,111,525	54,871
Public safety	6,746,540	7,433,924	6,997,334	436,590
Public works	2,694,554	2,755,178	2,509,702	245,476
Health and welfare	4,991,226	5,420,204	5,416,386	3,818
Education	10,794,191	11,044,191	10,937,291	106,900
Parks, recreation, and cultural	1,223,585	1,236,540	1,186,656	49,884
Community development	1,001,257	2,821,657	2,912,853	(91,196)
Capital projects	1,214,946	1,835,892	863,859	972,033
Debt service:				
Principal retirement	2,164,559	2,164,559	2,187,124	(22,565)
Interest and other fiscal charges	910,270	910,270	921,613	(11,343)
Total expenditures	\$ 35,634,798	\$ 39,646,327	\$ 37,694,481	\$ 1,951,846
Excess (deficiency) of revenues over (under) expenditures	\$ (210,000)	\$ (2,784,806)	\$ (1,466,387)	\$ 1,318,419
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (44,013)	\$ (44,013)	\$ -
Net change in fund balances	\$ (210,000)	\$ (2,828,819)	\$ (1,510,400)	\$ 1,318,419
Fund balances - beginning	210,000	2,828,819	17,474,235	14,645,416
Fund balances - ending	\$ -	\$ -	\$ 15,963,835	\$ 15,963,835

County of Carroll, Virginia
Virginia Retirement System and Other Postemployment Benefit Plans
Schedule of Pension and OPEB Funding Progress

Primary Government:
County Retirement Plan

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)
6/30/2012	\$ 20,552,682	\$ 29,250,542	\$ 8,697,860	70.26%	\$ 6,498,572	133.84%
6/30/2011	20,774,479	27,224,178	6,449,699	76.31%	6,347,244	101.61%
6/30/2010	20,225,690	25,486,814	5,261,124	79.36%	5,983,823	87.92%

Discretely Presented Component Unit: School Board
School Board Non-Professional Retirement Plan

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)
6/30/2012	\$ 7,454,436	\$ 9,671,555	\$ 2,217,119	77.08%	\$ 2,533,950	87.50%
6/30/2011	7,503,256	9,103,822	1,600,566	82.42%	2,495,060	64.15%
6/30/2010	7,399,194	8,693,139	1,293,945	85.12%	2,547,851	50.79%

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)
7/1/2012	\$ -	\$ 4,503,200	\$ 4,503,200	0.00%	\$ 22,392,600	20.11%
7/1/2010	-	5,298,900	5,298,900	0.00%	21,511,300	24.63%
7/1/2008	-	7,586,600	7,586,600	0.00%	22,847,617	33.21%

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)
7/1/2012	\$ (5,603)	\$ 261,700	\$ 267,303	(2.14%)	\$ 2,533,950	10.55%

Other Supplementary Information

County of Carroll, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2013

	School Construction			Variance with
	Budgeted Amounts		Actual Amounts	Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ 50,000	\$ 50,000	\$ 4,502	\$ (45,498)
Miscellaneous	-	61,358	61,358	-
Recovered costs	-	-	389,538	389,538
Total revenues	\$ 50,000	\$ 111,358	\$ 455,398	\$ 344,040
EXPENDITURES				
Capital projects	\$ 8,425,025	\$ 16,361,489	\$ 5,667,417	\$ 10,694,072
Excess (deficiency) of revenues over (under) expenditures	\$ (8,375,025)	\$ (16,250,131)	\$ (5,212,019)	\$ 11,038,112
Net change in fund balances	\$ (8,375,025)	\$ (16,250,131)	\$ (5,212,019)	\$ 11,038,112
Fund balances - beginning	8,375,025	16,250,131	5,612,741	(10,637,390)
Fund balances - ending	\$ -	\$ -	\$ 400,722	\$ 400,722

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, 2013

	Agency Funds					<u>Total</u>
	<u>Special Welfare</u>	<u>School Board FSA Fund</u>	<u>County FSA Fund</u>	<u>Performance Bond Escrow</u>	<u>Twin County Airport</u>	
ASSETS						
Cash and cash equivalents	\$ 11,944	\$ 15,043	\$ 1,999	\$ 2,500	\$ 193,406	\$ 224,892
Total assets	\$ 11,944	\$ 15,043	\$ 1,999	\$ 2,500	\$ 193,406	\$ 224,892
LIABILITIES						
Amounts held for social services clients	\$ 11,944	\$ -	\$ -	\$ -	\$ -	\$ 11,944
Amounts held for performance bonds	-	-	-	2,500	-	2,500
Amounts held for School Board employees	-	15,043	-	-	-	15,043
Amounts held for County employees	-	-	1,999	-	-	1,999
Amounts held for the Twin County Airport	-	-	-	-	193,406	193,406
Total liabilities	\$ 11,944	\$ 15,043	\$ 1,999	\$ 2,500	\$ 193,406	\$ 224,892

