



County of Carroll, Virginia
Financial Statements
Fiscal Year Ended June 30, 2021

COUNTY OF CARROLL, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

**COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

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INTRODUCTORY SECTION

COUNTY OF CARROLL, VIRGINIA

BOARD OF SUPERVISORS

Dr. Tom Littrell, Chair
Rex Hill
Phillip McCraw

Tracy Moore, Vice Chair
Robert L. "Robbie" McGraw
Joe Webb

SCHOOL BOARD

William "Bill" Sturgill, Vice Chair
Brian Spencer

Joey D. Haynes, Chair

Ralph "Bob" Martin
Sanford "Sandy" G. Hendrick

SOCIAL SERVICES BOARD

Robbie McCraw, Chair
Roger Cooley
Christopher Felts

Lynette Thomas, Vice Chair
Susan Clark
David Clontz

OTHER OFFICIALS

Clerk of the Circuit Court Gerald R. Goad
Commonwealth's Attorney Roger D. Brooks
Commissioner of the Revenue..... Fran A Zimmerman
Treasurer Bonita M. Williams
Sheriff Kevin A. Kemp
Superintendent of Schools Dr. Mark Burnette
County Administrator Michael Watson
County Attorney Steven V. Durbin

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, Virginia, as of and for the year ended June 30, 2021, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, Virginia, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 27 to the financial statements, in 2021, the County adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 27 to the financial statements, in 2021, the County restated beginning balances to reflect the requirements of GASB Statement No. 84. Our opinion is not modified with respect to this matter.

As described in Note 28 to the financial statements, in 2021, the County noted two misclassifications of FY2020 activities resulting in restatements of beginning balances. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules related to pension and OPEB funding on pages 83 and 84-98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, on our consideration of the County of Carroll, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Carroll, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Carroll, Virginia's internal control over financial reporting and compliance.

Robinson, Fawcett, Cox Associates

Blacksburg, Virginia
December 6, 2021

Basic Financial Statements

County of Carroll, Virginia
Statement of Net Position
June 30, 2021

	Primary Government	Component Units		
	Governmental Activities	School Board	Public Service Authority	Economic Development Authority
ASSETS				
Cash and cash equivalents	\$ 23,742,660	\$ 2,224,484	\$ 438,876	\$ 922,818
Cash held at schools	-	786,491	-	-
Investments	11,571	-	-	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	20,928,462	-	-	-
Interest receivable	-	-	-	126,576
Accounts receivable	394,772	40,861	480,093	1,550
Other local taxes receivable	99,065	-	-	-
Note receivable	363,517	-	332,268	2,309,742
Due from component units	1,979,205	-	-	-
Due from other governmental units	1,517,045	1,680,640	-	-
Prepaid items	103,928	351,990	34,660	-
Lease purchase receivable	-	-	-	11,272,394
Assets held for resale:				
Industrial sites	-	-	-	870,005
Restricted assets:				
Cash and cash equivalents	-	1,178,147	899,081	251,521
Capital assets (net of accumulated depreciation):				
Land	2,906,402	1,343,900	264,837	81,451
Buildings and improvements	37,687,888	9,602,397	-	269,697
Improvements other than buildings	-	100,824	-	-
Machinery and equipment	3,249,726	2,241,066	525,078	-
Infrastructure	-	-	36,340,562	-
Construction in progress	-	-	95,991	63,464
Total assets	<u>\$ 92,984,241</u>	<u>\$ 19,550,800</u>	<u>\$ 39,411,446</u>	<u>\$ 16,169,218</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 2,494,448	\$ 9,558,891	\$ 160,982	\$ -
OPEB related items	113,952	1,232,585	-	-
Total deferred outflows of resources	<u>\$ 2,608,400</u>	<u>\$ 10,791,476</u>	<u>\$ 160,982</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 332,251	\$ 187,960	\$ 113,608	\$ 33,772
Salaries payable	737,560	1,962,049	-	-
Accrued interest payable	132,012	-	37,580	79,608
Customer deposits payable	-	-	123,187	-
Due to other governmental units	43,003	-	-	-
Due to primary government	-	1,885,531	93,674	-
Unearned revenue	2,918,900	-	-	-
Long-term liabilities:				
Due within one year	3,734,723	805,818	752,327	532,710
Due in more than one year	26,133,547	46,950,043	22,572,206	10,601,741
Total liabilities	<u>\$ 34,031,996</u>	<u>\$ 51,791,401</u>	<u>\$ 23,692,582</u>	<u>\$ 11,247,831</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 15,831,760	\$ -	\$ -	\$ -
Pension related items	67,549	4,002,249	93,193	-
OPEB related items	68,044	2,714,485	-	-
Total deferred inflows of resources	<u>\$ 15,967,353</u>	<u>\$ 6,716,734</u>	<u>\$ 93,193</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 23,227,546	\$ 13,288,187	\$ 14,822,584	\$ 201,191
Restricted:				
Asset forfeiture	72,476	-	-	-
School cafeterias	-	1,178,147	-	-
School activity fund	-	786,491	-	-
Debt service and bond covenants	-	-	775,894	251,521
Unrestricted	22,293,270	(43,418,684)	188,175	4,468,675
Total net position	<u>\$ 45,593,292</u>	<u>\$ (28,165,859)</u>	<u>\$ 15,786,653</u>	<u>\$ 4,921,387</u>

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

County of Carroll, Virginia
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units				
					Primary Government	School Board	Public Service Authority	Economic Development Authority	
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 2,289,316	\$ -	\$ 302,025	\$ -	\$ (1,987,291)				
Judicial administration	1,257,756	17,819	921,488	-	(318,449)				
Public safety	10,940,758	2,474,208	7,096,881	101,699	(1,267,970)				
Public works	1,512,193	26,357	9,077	-	(1,476,759)				
Health and welfare	8,729,925	-	6,494,985	-	(2,234,940)				
Education	20,579,644	-	-	-	(20,579,644)				
Parks, recreation, and cultural	872,394	250,651	-	-	(621,743)				
Community development	1,494,809	15,028	-	-	(1,479,781)				
Interest on long-term debt	1,153,658	-	623,469	-	(530,189)				
Total governmental activities	\$ 48,830,453	\$ 2,784,063	\$ 15,447,925	\$ 101,699	\$ (30,496,766)				
Total primary government	\$ 48,830,453	\$ 2,784,063	\$ 15,447,925	\$ 101,699	\$ (30,496,766)				
COMPONENT UNITS:									
School Board	\$ 45,381,066	\$ 689,648	\$ 34,425,205	\$ -	\$ (10,266,213)	\$ -	\$ -	\$ -	\$ -
Public Service Authority	4,670,242	2,884,866	-	-	-	(1,785,376)	-	-	-
Economic Development Authority	1,083,565	-	503,197	-	-	-	-	(580,368)	-
Total component units	\$ 51,134,873	\$ 3,574,514	\$ 34,928,402	\$ -	\$ (10,266,213)	\$ (1,785,376)	\$ -	\$ (580,368)	\$ -
General revenues:									
General property taxes					\$ 23,942,518				
Local sales and use taxes					2,519,874				
Consumer's utility tax					726,025				
Motor vehicle taxes					761,807				
Restaurant food taxes					563,681				
Other local taxes					641,258				
Unrestricted revenues from use of money and property					58,709		27,360	201,574	265,009
Miscellaneous					119,632		151,855	91,848	-
Payments from Primary Government					-		19,095,372	872,963	-
Grants and contributions not restricted to specific programs					2,031,397		-	-	-
Lease purchase revenue					-		-	-	155,867
Total general revenues					\$ 31,364,901		\$ 19,274,587	\$ 1,166,385	\$ 420,876
Change in net position					\$ 868,135		\$ 9,008,374	\$ (618,991)	\$ (159,492)
Net position - beginning, as restated					\$ 44,725,157		\$ (37,174,233)	\$ 16,405,644	\$ 5,080,879
Net position - ending					\$ 45,593,292		\$ (28,165,859)	\$ 15,786,653	\$ 4,921,387

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

County of Carroll, Virginia
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 23,728,633	\$ 14,027	\$ 23,742,660
Investments	11,571	-	11,571
Receivables (net of allowance for uncollectibles):			
Taxes receivable	20,928,462	-	20,928,462
Accounts receivable	394,772	-	394,772
Other local taxes receivable	99,065	-	99,065
Note receivable	363,517	-	363,517
Due from component unit	1,979,205	-	1,979,205
Due from other governmental units	1,517,045	-	1,517,045
Prepaid items	103,928	-	103,928
Total assets	<u>\$ 49,126,198</u>	<u>\$ 14,027</u>	<u>\$ 49,140,225</u>
LIABILITIES			
Accounts payable	\$ 332,251	\$ -	\$ 332,251
Salaries payable	737,560	-	737,560
Due to other governmental units	43,003	-	43,003
Unearned revenue - CARES	25,623	-	25,623
Unearned revenue - ARPA	2,893,277	-	2,893,277
Total liabilities	<u>\$ 4,031,714</u>	<u>\$ -</u>	<u>\$ 4,031,714</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	<u>\$ 20,580,411</u>	<u>\$ -</u>	<u>\$ 20,580,411</u>
FUND BALANCES			
Fund balances:			
Nonspendable:			
Prepaid items	\$ 103,928	\$ -	\$ 103,928
Note receivable	363,517	-	363,517
Restricted:			
Asset forfeiture	72,476	-	72,476
Committed:			
Narcotics funds	53,781	-	53,781
Law Library	8,128	-	8,128
School Construction	-	14,027	14,027
Assigned:			
Sheriff funds	59,402	-	59,402
Unassigned	23,852,841	-	23,852,841
Total fund balances	<u>\$ 24,514,073</u>	<u>\$ 14,027</u>	<u>\$ 24,528,100</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 49,126,198</u>	<u>\$ 14,027</u>	<u>\$ 49,140,225</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, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	24,528,100
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	2,906,402
Buildings and improvements		37,687,888
Machinery and equipment		3,249,726
		43,844,016
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes		4,748,651
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	2,494,448
OPEB related items		113,952
		2,608,400
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	\$	(9,720,000)
Literary loans		(362,157)
Capital lease		(572,666)
Lease revenue bonds		(9,999,707)
Unamortized premiums		(20,241)
Unamortized discounts		58,301
Accrued interest payable		(132,012)
Compensated absences		(801,891)
Net pension liability		(7,900,060)
Net OPEB liability		(549,849)
		(30,000,282)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds		
Pension related items	\$	(67,549)
OPEB related items		(68,044)
		(135,593)
Net position of governmental activities		\$ 45,593,292

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, 2021

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 24,236,738	\$ -	\$ 24,236,738
Other local taxes	5,212,645	-	5,212,645
Permits, privilege fees, and regulatory licenses	183,270	-	183,270
Fines and forfeitures	892,657	-	892,657
Revenue from the use of money and property	58,709	-	58,709
Charges for services	1,708,136	-	1,708,136
Miscellaneous	119,632	-	119,632
Recovered costs	2,122,534	-	2,122,534
Intergovernmental:			
Commonwealth	8,577,446	-	8,577,446
Federal	9,003,575	-	9,003,575
Total revenues	<u>\$ 52,115,342</u>	<u>\$ -</u>	<u>\$ 52,115,342</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,610,084	\$ -	\$ 2,610,084
Judicial administration	1,337,577	-	1,337,577
Public safety	11,654,184	-	11,654,184
Public works	2,215,374	-	2,215,374
Health and welfare	8,816,470	-	8,816,470
Education	11,823,163	-	11,823,163
Parks, recreation, and cultural	822,553	-	822,553
Community development	1,664,321	-	1,664,321
Debt service:			
Principal retirement	3,612,154	-	3,612,154
Interest and other fiscal charges	1,201,552	-	1,201,552
Total expenditures	<u>\$ 45,757,432</u>	<u>\$ -</u>	<u>\$ 45,757,432</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,357,910</u>	<u>\$ -</u>	<u>\$ 6,357,910</u>
Net change in fund balances	\$ 6,357,910	\$ -	\$ 6,357,910
Fund balances - beginning, as restated	18,156,163	14,027	18,170,190
Fund balances - ending	<u>\$ 24,514,073</u>	<u>\$ 14,027</u>	<u>\$ 24,528,100</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, 2021

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

Net change in fund balances - total governmental funds	\$	6,357,910
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlays	\$	1,481,504
School reversion of capital assets		(7,344,451)
Depreciation expense		(2,417,169)
		(8,280,116)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes		(294,220)
<p>The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.</p>		
<u>Principal Payments</u>		
General obligation bonds	\$	2,535,000
Lease revenue bonds		319,944
Literary loans		680,170
Capital lease		77,040
		3,612,154
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.</p>		
Change in compensated absences	\$	49,736
Change in accrued interest payable		38,154
Amortization of bond premium		17,052
Amortization of bond discount		(7,312)
Change in pension related items		(643,034)
Change in OPEB related items		17,811
		(527,593)
Change in net position of governmental activities	\$	868,135

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

County of Carroll, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 140,424
Total assets	<u>\$ 140,424</u>
 NET POSITION	
Amounts held for social services clients	\$ 39,460
Amounts held for performance bonds	70,178
Amounts held for School Board employees	30,195
Amounts held for County employees	591
Total net position	<u>\$ 140,424</u>

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

County of Carroll, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Interest income	\$ 2
Special welfare collections	116,992
Performance bond payment	5,000
Employee FSA contributions	65,348
Total additions	<u>\$ 187,342</u>
DEDUCTIONS	
Special welfare payments	\$ 115,778
Loss on investments	240
FSA distributions	61,897
Total deductions	<u>\$ 177,915</u>
Net increase (decrease) in fiduciary net position	\$ 9,427
Net position, beginning of year, as restated	<u>130,997</u>
Net position, end of year	<u><u>\$ 140,424</u></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, 2021

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

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

The Carroll County Economic 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 Economic Development Authority’s report can be obtained from the Economic 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, 2021, the County contributed \$130,500 to the Community Services Board.

The County along with the City of Galax participates in supporting the Galax-Carroll Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2021, the County contributed \$310,253 to the Library.

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

The County along with the County of Grayson and the City of Galax participate in supporting the Twin Counties E-911 Program. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. Payments to the program totaled \$374,154 for the fiscal year ended June 30, 2021.

The County along with the Counties of Bland, Floyd, Giles, Grayson, and Wythe and the City of Radford participate in supporting the New River Valley Regional Jail Authority. The monthly payment made by the County to the Regional Jail is based on the number of prisoners housed for the County. For the year ended June 30, 2021, the County paid \$1,885,371 for the confinement of prisoners.

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and 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 principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

The County reports the following major governmental funds:

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

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

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

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

Additionally, the County reports the following fund types:

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

The School Board reports the following major funds:

The *School Operating Fund* is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from appropriations from the County and state and federal grants.

