

**COUNTY OF CARROLL, VIRGINIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2020**

---

**COUNTY OF CARROLL, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

---

**TABLE OF CONTENTS**

---

**INTRODUCTORY SECTION**

---

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

---

**FINANCIAL SECTION**

---

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

**Basic Financial Statements:**

	<u>Exhibit</u>	<u>Page</u>
<b>Government-Wide Financial Statements:</b>		
Statement of Net Position .....	1	5
Statement of Activities .....	2	6
<b>Fund Financial Statements:</b>		
Balance Sheet - Governmental Funds .....	3	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	4	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	5	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	6	10
Statement of Fiduciary Net Position - Fiduciary Funds .....	7	11
Notes to Financial Statements .....		12-78

**Required Supplementary Information:**

Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual: General Fund .....	8	79
<b>Pension Plans</b>		
Schedule of Employer's Proportionate Share of the Net Pension Liability .....	9	80
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Component Unit School Board (nonprofessional) .....	10	81
Schedule of Employer's Contributions .....	11	82
Notes to Required Supplementary Information .....	12	83
<b>Other Postemployment Benefits - Healthcare - Component Unit School Board</b>		
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios .....	13	84
Notes to Required Supplementary Information .....	14	85
<b>Other Postemployment Benefits - Group Life Insurance (GLI) Plan</b>		
Schedule of Employer's Share of Net OPEB Liability .....	15	86
Schedule of Employer Contributions .....	16	87
Notes to Required Supplementary Information .....	17	88

**COUNTY OF CARROLL, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

---

**TABLE OF CONTENTS (CONTINUED)**

---

**FINANCIAL SECTION: (Continued)**

---

	<u>Exhibit</u>	<u>Page</u>
<b>Required Supplementary Information: (Continued)</b>		
Other Postemployment Benefits - Health Insurance Credit (HIC) Plan		
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios - Component Unit School Board (nonprofessional).....	18	89
Schedule of Employer Contributions .....	19	90
Notes to Required Supplementary Information .....	20	91
Other Postemployment Benefits - Teacher Employee Health Insurance Credit (HIC) Plan		
Schedule of School Board's Share of Net OPEB Liability.....	21	92
Schedule of Employer Contributions .....	22	93
Notes to Required Supplementary Information .....	23	94
<b>Other Supplementary Information:</b>		
Combining and Individual Fund Financial Statements and Schedules:		
Combining Statement of Fiduciary Net Position - Fiduciary Funds .....	24	95
Combining Statement of Changes in Assets and Liabilities - Agency Funds .....	25	96
Discretely Presented Component Unit - School Board:		
Balance Sheet .....	26	97
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	27	98
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.....	28	99
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds .....	1	100-104
Schedule of Expenditures - Budget and Actual - Governmental Funds .....	2	105-107
<b>Other Statistical Information:</b>		
	<u>Table</u>	<u>Page</u>
Government-wide information:		
Government-Wide Expenses by Function .....	1	108
Government-Wide Revenues .....	2	109
Fund information:		
General Governmental Expenditures by Function .....	3	110
General Governmental Revenues by Source .....	4	111
Property Tax Levies and Collections .....	5	112
Assessed Value of Taxable Property .....	6	113

**COUNTY OF CARROLL, VIRGINIA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

---

**TABLE OF CONTENTS (CONTINUED)**

---

**FINANCIAL SECTION: (Continued)**

---

<b>Other Statistical Information: (Continued)</b>	<b><u>Table</u></b>	<b><u>Page</u></b>
<b>Fund information: (Continued)</b>		
Property Tax Rates .....	7	114
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	8	115
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures.....	9	116
 <b>Compliance:</b>		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....		117-118
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....		119-120
Schedule of Expenditures of Federal Awards.....		121-122
Schedule of Findings and Questioned Costs.....		123-124

---

## INTRODUCTORY SECTION

---

# COUNTY OF CARROLL, VIRGINIA

---

## BOARD OF SUPERVISORS

---

Dr. Tom Littrell, Chair  
Tracy Moore  
Phillip McCraw

Rex Hill, Vice Chair  
Robert L. "Robbie" McGraw  
Joe Webb

## SCHOOL BOARD

---

Sanford "Sandy" G. Hendrick, Chair  
Joey D. Haynes, Vice Chair  
Brian Spencer

Ralph "Bob" Martin  
William "Bill" Sturgill

## SOCIAL SERVICES BOARD

---

Lynette Thomas, Vice Chair  
Christopher Felts

Robbie McCraw, Chair

Jeanne Gallimore  
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  
Interim County Administrator ..... Cellell Dalton  
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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***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 79 and 80-94 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 January 14, 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.

*Polina, Fane, Cox Associates*

Blacksburg, Virginia  
January 14, 2021

## **Basic Financial Statements**

County of Carroll, Virginia  
Statement of Net Position  
June 30, 2020

	Primary Government	Component Units		
	Governmental Activities	School Board	Public Service Authority	Economic Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,791,574	\$ 2,143,161	\$ 638,896	\$ 902,187
Investments	11,553	-	-	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	26,127,548	-	-	-
Interest receivable	-	-	-	116,806
Accounts receivable	397,418	6,106	410,223	50
Other local taxes receivable	88,223	-	-	-
Note receivable	469,715	-	340,151	2,360,686
Due from primary government	-	-	703,704	-
Due from component units	1,913,925	-	-	-
Due from other governmental units	1,747,290	1,007,083	-	-
Prepaid items	106,444	229,591	32,944	30,605
Lease purchase receivable	-	-	-	11,848,070
Assets held for resale:				
Industrial sites	-	-	-	761,237
Restricted assets:				
Cash and cash equivalents	-	312,007	977,097	223,614
Capital assets (net of accumulated depreciation):				
Land	2,906,402	1,489,200	264,837	81,451
Buildings and improvements	46,808,214	2,309,748	-	291,648
Improvements other than buildings	-	108,512	-	-
Machinery and equipment	2,409,516	1,446,598	291,903	-
Infrastructure	-	-	37,722,015	-
Construction in progress	-	-	95,991	87,885
Total assets	<u>\$ 96,777,822</u>	<u>\$ 9,052,006</u>	<u>\$ 41,477,761</u>	<u>\$ 16,704,239</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 1,695,933	\$ 7,451,123	\$ 130,938	\$ -
OPEB related items	110,588	1,002,552	-	-
Total deferred outflows of resources	<u>\$ 1,806,521</u>	<u>\$ 8,453,675</u>	<u>\$ 130,938</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 571,938	\$ 218,650	\$ 81,481	\$ 12,287
Salaries payable	683,110	2,021,211	-	-
Accrued interest payable	170,166	-	38,472	83,682
Amounts held for others	-	-	120,262	-
Due to other governmental units	38,052	-	-	-
Due to primary government	-	1,198,131	715,794	-
Due to component unit	703,704	-	-	-
Unearned revenue	2,599,150	-	-	750
Long-term liabilities:				
Due within one year	4,260,614	639,972	769,300	523,252
Due in more than one year	27,419,927	43,986,316	23,222,706	11,148,689
Total liabilities	<u>\$ 36,446,661</u>	<u>\$ 48,064,280</u>	<u>\$ 24,948,015</u>	<u>\$ 11,768,660</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 16,948,027	\$ -	\$ -	\$ -
Pension related items	516,528	5,416,282	75,705	-
OPEB related items	51,322	1,951,103	-	-
Total deferred inflows of resources	<u>\$ 17,515,877</u>	<u>\$ 7,367,385</u>	<u>\$ 75,705</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 27,885,768	\$ 5,354,058	\$ 15,300,333	\$ 237,476
Restricted:				
Asset forfeiture	53,263	-	-	-
School cafeterias	-	259,432	-	-
Debt service and bond covenants	-	-	856,835	223,614
Unrestricted	16,682,774	(43,539,474)	427,811	4,474,489
Total net position	<u>\$ 44,621,805</u>	<u>\$ (37,925,984)</u>	<u>\$ 16,584,979</u>	<u>\$ 4,935,579</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, 2020