County of Carroll, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Current Assets				
Cash and cash equivalents				
Special Welfare	\$ 25,881	\$ 25,809	\$ (39,746)	\$ 11,944
Performance Bond Escrow	7,500	-	(5,000)	2,500
School Board FSA Fund	13,053	86,727	(84,737)	15,043
County FSA Fund	-	2,000	(1)	1,999
Twin County Airport	174,376	733,134	(714,104)	193,406
Total Assets	<u>\$ 220,810</u>	<u>\$ 847,670</u>	<u>\$ (843,588)</u>	<u>\$ 224,892</u>
Liabilities				
Amounts held for social services clients	\$ 25,881	\$ 25,809	\$ (39,746)	\$ 11,944
Amounts held for performance bonds	7,500	-	(5,000)	2,500
Amounts held for School Board employees	13,053	86,727	(84,737)	15,043
Amounts held for County employees	-	2,000	(1)	1,999
Amounts held for Twin County Airport	174,376	733,134	(714,104)	193,406
Total Liabilities	<u>\$ 220,810</u>	<u>\$ 847,670</u>	<u>\$ (843,588)</u>	<u>\$ 224,892</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Carroll, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2013

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 2,353,053
Investments	117,433
Due from other governmental units	1,842,151
Prepaid items	445,204
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	69,532
Investments	58,612
Total assets	<u>\$ 4,885,985</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 125,675
Salaries payable	1,801,872
Due to primary government	2,178,829
Total liabilities	<u>\$ 4,106,376</u>
Fund balances:	
Nonspendable:	
Prepaid expenses	\$ 445,204
Restricted:	
Cafeteria operations	110,995
Committed:	
Textbook purchases	418,614
Security upgrades	250,000
Unassigned:	(445,204)
Total fund balances	<u>\$ 779,609</u>
Total liabilities and fund balances	<u>\$ 4,885,985</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 779,609
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	1,489,200
Buildings and equipment	836,260
Machinery and equipment	<u>752,291</u>
	3,077,751
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	(1,942,614)
Compensated absences	<u>(911,999)</u>
	(2,854,613)
Net position of governmental activities	<u>\$ 1,002,747</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, 2013

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 36,739
Charges for services	931,665
Miscellaneous	188,628
Recovered costs	881,119
Intergovernmental revenues:	
Local government	10,897,071
Commonwealth	24,507,072
Federal	5,537,924
Total revenues	<u>\$ 42,980,218</u>
EXPENDITURES	
Current:	
Education	<u>\$ 42,904,848</u>
Total expenditures	<u>\$ 42,904,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 75,370</u>
Net change in fund balances	\$ 75,370
Fund balances - beginning, as restated	704,239
Fund balances - ending	<u><u>\$ 779,609</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 75,370
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	
Capital asset additions	195,822
Depreciation in current year	<u>(1,047,990)</u> (852,168)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(4,270)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
(Increase) decrease in compensated absences	(23,303)
(Increase) decrease in net OPEB obligation	<u>(151,800)</u> (175,103)
Change in net position of governmental activities	<u><u>\$ (956,171)</u></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, 2013

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 35,400	\$ 35,400	\$ 36,739	\$ 1,339
Charges for services	998,200	1,173,200	931,665	(241,535)
Miscellaneous	88,600	191,384	188,628	(2,756)
Recovered costs	1,806,025	1,882,998	881,119	(1,001,879)
Intergovernmental revenues:				
Local government	10,753,971	11,003,971	10,897,071	(106,900)
Commonwealth	23,573,329	25,319,995	24,507,072	(812,923)
Federal	4,425,034	4,707,209	5,537,924	830,715
Total revenues	\$ 41,680,559	\$ 44,314,157	\$ 42,980,218	\$ (1,333,939)
EXPENDITURES				
Current:				
Education	\$ 41,961,468	\$ 44,595,066	\$ 42,904,848	\$ 1,690,218
Excess (deficiency) of revenues over (under) expenditures	\$ (280,909)	\$ (280,909)	\$ 75,370	\$ 356,279
Net change in fund balances	\$ (280,909)	\$ (280,909)	\$ 75,370	\$ 356,279
Fund balances - beginning	498,000	498,000	704,239	206,239
Fund balances - ending	\$ 217,091	\$ 217,091	\$ 779,609	\$ 562,518