The *School Activity Fund* accounts for and reports all funds received from extracurricular school activities, such as entertainment, athletic contest, club dues, fundraisers, etc., and from any and all activities of the individual schools.

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

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

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

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

1. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

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

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

2. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

3. Receivables and Payables

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

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

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on June 22nd and December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,358,851 at June 30, 2021 and is comprised solely of property taxes.

6. Use of Estimates

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

7. Prepaid Items

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

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

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

8. Capital Assets

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

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

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

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

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

9. Deferred Outflows/Inflows of Resources

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

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

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

9. Deferred Outflows/Inflows of Resources (continued)

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

10. Pensions

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

11. Other Postemployment Benefits (OPEB)

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

In addition to the VRS related OPEB, the School Board allows their retirees to stay on the health insurance plan after retirement. The retiree is required to pay the blended premium cost creating an implicit subsidy OPEB liability. In addition, retirees receive a monthly stipend towards their health insurance cost until the retiree is Medicare eligible.

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

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

12. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. 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.

13. 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.

14. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

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

14. Net Position (Continued)

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

15. Fund Balance

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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, 2021.

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

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

15. Fund Balance (Continued)

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.

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

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

A. Budgetary information (continued)

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

For the fiscal year ended June 30, 2021, there were no departments with expenditures in excess of appropriations.

C. Deficit fund balance

At June 30, 2021, there were no funds with deficit fund balance.

Note 3-Deposits and Investments:

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.

Note 3-Deposits and Investments: (Continued)

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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), 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, 2021 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 11,571

Concentration of Credit Risk:

At June 30, 2021, the County did not have any investments requiring concentration of credit risk disclosures that exceeded 5% of total investments.

External Investment Pools:

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

Interest Rate Risk:

	<u>Investment Maturities (in years)</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
LGIP	\$ 11,571	\$ 11,571

Note 4-Note Receivable:

On June 29, 2014 the County issued a note receivable to the Carroll County Economic Development Authority (formerly the Carroll County Industrial Development Authority) for \$1,000,000 for economic development activities. Repayment terms called for monthly payments in the amount of \$10,606, payable over 10 years at 5% per annum. As of June 30, 2021, the balance was \$363,517.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 5-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 Governments:</u>		
Carroll-Grayson-Galax Solid Waste Authority	\$ 40,849	\$ -
SBDC	30,455	-
Town of Hillsville	2,400	-
<u>Commonwealth of Virginia:</u>		
Local sales tax	520,620	-
State sales tax	-	639,206
Categorical aid-shared expenses	210,703	-
Noncategorical aid	135,984	-
Virginia public assistance funds	155,617	-
Categorical aid-other	5,377	-
Comprehensive services act	119,923	-
<u>Federal Government:</u>		
Virginia public assistance funds	251,203	-
Other categorical aid	43,914	-
School grants	-	1,041,434
Totals	<u>\$ 1,517,045</u>	<u>\$ 1,680,640</u>

Note 6-Interfund Transfers and Balances:

Interfund transfers for the year ended June 30, 2021, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
School Operating Fund	\$ 18,349	\$ 339,121
School Activity Fund	339,121	18,349
Total	<u>\$ 357,470</u>	<u>\$ 357,470</u>

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

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 7-Interfund/Component-Unit Obligations:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ -	\$ 1,979,205
Component Unit - School Board:		
School Operating Fund	1,885,531	-
Component Unit - Public Service Authority:		
PSA	93,674	-
Totals	<u>\$ 1,979,205</u>	<u>\$ 1,979,205</u>

Note 8-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Direct Borrowings and Placements				
General obligation bonds	\$ 12,255,000	\$ -	\$ (2,535,000)	\$ 9,720,000
Unamortized bond premium	37,293	-	(17,052)	20,241
Unamortized bond discount	(65,613)	7,312	-	(58,301)
Literary loans	1,042,327	-	(680,170)	362,157
Lease revenue bonds	10,319,651	-	(319,944)	9,999,707
Total Direct Borrowings and Placements	<u>\$ 23,588,658</u>	<u>\$ 7,312</u>	<u>\$ (3,552,166)</u>	<u>\$ 20,043,804</u>
Capital lease	649,706	-	(77,040)	572,666
Compensated absences	851,627	588,984	(638,720)	801,891
Net OPEB liability	581,018	148,413	(179,582)	549,849
Net pension liability	6,009,532	3,413,121	(1,522,593)	7,900,060
Total	<u>\$ 31,680,541</u>	<u>\$ 4,157,830</u>	<u>\$ (5,970,101)</u>	<u>\$ 29,868,270</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 8-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

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

Year Ending June 30,	Direct Borrowings and Placements					
	General Obligation Bonds		Literary Loans		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,360,000	\$ 755,753	\$ 362,157	\$ 7,243	\$ 331,124	\$ 334,777
2023	2,360,000	701,917	-	-	342,722	323,181
2024	1,250,000	675,000	-	-	354,739	311,181
2025	1,250,000	675,000	-	-	367,184	298,757
2026	1,250,000	675,000	-	-	380,057	285,899
2027-2031	1,250,000	675,000	-	-	2,109,447	1,220,295
2032-2036	-	-	-	-	2,505,364	824,174
2037-2041	-	-	-	-	866,248	529,112
2042-2046	-	-	-	-	1,031,654	363,706
2047-2051	-	-	-	-	1,228,640	166,720
2052-2053	-	-	-	-	482,528	6,624
Totals	<u>\$ 9,720,000</u>	<u>\$ 4,157,670</u>	<u>\$ 362,157</u>	<u>\$ 7,243</u>	<u>\$ 9,999,707</u>	<u>\$ 4,664,426</u>

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 8-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>Direct Borrowings and Placements</u>						
<u>General Obligation Bonds*</u>						
VPSA general obligation bond	4.10%-5.10%	2003	2023	\$ 21,115,000	\$ 2,220,000	\$ 1,110,000
VPSA (QSCB) general obligation bond	4.50%	2011	2027	15,000,000	7,500,000	1,250,000
Total General Obligation Bonds					\$ 9,720,000	\$ 2,360,000
<u>Lease Revenue Bonds</u>						
County Complex Revenue Bond	3.42%	2017	2036	\$ 5,200,000	\$ 4,539,700	\$ 235,600
Carroll County High School Revenue Bond - IDA	3.50%	2013	2053	5,932,500	5,460,007	95,524
Total Lease Revenue Bonds					\$ 9,999,707	\$ 331,124
<u>Literary Loans</u>						
Oakland Elementary	2.00%	2002	2022	\$ 3,075,495	\$ 153,775	\$ 153,775
Gladesville Elementary	2.00%	2002	2022	4,167,647	208,382	208,382
Total Literary Loans					\$ 362,157	\$ 362,157
Subtotal Direct Borrowings and Placements					\$ 20,081,864	\$ 3,053,281
Plus:						
Unamortized Premium					20,241	13,407
Unamortized Discount					(58,301)	(7,312)
Total Direct Borrowings and Placements					\$ 20,043,804	\$ 3,059,376
<u>Other Long-term Obligations</u>						
Capital lease (Note 10)					\$ 572,666	\$ 73,929
Compensated absences					801,891	601,418
Net OPEB liability					549,849	-
Net pension liability					7,900,060	-
Total Other Long-term Obligations					\$ 9,824,466	\$ 675,347
Total Long-term Obligations					\$ 29,868,270	\$ 3,734,723

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

The County's general obligation bonds/literary loans are subject to the State Aid Intercept Program. Under terms of the program, the County state aid is redirected to bond holders to cure any event(s) of default.

If an event of default occurs with the lease revenue bonds, the principal of the bond(s) may be declared immediately due and payable to the registered owner of the bond(s) by written notice to the County.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 8-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

The 2011 issuance of the ARRA funded Qualified School Construction Bond contains a face interest rate of 4.50%. However, it contains a federal tax credit resulting in federal revenue to offset the entire interest payment. Therefore, the effective interest rate is 0.00%. However, for fiscal year 2021, the sequester reduction rate was 5.70%.

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 Economic Development Authority acts as a conduit for these obligations and does not retain the asset or related liability.

Note 9-Long-term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>
Net OPEB liabilities	\$ 10,169,997	\$ 1,945,074	\$ (2,665,809)	\$ 9,449,262
Compensated absences	853,296	861,100	(639,972)	1,074,424
Net pension liability	33,602,995	15,245,274	(11,616,094)	37,232,175
Total	\$ 44,626,288	\$ 18,051,448	\$ (14,921,875)	\$ 47,755,861

Details of long-term indebtedness:

	<u>Total</u> <u>Amount</u>	<u>Amount Due</u> <u>Within One Year</u>
Other Obligations:		
Net OPEB liabilities	\$ 9,449,262	\$ -
Compensated absences	1,074,424	805,818
Net pension liability	37,232,175	-
Total Long-Term Obligations	\$ 47,755,861	\$ 805,818

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 10-Capital Lease:

Primary Government

The County has entered into two lease agreements to finance the acquisition of six school buses and a fire truck. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

	<u>School Buses</u>	<u>Fire Truck</u>
Machinery and equipment	\$ 506,969	\$ 445,222
Less: Accumulated depreciation	<u>(385,932)</u>	<u>(183,665)</u>
Net Capital Assets	<u>\$ 121,037</u>	<u>\$ 261,557</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2021, were as follows:

<u>Year Ending June 30,</u>	<u>School Buses</u>	<u>Fire Truck</u>
2022	\$ 59,064	\$ 30,564
2023	59,064	30,564
2024	59,064	30,564
2025	59,064	30,564
2026	41,114	30,564
2027-2031	-	152,820
2032-2034	<u>-</u>	<u>65,177</u>
Subtotal	\$ 277,370	\$ 370,817
Less, amount representing interest	<u>(19,701)</u>	<u>(55,820)</u>
Present Value of Lease Agreement	<u>\$ 257,669</u>	<u>\$ 314,997</u>

Note 11-Pension Plans:

Plan Description

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

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

Benefit Structures

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

- a. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees 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. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

Note 11-Pension Plans: (continued)

Benefit Structures (Continued)

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

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Note 11-Pension Plans: (continued)

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2021 was 11.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$729,439 and \$653,879 for the years ended June 30, 2021 and June 30, 2020, respectively.

The Component Unit Public Service Authority's (PSA) contractually required employer contribution rate for the year ended June 30, 2021 was 11.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit PSA were \$41,738 and \$44,439 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

At June 30, 2021, the County reported a liability of \$7,900,060 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability.

Contributions as of June 30, 2020 were used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2020 and 2019, the County's proportions were 88.1158% and 87.1068%, respectively.

At June 30, 2021, the Authority reported a liability of \$536,910 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2020 and 2019 as a basis for allocation. At June 30, 2020 and 2019, the Authority's proportions were 5.9886% and 7.3889%, respectively.

Note 11-Pension Plans: (continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Carroll County’s Retirement Plan and the Component Unit School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

Note 11-Pension Plans: (continued)

Actuarial Assumptions - General Employees (continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Note 11-Pension Plans: (continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 11-Pension Plans: (continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Note 11-Pension Plans: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County’s and Component Unit PSA’s proportionate shares of the net pension liability using the discount rate of 6.75%, as well as what the County’s and Component Unit PSA’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	(5.75%)	(6.75%)	(7.75%)
County's proportionate share of the County Retirement Plan Net Pension Liability	\$ 12,446,618	\$ 7,900,060	\$ 4,121,158
Component Unit Public Service Authority's proportionate share of the County Retirement Plan Net Pension Liability	\$ 845,907	\$ 536,910	\$ 280,086

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 11-Pension Plans: (continued)

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

For the year ended June 30, 2021, the County and Component Unit PSA recognized pension expense of \$1,371,402 and \$56,260 respectively. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the County and Component Unit PSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit- Public Service Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 424,396	\$ 67,549	\$ 31,827	\$ 5,869
Change in proportionate share	65,480	-	-	87,324
Change in assumptions	440,298	-	37,349	-
Net difference between projected and actual earnings on pension plan investments	834,835	-	50,068	-
Employer contributions subsequent to the measurement date	729,439	-	41,738	-
Total	\$ 2,494,448	\$ 67,549	\$ 160,982	\$ 93,193

\$729,439 and \$41,738 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit PSA's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit Public Service Authority
2022	\$ 458,850	\$ (9,278)
2023	615,844	18,059
2024	355,410	(902)
2025	267,356	18,172
Thereafter	-	-

Note 11-Pension Plans: (continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (nonprofessional)

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

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	97
Inactive members:	
Vested inactive members	10
Non-vested inactive members	15
Inactive members active elsewhere in VRS	<u>25</u>
Total inactive members	50
Active members	<u>91</u>
Total covered employees	<u><u>238</u></u>

Contributions

The Component Unit School Board’s (nonprofessional) contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2021 was 5.37% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$105,962 and \$114,668 for the years ended June 30, 2021 and June 30, 2020, respectively.

Note 11-Pension Plans: (continued)

Component Unit School Board (nonprofessional) (continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Component Unit School Board’s (nonprofessional) net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020.

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 10,783,476	\$ 10,655,702	\$ 127,774
Changes for the year:			
Service cost	\$ 207,924	\$ -	\$ 207,924
Interest	706,699	-	706,699
Differences between expected and actual experience	(158,321)	-	(158,321)
Contributions - employer	-	114,129	(114,129)
Contributions - employee	-	96,800	(96,800)
Net investment income	-	200,951	(200,951)
Benefit payments, including refunds of employee contributions	(627,713)	(627,713)	-
Administrative expenses	-	(7,083)	7,083
Other changes	-	(238)	238
Net changes	\$ 128,589	\$ (223,154)	\$ 351,743
Balances at June 30, 2020	\$ 10,912,065	\$ 10,432,548	\$ 479,517

Note 11-Pension Plans: (continued)

Component Unit School Board (nonprofessional) (continued)

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

The following presents the net pension liability of the Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the Component Unit School Board’s (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,604,807	\$ 479,517	\$ (475,452)

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

For the year ended June 30, 2021, the Component Unit School Board (nonprofessional) recognized pension expense of \$35,868. At June 30, 2021, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 131,652
Changes of assumptions	49,173	-
Net difference between projected and actual earnings on pension plan investments	310,872	-
Employer contributions subsequent to the measurement date	105,962	-
Total	<u>\$ 466,007</u>	<u>\$ 131,652</u>

Note 11-Pension Plans: (continued)

Component Unit School Board (nonprofessional) (continued)

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

\$105,962 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board’s (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2022	\$ (57,384)
2023	77,193
2024	107,785
2025	100,799
Thereafter	-

Component Unit School Board (professional)

Plan Description

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward retirement. Each School Division’s contractually required contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$3,477,251 and \$3,356,000 for the years ended June 30, 2021 and June 30, 2020, respectively.