Functions/Programs	Program Revenues				Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	School Board	Public Service Authority	Economic Development Authority
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 2,567,477	\$ -	\$ 301,329	\$ -	\$ (2,266,148)			
Judicial administration	1,213,555	16,124	888,710	-	(308,721)			
Public safety	9,789,497	2,587,261	1,713,118	-	(5,489,118)			
Public works	1,147,056	63,884	7,903	-	(1,075,269)			
Health and welfare	8,804,195	-	6,629,909	-	(2,174,286)			
Education	12,511,100	-	-	-	(12,511,100)			
Parks, recreation, and cultural	1,138,528	302,581	-	-	(835,947)			
Community development	1,521,365	17,147	-	-	(1,504,218)			
Interest on long-term debt	1,239,444	-	651,712	-	(587,732)			
Total governmental activities	\$ 39,932,217	\$ 2,986,997	\$ 10,192,681	\$ -	\$ (26,752,539)			
Total primary government	\$ 39,932,217	\$ 2,986,997	\$ 10,192,681	\$ -	\$ (26,752,539)			
<b>COMPONENT UNITS:</b>								
School Board	\$ 45,196,360	\$ 1,119,477	\$ 33,191,453	\$ -		\$ (10,885,430)	\$ -	\$ -
Public Service Authority	4,561,394	2,937,624	-	-		-	(1,623,770)	-
Economic Development Authority	596,005	-	-	-		-	-	(596,005)
Total component units	\$ 50,353,759	\$ 4,057,101	\$ 33,191,453	\$ -		\$ (10,885,430)	\$ (1,623,770)	\$ (596,005)
General revenues:								
General property taxes					\$ 29,919,818			
Local sales and use taxes					2,120,199			
Consumer's utility tax					719,227			
Motor vehicle taxes					743,739			
Restaurant food taxes					526,538			
Other local taxes					576,078			
Unrestricted revenues from use of money and property					70,665			
Miscellaneous					248,064			
Payments from Primary Government					-			
Grants and contributions not restricted to specific programs					2,062,200			
Gain on disposal of capital assets					-			
Lease purchase revenue					-			
Total general revenues					\$ 36,986,528			
Change in net position					\$ 10,233,989			
Net position - beginning, as restated					34,387,816			
Net position - ending					\$ 44,621,805			
					\$ 10,903,905	\$ 1,289,090	\$ 468,746	
					\$ 18,475	\$ (334,680)	\$ (127,259)	
					\$ (37,944,459)	\$ 16,919,659	\$ 5,062,838	
					\$ (37,925,984)	\$ 16,584,979	\$ 4,935,579	

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

County of Carroll, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2020

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,777,547	\$ 14,027	\$ 13,791,574
Investments	11,553	-	11,553
Receivables (net of allowance for uncollectibles):			
Taxes receivable	26,127,548	-	26,127,548
Accounts receivable	397,418	-	397,418
Other local taxes receivable	88,223	-	88,223
Note receivable	469,715	-	469,715
Due from component unit	1,913,925	-	1,913,925
Due from other governmental units	1,747,290	-	1,747,290
Prepaid items	106,444	-	106,444
Total assets	<u>\$ 44,639,663</u>	<u>\$ 14,027</u>	<u>\$ 44,653,690</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 571,938	\$ -	\$ 571,938
Salaries payable	683,110	-	683,110
Due to other governmental units	38,052	-	38,052
Due to component unit	703,704	-	703,704
Unearned revenue - CARES	2,599,150	-	2,599,150
Total liabilities	<u>\$ 4,595,954</u>	<u>\$ -</u>	<u>\$ 4,595,954</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	<u>\$ 21,990,898</u>	<u>\$ -</u>	<u>\$ 21,990,898</u>
<b>FUND BALANCES</b>			
Fund balances:			
Nonspendable:			
Prepaid items	\$ 106,444	\$ -	\$ 106,444
Note receivable	469,715	-	469,715
Restricted:			
Asset forfeiture	53,263	-	53,263
Committed:			
Narcotics funds	53,716	-	53,716
Law Library	4,461	-	4,461
School Construction	-	14,027	14,027
Assigned:			
CCEC	13,893	-	13,893
Sheriff funds	57,535	-	57,535
Unassigned	17,293,784	-	17,293,784
Total fund balances	<u>\$ 18,052,811</u>	<u>\$ 14,027</u>	<u>\$ 18,066,838</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 44,639,663</u>	<u>\$ 14,027</u>	<u>\$ 44,653,690</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, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	18,066,838
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	46,808,214	
Machinery and equipment	<u>2,409,516</u>	52,124,132
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes		5,042,871
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 1,695,933	
OPEB related items	<u>110,588</u>	1,806,521
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	\$ (12,255,000)	
Literary loans	(1,042,327)	
Capital lease	(649,706)	
Lease revenue bonds	(10,319,651)	
Unamortized premiums	(37,293)	
Unamortized discounts	65,613	
Accrued interest payable	(170,166)	
Compensated absences	(851,627)	
Net pension liability	(6,009,532)	
Net OPEB liability	<u>(581,018)</u>	(31,850,707)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds		
Pension related items	\$ (516,528)	
OPEB related items	<u>(51,322)</u>	(567,850)
Net position of governmental activities		<u>\$ 44,621,805</u>