Supporting Schedules

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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	\$ 14,409,000	\$ 14,536,000	\$ 14,420,136	\$ (115,864)
Real and personal public service corporation taxes	582,000	621,900	646,988	25,088
Personal property taxes	2,544,448	2,631,699	2,485,903	(145,796)
Mobile home taxes	78,000	78,000	81,082	3,082
Machinery and tools taxes	727,000	727,000	726,431	(569)
Merchant's capital taxes	195,000	195,000	201,805	6,805
Penalties	125,000	125,000	129,710	4,710
Interest	225,000	266,566	272,923	6,357
Total general property taxes	\$ 18,885,448	\$ 19,181,165	\$ 18,964,978	\$ (216,187)
Other local taxes:				
Local sales and use taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,629,191	\$ 29,191
Consumers' utility taxes- electric	650,000	650,000	664,272	14,272
Consumers' utility taxes- telephone	60,000	60,000	33,079	(26,921)
Consumption taxes	100,000	100,000	112,199	12,199
Franchise license taxes	10,000	10,000	9,138	(862)
Recordation taxes	112,000	112,000	136,780	24,780
Motor vehicle licenses	607,000	657,214	624,511	(32,703)
Bank stock taxes	18,000	18,000	13,868	(4,132)
Hotel and motel room taxes	180,000	180,000	189,014	9,014
Restaurant food taxes	360,000	360,000	406,092	46,092
Total other local taxes	\$ 3,697,000	\$ 3,747,214	\$ 3,818,144	\$ 70,930
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 85,000	\$ 85,000	\$ 73,038	\$ (11,962)
Animal licenses	20,000	20,000	22,753	2,753
Other permits and licenses	12,500	12,500	11,839	(661)
Total permits, privilege fees, and regulatory licenses	\$ 117,500	\$ 117,500	\$ 107,630	\$ (9,870)
Fines and forfeitures:				
Court fines and forfeitures	\$ 833,326	\$ 879,674	\$ 1,005,568	\$ 125,894
Revenue from use of money and property:				
Revenue from use of money	\$ 20,000	\$ 20,000	\$ 3,365	\$ (16,635)
Revenue from use of property	26,122	26,122	26,117	(5)
Total revenue from use of money and property	\$ 46,122	\$ 46,122	\$ 29,482	\$ (16,640)
Charges for services:				
Charges for EMS	\$ 1,100,000	\$ 1,100,000	\$ 986,806	\$ (113,194)
Charges for farmer's market	215,000	215,000	175,908	(39,092)
Charges for courthouse security	158,787	158,787	157,034	(1,753)
Charges for parks and recreation	68,000	68,000	75,570	7,570
Charges for sanitation and waste removal	35,000	35,000	37,365	2,365
Charges for courthouse maintenance	33,000	33,000	31,078	(1,922)
Charges for cannery	12,500	12,500	13,014	514

County of Carroll, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for circuit court copies	\$ 12,000	\$ 12,000	\$ 9,092	\$ (2,908)
Charges for commonwealth's attorney	5,000	5,000	4,350	(650)
Charges for law enforcement and traffic control	2,500	2,500	3,947	1,447
Charges for law library	-	-	3,827	3,827
Other charges for services	500	500	549	49
Total charges for services	\$ 1,642,287	\$ 1,642,287	\$ 1,498,540	\$ (143,747)
Miscellaneous revenue:				
Miscellaneous	\$ 256,845	\$ 292,410	\$ 312,649	\$ 20,239
Recovered costs:				
Solid Waste Authority	\$ 489,108	\$ 489,108	\$ 433,309	\$ (55,799)
Public Service Authority	899,444	899,444	821,648	(77,796)
City of Galax-shared expenses	205,000	222,705	222,705	-
County of Grayson-shared expenses	-	30,000	30,000	-
Social services	225,422	393,732	395,947	2,215
School resource officer	34,600	34,600	34,600	-
Other recovered costs	34,857	42,971	68,591	25,620
Total recovered costs	\$ 1,888,431	\$ 2,112,560	\$ 2,006,800	\$ (105,760)
Total revenue from local sources	\$ 27,366,959	\$ 28,018,932	\$ 27,743,791	\$ (275,141)
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 35,000	\$ 35,000	\$ 43,352	\$ 8,352
Motor vehicle rental taxes	2,000	2,000	4,690	2,690
Telecommunications Taxes	990,000	990,000	1,035,058	45,058
Rolling stock taxes	1,000	1,000	-	(1,000)
State recordation taxes	80,000	80,000	76,664	(3,336)
Personal property tax relief funds	1,051,552	1,051,552	1,051,552	-
Total noncategorical aid	\$ 2,159,552	\$ 2,159,552	\$ 2,211,316	\$ 51,764
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 384,620	\$ 384,620	\$ 385,098	\$ 478
Sheriff	1,249,443	1,249,443	1,249,547	104
Commissioner of revenue	110,709	110,709	111,610	901
Treasurer	106,214	106,214	106,505	291
Registrar/electoral board	40,425	40,425	37,981	(2,444)
Clerk of the Circuit Court	259,325	259,325	260,458	1,133
Total shared expenses	\$ 2,150,736	\$ 2,150,736	\$ 2,151,199	\$ 463

County of Carroll, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental Revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 1,084,618	\$ 1,084,618	\$ 1,052,847	\$ (31,771)
Comprehensive Services Act	1,035,429	1,035,429	767,107	(268,322)
Animal friendly plates	300	300	382	82
Farmer's market grants	-	192,118	99,745	(92,373)
Fire program	-	138,970	78,036	(60,934)
Litter control grant	-	11,562	11,562	-
Emergency and medical services grant	-	81,001	37,519	(43,482)
Records preservation grant	18,655	48,348	32,684	(15,664)
Victim witness	52,749	52,749	53,804	1,055
Asset forfeiture	-	-	12,752	12,752
Local law enforcement grant	-	3,550	2,979	(571)
Arts grant	-	5,000	5,000	-
Total other categorical aid	<u>\$ 2,191,751</u>	<u>\$ 2,653,645</u>	<u>\$ 2,154,417</u>	<u>\$ (499,228)</u>
Total categorical aid	<u>\$ 4,342,487</u>	<u>\$ 4,804,381</u>	<u>\$ 4,305,616</u>	<u>\$ (498,765)</u>
Total revenue from the Commonwealth	<u>\$ 6,502,039</u>	<u>\$ 6,963,933</u>	<u>\$ 6,516,932</u>	<u>\$ (447,001)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 18,448</u>	<u>\$ 3,448</u>
Categorical aid:				
Public assistance and welfare administration	\$ 1,540,800	\$ 1,540,800	\$ 1,491,212	\$ (49,588)
Comprehensive Services Act	-	-	171,959	171,959
Emergency management preparedness grants	-	5,405	12,939	7,534
USDA library community facility grant	-	264,828	179,133	(85,695)
Local law enforcement grant	-	21,490	10,000	(11,490)
USDA farmer's market grant	-	-	28,566	28,566
Rural business grant	-	-	25,057	25,057
State and community highway safety	-	31,133	30,057	(1,076)
Total categorical aid	<u>\$ 1,540,800</u>	<u>\$ 1,863,656</u>	<u>\$ 1,948,923</u>	<u>\$ 85,267</u>
Total revenue from the federal government	<u>\$ 1,555,800</u>	<u>\$ 1,878,656</u>	<u>\$ 1,967,371</u>	<u>\$ 88,715</u>
Total General Fund	<u>\$ 35,424,798</u>	<u>\$ 36,861,521</u>	<u>\$ 36,228,094</u>	<u>\$ (633,427)</u>