Note 11-Pension Plans: (continued)

Component Unit School Board (professional) (continued)

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

At June 30, 2021, the school division reported a liability of \$36,752,658 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division’s proportion of the Net Pension Liability was based on the school division’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division’s proportion was 0.25250% as compared to 0.25436% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$3,651,471. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,154,273
Net difference between projected and actual earnings on pension plan investments	2,795,447	-
Change of assumptions	2,508,830	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	311,356	1,716,324
Employer contributions subsequent to the measurement date	<u>3,477,251</u>	<u>-</u>
Total	<u>\$ 9,092,884</u>	<u>\$ 3,870,597</u>

Note 11-Pension Plans: (continued)

Component Unit School Board (professional) (continued)

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

\$3,477,251 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2022	\$ (352,243)
2023	563,875
2024	803,882
2025	782,535
Thereafter	(53,013)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

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

Note 11-Pension Plans: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions (Continued)

Mortality rates: (Continued)

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 51,001,855
Plan Fiduciary Net Position	<u>36,449,229</u>
Employers' Net Pension Liability (Asset)	<u>\$ 14,552,626</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%

Note 11-Pension Plans: (continued)

Component Unit School Board (professional) (continued)

Net Pension Liability (Continued)

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

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

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

The following presents the school division’s proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 53,924,403	\$ 36,752,658	\$ 22,549,453

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12-Component Unit School Board Other Postemployment Benefits - Health Insurance:

Plan Description

The Schools administer a single-employer defined benefit healthcare plan, the Carroll County Public Schools Other Postemployment Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Schools’ pension plans. The plan does not issue a publicly available financial report.

Note 12-Component Unit School Board Other Postemployment Benefits - Health Insurance: (continued)

Plan Membership

At July 1, 2020 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	479
Total retirees with coverage	<u>12</u>
Total	<u><u>491</u></u>

Benefits Provided

Postemployment benefits are provided to eligible retirees and includes Medical. The benefits that are provided for active employees are the same for eligible retirees, spouses, and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. In addition, the School Board provides a fixed basic death benefit for all retirees.

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2021 was \$0.

Total OPEB Liability

The Schools' total OPEB liability was measured as of July 1, 2020. The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age actuarial cost method
Salary Increases	2.50%
Healthcare Trend Rate	6.50% for fiscal year end 2021, decreasing 0.25% per year to an ultimate rate of 5.00%
Discount Rate	2.45%
Retirement Age	The average age at retirement is 62

**Note 12-Component Unit School Board Other Postemployment Benefits - Health Insurance:
 (continued)**

Actuarial Assumptions (Continued)

Mortality rates for healthy inactive members were based on the RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2020.

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

Discount Rate

The discount rate has been set equal to 2.45% and represents the Municipal GO AA 20-year yield curve rate as of the measurement date.

Changes in Total OPEB Liability

	Component Unit School Board Total OPEB Liability
Balances at July 1, 2020	\$ 4,518,000
Changes for the year:	
Service cost	242,000
Interest	149,000
Difference between expected and actual experience	(1,361,000)
Assumption changes	230,000
Contributions - employer	3,000
Net changes	\$ (737,000)
Balances at June 30, 2021	\$ <u>3,781,000</u>

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

The following amounts present the Total OPEB liability of the Schools, as well as what the Schools' Total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (1.45%) or one-percentage point higher (3.45%) than the current discount rate:

Rate		
<u>1% Decrease (1.45%)</u>	<u>Current Discount Rate (2.45%)</u>	<u>1% Increase (3.45%)</u>
\$ 4,134,000	\$ 3,781,000	\$ 3,453,000

**Note 12-Component Unit School Board Other Postemployment Benefits - Health Insurance:
 (continued)**

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

The following presents the Total OPEB liability of the Schools, as well as what the Schools' Total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage point lower (5.50%) or one-percentage point higher (7.50%) than the current healthcare cost trend rates:

	Rate		
	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
\$	3,328,000	\$ 3,781,000	\$ 4,315,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Schools will recognize OPEB expense in the amount of \$(65,000).

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,122,000
Change of assumptions	320,000	92,000
Total	\$ 320,000	\$ 2,214,000

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

Year ended June 30	Component Unit School Board
2022	\$ (469,000)
2023	(469,000)
2024	(469,000)
2025	(292,000)
2026	(195,000)
Thereafter	-

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

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the GLI Program from the County were \$34,669 and \$35,264 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the GLI Program from the Component Unit-School Board (nonprofessional) were \$10,918 and \$10,683 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the GLI Program from the Component Unit-School Board (professional) were \$115,182 and \$113,611 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the County reported a liability of \$549,849 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2021, the Component Unit-School Board (nonprofessional) reported a liability of \$166,550 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2021, the Component Unit-School Board (professional) reported a liability of \$1,771,637 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2020, the County's proportion was 0.03739% as compared to 0.04099% at June 30, 2019.

At June 30, 2020, the Component Unit-School Board (nonprofessional) proportion was 0.01000% as compared to 0.01028% at June 30, 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

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

At June 30, 2020, the Component Unit-School Board (professional) proportion was 0.10620% as compared to 0.10777% at June 30, 2019.

For the year ended June 30, 2021, the County recognized GLI OPEB expense of \$10,455. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2021, the Component-Unit School Board (nonprofessional) recognized GLI OPEB expense of \$(3,424). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2021, the Component-Unit School Board (professional) recognized GLI OPEB expense of \$52,073. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component-Unit School Board (Nonprofessional)		Component-Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,267	\$ 4,938	\$ 10,683	\$ 1,495	\$ 113,634	\$ 15,911
Net difference between projected and actual earnings on GLI OPEB plan investments	16,517	-	5,003	-	53,218	-
Change in assumptions	27,499	11,481	8,329	3,478	88,602	36,993
Changes in proportion	-	51,625	-	30,317	24,776	110,908
Employer contributions subsequent to the measurement date	34,669	-	10,918	-	115,182	-
Total	\$ 113,952	\$ 68,044	\$ 34,933	\$ 35,290	\$ 395,412	\$ 163,812

\$34,669, \$10,918, and \$115,182 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's, Component-Unit School Board (Nonprofessional), and Component-Unit School Board (Professional), respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

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

Year Ended June 30	Primary Government	Component Unit- School Board (Nonprofessional)	Component Unit- School Board (Professional)
2022	\$ (2,231)	\$ (7,266)	\$ 11,197
2023	2,433	(5,854)	26,227
2024	7,668	(1,104)	34,383
2025	8,661	2,823	37,933
2026	(3,827)	199	6,571
Thereafter	(1,465)	(73)	107

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Informational for other groups can be referenced in the VRS ACFR.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
GLI Net OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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

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Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 13-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

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

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County’s proportionate share of the GLI Plan Net OPEB Liability	\$ 722,818	\$ 549,849	\$ 409,382
Component Unit-School Board (Nonprofessional) proportionate share of the GLI Plan Net OPEB Liability	\$ 218,943	\$ 166,550	\$ 124,002
Component Unit-School Board (Professional) proportionate share of the GLI Plan Net OPEB Liability	\$ 2,328,953	\$ 1,771,637	\$ 1,319,044

Group Life Insurance Plan Fiduciary Net Position

Detailed information about the Group Life Insurance Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14-Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

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

Note 14-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Plan Description (Continued)

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Component Unit - School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	51
Active members	91
Total covered employees	<u>142</u>

Note 14-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Component Unit - School Board's (Nonprofessional) contractually required employer contribution rate for the year ended June 30, 2021 was 2.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Component Unit - School board (Nonprofessional) to the HIC Plan were \$49,602 and \$25,649 for the year ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability

The Component Unit-School Board's (Nonprofessional) net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Note 14-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 14-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Note 14-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Changes in Net HIC OPEB Liability - Component Unit-School Board (Nonprofessional)

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 415,682	\$ (22,947)	\$ 438,629
Changes for the year:			
Service cost	\$ 7,499	\$ -	\$ 7,499
Interest	14,119	-	14,119
Benefit changes	6,983	-	6,983
Differences between expected and actual experience	(14,596)	-	(14,596)
Assumption changes	57,324	-	57,324
Contributions - employer	-	25,650	(25,650)
Benefit payments	(24,561)	(24,561)	-
Net changes	<u>\$ 46,768</u>	<u>\$ 1,089</u>	<u>\$ 45,679</u>
Balances at June 30, 2020	<u>\$ 462,450</u>	<u>\$ (21,858)</u>	<u>\$ 484,308</u>

Sensitivity of the Component Unit-School Board's (Nonprofessional) HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Component Unit School Board's (nonprofessional) HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the Component Unit School Board's (nonprofessional) net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board (Nonprofessional) Net HIC OPEB Liability	\$ 537,772	\$ 484,308	\$ 438,871

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 14-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2021, the Component Unit-School Board (Nonprofessional) recognized HIC Plan OPEB expense of \$35,312. At June 30, 2021, the Component Unit-School Board (Nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the Component Unit-School Board’s (Nonprofessional) HIC Plan from the following sources:

	Component-Unit School Board (Non-professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,533	\$ 19,954
Net difference between projected and actual earnings on HIC OPEB plan investments	-	3,196
Change in assumptions	50,418	5,903
Employer contributions subsequent to the measurement date	49,602	-
Total	\$ 109,553	\$ 29,053

\$49,602 reported as deferred outflows of resources related to the HIC OPEB resulting from the Component Unit-School Board’s (Nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Component Unit- School Board (Non-professional)
2022	\$ 6,324
2023	15,741
2024	9,137
2025	(304)
2026	-
Thereafter	-

HIC Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$258,067 and \$261,752 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$3,245,767 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Program was 0.24880% as compared to 0.25150% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$237,710. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

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Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

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

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 43,345
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	14,384	-
Change in assumptions	64,164	17,734
Change in proportion	36,072	211,251
Employer contributions subsequent to the measurement date	258,067	-
Total	\$ 372,687	\$ 272,330

\$258,067 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Component Unit- School Board (Professional)
2022	\$ (28,097)
2023	(26,672)
2024	(27,149)
2025	(29,478)
2026	(28,605)
Thereafter	(17,709)

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation: Teacher employees	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,448,676
Plan Fiduciary Net Position		144,160
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,304,516</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		9.95%

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

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Note 15-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

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

The following presents the school division’s proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 3,633,298	\$ 3,245,767	\$ 2,916,394

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16-Summary of Pension Related Items

	Primary Government				Component Unit PSA				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability	Pension Expense
VRS Pension Plans (Note 11):												
County	\$2,494,448	\$ 67,549	\$7,900,060	\$1,371,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Service Authority	-	-	-	-	160,982	93,193	536,910	56,260	-	-	-	-
School Board Nonprofessional	-	-	-	-	-	-	-	-	466,007	131,652	479,517	35,868
School Board Professional	-	-	-	-	-	-	-	-	9,092,884	3,870,597	36,752,658	3,651,471
Totals	\$2,494,448	\$ 67,549	\$7,900,060	\$1,371,402	\$160,982	\$ 93,193	\$ 536,910	\$56,260	\$9,558,891	\$4,002,249	\$ 37,232,175	\$ 3,687,339

Note 17-Summary of OPEB Related Items

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
School Stand-Alone Plan (Note 12)	\$ -	\$ -	\$ -	\$ -	\$ 320,000	\$ 2,214,000	\$ 3,781,000	\$ (65,000)
VRS OPEB Plans:								
Group Life Insurance Plan (Note 13):								
County	-	113,952	68,044	549,849	10,455	-	-	-
School Board Nonprofessional	-	-	-	-	-	34,933	35,290	166,550
School Board Professional	-	-	-	-	-	395,412	163,812	1,771,637
School Board (nonprofessional) Health Insurance Credit Plan (Note 14)	-	-	-	-	-	109,553	29,053	484,308
Teacher Health Insurance Credit Plan (Note 15)	-	-	-	-	-	372,687	272,330	3,245,767
Totals	\$ 113,952	\$ 68,044	\$ 549,849	\$ 10,455	\$ 1,232,585	\$ 2,714,485	\$ 9,449,262	\$ 256,671

Note 18 - Line of Duty Act (LODA) (OPEB Benefits):

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County’s LODA coverage is fully covered or “insured” through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County’s LODA premium for the year ended June 30, 2021 was \$54,626.

Note 19-Capital Assets:

Capital asset activity for the year ended June 30, 2021 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,906,402	\$ -	\$ -	\$ 2,906,402
Total capital assets not being depreciated	<u>\$ 2,906,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,906,402</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 78,011,563	\$ -	\$ (13,360,203)	\$ 64,651,360
Machinery and equipment	11,380,531	1,481,504	(60,985)	12,801,050
Total capital assets being depreciated	<u>\$ 89,392,094</u>	<u>\$ 1,481,504</u>	<u>\$ (13,421,188)</u>	<u>\$ 77,452,410</u>
Accumulated depreciation:				
Buildings and improvements	\$ (31,203,349)	\$ (1,775,875)	\$ 6,015,752	\$ (26,963,472)
Machinery and equipment	(8,971,015)	(641,294)	60,985	(9,551,324)
Total accumulated depreciation	<u>\$ (40,174,364)</u>	<u>\$ (2,417,169)</u>	<u>\$ 6,076,737</u>	<u>\$ (36,514,796)</u>
Total capital assets being depreciated, net	<u>\$ 49,217,730</u>	<u>\$ (935,665)</u>	<u>\$ (7,344,451)</u>	<u>\$ 40,937,614</u>
Governmental activities capital assets, net	<u>\$ 52,124,132</u>	<u>\$ (935,665)</u>	<u>\$ (7,344,451)</u>	<u>\$ 43,844,016</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 19-Capital Assets: (continued)

Primary Government: (continued)

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

Governmental activities:	
General government administration	\$ 122,339
Judicial administration	4,204
Public safety	495,017
Public works	339,093
Health and welfare	2,829
Education	1,412,030
Parks, recreation, and cultural	25,589
Community development	<u>16,068</u>
Total depreciation governmental activities	<u>\$ 2,417,169</u>

Capital asset activity for the School Board for the year ended June 30, 2021 was as follows:

Discretely Presented Component Unit:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,489,200	\$ -	\$ (145,300)	\$ 1,343,900
Total capital assets not being depreciated	<u>\$ 1,489,200</u>	<u>\$ -</u>	<u>\$ (145,300)</u>	<u>\$ 1,343,900</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 11,744,687	\$ 14,096,375	\$ (1,800,557)	\$ 24,040,505
Improvement other than buildings	153,754	-	-	153,754
Machinery and equipment	7,029,548	1,424,183	(386,945)	8,066,786
Total capital assets being depreciated	<u>\$ 18,927,989</u>	<u>\$ 15,520,558</u>	<u>\$ (2,187,502)</u>	<u>\$ 32,261,045</u>
Accumulated depreciation:				
Buildings and improvements	\$ (9,434,939)	\$ (6,649,214)	\$ 1,646,045	\$ (14,438,108)
Improvement other than buildings	(45,242)	(7,688)	-	(52,930)
Machinery and equipment	(5,582,950)	(577,193)	334,423	(5,825,720)
Total accumulated depreciation	<u>\$ (15,063,131)</u>	<u>\$ (7,234,095)</u>	<u>\$ 1,980,468</u>	<u>\$ (20,316,758)</u>
Total capital assets being depreciated, net	<u>\$ 3,864,858</u>	<u>\$ 8,286,463</u>	<u>\$ (207,034)</u>	<u>\$ 11,944,287</u>
Governmental activities capital assets, net	<u>\$ 5,354,058</u>	<u>\$ 8,286,463</u>	<u>\$ (352,334)</u>	<u>\$ 13,288,187</u>

Note 20-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 21-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 22-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Gerald R. Goad, Clerk of the Circuit Court	\$ 1,525,000
Bonita Williams, Treasurer	400,000
Fran Zimmerman, Commissioner of the Revenue	3,000
Kevin A. Kemp, Sheriff	30,000

Note 23-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, 2021

Note 24-Deferred/Unavailable Revenue:

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

	Government-wide Statements	Balance Sheet
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable/deferred revenue		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 4,748,651
Tax assessments due after June 30	15,525,458	15,525,458
Prepaid property taxes due after June 30 but paid in advance by taxpayers	<u>306,302</u>	<u>306,302</u>
Total unavailable/deferred revenue	\$ <u>15,831,760</u>	\$ <u>20,580,411</u>

Note 25-Litigation:

As of June 30, 2021, there were no matters of litigation involving the County which would materially affect the County’s financial position should any court decisions on pending matters not be favorable.