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

County of Carroll, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2020

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 28,997,823	\$ -	\$ 28,997,823
Other local taxes	4,685,781	-	4,685,781
Permits, privilege fees, and regulatory licenses	133,625	-	133,625
Fines and forfeitures	849,360	-	849,360
Revenue from the use of money and property	70,665	-	70,665
Charges for services	2,004,012	-	2,004,012
Miscellaneous	248,064	-	248,064
Recovered costs	2,094,798	-	2,094,798
Intergovernmental:			
Commonwealth	8,697,876	-	8,697,876
Federal	3,557,005	-	3,557,005
Total revenues	<u>\$ 51,339,009</u>	<u>\$ -</u>	<u>\$ 51,339,009</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 2,518,046	\$ -	\$ 2,518,046
Judicial administration	1,322,176	-	1,322,176
Public safety	9,465,079	-	9,465,079
Public works	2,092,736	-	2,092,736
Health and welfare	8,993,001	-	8,993,001
Education	10,765,065	-	10,765,065
Parks, recreation, and cultural	1,107,413	-	1,107,413
Community development	1,623,921	-	1,623,921
Debt service:			
Principal retirement	3,732,460	-	3,732,460
Interest and other fiscal charges	1,294,256	-	1,294,256
Total expenditures	<u>\$ 42,914,153</u>	<u>\$ -</u>	<u>\$ 42,914,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 8,424,856</u>	<u>\$ -</u>	<u>\$ 8,424,856</u>
Net change in fund balances	\$ 8,424,856	\$ -	\$ 8,424,856
Fund balances - beginning	9,627,955	14,027	9,641,982
Fund balances - ending	<u>\$ 18,052,811</u>	<u>\$ 14,027</u>	<u>\$ 18,066,838</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, 2020

---

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

Net change in fund balances - total governmental funds	\$	8,424,856
<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	\$	31,646
Depreciation expense		<u>(2,669,529)</u>
		(2,637,883)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(3,244)
<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		921,995
<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	\$	2,678,909
Lease revenue bonds		309,075
Literary loans		680,167
Capital lease		<u>64,309</u>
		3,732,460
<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	\$	76,133
Change in accrued interest payable		36,249
Amortization of bond premium		25,876
Amortization of bond discount		(7,313)
Change in pension related items		(358,988)
Change in OPEB related items		<u>23,848</u>
		(204,195)
Change in net position of governmental activities		<u>\$ 10,233,989</u>

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

County of Carroll, Virginia  
 Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2020

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 130,997
Total assets	<u>\$ 130,997</u>
 <b>LIABILITIES</b>	
Amounts held for social services clients	\$ 38,246
Amounts held for performance bonds	65,178
Amounts held for School Board employees	25,916
Amounts held for County employees	1,657
Total liabilities	<u>\$ 130,997</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, 2020

---

**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, 2020, 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, 2020, the County contributed \$317,892 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, 2020.

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, 2020, the County paid \$2,316,231 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 Agency Funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The Special Welfare, Performance Bond Escrow, County Flexible Spending Arrangement and School Board Flexible Spending Arrangement Funds are reported as agency funds.

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

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

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

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

1. Cash and Cash Equivalents

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.

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.

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

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

3. Receivables and Payables

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,260,360 at June 30, 2020 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 net fiduciary 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' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2020.

**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, 2020, the Children's Services Act (CSA) department had expenditures in excess of appropriations.

C. Deficit fund balance

At June 30, 2020, 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, 2020 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	\$ 11,553

Concentration of Credit Risk:

At June 30, 2020, 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	\$ 11,553	\$ 11,553

**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, 2020, the balance was \$469,715.

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

**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>
<b><u>Commonwealth of Virginia:</u></b>		
Local sales tax	\$ 451,445	\$ -
State sales tax	-	578,964
Categorical aid-shared expenses	207,110	-
Noncategorical aid	154,143	-
Virginia public assistance funds	82,912	-
Categorical aid-other	12,395	-
Comprehensive services act	359,663	-
<b><u>Federal Government:</u></b>		
Virginia public assistance funds	130,931	-
Other categorical aid	15,565	-
QSCB interest subsidy	333,126	-
School grants	-	428,119
Totals	<u>\$ 1,747,290</u>	<u>\$ 1,007,083</u>

**Note 6-Interfund Transfers and Balances:**

There were no interfund transfers for the year ended June 30, 2020.

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.

**Note 7-Interfund/Component-Unit Obligations:**

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
<b>Primary Government:</b>		
General Fund	\$ 703,704	\$ 1,913,925
<b>Component Unit - School Board:</b>		
School Operating Fund	1,198,131	-
<b>Component Unit - Public Service Authority:</b>		
PSA	<u>715,794</u>	<u>703,704</u>
Totals	<u>\$ 2,617,629</u>	<u>\$ 2,617,629</u>

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

**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, 2020:

	Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020
Direct Borrowings and Placements				
General obligation bonds	\$ 14,933,909	\$ -	\$ (2,678,909)	\$ 12,255,000
Unamortized bond premium	63,169	-	(25,876)	37,293
Unamortized bond discount	(72,926)	7,313	-	(65,613)
Literary loans	1,722,494	-	(680,167)	1,042,327
Lease revenue bonds	10,628,726	-	(309,075)	10,319,651
<b>Total Direct Borrowings and Placements</b>	<b>\$ 27,275,372</b>	<b>\$ 7,313</b>	<b>\$ (3,694,027)</b>	<b>\$ 23,588,658</b>
Capital lease	714,015	-	(64,309)	649,706
Compensated absences	927,760	619,687	(695,820)	851,627
Net OPEB liability	550,675	144,541	(114,198)	581,018
Net pension liability	4,586,342	4,227,151	(2,803,961)	6,009,532
<b>Total</b>	<b>\$ 34,054,164</b>	<b>\$ 4,998,692</b>	<b>\$ (7,372,315)</b>	<b>\$ 31,680,541</b>

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
2021	\$ 2,535,000	\$ 814,500	\$ 680,170	\$ 20,847	\$ 319,944	\$ 345,979
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
2026-2030	2,500,000	1,350,000	-	-	2,038,071	1,291,665
2031-2035	-	-	-	-	2,420,682	908,945
2036-2040	-	-	-	-	1,216,797	565,366
2041-2045	-	-	-	-	996,221	399,139
2046-2050	-	-	-	-	1,186,442	208,918
2051-2053	-	-	-	-	745,725	22,497
<b>Totals</b>	<b>\$ 12,255,000</b>	<b>\$ 4,972,170</b>	<b>\$ 1,042,327</b>	<b>\$ 28,090</b>	<b>\$ 10,319,651</b>	<b>\$ 5,010,405</b>