County of Carroll, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 50,000	\$ 50,000	\$ 4,502	\$ (45,498)
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 61,358	\$ 61,358	\$ -
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 389,538	\$ 389,538
Total revenue from local sources	\$ 50,000	\$ 111,358	\$ 455,398	\$ 344,040
Total School Construction Fund	\$ 50,000	\$ 111,358	\$ 455,398	\$ 344,040
Total Primary Government	\$ 35,474,798	\$ 36,972,879	\$ 36,683,492	\$ (289,387)
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	\$ 400	\$ 400	\$ 191	\$ (209)
Revenue from the use of property	35,000	35,000	36,548	1,548
Total revenue from use of money and property	\$ 35,400	\$ 35,400	\$ 36,739	\$ 1,339
Charges for services:				
Fees from pupils	\$ 30,000	\$ 205,000	\$ 117,742	\$ (87,258)
Cafeteria sales	934,570	934,570	778,199	(156,371)
Transportation of pupils	10,000	10,000	15,591	5,591
Other payments from other localities	23,630	23,630	20,133	(3,497)
Total charges for services	\$ 998,200	\$ 1,173,200	\$ 931,665	\$ (241,535)
Miscellaneous revenue:				
E-rate	\$ 60,000	\$ 152,907	\$ 152,907	\$ -
Other miscellaneous	28,600	38,477	35,721	(2,756)
Total miscellaneous revenue	\$ 88,600	\$ 191,384	\$ 188,628	\$ (2,756)
Recovered costs:				
Insurance recoveries and rebates	\$ 1,806,025	\$ 1,882,998	\$ 881,119	\$ (1,001,879)
Total revenue from local sources	\$ 2,928,225	\$ 3,282,982	\$ 2,038,151	\$ (1,244,831)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	\$ 10,753,971	\$ 11,003,971	\$ 10,897,071	\$ (106,900)

County of Carroll, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,135,921	\$ 4,135,921	\$ 4,117,942	\$ (17,979)
Basic school aid	11,574,031	13,320,697	12,526,017	(794,680)
Remedial summer education	99,015	99,015	89,182	(9,833)
Regular foster care	45,495	45,495	23,705	(21,790)
Gifted and talented	129,436	129,436	137,876	8,440
Remedial education	481,165	481,165	512,540	31,375
Alternative education	152,268	152,268	152,141	(127)
Special education	1,322,501	1,322,501	1,408,735	86,234
Textbook payment	105,378	105,378	246,252	140,874
Vocational standards of quality payments	317,963	317,963	338,696	20,733
Vocational adult education	-	-	1,774	1,774
Vocational education - equipment	23,901	23,901	12,080	(11,821)
Vocational occupational preparedness	-	-	11,880	11,880
Social security fringe benefits	742,852	742,852	791,290	48,438
Retirement fringe benefits	1,240,900	1,240,900	1,321,813	80,913
Group life insurance instructional	47,835	47,835	50,954	3,119
State lottery payments	147,107	147,107	22,697	(124,410)
Homebound education	36,861	36,861	42,066	5,205
School nutrition	37,927	37,927	41,729	3,802
Special education - foster children	-	-	20,897	20,897
Special education - regional	140,059	140,059	104,225	(35,834)
At risk payments	522,167	522,167	556,964	34,797
Early reading intervention	82,815	82,815	69,385	(13,430)
VPSA technology	336,000	336,000	310,000	(26,000)
Standards of Learning algebra readiness	75,566	75,566	73,434	(2,132)
At risk four-year olds	451,647	451,647	451,647	-
Primary class size	669,350	669,350	603,540	(65,810)
Mentor teacher program	4,848	4,848	2,453	(2,395)
ISAEP	15,717	15,717	15,717	-
Jobs for VA grads	-	-	21,000	21,000
CTE industry credentials	6,282	6,282	5,551	(731)
English as a second language	90,192	90,192	78,651	(11,541)
Other state funds	538,130	538,130	344,239	(193,891)
Total categorical aid	\$ 23,573,329	\$ 25,319,995	\$ 24,507,072	\$ (812,923)
Total revenue from the Commonwealth	\$ 23,573,329	\$ 25,319,995	\$ 24,507,072	\$ (812,923)
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 10,000	\$ 10,000	\$ 10,069	\$ 69
Title I	1,252,381	1,267,668	1,167,491	(100,177)
Title VI-B, flow-through	1,071,967	1,071,967	1,038,542	(33,425)
Title VI-B, preschool	29,376	29,376	29,963	587