Note 26-COVID-19 Pandemic:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the County, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the County is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

Note 26-COVID-19 Pandemic: (Continued)

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The County received total CRF funding of \$5,198,300. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$610,295. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. Unspent CRF funds in the amount of \$25,623 are reported as unearned revenues as of June 30.

ARPA Act Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 25, 2021, the County received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$2,893,277 from the initial allocation are reported as unearned revenue as of June 30.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 27-Adoption of Accounting Principles:

The County implemented provisions of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how these activities should be reported. The Special Welfare, Performance Bond Escrow, School Board FSA, and County FSA Funds are reported solely as fiduciary in the current year. The Discretely Presented Component Unit - School Board added the School Activity Funds as a Special Revenue Fund. The implementation of this standard resulted in the following restatement of net position and fund balance:

	Net Position					Fund Balance
	Special Welfare Fund	Performance Bond Escrow	School Board FSA	County FSA	Discretely Presented Component Unit School Board	School Activity Fund
Beginning balance, July 1, 2020, as previously stated	\$ -	\$ -	\$ -	\$ -	\$ (37,925,984)	\$ -
Implementation of GASB 84	38,246	65,178	25,916	1,657	751,751	751,751
Beginning balance, July 1, 2020, as restated	<u>\$ 38,246</u>	<u>\$ 65,178</u>	<u>\$ 25,916</u>	<u>\$ 1,657</u>	<u>\$ (37,174,233)</u>	<u>\$ 751,751</u>

Note 28-Restatement of Beginning Balance:

The County noted two misclassifications of FY2020 activities during the fiscal year ended June 30, 2021. One misclassification was in the reporting of amounts due to the PSA from the County. The second misclassification was in the reporting of unearned revenue related to COVID-EMS Funds received but not spent during FY2020. These changes resulted in the following restatement of net position and fund balance:

	Net Position	Fund Balance
	Primary Government	General Fund
Beginning balance, July 1, 2020, as previously stated	\$ 44,621,805	\$ 18,052,811
Correction of agreement with PSA and PY Due to PSA From the County	179,329	179,329
Restate prior year for unrecorded unearned revenue related to COVID-EMS Funds received and not spent	(75,977)	(75,977)
Beginning balance, July 1, 2020, as restated	<u>\$ 44,725,157</u>	<u>\$ 18,156,163</u>

Note 29-Upcoming Pronouncements:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Note 29-Upcoming Pronouncements: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Note 29-Upcoming Pronouncements: (Continued)

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

Required Supplementary Information

County of Carroll, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 23,224,494	\$ 23,224,494	\$ 24,236,738	\$ 1,012,244
Other local taxes	4,504,792	4,504,792	5,212,645	707,853
Permits, privilege fees, and regulatory licenses	100,005	100,005	183,270	83,265
Fines and forfeitures	900,000	900,000	892,657	(7,343)
Revenue from the use of money and property	153,000	153,000	58,709	(94,291)
Charges for services	2,010,455	2,010,455	1,708,136	(302,319)
Miscellaneous	164,000	206,591	119,632	(86,959)
Recovered costs	1,857,000	1,912,549	2,122,534	209,985
Intergovernmental:				
Commonwealth	8,548,718	8,602,421	8,577,446	(24,975)
Federal	3,003,046	3,079,023	9,003,575	5,924,552
Total revenues	<u>\$ 44,465,510</u>	<u>\$ 44,693,330</u>	<u>\$ 52,115,342</u>	<u>\$ 7,422,012</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,538,377	\$ 2,945,997	\$ 2,610,084	\$ 335,913
Judicial administration	1,330,438	1,400,435	1,337,577	62,858
Public safety	11,049,615	14,255,177	11,654,184	2,600,993
Public works	2,196,966	2,642,439	2,215,374	427,065
Health and welfare	8,259,440	8,820,358	8,816,470	3,888
Education	10,243,631	12,662,466	11,823,163	839,303
Parks, recreation, and cultural	2,222,639	2,231,482	822,553	1,408,929
Community development	2,494,320	3,051,300	1,664,321	1,386,979
Debt service:				
Principal retirement	3,388,651	3,422,185	3,612,154	(189,969)
Interest and other fiscal charges	1,294,256	1,294,256	1,201,552	92,704
Total expenditures	<u>\$ 45,018,333</u>	<u>\$ 52,726,095</u>	<u>\$ 45,757,432</u>	<u>\$ 6,968,663</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (552,823)</u>	<u>\$ (8,032,765)</u>	<u>\$ 6,357,910</u>	<u>\$ 14,390,675</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (42,591)	\$ -	\$ 42,591
Net change in fund balances	\$ (552,823)	\$ (8,075,356)	\$ 6,357,910	\$ 14,433,266
Fund balances - beginning	552,823	8,075,356	18,156,163	10,080,807
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,514,073</u>	<u>\$ 24,514,073</u>

County of Carroll, Virginia
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 For the Measurement Dates of June 30, 2014 through June 30, 2020

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County Retirement Plan					
2020	88.1158%	\$ 7,900,060	\$ 6,766,101	116.76%	77.93%
2019	87.1068%	6,009,532	6,985,410	86.03%	82.42%
2018	86.9945%	4,586,342	6,835,376	67.10%	85.46%
2017	86.2947%	5,086,211	6,436,392	79.02%	83.27%
2016	86.2946%	6,694,678	6,380,074	104.93%	77.51%
2015	86.5376%	5,285,062	6,286,487	84.07%	81.30%
2014	86.5376%	4,226,206	6,057,711	69.77%	83.61%
Component Unit Public Service Authority					
2020	5.9886%	\$ 536,910	\$ 459,951	116.73%	77.93%
2019	7.3889%	509,765	593,273	85.92%	82.49%
2018	7.5591%	398,515	598,505	66.59%	85.46%
2017	8.2637%	487,063	654,293	74.44%	83.27%
2016	8.2637%	641,092	630,530	101.68%	122.99%
2015	8.2813%	505,758	621,183	81.42%	434.88%
2014	8.2813%	417,602	598,577	69.77%	510.11%
Component Unit School Board (professional)					
2020	0.2525%	\$ 36,752,658	\$ 21,812,692	168.49%	71.47%
2019	0.2544%	33,475,221	21,095,339	158.69%	73.51%
2018	0.2664%	31,333,000	21,324,377	146.94%	74.81%
2017	0.2743%	33,728,000	21,481,554	157.01%	72.92%
2016	0.2663%	37,312,000	20,292,867	183.87%	68.28%
2015	0.2721%	34,245,000	20,216,777	169.39%	70.68%
2014	0.2746%	33,182,000	20,079,764	165.25%	70.88%

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

County of Carroll, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 207,924	\$ 209,826	\$ 221,654	\$ 266,275	\$ 270,954	\$ 272,694	\$ 282,837
Interest	706,699	710,318	712,918	711,451	685,916	678,210	650,702
Differences between expected and actual experience	(158,321)	(226,345)	(335,847)	(194,378)	24,401	(276,046)	-
Changes of assumptions	-	267,717	-	(120,248)	-	-	-
Benefit payments	(627,713)	(650,875)	(620,860)	(639,723)	(569,530)	(559,995)	(521,158)
Refund of contributions	-	-	-	(23,716)	-	-	-
Net change in total pension liability	\$ 128,589	\$ 310,641	\$ (22,135)	\$ (339)	\$ 411,741	\$ 114,863	\$ 412,381
Total pension liability - beginning	10,783,476	10,472,835	10,494,970	10,495,309	10,083,568	9,968,705	9,556,324
Total pension liability - ending (a)	10,912,065	10,783,476	10,472,835	10,494,970	10,495,309	10,083,568	9,968,705
Plan fiduciary net position							
Contributions - employer	\$ 114,129	\$ 113,830	\$ 150,251	\$ 156,370	\$ 240,176	\$ 239,595	\$ 259,093
Contributions - employee	96,800	95,557	97,709	102,599	122,474	122,507	123,499
Net investment income	200,951	679,146	735,374	1,119,816	160,748	418,458	1,264,799
Benefit payments	(627,713)	(650,875)	(620,860)	(639,723)	(569,530)	(559,995)	(521,158)
Refund of contributions	-	-	-	(23,716)	-	-	-
Administrator charges	(7,083)	(7,034)	(6,533)	(6,738)	(5,902)	(5,839)	(6,876)
Other	(238)	(425)	(647)	(984)	(69)	(88)	67
Net change in plan fiduciary net position	\$ (23,154)	\$ 230,199	\$ 355,294	\$ 707,624	\$ (52,103)	\$ 214,638	\$ 1,119,424
Plan fiduciary net position - beginning	10,655,702	10,425,503	10,070,209	9,362,585	9,414,688	9,200,050	8,080,626
Plan fiduciary net position - ending (b)	10,432,548	10,655,702	10,425,503	10,070,209	9,362,585	9,414,688	9,200,050
School Division's net pension liability - ending (a) - (b)	\$ 479,517	\$ 127,774	\$ 47,332	\$ 424,761	\$ 1,132,724	\$ 668,880	\$ 768,655
Plan fiduciary net position as a percentage of the total pension liability	95.61%	98.82%	99.55%	95.95%	89.21%	93.37%	92.29%
Covered payroll	\$ 2,051,945	\$ 2,014,862	\$ 2,039,840	\$ 2,093,296	\$ 2,483,064	\$ 2,463,253	\$ 2,469,959
School Division's net pension liability as a percentage of covered payroll	23.37%	6.34%	2.32%	20.29%	45.62%	27.15%	31.12%

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

County of Carroll, Virginia
Schedule of Employer Contributions
Pension Plans

For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2021	\$ 729,439	\$ 729,439	\$ -	\$ 6,414,137	11.37%
2020	653,879	653,879	-	6,766,101	9.66%
2019	679,392	679,392	-	6,985,410	9.73%
2018	749,414	749,414	-	6,835,376	10.96%
2017	742,577	742,577	-	6,436,392	11.54%
2016	770,617	770,617	-	6,380,074	12.08%
2015	762,325	762,325	-	6,286,487	12.13%
Component Unit Public Service Authority					
2021	\$ 41,738	\$ 41,738	\$ -	\$ 367,015	11.37%
2020	44,439	44,439	-	459,951	9.66%
2019	57,630	57,630	-	593,273	9.71%
2018	65,117	65,117	-	598,505	10.88%
2017	71,110	71,110	-	654,293	10.87%
2016	76,159	76,159	-	630,530	12.08%
2015	75,339	75,339	-	621,183	12.13%
Component Unit School Board (nonprofessional)					
2021	\$ 105,962	\$ 105,962	\$ -	\$ 2,000,063	5.30%
2020	114,668	114,668	-	2,051,945	5.59%
2019	113,832	113,832	-	2,014,862	5.65%
2018	150,253	150,253	-	2,039,840	7.37%
2017	160,137	160,137	-	2,093,296	7.65%
2016	241,165	241,165	-	2,483,064	9.71%
2015	239,595	239,595	-	2,463,253	9.73%
2014	259,099	259,099	-	2,469,959	10.49%
2013	261,420	261,420	-	2,492,084	10.49%
2012	198,487	198,487	-	2,544,710	7.80%
Component Unit School Board (professional)					
2021	\$ 3,477,251	\$ 3,477,251	\$ -	\$ 21,327,825	16.30%
2020	3,356,000	3,356,000	-	21,812,692	15.39%
2019	3,257,343	3,257,343	-	21,095,339	15.44%
2018	3,445,000	3,445,000	-	21,324,377	16.16%
2017	3,136,000	3,136,000	-	21,481,554	14.60%
2016	2,844,000	2,844,000	-	20,292,867	14.01%
2015	2,933,000	2,933,000	-	20,216,777	14.51%
2014	2,341,300	2,341,300	-	20,079,764	11.66%
2013	2,289,845	2,289,845	-	19,638,470	11.66%
2012	1,239,333	1,239,333	-	19,578,718	6.33%

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

County of Carroll, Virginia
Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019, valuations were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Carroll, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit - School Board
 For the Measurement Dates July 1, 2017 through July 1, 2020

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 242,000	\$ 232,000	\$ 224,000	\$ 219,000
Interest	149,000	164,000	202,000	190,000
Differences between expected and actual experience	(1,361,000)	(377,000)	(1,397,000)	-
Assumption changes	230,000	188,000	-	-
Employer contributions	3,000	-	-	-
Benefit payments	-	-	-	(126,000)
Other changes	-	-	(176,000)	-
Net change in total OPEB liability	\$ (737,000)	\$ 207,000	\$ (1,147,000)	\$ 283,000
Total OPEB liability - beginning	4,518,000	4,311,000	5,458,000	5,175,000
Total OPEB liability - ending	\$ 3,781,000	\$ 4,518,000	\$ 4,311,000	\$ 5,458,000
Covered-employee payroll	\$ 21,532,000	\$ 21,669,000	\$ 21,669,000	\$ 23,677,000
Component Unit School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	17.56%	20.85%	19.89%	23.05%

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

County of Carroll, Virginia
 Notes to Required Supplementary Information - Component Unit School Board OPEB
 For the Year Ended June 30, 2021

Valuation Date: 7/1/2020
 Measurement Date: 7/1/2020

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age actuarial cost method
Salary Increases	2.50%
Healthcare Trend Rate	6.50% for fiscal year end 2021, decreasing 0.25% per year to an ultimate rate of 5.00%
Discount Rate	2.45%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table, fully generational with base layer 2006, projected using two-dimensional mortality improvement scale MP-2020.