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**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	5.10%-6.35%	2000	2021	\$ 4,505,000	\$ 225,000	\$ 225,000
VPSA general obligation bond	4.10%-5.10%	2003	2023	21,115,000	3,330,000	1,110,000
VPSA (QSCB) general obligation bond	4.50%	2011	2027	15,000,000	8,700,000	1,200,000
Total General Obligation Bonds				<u>\$ 40,620,000</u>	<u>\$ 12,255,000</u>	<u>\$ 2,535,000</u>
<u>Lease Revenue Bonds</u>						
County Complex Revenue Bond	3.42%	2017	2036	\$ 5,200,000	\$ 4,767,400	\$ 227,700
Carroll County High School Revenue Bond - IDA	3.50%	2013	2053	5,932,500	5,552,251	92,244
Total Lease Revenue Bonds				<u>\$ 11,132,500</u>	<u>\$ 10,319,651</u>	<u>\$ 319,944</u>
<u>Literary Loans</u>						
Gladesboro Elementary	2.00%	2001	2021	\$ 2,873,440	\$ 143,672	\$ 143,672
Oakland Elementary	2.00%	2002	2022	3,075,495	307,549	153,775
Gladesville Elementary	2.00%	2002	2022	4,167,647	416,765	208,382
Laurel Elementary	2.00%	2001	2021	3,486,763	174,341	174,341
Total Literary Loans				<u>\$ 13,603,345</u>	<u>\$ 1,042,327</u>	<u>\$ 680,170</u>
Subtotal Direct Borrowings and Placements					<u>\$ 23,616,978</u>	<u>\$ 3,535,114</u>
Plus:						
Unamortized Premium					37,293	17,052
Unamortized Discount					(65,613)	(7,312)
Total Direct Borrowings and Placements					<u>\$ 23,588,658</u>	<u>\$ 3,544,854</u>
<u>Other Long-term Obligations</u>						
Capital lease (Note 10)					\$ 649,706	\$ 77,040
Compensated absences					851,627	638,720
Net OPEB liability					581,018	-
Net pension liability					6,009,532	-
Total Other Long-term Obligations					<u>\$ 8,091,883</u>	<u>\$ 715,760</u>
Total Long-term Obligations					<u>\$ 31,680,541</u>	<u>\$ 4,260,614</u>

\*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, 2020

**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 2020, the sequester reduction rate was 5.90%.

For financial reporting purposes the lease purchase agreements are treated as revenue bonds of the County as title to the property has passed to the County. The 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, 2020:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Net OPEB liabilities	\$ 9,937,000	\$ 1,731,408	\$ (1,498,411)	\$ 10,169,997
Compensated absences	874,701	634,621	(656,026)	853,296
Net pension liability	<u>31,380,332</u>	<u>12,743,946</u>	<u>(10,521,283)</u>	<u>33,602,995</u>
Total	<u>\$ 42,192,033</u>	<u>\$ 15,109,975</u>	<u>\$ (12,675,720)</u>	<u>\$ 44,626,288</u>

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>Other Obligations:</b>		
Net OPEB liabilities	\$ 10,169,997	\$ -
Compensated absences	853,296	639,972
Net pension liability	<u>33,602,995</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 44,626,288</u>	<u>\$ 639,972</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

**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>(313,507)</u>	<u>(120,062)</u>
Net Capital Assets	<u>\$ 193,462</u>	<u>\$ 325,160</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2020, were as follows:

<u>Year Ending June 30,</u>	<u>School Buses</u>	<u>Fire Truck</u>
2021	\$ 59,064	\$ 38,205
2022	59,064	30,564
2023	59,064	30,564
2024	59,064	30,564
2025	59,064	30,564
2026-2030	41,114	152,820
2031-2034	<u>-</u>	<u>95,741</u>
Subtotal	\$ 336,434	\$ 409,022
Less, amount representing interest	<u>(28,606)</u>	<u>(67,144)</u>
Present Value of Lease Agreement	<u>\$ 307,828</u>	<u>\$ 341,878</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 hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of 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 hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of 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 hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of 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, 2020 was 10.08% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$653,879 and \$679,392 for the years ended June 30, 2020 and June 30, 2019, respectively.

The Component Unit Public Service Authority's (PSA) contractually required employer contribution rate for the year ended June 30, 2020 was 10.08% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit PSA were \$44,439 and \$57,630 for the years ended June 30, 2020 and June 30, 2019, respectively.

***Net Pension Liability***

At June 30, 2020, the County reported a liability of \$6,009,532 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 were used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2019 and 2018, the County's proportions were 87.1068% and 86.9945%, respectively.

At June 30, 2020, the Authority reported a liability of \$509,765 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2019 and 2018 as a basis for allocation. At June 30, 2019 and 2018, the Authority's proportions were 7.3889% and 7.5591%, 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 Unite School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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, 2018 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, 2018, 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, 2019.

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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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, 2018 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>Target 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%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

\* The above allocation provides a one-year return of 7.63%. 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%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

**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, 2019, 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, 2019, 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, 2019 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:

	<b>Rate</b>		
	<b>(5.75%)</b>	<b>(6.75%)</b>	<b>(7.75%)</b>
County's proportionate share of the County Retirement Plan Net Pension Liability	\$ 10,466,801	\$ 6,009,532	\$ 2,460,644
Component Unit Public Service Authority's proportionate share of the County Retirement Plan Net Pension Liability	\$ 887,854	\$ 509,765	\$ 208,726

**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, 2020, the County and Component Unit PSA recognized pension expense of \$1,012,973 and \$72,976 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, 2020, 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	\$ 306,569	\$ 240,716	\$ 26,237	\$ 21,665
Change in proportionate share	25,065	-	-	27,495
Change in assumptions	710,420	35,245	60,262	3,375
Net difference between projected and actual earnings on pension plan investments	-	240,567	-	23,170
Employer contributions subsequent to the measurement date	653,879	-	44,439	-
<b>Total</b>	<b>\$ 1,695,933</b>	<b>\$ 516,528</b>	<b>\$ 130,938</b>	<b>\$ 75,705</b>

\$653,879 and \$44,439 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, 2021. 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
2021	\$ 197,184	\$ 1,792
2022	77,419	(9,867)
2023	234,411	17,470
2024	16,512	1,399
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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Component Unit School Board Nonprofessional</b>
Inactive members or their beneficiaries currently receiving benefits	98
Inactive members:	
Vested inactive members	11
Non-vested inactive members	13
Inactive members active elsewhere in VRS	<u>26</u>
Total inactive members	50
Active members	<u>98</u>
Total covered employees	<u><u>246</u></u>

***Contributions***

The Component Unit School Board’s (nonprofessional) contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 was 6.01% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$114,668 and \$113,832 for the years ended June 30, 2020 and June 30, 2019, 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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