County of Carroll, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Title VI-B, rural and low income	\$ -	\$ 86,007	\$ 75,530	\$ (10,477)
ARRA - Educational jobs funds	-	-	1,008,742	1,008,742
Vocational education	78,000	78,000	74,728	(3,272)
Teacher quality	261,683	261,683	243,310	(18,373)
Migrant education	18,000	29,214	36,118	6,904
School breakfast program	376,957	421,603	415,938	(5,665)
National school lunch program	980,141	1,105,162	1,164,662	59,500
Title III	13,823	13,823	23,927	10,104
Twenty first century learning centers	332,706	332,706	248,904	(83,802)
Total categorical aid	\$ 4,425,034	\$ 4,707,209	\$ 5,537,924	\$ 830,715
Total revenue from the federal government	\$ 4,425,034	\$ 4,707,209	\$ 5,537,924	\$ 830,715
Total School Operating Fund	\$ 41,680,559	\$ 44,314,157	\$ 42,980,218	\$ (1,333,939)
Total Discretely Presented Component Unit - School Board	\$ 41,680,559	\$ 44,314,157	\$ 42,980,218	\$ (1,333,939)

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 497,369	\$ 519,543	\$ 371,278	\$ 148,265
General and financial administration:				
County administrator	\$ 333,448	\$ 333,448	\$ 348,724	\$ (15,276)
Central purchasing	3,000	3,000	2,996	4
County attorney	75,000	76,920	64,888	12,032
Commissioner of revenue	295,157	295,157	293,962	1,195
County assessor	188,153	188,153	184,607	3,546
Treasurer	357,539	357,538	338,965	18,573
Finance	242,866	242,866	239,057	3,809
Management information systems	333,526	333,526	340,430	(6,904)
Reassessment	146,700	217,773	199,755	18,018
Human Resources	82,422	82,422	81,256	1,166
Total general and financial administration	\$ 2,057,811	\$ 2,130,803	\$ 2,094,640	\$ 36,163
Board of elections:				
Electoral board and officials	\$ 80,251	\$ 83,361	\$ 70,057	\$ 13,304
Registrar	123,809	123,809	114,163	9,646
Total board of elections	\$ 204,060	\$ 207,170	\$ 184,220	\$ 22,950
Total general government administration	\$ 2,759,240	\$ 2,857,516	\$ 2,650,138	\$ 207,378
Judicial administration:				
Courts:				
Circuit court	\$ 52,540	\$ 52,540	\$ 48,316	\$ 4,224
General district court	14,424	14,424	12,185	2,239
Juvenile court	4,494	4,494	3,529	965
Special magistrates	450	450	412	38
Victim witness	64,108	64,108	62,499	1,609
Clerk of the circuit court	439,163	468,856	424,859	43,997
Law library	-	-	3,904	(3,904)
Total courts	\$ 575,179	\$ 604,872	\$ 555,704	\$ 49,168
Commonwealth's attorney:				
Commonwealth's attorney	\$ 559,251	\$ 561,524	\$ 555,821	\$ 5,703
Total judicial administration	\$ 1,134,430	\$ 1,166,396	\$ 1,111,525	\$ 54,871
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,428,273	\$ 2,884,108	\$ 2,820,437	\$ 63,671
Courtroom Security	158,787	174,820	180,164	(5,344)
Total law enforcement and traffic control	\$ 2,587,060	\$ 3,058,928	\$ 3,000,601	\$ 58,327

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire departments	\$ 304,796	\$ 484,413	\$ 380,167	\$ 104,246
Rescue squads	551,410	614,149	459,732	154,417
Carroll EMS	1,103,920	1,141,495	1,135,772	5,723
Total fire and rescue services	<u>\$ 1,960,126</u>	<u>\$ 2,240,057</u>	<u>\$ 1,975,671</u>	<u>\$ 264,386</u>
Correction and detention:				
Payments to New River Regional Jail	\$ 1,200,000	\$ 1,097,053	\$ 1,040,484	\$ 56,569
Juvenile probation and detention	92,000	114,343	120,185	(5,842)
Total correction and detention	<u>\$ 1,292,000</u>	<u>\$ 1,211,396</u>	<u>\$ 1,160,669</u>	<u>\$ 50,727</u>
Inspections:				
Building	\$ 217,198	\$ 217,198	\$ 205,187	\$ 12,011
Other protection:				
Animal warden	\$ 105,393	\$ 106,761	\$ 102,301	\$ 4,460
Emergency services	254,809	269,630	222,951	46,679
E-911	329,954	329,954	329,954	-
Total other protection	<u>\$ 690,156</u>	<u>\$ 706,345</u>	<u>\$ 655,206</u>	<u>\$ 51,139</u>
Total public safety	<u>\$ 6,746,540</u>	<u>\$ 7,433,924</u>	<u>\$ 6,997,334</u>	<u>\$ 436,590</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 532,000	\$ 532,000	\$ 490,141	\$ 41,859
Public Service Authority	899,444	899,444	858,721	40,723
Litter control	-	11,562	9,579	1,983
Total sanitation and waste removal	<u>\$ 1,431,444</u>	<u>\$ 1,443,006</u>	<u>\$ 1,358,441</u>	<u>\$ 84,565</u>
Maintenance of general buildings and grounds:				
Governmental complex	\$ 612,709	\$ 613,278	\$ 568,919	\$ 44,359
Cannery	18,491	16,501	11,843	4,658
Maintenance force	339,498	341,498	309,287	32,211
Maintenance of other properties	292,412	340,895	261,212	79,683
Total maintenance of general buildings and grounds	<u>\$ 1,263,110</u>	<u>\$ 1,312,172</u>	<u>\$ 1,151,261</u>	<u>\$ 160,911</u>
Total public works	<u>\$ 2,694,554</u>	<u>\$ 2,755,178</u>	<u>\$ 2,509,702</u>	<u>\$ 245,476</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 229,648	\$ 229,648	\$ 229,648	\$ -
Mental health and mental retardation:				
Community services board	\$ 161,996	\$ 161,996	\$ 161,996	\$ -