County of Carroll, Virginia
 Schedule of Employers' Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2020	0.0374% \$	549,849 \$	6,781,524	8.11%	52.64%
2019	0.0410%	581,018	6,999,464	8.30%	52.00%
2018	0.0417%	550,675	6,898,061	7.98%	51.22%
2017	0.0417%	541,068	6,633,359	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2020	0.0100% \$	166,550 \$	2,054,395	8.11%	52.64%
2019	0.0103%	167,283	2,016,295	8.30%	52.00%
2018	0.0108%	164,000	2,050,489	8.00%	51.22%
2017	0.0115%	172,000	2,113,450	8.14%	48.86%
Component Unit School Board (professional)					
2020	0.1062% \$	1,771,637 \$	21,848,331	8.11%	52.64%
2019	0.1078%	1,753,705	21,127,457	8.30%	52.00%
2018	0.1123%	1,706,000	21,360,927	7.99%	51.22%
2017	0.1169%	1,759,000	21,562,338	8.16%	48.86%

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

County of Carroll, Virginia
 Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2021	\$ 34,669	\$ 34,669	\$ -	\$ 6,420,317	0.54%
2020	35,264	35,264	-	6,781,524	0.52%
2019	36,394	36,394	-	6,999,464	0.52%
2018	35,870	35,870	-	6,898,061	0.52%
2017	34,492	34,492	-	6,633,359	0.52%
Component Unit School Board (nonprofessional)					
2021	\$ 10,918	\$ 10,918	\$ -	\$ 2,021,808	0.54%
2020	10,683	10,683	-	2,054,395	0.52%
2019	10,485	10,485	-	2,016,295	0.52%
2018	10,663	10,663	-	2,050,489	0.52%
2017	10,990	10,990	-	2,113,450	0.52%
2016	11,942	11,942	-	2,487,819	0.48%
2015	11,830	11,830	-	2,464,516	0.48%
2014	11,868	11,868	-	2,472,414	0.48%
2013	11,962	11,962	-	2,492,084	0.48%
2012	7,125	7,125	-	2,544,710	0.28%
Component Unit School Board (professional)					
2021	\$ 115,182	\$ 115,182	\$ -	\$ 21,329,930	0.54%
2020	113,611	113,611	-	21,848,331	0.52%
2019	109,834	109,834	-	21,127,457	0.52%
2018	111,096	111,096	-	21,360,927	0.52%
2017	112,124	112,124	-	21,562,338	0.52%
2016	97,624	97,624	-	20,338,243	0.48%
2015	97,389	97,389	-	20,289,461	0.48%
2014	96,929	96,929	-	20,193,471	0.48%
2013	94,736	94,736	-	19,736,743	0.48%
2012	55,047	55,047	-	19,659,541	0.28%

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

County of Carroll, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Carroll, Virginia
 Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
 Component Unit - School Board (nonprofessional)
 Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

	2020	2019	2018	2017
Total HIC OPEB Liability				
Service cost	\$ 7,499	\$ 7,116	\$ 8,000	\$ 12,000
Interest	14,119	14,429	14,000	13,000
Changes of benefit terms	6,983	-	-	-
Differences between expected and actual experience	(14,596)	19,019	(28,000)	-
Changes of assumptions	57,324	15,698	-	(29,000)
Benefit payments	(24,561)	(23,028)	(23,000)	(21,000)
Other changes	-	448	(4,000)	(1,000)
Net change in total HIC OPEB liability	\$ 46,768	\$ 33,682	\$ (33,000)	\$ (26,000)
Total HIC OPEB Liability - beginning	<u>415,682</u>	<u>382,000</u>	<u>415,000</u>	<u>441,000</u>
Total HIC OPEB Liability - ending (a)	<u>\$ 462,450</u>	<u>\$ 415,682</u>	<u>\$ 382,000</u>	<u>\$ 415,000</u>
Plan fiduciary net position				
Contributions - employer	\$ 25,650	\$ 25,185	\$ 20,000	\$ 21,000
Benefit payments	(24,561)	(23,028)	(23,000)	(21,000)
Other	-	896	-	(1,000)
Net change in plan fiduciary net position	\$ 1,089	\$ 3,053	\$ (3,000)	\$ (1,000)
Plan fiduciary net position - beginning	<u>(22,947)</u>	<u>(26,000)</u>	<u>(23,000)</u>	<u>(22,000)</u>
Plan fiduciary net position - ending (b)	<u>\$ (21,858)</u>	<u>\$ (22,947)</u>	<u>\$ (26,000)</u>	<u>\$ (23,000)</u>
Employer's net HIC OPEB liability - ending (a) - (b)	\$ 484,308	\$ 438,629	\$ 408,000	\$ 438,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	-4.73%	-5.52%	-6.81%	-5.54%
Covered payroll	\$ 2,051,945	\$ 2,014,862	\$ 2,039,840	\$ 2,093,296
Employer's net HIC OPEB liability as a percentage of covered payroll	23.60%	21.77%	20.00%	20.92%

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

County of Carroll, Virginia
 Schedule of Employer Contributions
 Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit - School Board (nonprofessional)					
2021	\$ 49,602	\$ 49,602	\$ -	\$ 2,000,063	2.48%
2020	25,649	25,649	-	2,051,945	1.25%
2019	25,185	25,185	-	2,014,862	1.25%
2018	20,000	20,000	-	2,039,840	0.98%
2017	21,000	21,000	-	2,093,296	1.00%
2016	20,858	20,858	-	2,483,064	0.84%
2015	20,691	20,691	-	2,463,253	0.84%
2014	12,597	12,597	-	2,469,959	0.51%
2013	12,710	12,710	-	2,492,084	0.51%
2012	12,469	12,469	-	2,544,710	0.49%

County of Carroll, Virginia
 Notes to Required Supplementary Information
 Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Carroll, Virginia
 Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2020	0.2488%	\$ 3,245,767	\$ 21,812,692	14.88%	9.95%
2019	0.2515%	3,292,380	21,095,339	15.61%	8.97%
2018	0.2637%	3,348,000	21,324,808	15.70%	8.08%
2017	0.2722%	3,453,000	21,483,066	16.07%	7.04%

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

County of Carroll, Virginia
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 258,067	\$ 258,067	-	\$ 21,327,825	1.21%
2020	261,752	261,752	-	21,812,692	1.20%
2019	253,077	253,077	-	21,095,339	1.20%
2018	262,289	262,289	-	21,324,808	1.23%
2017	238,462	238,462	-	21,483,066	1.11%
2016	215,188	215,188	-	20,300,779	1.06%
2015	214,427	214,427	-	20,228,959	1.06%
2014	222,889	222,889	-	20,080,130	1.11%
2013	217,988	217,988	-	19,638,599	1.11%
2012	117,472	117,472	-	19,578,718	0.60%

County of Carroll, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Other Supplementary Information

FIDUCIARY FUNDS

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

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, 2021

	Custodial Funds				<u>Total</u>
	<u>Special Welfare Fund</u>	<u>Performance Bond Escrow</u>	<u>School Board FSA</u>	<u>County FSA</u>	
ASSETS					
Cash and cash equivalents	\$ 39,460	\$ 70,178	\$ 30,195	\$ 591	\$ 140,424
Total assets	<u>\$ 39,460</u>	<u>\$ 70,178</u>	<u>\$ 30,195</u>	<u>\$ 591</u>	<u>\$ 140,424</u>
NET POSITION					
Restricted:					
Amounts held for social services clients	\$ 39,460	\$ -	\$ -	\$ -	\$ 39,460
Amounts held for performance bonds	-	70,178	-	-	70,178
Amounts held for School Board employees	-	-	30,195	-	30,195
Amounts held for County employees	-	-	-	591	591
Total net position	<u>\$ 39,460</u>	<u>\$ 70,178</u>	<u>\$ 30,195</u>	<u>\$ 591</u>	<u>\$ 140,424</u>

County of Carroll, Virginia
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Custodial Funds				<u>Total</u>
	<u>Special Welfare Fund</u>	<u>Performance Bond Escrow</u>	<u>School Board FSA</u>	<u>County FSA</u>	
ADDITIONS					
Interest income	\$ -	\$ -	\$ 2	\$ -	\$ 2
Special welfare collections	116,992	-	-	-	116,992
Performance bond payment	-	5,000	-	-	5,000
Employee FSA contributions	-	-	49,570	15,778	65,348
Total additions	<u>\$ 116,992</u>	<u>\$ 5,000</u>	<u>\$ 49,572</u>	<u>\$ 15,778</u>	<u>\$ 187,342</u>
DEDUCTIONS					
Special welfare payments	\$ 115,778	\$ -	\$ -	\$ -	\$ 115,778
Loss on investments	-	-	-	240	240
FSA distributions	-	-	45,293	16,604	61,897
Total deductions	<u>\$ 115,778</u>	<u>\$ -</u>	<u>\$ 45,293</u>	<u>\$ 16,844</u>	<u>\$ 177,915</u>
Net increase (decrease) in fiduciary net position	\$ 1,214	\$ 5,000	\$ 4,279	\$ (1,066)	\$ 9,427
Net position, beginning of year, as restated	38,246	65,178	25,916	1,657	130,997
Net position, end of year	<u>\$ 39,460</u>	<u>\$ 70,178</u>	<u>\$ 30,195</u>	<u>\$ 591</u>	<u>\$ 140,424</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

School Activity Fund - The School Activity Fund accounts for and reports the operations of the individual schools.

County of Carroll, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2021

	<u>School Operating Fund</u>	<u>School Activity Fund</u>	<u>Total School Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,224,484	\$ -	\$ 2,224,484
Cash held at schools	-	786,491	786,491
Receivables (net of allowance)			
Accounts receivable	40,861	-	40,861
Due from other governmental units	1,680,640	-	1,680,640
Prepaid items	351,990	-	351,990
Restricted assets:			
Cash and cash equivalents	1,178,147	-	1,178,147
Total assets	<u>\$ 5,476,122</u>	<u>\$ 786,491</u>	<u>\$ 6,262,613</u>
LIABILITIES			
Accounts payable	\$ 187,960	\$ -	\$ 187,960
Accrued liabilities	1,962,049	-	1,962,049
Due to primary government	1,885,531	-	1,885,531
Total liabilities	<u>\$ 4,035,540</u>	<u>\$ -</u>	<u>\$ 4,035,540</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 351,990	\$ -	\$ 351,990
Restricted:			
Cafeteria operations	1,178,147	-	1,178,147
School activity fund	-	786,491	786,491
Committed:			
Textbook purchases	262,435	-	262,435
Unassigned:			
Total fund balances	<u>\$ 1,440,582</u>	<u>\$ 786,491</u>	<u>\$ 2,227,073</u>
Total liabilities and fund balances	<u>\$ 5,476,122</u>	<u>\$ 786,491</u>	<u>\$ 6,262,613</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balances per above			\$ 2,227,073
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land		\$ 1,343,900	
Buildings and improvements		9,602,397	
Improvement other than buildings		100,824	
Machinery and equipment		<u>2,241,066</u>	13,288,187
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.			
Pension related items		\$ 9,558,891	
OPEB related items		<u>1,232,585</u>	10,791,476
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 liabilities		\$ (9,449,262)	
Compensated absences		(1,074,424)	
Net pension liability		<u>(37,232,175)</u>	(47,755,861)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items		\$ (4,002,249)	
OPEB related items		<u>(2,714,485)</u>	(6,716,734)
Net position of governmental activities			<u>\$ (28,165,859)</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, 2021

	<u>School Operating Fund</u>	<u>School Activity Fund*</u>	<u>Total School Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 27,360	\$ -	\$ 27,360
Charges for services	277,191	412,457	689,648
Miscellaneous	151,855	-	151,855
Recovered costs	582,941	-	582,941
Intergovernmental:			
Local government	11,750,921	-	11,750,921
Commonwealth	28,253,182	-	28,253,182
Federal	6,172,023	-	6,172,023
Total revenues	<u>\$ 47,215,473</u>	<u>\$ 412,457</u>	<u>\$ 47,627,930</u>
EXPENDITURES			
Current:			
Education	\$ 45,714,075	\$ 698,489	\$ 46,412,564
Total expenditures	<u>\$ 45,714,075</u>	<u>\$ 698,489</u>	<u>\$ 46,412,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,501,398</u>	<u>\$ (286,032)</u>	<u>\$ 1,215,366</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 18,349	\$ 339,121	\$ 357,470
Transfers out	(339,121)	(18,349)	(357,470)
Total other financing sources and uses	<u>\$ (320,772)</u>	<u>\$ 320,772</u>	<u>\$ -</u>
Net change in fund balances	\$ 1,180,626	\$ 34,740	\$ 1,215,366
Fund balances - beginning, as restated	259,956	751,751	1,011,707
Fund balances - ending	<u>\$ 1,440,582</u>	<u>\$ 786,491</u>	<u>\$ 2,227,073</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		\$ 1,215,366
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital asset additions	\$ 2,160,355	
Depreciation expense	(1,218,343)	
Reversion of capital assets back to School Board	<u>7,344,451</u>	8,286,463
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
Loss on disposal of asset		(352,334)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	\$ (221,128)	
Change in pension related items	(107,379)	
Change in OPEB related items	<u>187,386</u>	(141,121)
Change in net position of governmental activities		<u>\$ 9,008,374</u>

*The School Activity Fund does not require a legally adopted budget.