***Changes in Net Pension Liability***

	<b>Component School Board (nonprofessional)</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2018	\$ 10,472,835	\$ 10,425,503	\$ 47,332
Changes for the year:			
Service cost	\$ 209,826	\$ -	\$ 209,826
Interest	710,318	-	710,318
Change in assumptions	267,717	-	267,717
Differences between expected and actual experience	(226,345)	-	(226,345)
Contributions - employer	-	113,830	(113,830)
Contributions - employee	-	95,557	(95,557)
Net investment income	-	679,146	(679,146)
Benefit payments, including refunds of employee contributions	(650,875)	(650,875)	-
Administrative expenses	-	(7,034)	7,034
Other changes	-	(425)	425
Net changes	\$ 310,641	\$ 230,199	\$ 80,442
Balances at June 30, 2019	\$ 10,783,476	\$ 10,655,702	\$ 127,774

**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)	\$ 1,285,572	\$ 127,774	\$ (805,054)

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

For the year ended June 30, 2020, the Component Unit School Board (nonprofessional) recognized pension expense of \$(28,598). At June 30, 2020, 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	\$ -	\$ 252,673
Changes of assumptions	158,445	15,686
Net difference between projected and actual earnings on pension plan investments	-	91,697
Employer contributions subsequent to the measurement date	<u>114,668</u>	<u>-</u>
Total	<u>\$ 273,113</u>	<u>\$ 360,056</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)***

\$114,668 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, 2021. 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>
2021	\$ (116,887)
2022	(89,941)
2023	(1,769)
2024	6,986
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, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$3,356,000 and \$3,257,343 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the school division reported a liability of \$33,475,221 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division’s proportion was 0.25436% as compared to 0.26644% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$3,074,616. 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, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 2,143,560
Net difference between projected and actual earnings on pension plan investments	-	735,036
Change of assumptions	3,314,832	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	507,178	2,177,630
Employer contributions subsequent to the measurement date	3,356,000	-
Total	\$ 7,178,010	\$ 5,056,226

**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)***

\$3,356,000 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2021. 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>
2021	\$ (462,538)
2022	(1,000,155)
2023	(77,334)
2024	164,595
Thereafter	141,216

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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, 2018 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, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$ 49,683,336
Plan Fiduciary Net Position	<u>36,522,769</u>
Employers' Net Pension Liability (Asset)	<u>\$ 13,160,567</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%

**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:

	<b>Rate</b>		
	<b>(5.75%)</b>	<b>(6.75%)</b>	<b>(7.75%)</b>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 50,394,751	\$ 33,475,221	\$ 19,485,904

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	521
Total retirees with coverage	<u>16</u>
Total	<u><u>537</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 form 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, 2020 was \$0.

**Total OPEB Liability**

The Schools' total OPEB liability was measured as of July 1, 2019. 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, 2019 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	12.30% for fiscal year end 2019 and (4.98%) for fiscal yaer end 2020 (to reflect actual experience), then 6.50% for fiscal year end 2021, decreasing 0.25% per year to an ultimate rate of 5.00%
Discount Rate	3.13%
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-2019.

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

**Discount Rate**

The discount rate has been set equal to 3.13% and represents the Municipal GO AA 20-year yield curve rate as of the measurement date.

**Changes in Total OPEB Liability**

	<b>Component Unit School Board Total OPEB Liability</b>
Balances at July 1, 2019	\$ 4,311,000
Changes for the year:	
Service cost	232,000
Interest	164,000
Difference between expected and actual experience	(377,000)
Assumption changes	188,000
Net changes	\$ 207,000
Balances at June 30, 2020	\$ 4,518,000

**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 (2.13%) or one-percentage point higher (4.13%) than the current discount rate:

<b>Rate</b>		
<b>1% Decrease (2.13%)</b>	<b>Current Discount Rate (3.13%)</b>	<b>1% Increase (4.13%)</b>
\$ 4,938,000	\$ 4,518,000	\$ 4,134,000

**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 (3.98%) or one-percentage point higher (5.98%) than the current healthcare cost trend rates:

Rate		
1% Decrease (3.98%)	Current Rate (4.98%)	1% Increase (5.98%)
\$ 3,960,000	\$ 4,518,000	\$ 5,179,000

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

For the year ended June 30, 2020, the Schools will recognize OPEB expense in the amount of \$128,000.

At June 30, 2020, 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	\$ -	\$ 1,270,000
Change of assumptions	158,000	120,000
Total	\$ 158,000	\$ 1,390,000

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:

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

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

<u>Year ended June 30</u>	<u>Component Unit School Board</u>
2021	\$ (280,000)
2022	(280,000)
2023	(280,000)
2024	(280,000)
2025	(103,000)
Thereafter	(9,000)

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.

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

***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 \$8,463 as of June 30, 2020.

***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 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the GLI Program from the County were \$35,264 and \$36,394 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the GLI Program from the Component Unit-School Board (nonprofessional) were \$10,683 and \$10,485 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the GLI Program from the Component Unit-School Board (professional) were \$113,611 and \$109,834 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the County reported a liability of \$581,018 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2020, the Component Unit-School Board (nonprofessional) reported a liability of \$167,283 for its proportionate share of the Net GLI OPEB Liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

**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) reported a liability of \$1,753,705 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2019, the County's proportion was 0.04099% as compared to 0.04170% at June 30, 2018.

At June 30, 2019, the Component Unit-School Board (nonprofessional) proportion was 0.01028% as compared to 0.01078% at June 30, 2018.

At June 30, 2019, the Component Unit-School Board (professional) proportion was 0.10777% as compared to 0.11234% at June 30, 2018.

For the year ended June 30, 2020, the County recognized GLI OPEB expense of \$10,144. 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, 2020, the Component-Unit School Board (nonprofessional) recognized GLI OPEB expense of \$(5,344). 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, 2020, the Component-Unit School Board (professional) recognized GLI OPEB expense of \$27,195. 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, 2020, 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	\$ 38,642	\$ 7,538	\$ 11,125	\$ 2,169	\$ 116,632	\$ 22,748
Net difference between projected and actual earnings on GLI OPEB plan investments	-	11,935	-	3,436	-	36,022
Change in assumptions	36,682	17,520	10,561	5,044	110,719	52,882
Changes in proportion	-	14,329	-	35,706	34,888	113,887
Employer contributions subsequent to the measurement date	35,264	-	10,683	-	113,611	-
Total	\$ 110,588	\$ 51,322	\$ 32,369	\$ 46,355	\$ 375,850	\$ 225,539

**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)***

\$35,264, \$10,683, and \$113,611 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit- School Board (Nonprofessional)	Component Unit- School Board (Professional)
2021	\$ (1,227)	\$ (8,618)	\$ (7,126)
2022	(1,227)	(8,618)	(7,125)
2023	3,827	(7,162)	8,132
2024	9,408	(2,374)	16,496
2025	10,408	1,555	20,055
Thereafter	2,813	548	6,268

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Informational for other groups can be referenced in the VRS CAFR.

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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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, 2018 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, 2018 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, 2018 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, 2019, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		<b>GLI OPEB Plan</b>
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
GLI Net OPEB Liability (Asset)	\$	<u>1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

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.