County of Carroll, Virginia
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 4,526,500	\$ 4,954,945	\$ 4,951,127	\$ 3,818
Senior citizens center	73,082	73,615	73,615	-
Total welfare	\$ 4,599,582	\$ 5,028,560	\$ 5,024,742	\$ 3,818
Total health and welfare	\$ 4,991,226	\$ 5,420,204	\$ 5,416,386	\$ 3,818
Education:				
Other instructional costs:				
Contributions to Community College	\$ 40,220	\$ 40,220	\$ 40,220	\$ -
Contribution to County School Board	10,753,971	11,003,971	10,897,071	106,900
Total education	\$ 10,794,191	\$ 11,044,191	\$ 10,937,291	\$ 106,900
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 367,943	\$ 367,643	\$ 341,819	\$ 25,824
Farmer's Market	484,296	497,356	477,909	19,447
County Fair	71,750	71,945	72,486	(541)
Total parks and recreation	\$ 923,989	\$ 936,944	\$ 892,214	\$ 44,730
Library:				
Contribution to Carroll-Galax Regional Library	\$ 299,596	\$ 299,596	\$ 294,442	\$ 5,154
Total parks, recreation, and cultural	\$ 1,223,585	\$ 1,236,540	\$ 1,186,656	\$ 49,884
Community development:				
Planning and community development:				
Planning commission	\$ 90,995	\$ 90,995	\$ 82,299	\$ 8,696
Economic development	174,200	204,200	171,727	32,473
Business development	136,522	136,520	131,964	4,556
Tourism	192,430	196,430	195,605	825
Geographic information services	89,863	89,863	81,570	8,293
Contribution to Carroll Industrial Development Authority	-	1,753,884	1,912,504	(158,620)
Contribution to Public Service Authority	206,463	206,463	206,463	-
Contribution to Twin County Airport	57,000	64,662	55,132	9,530
Total planning and community development	\$ 947,473	\$ 2,743,017	\$ 2,837,264	\$ (94,247)
Environmental management:				
Contribution to soil and water district	\$ 7,500	\$ 7,500	\$ 7,500	\$ -
Cooperative extension program:				
Extension office	\$ 46,284	\$ 71,140	\$ 68,089	\$ 3,051
Total community development	\$ 1,001,257	\$ 2,821,657	\$ 2,912,853	\$ (91,196)

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Capital projects:				
Other capital projects	\$ 1,214,946	\$ 1,835,892	\$ 863,859	\$ 972,033
Debt service:				
Principal retirement	\$ 2,164,559	\$ 2,164,559	\$ 2,187,124	\$ (22,565)
Interest and other fiscal charges	910,270	910,270	921,613	(11,343)
Total debt service	\$ 3,074,829	\$ 3,074,829	\$ 3,108,737	\$ (33,908)
Total General Fund	\$ 35,634,798	\$ 39,646,327	\$ 37,694,481	\$ 1,951,846
Capital Projects Fund:				
School Construction Fund:				
Capital projects expenditures:				
School improvements	\$ 8,425,025	\$ 16,361,489	\$ 5,667,417	\$ 10,694,072
Total School Construction Fund	\$ 8,425,025	\$ 16,361,489	\$ 5,667,417	\$ 10,694,072
Total Primary Government	\$ 44,059,823	\$ 56,007,816	\$ 43,361,898	\$ 12,645,918
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,662,382	\$ 1,662,382	\$ 1,641,131	\$ 21,251
Instruction costs:				
Instruction	\$ 29,716,643	\$ 31,668,724	\$ 31,404,602	\$ 264,122
Operating costs:				
Pupil transportation	\$ 2,967,695	\$ 2,995,723	\$ 2,901,158	\$ 94,565
Operation and maintenance of school plant	3,879,919	4,363,741	4,394,538	(30,797)
Food services and other non-instructional costs	3,734,829	3,904,496	2,563,419	1,341,077
Total operating costs	\$ 10,582,443	\$ 11,263,960	\$ 9,859,115	\$ 1,404,845
Total education	\$ 41,961,468	\$ 44,595,066	\$ 42,904,848	\$ 1,690,218
Total School Operating Fund	\$ 41,961,468	\$ 44,595,066	\$ 42,904,848	\$ 1,690,218
Total Discretely Presented Component Unit - School Board	\$ 41,961,468	\$ 44,595,066	\$ 42,904,848	\$ 1,690,218