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, 2021

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 39,779	\$ 39,779	\$ 27,360	\$ (12,419)
Charges for services	1,393,954	1,393,954	277,191	(1,116,763)
Miscellaneous	192,000	192,000	151,855	(40,145)
Recovered costs	452,457	452,457	582,941	130,484
Intergovernmental:				
Local government	10,200,000	11,977,359	11,750,921	(226,438)
Commonwealth	28,199,820	28,298,220	28,253,182	(45,038)
Federal	5,155,458	6,008,875	6,172,023	163,148
Total revenues	<u>\$ 45,633,468</u>	<u>\$ 48,362,644</u>	<u>\$ 47,215,473</u>	<u>\$ (1,147,171)</u>
EXPENDITURES				
Current:				
Education	\$ 45,565,347	\$ 48,416,249	\$ 45,714,075	\$ 2,702,174
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 68,121</u>	<u>\$ (53,605)</u>	<u>\$ 1,501,398</u>	<u>\$ 1,555,003</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 18,349	\$ 18,349
Transfers out	-	-	(339,121)	(339,121)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (320,772)</u>	<u>\$ (320,772)</u>
Net change in fund balances	\$ 68,121	\$ (53,605)	\$ 1,180,626	\$ 1,234,231
Fund balances - beginning	230,000	351,726	259,956	(91,770)
Fund balances - ending	<u>\$ 298,121</u>	<u>\$ 298,121</u>	<u>\$ 1,440,582</u>	<u>\$ 1,142,461</u>

Supporting Schedules

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 15,100,000	\$ 15,100,000	\$ 15,550,173	\$ 450,173
Real and personal public service corporation taxes	982,594	982,594	1,002,616	20,022
Personal property taxes	5,450,000	5,450,000	5,421,477	(28,523)
Mobile home taxes	70,000	70,000	81,968	11,968
Machinery and tools taxes	889,200	889,200	1,120,304	231,104
Merchant's capital taxes	232,700	232,700	229,613	(3,087)
Penalties	150,000	150,000	324,776	174,776
Interest	350,000	350,000	505,811	155,811
Total general property taxes	<u>\$ 23,224,494</u>	<u>\$ 23,224,494</u>	<u>\$ 24,236,738</u>	<u>\$ 1,012,244</u>
Other local taxes:				
Local sales and use taxes	\$ 1,750,000	\$ 1,750,000	\$ 2,519,874	\$ 769,874
Consumers' utility taxes- electric	680,000	680,000	690,636	10,636
Consumers' utility taxes- telephone	47,000	47,000	35,389	(11,611)
Consumption taxes	95,000	95,000	99,789	4,789
Recordation taxes	160,000	160,000	246,065	86,065
Motor vehicle licenses	940,792	940,792	761,807	(178,985)
Bank stock taxes	12,000	12,000	21,265	9,265
Hotel and motel room taxes	300,000	300,000	274,139	(25,861)
Restaurant food taxes	520,000	520,000	563,681	43,681
Total other local taxes	<u>\$ 4,504,792</u>	<u>\$ 4,504,792</u>	<u>\$ 5,212,645</u>	<u>\$ 707,853</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 85,305	\$ 85,305	\$ 158,845	\$ 73,540
Animal licenses	14,700	14,700	9,519	(5,181)
Other permits and licenses	-	-	14,906	14,906
Total permits, privilege fees, and regulatory licenses	<u>\$ 100,005</u>	<u>\$ 100,005</u>	<u>\$ 183,270</u>	<u>\$ 83,265</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 900,000	\$ 900,000	\$ 892,657	\$ (7,343)
Revenue from use of money and property:				
Revenue from use of money	\$ 137,000	\$ 137,000	\$ 32,095	\$ (104,905)
Revenue from use of property	16,000	16,000	26,614	10,614
Total revenue from use of money and property	<u>\$ 153,000</u>	<u>\$ 153,000</u>	<u>\$ 58,709</u>	<u>\$ (94,291)</u>
Charges for services:				
Charges for EMS	\$ 1,160,375	\$ 1,160,375	\$ 1,133,036	\$ (27,339)
Charges for farmer's market	450,000	450,000	230,861	(219,139)
Charges for courthouse security	217,000	217,000	248,894	31,894
Charges for parks and recreation	58,575	58,575	8,829	(49,746)
Charges for sanitation and waste removal	42,500	42,500	697	(41,803)
Charges for courthouse maintenance	40,000	40,000	25,660	(14,340)
Charges for cannery	17,010	17,010	10,961	(6,049)
Charges for circuit court copies	8,500	8,500	7,095	(1,405)
Charges for commonwealth's attorney	5,000	5,000	7,058	2,058
Charges for law enforcement and traffic control	10,595	10,595	31,257	20,662
Charges for law library	-	-	3,666	3,666
Other charges for services	900	900	122	(778)
Total charges for services	<u>\$ 2,010,455</u>	<u>\$ 2,010,455</u>	<u>\$ 1,708,136</u>	<u>\$ (302,319)</u>

County of Carroll, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 164,000	\$ 206,591	\$ 119,632	\$ (86,959)
Recovered costs:				
Solid Waste Authority	\$ 520,000	\$ 520,000	\$ 513,784	\$ (6,216)
BRECEDA	110,000	135,000	164,414	29,414
Public Service Authority	650,000	650,000	597,383	(52,617)
Industrial Development Authority	-	-	16,325	16,325
City of Galax-shared expenses	265,000	265,000	265,000	-
Social services	136,300	136,300	206,660	70,360
School resource officer	65,000	65,000	77,588	12,588
Other recovered costs	110,700	141,249	281,380	140,131
Total recovered costs	<u>\$ 1,857,000</u>	<u>\$ 1,912,549</u>	<u>\$ 2,122,534</u>	<u>\$ 209,985</u>
Total revenue from local sources	<u>\$ 32,913,746</u>	<u>\$ 33,011,886</u>	<u>\$ 34,534,321</u>	<u>\$ 1,522,435</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 20,000	\$ 20,000	\$ 70,258	\$ 50,258
Motor vehicle rental taxes	-	-	8,174	8,174
Telecommunications taxes	788,792	788,792	744,670	(44,122)
Rolling stock taxes	-	-	1,146	1,146
State recordation taxes	46,739	46,739	70,094	23,355
Personal property tax relief funds	1,032,790	1,032,790	1,051,552	18,762
Games of skill	-	-	53,280	53,280
Total noncategorical aid	<u>\$ 1,888,321</u>	<u>\$ 1,888,321</u>	<u>\$ 1,999,174</u>	<u>\$ 110,853</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 533,217	\$ 533,217	\$ 443,342	\$ (89,875)
Sheriff	1,484,552	1,484,552	1,461,478	(23,074)
Commissioner of revenue	134,368	134,368	131,375	(2,993)
Treasurer	127,312	127,312	124,487	(2,825)
Registrar/electoral board	41,000	41,000	45,655	4,655
Clerk of the Circuit Court	358,667	358,667	343,517	(15,150)
Total shared expenses	<u>\$ 2,679,116</u>	<u>\$ 2,679,116</u>	<u>\$ 2,549,854</u>	<u>\$ (129,262)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 1,807,543	\$ 1,807,543	\$ 1,840,806	\$ 33,263
Comprehensive Services Act	1,891,738	1,891,738	1,830,615	(61,123)
Animal friendly plates	-	-	508	508
Fire program	99,000	99,000	104,273	5,273
Litter control grant	10,000	10,000	9,077	(923)
Emergency and medical services grant	29,000	47,000	156,627	109,627
Records preservation grant	-	35,703	44,856	9,153
School Resource Officer	50,000	50,000	-	(50,000)
Victim witness	94,000	94,000	22,444	(71,556)
Asset forfeiture	-	-	19,212	19,212
Total other categorical aid	<u>\$ 3,981,281</u>	<u>\$ 4,034,984</u>	<u>\$ 4,028,418</u>	<u>\$ (6,566)</u>
Total categorical aid	<u>\$ 6,660,397</u>	<u>\$ 6,714,100</u>	<u>\$ 6,578,272</u>	<u>\$ (135,828)</u>
Total revenue from the Commonwealth	<u>\$ 8,548,718</u>	<u>\$ 8,602,421</u>	<u>\$ 8,577,446</u>	<u>\$ (24,975)</u>

County of Carroll, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 22,000	\$ 22,000	\$ 32,223	\$ 10,223
Categorical aid:				
Public assistance and welfare administration	\$ 2,626,046	\$ 2,626,046	\$ 2,823,564	\$ 197,518
QSCB interest	320,000	320,000	623,469	303,469
Victim witness	-	-	67,329	67,329
Emergency management preparedness grants	-	-	7,500	7,500
Assistance to firefighters grant	-	-	101,699	101,699
High intensity drug trafficking grant	35,000	35,000	44,658	9,658
Department of Justice grant	-	-	20,036	20,036
Coronavirus relief funds	-	-	5,207,120	5,207,120
Provider relief funds	-	75,977	75,977	-
Total categorical aid	<u>\$ 2,981,046</u>	<u>\$ 3,057,023</u>	<u>\$ 8,971,352</u>	<u>\$ 5,914,329</u>
Total revenue from the federal government	<u>\$ 3,003,046</u>	<u>\$ 3,079,023</u>	<u>\$ 9,003,575</u>	<u>\$ 5,924,552</u>
Total General Fund	<u>\$ 44,465,510</u>	<u>\$ 44,693,330</u>	<u>\$ 52,115,342</u>	<u>\$ 7,422,012</u>
Total Primary Government	<u>\$ 44,465,510</u>	<u>\$ 44,693,330</u>	<u>\$ 52,115,342</u>	<u>\$ 7,422,012</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 39,779	\$ 39,779	\$ 27,360	\$ (12,419)
Total revenue from use of money and property	<u>\$ 39,779</u>	<u>\$ 39,779</u>	<u>\$ 27,360</u>	<u>\$ (12,419)</u>
Charges for services:				
Fees from pupils	\$ 18,700	\$ 18,700	\$ 16,310	\$ (2,390)
Tuition from other localities	5,000	5,000	-	(5,000)
Cafeteria sales	1,349,214	1,349,214	260,385	(1,088,829)
Transportation of pupils	11,540	11,540	496	(11,044)
Other payments from other localities	9,500	9,500	-	(9,500)
Total charges for services	<u>\$ 1,393,954</u>	<u>\$ 1,393,954</u>	<u>\$ 277,191</u>	<u>\$ (1,116,763)</u>
Miscellaneous:				
E-rate	\$ 150,000	\$ 150,000	\$ 125,301	\$ (24,699)
Other miscellaneous	42,000	42,000	26,554	(15,446)
Total miscellaneous	<u>\$ 192,000</u>	<u>\$ 192,000</u>	<u>\$ 151,855</u>	<u>\$ (40,145)</u>
Recovered costs:				
Insurance recoveries and rebates	\$ 452,457	\$ 452,457	\$ 582,941	\$ 130,484
Total revenue from local sources	<u>\$ 2,078,190</u>	<u>\$ 2,078,190</u>	<u>\$ 1,039,347</u>	<u>\$ (1,038,843)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	\$ 10,200,000	\$ 10,200,000	\$ 9,973,536	\$ (226,464)
Contribution from County of Carroll, Virginia - CARES	-	1,777,359	1,777,385	26
Total revenues from local governments	<u>\$ 10,200,000</u>	<u>\$ 11,977,359</u>	<u>\$ 11,750,921</u>	<u>\$ (226,438)</u>

County of Carroll, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,243,248	\$ 4,243,248	\$ 4,988,821	\$ 745,573
Basic school aid	12,858,312	12,858,312	12,314,547	(543,765)
Remedial summer education	103,932	103,932	56,296	(47,636)
Regular foster care	62,706	62,706	26,280	(36,426)
Gifted and talented	132,969	132,969	129,309	(3,660)
Remedial education	564,490	564,490	548,952	(15,538)
Alternative education	180,370	180,370	180,370	-
Special education	1,615,697	1,615,697	1,571,223	(44,474)
Textbook payment	269,626	269,626	262,204	(7,422)
Vocational standards of quality payments	536,893	536,893	522,115	(14,778)
Vocational adult education	900	900	-	(900)
Vocational education - equipment	27,531	27,531	11,226	(16,305)
Vocational occupational preparedness	15,000	15,000	-	(15,000)
Social security fringe benefits	816,884	816,884	795,371	(21,513)
Retirement fringe benefits	1,904,214	1,904,214	1,851,799	(52,415)
Group life insurance instructional	57,703	57,703	56,115	(1,588)
State lottery payments	933,512	933,512	1,017,436	83,924
Homebound education	29,804	29,804	20,066	(9,738)
School nutrition	39,541	39,541	23,691	(15,850)
Special education - foster children	-	-	26,352	26,352
Special education - regional	155,708	155,708	96,682	(59,026)
At risk payments	1,077,162	1,077,162	1,047,360	(29,802)
Early reading intervention	131,464	131,464	126,309	(5,155)
VPSA technology	336,000	336,000	-	(336,000)
Standards of Learning algebra readiness	72,907	72,907	72,909	2
Primary class size	595,176	595,176	573,301	(21,875)
Breakfast after the Bell Initiative	-	-	12,493	12,493
Mentor teacher program	1,475	1,475	1,126	(349)
ISAEP	16,772	16,772	16,773	1
Jobs for VA grads	-	-	60,000	60,000
CTE industry credentials	4,500	4,500	36,020	31,520
English as a second language	118,632	118,632	111,868	(6,764)
Project graduation	6,506	6,506	6,506	-
School security grant	22,000	120,400	96,142	(24,258)
STEM Grant	-	-	6,000	6,000
Extended Year Grant	-	-	21,668	21,668
Learning loss PPA	-	-	195,232	195,232
Grow your own teacher	-	-	7,500	7,500
No loss funding	-	-	377,373	377,373
Virginia preschool initiative	441,686	441,686	448,836	7,150
Other state funds	826,500	826,500	536,911	(289,589)
Total categorical aid	<u>\$ 28,199,820</u>	<u>\$ 28,298,220</u>	<u>\$ 28,253,182</u>	<u>\$ (45,038)</u>
Total revenue from the Commonwealth	<u>\$ 28,199,820</u>	<u>\$ 28,298,220</u>	<u>\$ 28,253,182</u>	<u>\$ (45,038)</u>

County of Carroll, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 6,890	\$ 6,890	\$ 7,786	\$ 896
Title I	1,127,225	1,127,225	984,942	(142,283)
Title VI-B, flow-through	1,018,808	1,018,808	1,017,741	(1,067)
Title VI-B, preschool	28,430	28,430	28,068	(362)
Title VI-B, rural and low income	-	-	56,449	56,449
Vocational education	84,754	84,754	120,398	35,644
Teacher quality	169,168	169,168	149,202	(19,966)
Migrant education	46,094	46,094	34,259	(11,835)
School breakfast program	454,230	454,230	27,229	(427,001)
National school lunch program	1,237,501	1,237,501	117,793	(1,119,708)
Summer feeding program	-	-	2,473,904	2,473,904
Title III	14,153	14,153	7,735	(6,418)
Twenty first century learning centers	-	-	53,839	53,839
Title IV, Part A	79,000	79,000	81,150	2,150
Coronavirus relief	889,205	1,499,500	610,295	(889,205)
GEER funding	-	243,122	262,935	19,813
Virginia preschool initiative - federal	-	-	138,298	138,298
Total categorical aid	<u>\$ 5,155,458</u>	<u>\$ 6,008,875</u>	<u>\$ 6,172,023</u>	<u>\$ 163,148</u>
Total revenue from the federal government	<u>\$ 5,155,458</u>	<u>\$ 6,008,875</u>	<u>\$ 6,172,023</u>	<u>\$ 163,148</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 45,633,468</u>	<u>\$ 48,362,644</u>	<u>\$ 47,215,473</u>	<u>\$ (1,147,171)</u>