*Remaining portion of this page left blank intentionally.*

**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>Target 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%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

\*The above allocation provides a one-year return of 7.63%. 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%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

***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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 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	\$ 763,297	\$ 581,018	\$ 433,195
Component Unit-School Board (Nonprofessional) proportionate share of the GLI Plan Net OPEB Liability	\$ 219,763	\$ 167,283	\$ 124,722
Component Unit-School Board (Professional) proportionate share of the GLI Plan Net OPEB Liability	\$ 2,303,883	\$ 1,753,705	\$ 1,307,526

***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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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, 2018 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<b>Component Unit - School Board Nonprofessional</b>
Inactive members or their beneficiaries currently receiving benefits	52
Active members	98
Total covered employees	150

**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, 2020 was 1.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 \$25,649 and \$25,185 for the year ended June 30, 2020 and June 30, 2019, respectively.

***Net HIC OPEB Liability***

The Component Unit-School Board's (Nonprofessional) net HIC OPEB liability was measured as of June 30, 2019. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

***Actuarial Assumptions***

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation:	
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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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, 2018 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

\*The above allocation provides a one-year return of 7.63%. 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%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

***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, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 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, 2018	\$ 382,448	\$ (25,104)	\$ 407,552
Changes for the year:			
Service cost	\$ 7,116	\$ -	\$ 7,116
Interest	14,429	-	14,429
Differences between expected and actual experience	19,019	-	19,019
Assumption changes	15,698	-	15,698
Contributions - employer	-	25,185	(25,185)
Benefit payments	(23,028)	(23,028)	-
Net changes	<u>\$ 33,234</u>	<u>\$ 2,157</u>	<u>\$ 31,077</u>
Balances at June 30, 2019	<u>\$ 415,682</u>	<u>\$ (22,947)</u>	<u>\$ 438,629</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	\$ 483,628	\$ 438,629	\$ 400,206

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

**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, 2020, the Component Unit-School Board (Nonprofessional) recognized HIC Plan OPEB expense of \$17,716. At June 30, 2020, 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	\$ 14,276	\$ 15,281
Net difference between projected and actual earnings on HIC OPEB plan investments	-	2,965
Change in assumptions	11,783	12,932
Employer contributions subsequent to the measurement date	25,649	-
Total	\$ 51,708	\$ 31,178

\$25,649 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, 2021. 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)
2021	\$ (5,511)
2022	(4,386)
2023	5,031
2024	(253)
2025	-
Thereafter	-

***HIC Plan Data***

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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 with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

***HIC 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, 2020 was 1.20% 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, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$261,752 and \$253,077 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the school division reported a liability of \$3,292,380 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, 2019 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, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Program was 0.25150% as compared to 0.26368% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$245,497. 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.

*Remaining portion of this page left blank intentionally.*

**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, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 18,649
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	208	-
Change in assumptions	76,629	22,877
Change in proportion	46,036	216,505
Employer contributions subsequent to the measurement date	<u>261,752</u>	<u>-</u>
Total	<u>\$ 384,625</u>	<u>\$ 258,031</u>

\$261,752 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Component Unit- School Board (Professional)</u>
2021	\$ (22,351)
2022	(22,354)
2023	(20,911)
2024	(21,394)
2025	(23,707)
Thereafter	(24,441)

**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, 2018, 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, 2019.

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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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, 2018 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, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.97%

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>Target 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%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

\*The above allocation provides a one-year return of 7.63%. 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%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

***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, 2019, 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, 2019 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	\$ 3,684,733	\$ 3,292,380	\$ 2,959,077

***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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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	\$ 1,695,933	\$ 516,528	\$ 6,009,532	\$ 1,012,973	\$ 130,938	\$ 75,705	\$ 509,765	\$ 72,976	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	-	-	-	-	273,113	360,056	127,774	(28,598)
School Board Professional	-	-	-	-	-	-	-	-	7,178,010	5,056,226	33,475,221	3,074,616
Totals	\$ 1,695,933	\$ 516,528	\$ 6,009,532	\$ 1,012,973	\$ 130,938	\$ 75,705	\$ 509,765	\$ 72,976	\$ 7,451,123	\$ 5,416,282	\$ 33,602,995	\$ 3,046,018

**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)	\$ -	\$ -	\$ -	\$ -	\$ 158,000	\$ 1,390,000	\$ 4,518,000	\$ 128,000
VRS OPEB Plans:								
Group Life Insurance Plan (Note 13):								
County	-	110,588	581,018	10,144	-	-	-	-
School Board Nonprofessional	-	-	-	-	32,369	46,355	167,283	(5,344)
School Board Professional	-	-	-	-	375,850	225,539	1,753,705	27,195
School Board (nonprofessional) Health Insurance Credit Plan (Note 14)	-	-	-	-	51,708	31,178	438,629	17,716
Teacher Health Insurance Credit Plan (Note 15)	-	-	-	-	384,625	258,031	3,292,380	245,497
Totals	\$ 110,588	\$ 51,322	\$ 581,018	\$ 10,144	\$ 1,002,552	\$ 1,951,103	\$ 10,169,997	\$ 413,064

**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, 2020 was \$49,239.

**Note 19-Capital Assets:**

Capital asset activity for the year ended June 30, 2020 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	\$ -	\$ -	\$ 78,011,563
Machinery and equipment	11,452,914	31,646	(104,029)	11,380,531
Total capital assets being depreciated	<u>\$ 89,464,477</u>	<u>\$ 31,646</u>	<u>\$ (104,029)</u>	<u>\$ 89,392,094</u>
Accumulated depreciation:				
Buildings and improvements	\$ (29,091,186)	\$ (2,112,163)	\$ -	\$ (31,203,349)
Machinery and equipment	(8,514,434)	(557,366)	100,785	(8,971,015)
Total accumulated depreciation	<u>\$ (37,605,620)</u>	<u>\$ (2,669,529)</u>	<u>\$ 100,785</u>	<u>\$ (40,174,364)</u>
Total capital assets being depreciated, net	<u>\$ 51,858,857</u>	<u>\$ (2,637,883)</u>	<u>\$ (3,244)</u>	<u>\$ 49,217,730</u>
Governmental activities capital assets, net	<u>\$ 54,765,259</u>	<u>\$ (2,637,883)</u>	<u>\$ (3,244)</u>	<u>\$ 52,124,132</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

**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	\$ 82,424
Judicial administration	2,942
Public safety	454,425
Public works	339,093
Health and welfare	2,829
Education	1,746,035
Parks, recreation, and cultural	25,713
Community development	<u>16,068</u>
Total depreciation governmental activities	<u>\$ 2,669,529</u>