Other Statistical Section

Table 1

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

Fiscal Year	General Government Administration		Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Gas Utilities	Gladeville Cranberry Sewer		Total
	Administration	Government										Cranberry	Gladeville Sewer	
2012-13	\$ 2,646,748	\$ 860,938	\$ 7,608,448	\$ 2,523,430	\$ 5,029,724	\$ 12,055,049	\$ 1,198,123	\$ 2,977,741	\$ 941,166	\$ 29,931	\$ -	\$ -	\$ -	\$ 35,871,298
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
2006-07	1,820,062	840,164	4,327,693	1,413,001	4,083,737	9,255,667	461,145	1,480,648	1,585,968	-	-	328,222	-	25,596,307
2005-06	1,776,300	766,461	4,098,143	788,065	3,835,853	8,107,291	382,682	975,161	1,501,082	-	-	277,051	-	22,508,089
2004-05	1,190,402	706,038	3,941,388	654,418	3,406,872	8,079,764	584,179	1,574,911	2,028,436	-	-	284,247	-	22,450,655
2003-04	1,810,780	753,635	3,524,570	1,057,661	3,507,187	8,856,826	589,520	1,140,933	2,134,605	-	-	304,059	-	23,679,776

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs (1)	Total
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
2006-07	868,695	5,120,043	7,172		16,319,668	5,052,300	543,360	276,500	2,001,626	30,189,364
2005-06	499,634	5,120,043	70,316		14,002,880	4,829,522	361,322	125,327	1,293,822	26,302,866
2004-05	820,018	5,144,456	2,934		13,835,903	4,013,487	296,457	52,037	1,110,014	25,275,306
2003-04	814,802	5,254,129	15,914		10,624,841	3,352,928	282,848	15,744	1,360,169	21,721,375

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

Table 3

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
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
2006-07	2,036,565	850,387	4,601,974	1,189,285	4,045,618	38,649,619	527,277	1,556,236	-	-	3,740,680	57,197,641
2005-06	1,849,163	782,601	4,122,737	1,039,243	3,849,577	34,230,491	589,939	1,032,539	-	-	4,621,819	52,118,109
2004-05	1,532,879	757,000	3,777,944	908,835	3,455,461	33,663,223	555,453	1,693,801	-	-	4,680,902	51,025,498
2003-04	1,830,501	694,122	3,757,277	912,599	3,549,204	32,052,703	529,406	1,527,389	-	-	2,689,155	47,542,356

(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
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
2006-07	16,210,523	5,052,300	201,149	11,396	522,489	1,279,392	868,571	1,466,666	36,583,313	62,195,799
2005-06	13,845,984	4,829,522	249,930	10,310	293,981	1,021,775	199,390	942,928	32,952,975	54,346,795
2004-05	13,588,256	4,013,487	213,853	5,686	311,851	1,046,653	289,173	1,225,778	30,968,533	51,663,270
2003-04	10,542,845	3,352,928	158,966	1,593	96,759	1,210,851	392,672	1,167,288	29,179,705	46,103,607

(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 Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
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%
2006-07	17,225,325	16,710,474	97.01%	592,349	17,302,823	100.45%	2,206,981	12.81%
2005-06	14,931,151	14,180,736	94.97%	573,197	14,753,933	98.81%	1,892,855	12.68%
2004-05	13,754,293	13,010,114	94.59%	416,655	13,426,769	97.62%	1,682,637	12.23%
2003-04	11,741,609	11,095,358	94.50%	380,606	11,475,964	97.74%	1,504,238	12.81%

(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 (3)	Machinery and Tools (3)	Merchant's Capital (3)	Farm Equipment (4)	Public Service Corporations (2)	Total
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
2006-07	1,722,690,903	250,305,907	80,855,380	8,774,975	-	85,896,569	2,148,523,734
2005-06	1,766,780,800	348,171,685	-	-	-	95,200,694	2,210,153,179
2004-05	1,734,981,500	346,387,969	-	-	-	96,094,144	2,177,463,613
2003-04	1,082,787,000	352,870,727	-	-	-	51,219,038	1,486,876,765

(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 fiscal year 2007, machinery and tools and merchant's capital were included in personal property.

(4) In fiscal year 2012, the County establish a new class of personal property for 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	Farm Equipment (3)
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	-
2006-07	0.71	1.30	1.30	2.30	-
2005-06	0.59	1.30	1.30	2.30	-
2004-05	0.59	1.30	1.30	2.30	-
2003-04	0.64	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.