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 294,899	\$ 335,999	\$ 388,528	\$ (52,529)
General and financial administration:				
County administrator	\$ 575,747	\$ 748,689	\$ 522,247	\$ 226,442
County attorney	75,000	75,000	71,500	3,500
Commissioner of revenue	350,364	371,885	369,556	2,329
Treasurer	426,748	440,338	417,475	22,863
Finance	263,722	290,092	288,728	1,364
Management information systems	266,768	297,135	271,018	26,117
Mapping	34,860	34,860	29,706	5,154
Total general and financial administration	<u>\$ 1,993,209</u>	<u>\$ 2,257,999</u>	<u>\$ 1,970,230</u>	<u>\$ 287,769</u>
Board of elections:				
Electoral board and officials	\$ 87,019	\$ 112,019	\$ 86,849	\$ 25,170
Registrar	163,250	182,448	141,311	41,137
Coronavirus relief - elections	-	57,532	23,166	34,366
Total board of elections	<u>\$ 250,269</u>	<u>\$ 351,999</u>	<u>\$ 251,326</u>	<u>\$ 100,673</u>
Total general government administration	<u>\$ 2,538,377</u>	<u>\$ 2,945,997</u>	<u>\$ 2,610,084</u>	<u>\$ 335,913</u>
Judicial administration:				
Courts:				
Circuit court	\$ 64,165	\$ 66,503	\$ 58,700	\$ 7,803
General district court	15,865	15,865	12,780	3,085
Juvenile court	9,500	9,500	6,107	3,393
Special magistrates	3,365	3,365	2,780	585
Victim witness	94,762	97,729	91,376	6,353
Clerk of the circuit court	523,096	575,025	540,109	34,916
Law library	5,000	5,000	52	4,948
Town E-Summons	-	-	17,205	(17,205)
Total courts	<u>\$ 715,753</u>	<u>\$ 772,987</u>	<u>\$ 729,109</u>	<u>\$ 43,878</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 614,685	\$ 627,448	\$ 608,468	\$ 18,980
Total judicial administration	<u>\$ 1,330,438</u>	<u>\$ 1,400,435</u>	<u>\$ 1,337,577</u>	<u>\$ 62,858</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,391,360	\$ 2,497,239	\$ 2,470,505	\$ 26,734
Courtroom Security	353,719	363,552	373,266	(9,714)
Total law enforcement and traffic control	<u>\$ 2,745,079</u>	<u>\$ 2,860,791</u>	<u>\$ 2,843,771</u>	<u>\$ 17,020</u>
Fire and rescue services:				
Volunteer fire departments	\$ 917,403	\$ 1,042,821	\$ 455,263	\$ 587,558
Rescue squads	387,056	399,540	297,554	101,986
Carroll EMS	2,008,818	1,894,757	1,463,905	430,852
Coronavirus relief - EMS	-	33,386	33,386	-
Total fire and rescue services	<u>\$ 3,313,277</u>	<u>\$ 3,370,504</u>	<u>\$ 2,250,108</u>	<u>\$ 1,120,396</u>
Correction and detention:				
Payments to New River Regional Jail	\$ 3,000,000	\$ 3,000,000	\$ 1,885,371	\$ 1,114,629
Juvenile probation and detention	241,775	241,775	284,141	(42,366)
Total correction and detention	<u>\$ 3,241,775</u>	<u>\$ 3,241,775</u>	<u>\$ 2,169,512</u>	<u>\$ 1,072,263</u>

County of Carroll, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<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)				
Inspections:				
Building	\$ 134,551	\$ 137,158	\$ 117,762	\$ 19,396
Other protection:				
Animal warden	\$ 119,559	\$ 146,611	\$ 145,289	\$ 1,322
Emergency services	229,477	433,887	292,990	140,897
E-911	374,154	374,154	374,154	-
Day reporting program	15,876	36,246	32,716	3,530
Highway safety	875,867	1,040,999	842,598	198,401
Coronavirus relief	-	2,496,718	2,121,309	375,409
Coronavirus relief - town allocations	-	116,334	463,975	(347,641)
Total other protection	\$ 1,614,933	\$ 4,644,949	\$ 4,273,031	\$ 371,918
Total public safety	\$ 11,049,615	\$ 14,255,177	\$ 11,654,184	\$ 2,600,993
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 550,813	\$ 550,813	\$ 515,386	\$ 35,427
Public Service Authority	659,296	659,296	577,504	81,792
Litter control	10,000	10,000	8,670	1,330
Contribution to Public Service Authority - CARES	-	348,588	348,588	-
Coronavirus relief - distributions to Public Service Authority	-	-	9,277	(9,277)
Total sanitation and waste removal	\$ 1,220,109	\$ 1,568,697	\$ 1,459,425	\$ 109,272
Maintenance of general buildings and grounds:				
Governmental complex	\$ 325,012	\$ 405,344	\$ 325,115	\$ 80,229
Courthouse	-	-	(201)	201
Cannery	28,095	28,095	6,845	21,250
Maintenance force	453,511	468,064	339,949	128,115
Maintenance of other properties	170,239	170,239	82,241	87,998
Coronavirus relief - building	-	2,000	2,000	-
Total maintenance of general buildings and grounds	\$ 976,857	\$ 1,073,742	\$ 755,949	\$ 317,793
Total public works	\$ 2,196,966	\$ 2,642,439	\$ 2,215,374	\$ 427,065
Health and welfare:				
Health:				
Supplement of local health department	\$ 263,622	\$ 263,622	\$ 262,692	\$ 930
Mental health and mental retardation:				
Community services board	\$ 130,500	\$ 130,500	\$ 130,500	\$ -
Welfare:				
Public assistance and welfare administration	\$ 7,797,602	\$ 8,358,520	\$ 8,367,562	\$ (9,042)
Senior citizens center	67,716	67,716	55,716	12,000
Total welfare	\$ 7,865,318	\$ 8,426,236	\$ 8,423,278	\$ 2,958
Total health and welfare	\$ 8,259,440	\$ 8,820,358	\$ 8,816,470	\$ 3,888

County of Carroll, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to Community College	\$ 43,631	\$ 43,631	\$ 43,631	\$ -
Contribution to County School Board	10,200,000	10,321,476	9,973,536	347,940
Contribution to County School Board - CARES	-	1,777,359	1,777,359	-
School Board utilities	-	-	14,744	(14,744)
CCEC expenditures	-	-	13,893	(13,893)
Purchase of school buses	-	520,000	-	520,000
Total education	<u>\$ 10,243,631</u>	<u>\$ 12,662,466</u>	<u>\$ 11,823,163</u>	<u>\$ 839,303</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 334,640	\$ 336,878	\$ 108,383	\$ 228,495
Farmer's Market	1,551,828	1,558,433	385,237	1,173,196
County Fair	25,000	25,000	18,680	6,320
Total parks and recreation	<u>\$ 1,911,468</u>	<u>\$ 1,920,311</u>	<u>\$ 512,300</u>	<u>\$ 1,408,011</u>
Library:				
Contribution to Carroll-Galax Regional Library	\$ 311,171	\$ 311,171	\$ 310,253	\$ 918
Total parks, recreation, and cultural	<u>\$ 2,222,639</u>	<u>\$ 2,231,482</u>	<u>\$ 822,553</u>	<u>\$ 1,408,929</u>
Community development:				
Planning and community development:				
Planning commission	\$ 136,760	\$ 138,784	\$ 132,173	\$ 6,611
Economic development	960,562	1,004,428	206,638	797,790
Business development	162,110	213,899	195,405	18,494
Tourism	75,000	75,000	19,209	55,791
Contribution to Public Service Authority	1,020,405	1,020,405	524,375	496,030
Contribution to Industrial Development Authority - CARES	-	459,301	459,301	-
Contribution to Twin County Airport	62,960	62,960	60,199	2,761
Total planning and community development	<u>\$ 2,417,797</u>	<u>\$ 2,974,777</u>	<u>\$ 1,597,300</u>	<u>\$ 1,377,477</u>
Environmental management:				
Contribution to soil and water district	\$ 3,500	\$ 3,500	\$ 3,500	\$ -
Cooperative extension program:				
Extension office	\$ 73,023	\$ 73,023	\$ 63,521	\$ 9,502
Total community development	<u>\$ 2,494,320</u>	<u>\$ 3,051,300</u>	<u>\$ 1,664,321</u>	<u>\$ 1,386,979</u>
Debt service:				
Principal retirement	\$ 3,388,651	\$ 3,422,185	\$ 3,612,154	\$ (189,969)
Interest and other fiscal charges	1,294,256	1,294,256	1,201,552	92,704
Total debt service	<u>\$ 4,682,907</u>	<u>\$ 4,716,441</u>	<u>\$ 4,813,706</u>	<u>\$ (97,265)</u>
Total General Fund	<u>\$ 45,018,333</u>	<u>\$ 52,726,095</u>	<u>\$ 45,757,432</u>	<u>\$ 6,968,663</u>
Total Primary Government	<u>\$ 45,018,333</u>	<u>\$ 52,726,095</u>	<u>\$ 45,757,432</u>	<u>\$ 6,968,663</u>

County of Carroll, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,731,879	\$ 1,775,001	\$ 1,733,886	\$ 41,115
Instruction costs:				
Instruction	\$ 32,723,974	\$ 33,382,880	\$ 32,901,197	\$ 481,683
Operating costs:				
Pupil transportation	\$ 3,507,637	\$ 3,707,637	\$ 2,189,986	\$ 1,517,651
Operation and maintenance of school plant	4,558,832	6,501,897	6,501,897	-
Food services and other non-instructional costs	3,043,025	3,043,025	2,381,300	661,725
Facilities	-	5,809	5,809	-
Total operating costs	\$ 11,109,494	\$ 13,258,368	\$ 11,078,992	\$ 2,179,376
Total Discretely Presented Component Unit - School Board	\$ 45,565,347	\$ 48,416,249	\$ 45,714,075	\$ 2,702,174

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 (1)	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Gas Utilities	Total
2020-21	\$ 2,289,316	\$ 1,257,756	\$ 10,940,758	\$ 1,512,193	\$ 8,729,925	\$ 20,579,644	\$ 872,394	\$ 1,494,809	\$ 1,153,658	\$ -	\$ 48,830,453
2019-20	2,567,477	1,213,555	9,789,497	1,147,056	8,804,195	12,511,100	1,138,528	1,521,365	1,239,444	-	39,932,217
2018-19	2,280,229	1,247,142	9,493,344	1,407,677	7,880,057	12,845,681	1,577,633	1,442,217	1,350,968	-	39,524,948
2017-18	2,580,579	1,034,603	9,850,165	1,428,594	6,823,675	13,540,065	1,350,707	1,507,984	1,427,439	-	39,543,811
2016-17	2,567,121	1,005,935	9,090,573	1,485,311	6,039,186	13,443,189	1,399,180	1,574,700	1,535,786	-	38,140,981
2015-16	2,620,043	977,670	9,096,396	1,319,668	5,860,929	13,265,166	852,516	1,794,103	1,653,289	109,257	37,549,037
2014-15	2,160,757	910,625	8,251,074	1,391,661	5,415,823	13,291,086	811,369	1,293,877	1,160,247	386,978	35,073,497
2013-14	2,314,221	968,302	8,397,574	1,616,367	5,074,792	13,954,909	1,178,753	2,568,641	1,008,885	343,869	37,426,313
2012-13	2,646,748	860,938	7,608,448	2,423,430	5,029,724	12,055,049	1,198,123	2,977,741	941,166	29,931	35,771,298
2011-12	2,149,650	927,275	7,051,156	1,430,936	5,563,512	10,059,750	987,821	2,535,682	1,445,238	-	32,151,020

(1) For fiscal year 2020-21, capital assets in the amount of \$7,344,451 (net book value) reverted back to the Component Unit - School Board

Table 2

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

Fiscal Year	PROGRAM REVENUES					GENERAL REVENUES					Gain on Disposal of Capital Asset	Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Revenue from Use of Property and Money	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs				
2020-21	\$ 2,784,063	\$ 15,447,925	\$ 101,699	\$ 23,942,518	\$ 5,212,645	\$ 58,709	\$ 119,632	\$ 2,031,397	\$ -	\$ 49,698,588		
2019-20 (1)	2,986,997	10,192,681	-	29,919,818	4,685,781	70,665	248,064	2,062,200	-	50,166,206		
2018-19	3,965,558	9,534,242	100,000	21,504,558	4,446,707	67,896	226,016	2,101,245	-	41,946,222		
2017-18	3,874,439	8,693,825	-	21,549,755	4,394,821	70,791	142,990	2,165,247	-	40,891,868		
2016-17	3,503,001	7,738,471	-	20,955,919	4,298,627	114,861	320,193	2,173,636	-	39,104,708		
2015-16	2,682,745	7,663,546	500,400	20,002,849	4,240,575	73,852	228,482	2,188,053	-	37,580,502		
2014-15	3,239,583	6,644,265	25,000	18,833,801	4,028,765	73,235	348,630	2,218,368	-	35,411,647		
2013-14	2,912,339	6,478,610	-	19,208,363	3,972,989	28,290	313,093	2,239,412	46,389	35,199,485		
2012-13	2,611,738	6,075,406	179,133	19,131,036	3,818,144	33,984	374,007	2,229,764	-	34,453,212		
2011-12	2,966,308	6,505,064	114,386	19,268,656	3,881,421	64,812	322,075	2,178,196	-	35,300,918		

(1) For fiscal year 2020, the County went to twice-year collections for real estate property taxes.

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
2020-21	\$ 2,610,084	\$ 1,337,577	\$ 11,654,184	\$ 2,215,374	\$ 8,816,470	\$ 46,484,806	\$ 822,553	\$ 1,664,321	\$ -	\$ -	\$ 4,813,706	\$ 80,419,075
2019-20	2,518,046	1,322,176	9,465,079	2,092,736	8,993,001	45,496,305	1,107,413	1,623,921	-	-	5,026,716	77,645,393
2018-19	2,399,059	1,293,347	10,200,017	2,451,249	8,143,696	45,064,392	1,298,381	1,593,613	-	-	5,141,130	77,584,884
2017-18	2,594,994	1,308,469	9,630,563	2,479,152	6,978,821	44,565,865	1,363,454	1,609,205	-	-	10,315,508	80,846,031
2016-17	2,899,621	1,261,171	8,890,135	2,499,126	6,143,152	43,766,570	1,384,100	1,716,409	-	-	5,290,451	73,850,735
2015-16	2,775,409	1,246,123	9,145,079	2,534,232	6,053,026	43,035,846	1,183,511	1,939,046	-	222,000	5,663,430	73,797,702
2014-15	2,769,189	1,268,976	8,204,703	2,637,210	5,544,042	41,956,209	1,103,510	2,221,814	-	-	4,082,215	69,787,868
2013-14	2,354,836	1,231,350	7,662,543	2,625,281	5,350,134	41,837,633	1,151,267	6,323,395	-	926,859	3,907,166	73,370,464
2012-13	2,650,138	1,111,525	6,997,334	2,509,702	5,416,386	42,945,068	1,186,656	2,912,853	-	863,859	3,108,737	69,702,258
2011-12	2,540,222	927,380	6,436,744	2,388,506	5,689,210	40,839,883	986,813	2,654,658	574	861,584	4,887,370	68,212,944

(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.