Capital asset activity for the School Board for the year ended June 30, 2020 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	\$ -	\$ -	\$ 1,489,200
Total capital assets not being depreciated	<u>\$ 1,489,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,489,200</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 11,734,035	\$ 10,652	\$ -	\$ 11,744,687
Improvement other than buildings	153,754	-	-	153,754
Machinery and equipment	7,134,693	206,585	(311,730)	7,029,548
Total capital assets being depreciated	<u>\$ 19,022,482</u>	<u>\$ 217,237</u>	<u>\$ (311,730)</u>	<u>\$ 18,927,989</u>
Accumulated depreciation:				
Buildings and improvements	\$ (9,155,240)	\$ (279,699)	\$ -	\$ (9,434,939)
Improvement other than buildings	(37,554)	(7,688)	-	(45,242)
Machinery and equipment	(5,497,941)	(396,739)	311,730	(5,582,950)
Total accumulated depreciation	<u>\$ (14,690,735)</u>	<u>\$ (684,126)</u>	<u>\$ 311,730</u>	<u>\$ (15,063,131)</u>
Total capital assets being depreciated, net	<u>\$ 4,331,747</u>	<u>\$ (466,889)</u>	<u>\$ -</u>	<u>\$ 3,864,858</u>
Governmental activities capital assets, net	<u>\$ 5,820,947</u>	<u>\$ (466,889)</u>	<u>\$ -</u>	<u>\$ 5,354,058</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:

<b><u>Fidelity &amp; Deposit Company of Maryland-Surety:</u></b>	
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, 2020

**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	\$ -	\$ 5,042,871
Tax assessments due after June 30	16,805,091	16,805,091
Prepaid property taxes due after June 30 but paid in advance by taxpayers	<u>142,936</u>	<u>142,936</u>
Total unavailable/deferred revenue	<u>\$ 16,948,027</u>	<u>\$ 21,990,898</u>

**Note 25-Litigation:**

As of June 30, 2020, 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-Subsequent Events:**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The County of Carroll, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

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. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

**Note 26-Subsequent Events: (Continued)**

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. The County of Carroll, Virginia, received the second round of CRF funds in the amount of \$2,599,150 on August 27, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2021 will be returned to the federal government.

**Note 27-Upcoming Pronouncements:**

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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.

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. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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.

**Note 27-Upcoming Pronouncements: (Continued)**

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.

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 22,115,502	\$ 21,631,164	\$ 28,997,823	\$ 7,366,659
Other local taxes	4,355,903	4,840,241	4,685,781	(154,460)
Permits, privilege fees, and regulatory licenses	100,005	100,005	133,625	33,620
Fines and forfeitures	1,300,000	1,300,000	849,360	(450,640)
Revenue from the use of money and property	161,635	161,635	70,665	(90,970)
Charges for services	2,303,786	2,303,786	2,004,012	(299,774)
Miscellaneous	175,900	175,900	248,064	72,164
Recovered costs	2,143,793	2,143,793	2,094,798	(48,995)
Intergovernmental:				
Commonwealth	8,276,522	8,276,522	8,697,876	421,354
Federal	2,823,314	2,823,314	3,557,005	733,691
Total revenues	\$ 43,756,360	\$ 43,756,360	\$ 51,339,009	\$ 7,582,649
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,865,599	\$ 2,729,336	\$ 2,518,046	\$ 211,290
Judicial administration	1,371,250	1,365,883	1,322,176	43,707
Public safety	9,834,920	10,271,531	9,465,079	806,452
Public works	2,561,804	2,485,318	2,092,736	392,582
Health and welfare	7,669,168	8,669,529	8,993,001	(323,472)
Education	11,313,008	10,813,008	10,765,065	47,943
Parks, recreation, and cultural	1,484,156	1,397,739	1,107,413	290,326
Community development	1,711,725	1,009,560	1,623,921	(614,361)
Debt service:				
Principal retirement	3,650,474	3,650,474	3,732,460	(81,986)
Interest and other fiscal charges	1,294,256	1,294,256	1,294,256	-
Total expenditures	\$ 43,756,360	\$ 43,686,634	\$ 42,914,153	\$ 772,481
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 69,726	\$ 8,424,856	\$ 8,355,130
Net change in fund balances	\$ -	\$ 69,726	\$ 8,424,856	\$ 8,355,130
Fund balances - beginning	-	-	9,627,955	9,627,955
Fund balances - ending	\$ -	\$ 69,726	\$ 18,052,811	\$ 17,983,085

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, 2019

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)
<b>Primary Government - County Retirement Plan</b>					
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%
<b>Component Unit Public Service Authority</b>					
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%
<b>Component Unit School Board (professional)</b>					
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, 2019

	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 209,826	\$ 221,654	\$ 266,275	\$ 270,954	\$ 272,694	\$ 282,837
Interest	710,318	712,918	711,451	685,916	678,210	650,702
Differences between expected and actual experience	(226,345)	(335,847)	(194,378)	24,401	(276,046)	-
Changes of assumptions	267,717	-	(120,248)	-	-	-
Benefit payments	(650,875)	(620,860)	(639,723)	(569,530)	(559,995)	(521,158)
Refund of contributions	-	-	(23,716)	-	-	-
<b>Net change in total pension liability</b>	\$ 310,641	\$ (22,135)	\$ (339)	\$ 411,741	\$ 114,863	\$ 412,381
<b>Total pension liability - beginning</b>	<u>10,472,835</u>	<u>10,494,970</u>	<u>10,495,309</u>	<u>10,083,568</u>	<u>9,968,705</u>	<u>9,556,324</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 10,783,476</u>	<u>\$ 10,472,835</u>	<u>\$ 10,494,970</u>	<u>\$ 10,495,309</u>	<u>\$ 10,083,568</u>	<u>\$ 9,968,705</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 113,830	\$ 150,251	\$ 156,370	\$ 240,176	\$ 239,595	\$ 259,093
Contributions - employee	95,557	97,709	102,599	122,474	122,507	123,499
Net investment income	679,146	735,374	1,119,816	160,748	418,458	1,264,799
Benefit payments	(650,875)	(620,860)	(639,723)	(569,530)	(559,995)	(521,158)
Refund of contributions	-	-	(23,716)	-	-	-
Administrator charges	(7,034)	(6,533)	(6,738)	(5,902)	(5,839)	(6,876)
Other	(425)	(647)	(984)	(69)	(88)	67
<b>Net change in plan fiduciary net position</b>	\$ 230,199	\$ 355,294	\$ 707,624	\$ (52,103)	\$ 214,638	\$ 1,119,424
<b>Plan fiduciary net position - beginning</b>	<u>10,425,503</u>	<u>10,070,209</u>	<u>9,362,585</u>	<u>9,414,688</u>	<u>9,200,050</u>	<u>8,080,626</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 10,655,702</u>	<u>\$ 10,425,503</u>	<u>\$ 10,070,209</u>	<u>\$ 9,362,585</u>	<u>\$ 9,414,688</u>	<u>\$ 9,200,050</u>
<b>School Division's net pension liability - ending (a) - (b)</b>	\$ 127,774	\$ 47,332	\$ 424,761	\$ 1,132,724	\$ 668,880	\$ 768,655
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	98.82%	99.55%	95.95%	89.21%	93.37%	92.29%
<b>Covered payroll</b>	\$ 2,014,862	\$ 2,039,840	\$ 2,093,296	\$ 2,483,064	\$ 2,463,253	\$ 2,469,959
<b>School Division's net pension liability as a percentage of covered payroll</b>	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, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
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%
<b>Component Unit Public Service Authority</b>					
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%
<b>Component Unit School Board (nonprofessional)</b>					
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%
2011	194,444	194,444	-	2,492,872	7.80%
<b>Component Unit School Board (professional)</b>					
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%
2011	765,893	765,893	-	19,488,369	3.93%