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
2012-13	30,042	\$ 2,868,676	\$ 34,603,166	\$ 34,603,166	1.21%	\$ 1,152
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
2006-07	29,245	2,148,524	32,647,950	32,647,950	1.52%	1,116
2005-06	29,245	2,210,153	34,893,872	34,893,872	1.58%	1,193
2004-05	29,245	2,177,464	37,137,832	37,137,832	1.71%	1,270
2003-04	29,245	1,486,877	39,379,928	39,379,928	2.65%	1,347

(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 compe

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
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%
2006-07	2,245,922	1,494,758	3,740,680	57,197,641	6.54%
2005-06	2,999,324	1,622,495	4,621,819	52,118,109	8.87%
2004-05	2,567,217	2,113,685	4,680,902	51,025,498	9.17%
2003-04	1,501,172	1,187,983	2,689,155	47,542,356	5.66%

(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 SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Members of the Board of Supervisors
County of 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 business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Carroll, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise County of Carroll, Virginia's basic financial statements and have issued our report thereon dated December 31, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness [2013-1].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Finding

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, Farmer, Co. Associates

Blacksburg, Virginia

December 31, 2013

ROBINSON, FARMER, COX ASSOCIATES

CLERK/HD PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited County of Carroll, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Carroll, Virginia's major federal programs for the year ended June 30, 2013. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 County of Carroll, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2013.

Report on Internal Control Over Compliance

Management of 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 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 OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 31, 2013

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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	0950112, 0950113	\$ 13,114
Temporary Assistance for Needy Families	93.558	0400112, 0400113	295,173
Refugee and Entrant Assistance - State Administered Programs	93.566	0500112, 0500113	880
Low-Income Home Energy Assistance	93.568	0600412, 0600413	24,663
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770113	(143)
Child Care Mandatory and Matching Funds of the Child Care and Development Funds	93.596	0760112, 0760113	41,544
Chafee Education and Training Vouchers Program	93.599	9160112	1,102
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900112, 0900113	1,442
Foster Care - Title IV-E	93.658	1100112, 1100113	295,720
Adoption Assistance	93.659	1120112, 1120113	104,513
Social Services Block Grant	93.667	1000112, 1000113	375,437
Chafee Foster Care Independence Program	93.674	9150112, 9150113	4,902
Children's Health Insurance Program	93.767	0540112, 0540113	7,238
Medical Assistance Program	93.778	1200112, 1200113	186,651
Total Department of Health and Human Services			\$ 1,352,236
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	158	\$ 12,939
State Homeland Security Program	97.073	52741	10,000
Total Department of Homeland Security			\$ 22,939
Department of Agriculture:			
Direct Payments:			
Community Facilities Loan and Grants	10.780	Not available	\$ 179,133
Specialty Crop Block Grant Program - Farm Bill	10.170	Not available	28,566
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	40591	\$ 415,938
Summer Food Service Program for Children (Note 3)	10.559	Not available	592
Food Distribution (Note 3)	10.555	Not available	154,356
Department of Education:			
National School Lunch Program	10.555	40623	1,009,714
National School Lunch Program Subtotal			\$ 1,164,070
Schools and Roads - Grants to States	10.665	43841	\$ 10,069

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010112, 0010113, 0040113, 0040113	\$ 310,935
Total Department of Agriculture			\$ 2,109,303
Small Business Administration:			
Pass Through Payments:			
George Mason University:			
Small Business Development Centers	59.037	No. 1-603001-Z-0159	\$ 25,057
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice:			
State Criminal Alien Assistance Program	16.606	2011-AP-BX-0728	\$ 11,283
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC-2013-53030-4746	\$ 8,750
Alcohol Open Container Requirements	20.607	154AL-2012-52093-4471	10,024
Total Department of Transportation			\$ 18,774
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901, 42999	\$ 1,167,491
ARRA - Education Jobs Funds	84.410	62700	1,008,742
Migrant Education - State Grant Program	84.011	42910	30,545
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	1,038,542
Special Education - Preschool Grants	84.173	62521	29,963
Career and Technical Education: Basic Grants to States	84.048	61095	74,728
Twenty-First Century Community Learning Centers	84.287	60565	248,904
Rural Education	84.358	43481	75,530
Migrant Education - Coordination Program	84.144	61399	5,573
English Language Acquisition Grants	84.365	60512	\$ 23,927
Improving Teacher Quality State Grants	84.367	61480	243,310
Total Department of Education			\$ 3,947,255
Total Expenditures of Federal Awards			\$ 7,486,847

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Carroll County, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Carroll County, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Carroll County, 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

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, 2013 Carroll County, Virginia had food commodities totaling \$0 in inventory.

Note 4 -- 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	\$ 1,967,371
Less: Payment in lieu of taxes	<u>(18,448)</u>
Total primary government	<u>\$ 1,948,923</u>
Component Unit School Board:	
School Operating Fund	<u>\$ 5,537,924</u>
Total federal expenditures per the basic financial statements	<u><u>\$ 7,486,847</u></u>

County of Carroll, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies 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 Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
10.561	State Admin Matching Grants for the Supplemental Nutrition Assistance Program
84.027/84.173	Special Education (IDEA) - Cluster
84.410	ARRA - Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

County of Carroll, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II - Financial Statement Findings

2013-1

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 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's internal controls over financial reporting.

Recommendation: The County should review the auditors' proposed audit adjustments for 2013 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Management's Response: To address this finding, the County plans to have the Assistant County Administrator prepare the trial balances.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

Financial Statement Finding 2012-1 was recurring in the current year.