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2020-21	\$ 24,236,738	\$ 5,212,645	\$ 183,270	\$ 892,657	\$ 86,069	\$ 2,397,784	\$ 271,487	\$ 2,705,475	\$ 52,006,226	\$ 87,992,351
2019-20 (3)	28,997,823	4,685,781	133,625	849,360	109,913	3,123,489	407,435	2,470,093	45,446,334	86,223,853
2018-19	21,411,096	4,446,707	99,809	1,444,000	110,166	3,561,524	378,723	3,171,495	43,272,568	77,896,088
2017-18	21,534,993	4,394,821	100,714	1,461,067	109,982	2,993,777	286,173	3,256,496	41,249,671	75,387,694
2016-17	20,527,734	4,298,627	102,721	1,218,703	151,005	2,922,834	794,857	3,121,436	39,891,611	73,029,528
2015-16	19,809,119	4,240,575	130,250	1,009,917	106,225	2,093,922	373,656	3,464,564	39,462,068	70,690,296
2014-15	19,020,352	4,028,765	101,352	1,376,217	106,735	2,180,195	550,751	4,246,706	37,448,874	69,059,947
2013-14	19,017,610	3,972,989	116,399	1,103,263	63,640	2,360,739	577,957	6,678,982	36,249,264	70,140,843
2012-13	18,964,978	3,818,144	107,630	1,005,568	66,221	2,430,205	501,277	2,887,919	38,529,299	68,311,241
2011-12	19,016,267	3,881,421	109,925	1,136,326	69,592	2,817,672	392,210	2,949,356	38,821,355	69,194,124

(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) For fiscal year 2020, the County went to twice-year collections for real estate property 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
2020-21	\$ 24,489,550	\$ 23,018,221	93.99%	\$ 1,439,482	\$ 24,457,703	99.87%	\$ 6,233,800	25.45%
2019-20 (3)	30,377,311	27,891,896	91.82%	1,522,449	29,414,345	96.83%	5,759,293	18.96%
2018-19	22,244,137	20,846,566	93.72%	1,030,236	21,876,802	98.35%	5,366,792	24.13%
2017-18	21,830,013	20,577,677	94.26%	1,366,803	21,944,480	100.52%	5,165,172	23.66%
2016-17	21,738,710	19,919,233	91.63%	1,172,082	21,091,315	97.02%	5,490,004	25.25%
2015-16	20,961,120	19,500,727	93.03%	918,697	20,419,424	97.42%	5,321,466	25.39%
2014-15	20,252,227	18,746,563	92.57%	941,768	19,688,331	97.22%	4,721,641	23.31%
2013-14	20,053,028	18,498,334	92.25%	1,183,665	19,681,999	98.15%	4,700,070	23.44%
2012-13	19,886,065	18,480,517	92.93%	1,133,380	19,613,897	98.63%	4,249,835	21.37%
2011-12	19,869,528	18,490,236	93.06%	1,171,181	19,661,417	98.95%	3,993,255	20.10%

(1) Exclusive of penalties and interest.

(2) Does not include land redemption.

(3) For fiscal year 2020, the County went to twice-year collections for real estate property taxes.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools (3)	Merchant's Capital (3)	Farm Equipment (4)	Public Service Corporations (2)	Total
2020-21	\$ 2,273,499,481	\$ 303,857,365	\$ 56,020,095	\$ 33,601,985	\$ -	\$ 137,843,332	2,804,822,258
2019-20 (5)	3,241,667,267	297,040,170	55,356,480	33,517,105	-	137,102,552	3,764,683,574
2018-19	2,151,278,637	286,290,823	49,228,375	33,695,852	-	134,970,964	2,655,464,651
2017-18	2,144,702,296	269,900,405	51,231,145	31,299,875	-	129,718,424	2,626,852,145
2016-17	2,177,124,027	269,848,776	53,794,835	29,157,025	-	125,696,739	2,655,621,402
2015-16	2,171,983,967	260,253,329	52,156,600	29,892,051	-	118,794,393	2,633,080,340
2014-15	2,160,547,151	256,700,342	50,745,280	9,065,040	18,120,000	111,939,519	2,607,117,332
2013-14	2,144,065,417	247,561,253	50,667,085	8,741,339	17,702,676	107,848,891	2,576,586,661
2012-13	2,434,652,756	248,219,837	55,680,165	9,089,115	17,921,290	103,112,644	2,868,675,807
2011-12	2,427,272,971	247,400,317	57,114,155	8,645,475	17,750,500	103,112,644	2,861,296,062

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

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

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

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

(5) For fiscal year 2020, the County went to twice-year collections for real estate property taxes.

Table 7

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

Fiscal Year	Real Estate	Personal Property (5)	Machinery and Tools (2)	Merchant's Capital (4)	Farm Equipment (3)
2020-21	\$ 0.640	\$ 2.30	\$ 2.00	\$ 0.69	\$ -
2019-20	0.730	1.95	1.75	0.69	-
2018-19	0.695	1.95	1.75	0.69	-
2017-18	0.695	1.95	1.75	0.69	-
2016-17	0.660	1.95	1.75	0.69	-
2015-16	0.660	1.95	1.75	0.69	-
2014-15	0.680	1.60	1.30	2.30	0.80
2013-14	0.680	1.60	1.30	2.30	0.80
2012-13	0.595	1.60	1.30	2.30	0.80
2011-12	0.595	1.60	1.30	2.30	0.80

(1) Per \$100 of assessed value.

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

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

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

(5) Rate reflects amounts due in June of fiscal year.

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
2020-21	29,155	\$ 2,804,822	\$ 10,044,097	\$ 10,044,097	0.36%	345
2019-20	30,042	3,764,684	13,269,007	13,269,007	0.35%	442
2018-19	30,042	2,655,465	16,646,646	16,646,646	0.63%	554
2017-18	30,042	2,626,852	20,027,084	20,027,084	0.76%	667
2016-17	30,042	2,655,621	23,410,114	23,410,114	0.88%	779
2015-16	30,042	2,633,080	26,810,748	26,810,748	1.02%	892
2014-15	30,042	2,607,117	30,499,900	30,499,900	1.17%	1,015
2013-14	30,042	2,576,587	32,691,483	32,691,483	1.27%	1,088
2012-13	30,042	2,868,676	34,885,916	34,885,916	1.22%	1,161
2011-12	30,042	2,861,296	36,729,419	36,729,419	1.28%	1,223

(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 fund loans. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

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
2020-21	\$ 3,612,154	\$ 1,201,552	\$ 4,813,706	\$ 80,419,075	5.99%
2019-20	3,732,460	1,294,256	5,026,716	77,645,393	6.47%
2018-19	3,716,577	1,424,553	5,141,130	77,584,884	6.63%
2017-18 (2)	3,656,248	1,534,260	5,190,508	80,846,031	6.42%
2016-17	3,648,030	1,642,421	5,290,451	73,850,735	7.16%
2015-16	3,915,936	1,747,494	5,663,430	73,797,702	7.67%
2014-15	2,987,109	1,095,106	4,082,215	69,787,868	5.85%
2013-14	2,779,993	1,127,173	3,907,166	73,370,464	5.33%
2012-13	2,187,124	921,613	3,108,737	69,702,258	4.46%
2011-12	3,299,432	1,587,938	4,887,370	68,212,944	7.16%

- (1) Includes General fund of the Primary Government and Special Revenue funds of the Discretely Presented Component Unit - School Board. Excludes Capital Projects Funds.
(2) Principal excludes refunding amount of \$5,125,000.

Compliance



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County of Carroll, Virginia's basic financial statements, and have issued our report thereon dated December 6, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Carroll, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item [2021-001].

County of Carroll, Virginia's Response to Findings

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

Purpose of this Report

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

Polina, Faver, Cox Associates

Blacksburg, Virginia
December 6, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Carroll, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Carroll, Virginia's major federal programs for the year ended June 30, 2021. County of Carroll, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Carroll, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Prohaska, Fawcett, Cox Associates

Blacksburg, Virginia
December 6, 2021

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Health and Human Services:				
Pass Through Payments:				
Department of Education:				
Temporary Assistance for Needy Families	93.558	APE40274	\$ 138,298	
Department of Social Services:				
Temporary Assistance for Needy Families	93.558	0400120, 0400121	289,967	\$ 428,265
Provider Relief Fund	93.498	Not available		75,977
MaryLee Allen Promoting Safe and Stable Families Program	93.556	0950119, 0950120		22,493
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	0500120, 0500121		640
Low-Income Home Energy Assistance	93.568	0600420, 0600421		45,323
Child Care and Development Fund Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760120, 0760121		58,217
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900120, 0900121		147
Foster Care - Title IV-E	93.658	1100120, 1100121		627,333
Adoption Assistance	93.659	1120120, 1120121		655,773
Social Services Block Grant	93.667	1000120, 1000121		315,184
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150119, 9150120		16,092
Children's Health Insurance Program	93.767	0540120, 0540121		3,924
Medicaid Cluster:				
Medical Assistance Program	93.778	1200120, 1200121		334,766
				<u>\$ 2,584,134</u>
Total Department of Health and Human Services				
Department of Homeland Security:				
Pass Through Payments:				
State Department of Emergency Management:				
Assistance to Firefighters Grant	97.044	Not available	\$	101,699
Emergency Management Performance Grants	97.042	EMP-2019-EP-0006		7,500
				<u>\$ 109,199</u>
Total Department of Homeland Security				
Department of Agriculture:				
Pass Through Payments:				
Department of Education:				
Child and Adult Care Food Program	10.558	70027, 70028	\$	5,400
Child Nutrition Cluster:				
Department of Agriculture and Consumer Services:				
Food Distribution (Note 3)	10.555	Not applicable	\$ 107,310	
Department of Education:				
COVID-19 National School Lunch Program	10.555	40264	5,083	112,393
COVID-19 School Breakfast Program	10.553	40263		27,229
COVID-19 Summer Food Service Program for Children	10.559	60175/60176	\$ 408,218	
Summer Food Service Program for Children	10.559	60302/60303	2,064,618	
Department of Agriculture and Consumer Services:				
Food Distribution (Note 3)	10.559	Not applicable	1,068	2,473,904
				<u>\$ 2,613,526</u>
Department of Education:				
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	43841		7,786
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010120, 0010121 0040120, 0040121		453,705
				<u>\$ 3,080,417</u>
Total Department of Agriculture				
Department of Justice:				
Pass Through Payments:				
Department of Criminal Justice:				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	118072	\$	20,036
Crime Victim Assistance	16.575	CJS601701, CJS86018		67,329
				<u>\$ 87,365</u>
Total Department of Justice				
Executive Office of the President:				
Pass Through Payments:				
Financial Commission for Appalachia HIDTA:				
High Intensity Drug Trafficking Areas Program	95.001	G17AP0001A	\$	44,658
Department of Education:				
Pass Through Payments:				
Department of Education:				
Title I: Grants to Local Educational Agencies	84.010	42901	\$	984,942
Migrant Education - State Grant Program	84.011	42910		33,661
Special Education Cluster:				
Special Education - Grants to States	84.027	43071	\$ 1,017,741	
Special Education - Preschool Grants	84.173	62521	28,068	1,045,809
Career and Technical Education: Basic Grants to States	84.048	60031		120,398
Twenty-First Century Community Learning Centers	84.287	60565		53,839
Rural Education	84.358	43481		56,449
English Language Acquisition State Grants	84.365	60512		7,735
Migrant Education - Coordination Program	84.144	61399		598
Student Support and Academic Enrichment Program	84.424	60019		81,150
Supporting Effective Instruction State Grant	84.367	61480		149,202
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	60177	\$ 82,779	
COVID-19 Governor's Emergency Education Relief Fund	84.425C	70037	180,156	\$ 262,935
				<u>\$ 2,796,718</u>
Total Department of Education				
Department of Treasury:				
Pass Through Payments:				
Department of Accounts:				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	\$ 5,207,120	
Department of Education:				
COVID-19 - Coronavirus Relief Fund	21.019	APE70056	610,295	\$ 5,817,415
				<u>\$ 463,975</u>
				<u>\$ 14,519,906</u>
				<u>\$ 463,975</u>

County of Carroll, Virginia
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2021

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of County of Carroll, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Carroll, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Carroll, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

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

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, Carroll County, Virginia had food commodities totaling \$108,378 in inventory.

Note 4 -- Loans and Loan Guarantees:

The County did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

Note 5 -- Provider Relief Fund Expenditures

For entities with June 30 fiscal year-ends, the first SEFA reporting period for PRF expenditures (including lost revenue) is June 30, 2021. Based on current guidance from the Department of Health and Human Services (HHS), PRF expenditures (including lost revenue) are to be reported on the SEFA based upon PRF reports submitted through the Health Resources and Services Administration (HRSA) reporting portal. Therefore, the amount of PRF expenditures included on the FYE June 30, 2021 SEFA is based upon the PRF reporting portal guidelines for Period 1, as specified by HHS.

Note 6 -- 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	\$ 9,003,575
Less: QSCB subsidy	(623,469)
Less: Payment in lieu of taxes	<u>(32,223)</u>
Total primary government	<u>\$ 8,347,883</u>
Component Unit School Board:	
School Operating Fund	<u>\$ 6,172,023</u>
Total expenditures of federal awards per the basic financial statements	<u>\$ 14,519,906</u>

County of Carroll, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 - Coronavirus Relief Fund
84.425	Education Stabilization Funds

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

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Section II - Financial Statement Findings

2021-001

Criteria: Payments to employees for duties performed relating to their employment should be paid through payroll as wages. As such, all applicable payroll taxes should be withheld and remitted to the appropriate agency.

Condition: The County issued hazard payments related to COVID-19 through Accounts Payable.

Cause of Condition: Due to a vacancy in the Finance Director position, there was a lack of oversight and guidance. At the time, management was unable to determine the process to pay and appropriately post hazard payments through the payroll system to multiple funds.

Effect of Condition: Wages were incorrectly reported on the form 1099 instead of form W-2's. This also resulted in the underpayment of applicable FICA payroll taxes.

Recommendation: The County should implement controls to prevent employee wages from being paid through Accounts Payable to ensure applicable payroll taxes are withheld and paid. Further, the County should take actions to remedy the underpayment of the payroll taxes.

Management's Response: Management concurs with the finding. Processes have been implemented to identify all wages paid are processed through payroll. The County is actively working to correct the underpayment of prior payroll taxes related to the hazard pay.

Section III - Federal Award Findings and Questioned Costs

None

County of Carroll, Virginia

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

2020-001

Condition: The County's financial statements required year end adjusting entries to ensure such statements complied with Generally Accepted Accounting Principles.

Recommendation: In the future, financial statements should be reviewed and adjusted as necessary to comply with current reporting standards.

Current Status The County's current staff has a good understanding of the County's books and accounting processes. The finding was not repeated in the current year.