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  
For the Year Ended June 30, 2020

**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, 2018, 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, 2019

	2019	2018	2017
<b>Total OPEB liability</b>			
Service cost	\$ 232,000	\$ 224,000	\$ 219,000
Interest	164,000	202,000	190,000
Differences between expected and actual experience	(377,000)	(1,397,000)	-
Assumption changes	188,000	-	-
Benefit payments	-	-	(126,000)
Other changes	-	(176,000)	-
<b>Net change in total OPEB liability</b>	\$ 207,000	\$ (1,147,000)	\$ 283,000
<b>Total OPEB liability - beginning</b>	<u>4,311,000</u>	<u>5,458,000</u>	<u>5,175,000</u>
<b>Total OPEB liability - ending</b>	<u><u>4,518,000</u></u>	<u><u>4,311,000</u></u>	<u><u>5,458,000</u></u>
<b>Covered-employee payroll</b>	\$ 21,669,000	\$ 21,669,000	\$ 23,677,000
<b>Component Unit School Board's total OPEB liability (asset) as a percentage of covered-employee payroll</b>	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, 2020

---

Valuation Date: 7/1/2018  
 Measurement Date: 7/1/2019

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	12.30% for fiscal year 2019 and (4.98%) for fiscal year end 2020 (to reflect actual experience), then 6.50% for fiscal year end 2021, decreasing 0.25% per year to an ultimate rate of 5.00%
Discount Rate	3.13%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table, fully generatinal with base layer 2006, projected using two-dimensional mortality improvement scale MP-2019.

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, 2019

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					
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)					
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)					
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, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
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%
<b>Component Unit School Board (nonprofessional)</b>					
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%
2011	7,001	7,001	-	2,500,403	0.28%
<b>Component Unit School Board (professional)</b>					
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%
2011	54,748	54,748	-	19,552,727	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, 2020

**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, 2018 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, 2019

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

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

County of Carroll, Virginia  
 Schedule of Employer Contributions  
 Health Insurance Credit (HIC) Plan  
 For the Years Ended June 30, 2012 through June 30, 2020

---

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Component Unit - School Board (nonprofessional)</b>					
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%

Schedule is intended to show information for 10 years. Information prior to the 2012 valuation is not available. However, additional years will be included as they become available.

County of Carroll, Virginia  
Notes to Required Supplementary Information  
Health Insurance Credit (HIC) Plan  
For the Year Ended June 30, 2020

---

**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, 2018, 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, 2019

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)
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, 2011 through June 30, 2020

---

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)
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%
2011	116,653	116,653	-	19,442,133	0.60%

County of Carroll, Virginia  
Notes to Required Supplementary Information  
Teacher Employee Health Insurance Credit (HIC) Plan  
For the Year Ended June 30, 2020

---

**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, 2018 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, 2020

	Agency Funds				<u>Total</u>
	<u>Special Welfare</u>	<u>School Board FSA</u>	<u>County FSA</u>	<u>Performance Bond Escrow</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 38,246	\$ 25,916	\$ 1,657	\$ 65,178	\$ 130,997
Total assets	<u>\$ 38,246</u>	<u>\$ 25,916</u>	<u>\$ 1,657</u>	<u>\$ 65,178</u>	<u>\$ 130,997</u>
<b>LIABILITIES</b>					
Amounts held for social services clients	\$ 38,246	\$ -	\$ -	\$ -	\$ 38,246
Amounts held for performance bonds	-	-	-	65,178	65,178
Amounts held for School Board employees	-	25,916	-	-	25,916
Amounts held for County employees	-	-	1,657	-	1,657
Total liabilities	<u>\$ 38,246</u>	<u>\$ 25,916</u>	<u>\$ 1,657</u>	<u>\$ 65,178</u>	<u>\$ 130,997</u>

County of Carroll, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
June 30, 2020

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Current Assets				
Cash and cash equivalents				
Special Welfare	\$ 26,071	\$ 157,388	\$ (145,213)	\$ 38,246
Performance Bond Escrow	80,178	2,500	(17,500)	65,178
School Board FSA	20,964	54,893	(49,941)	25,916
County FSA	1,825	13,815	(13,983)	1,657
Total cash and cash equivalents	<u>\$ 129,038</u>	<u>\$ 228,596</u>	<u>\$ (226,637)</u>	<u>\$ 130,997</u>
Total Assets	<u>\$ 129,038</u>	<u>\$ 228,596</u>	<u>\$ (226,637)</u>	<u>\$ 130,997</u>
<b>Liabilities</b>				
Amounts held for social services clients	\$ 26,071	\$ 157,388	\$ (145,213)	\$ 38,246
Amounts held for performance bonds	80,178	2,500	(17,500)	65,178
Amounts held for School Board employees	20,964	54,893	(49,941)	25,916
Amounts held for County employees	1,825	13,815	(13,983)	1,657
Total Liabilities	<u>\$ 129,038</u>	<u>\$ 228,596</u>	<u>\$ (226,637)</u>	<u>\$ 130,997</u>

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

**MAJOR GOVERNMENTAL FUNDS**

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

County of Carroll, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2020

		<u>School Operating Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	2,143,161
Receivables (net of allowance)		
Accounts receivable		6,106
Due from other governmental units		1,007,083
Prepaid items		229,591
Restricted assets:		
Cash and cash equivalents		312,007
Total assets	\$	<u>3,697,948</u>
<b>LIABILITIES</b>		
Accounts payable	\$	218,650
Accrued liabilities		2,021,211
Due to primary government		1,198,131
Total liabilities	\$	<u>3,437,992</u>
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid items	\$	229,591
Restricted:		
Cafeteria operations		259,432
Committed:		
Textbook purchases		524
Unassigned:		(229,591)
Total fund balances	\$	<u>259,956</u>
Total liabilities and fund balances	\$	<u>3,697,948</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	259,956
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	1,489,200
Buildings and improvements		2,309,748
Improvement other than buildings		108,512
Machinery and equipment		1,446,598
		<u>5,354,058</u>
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	7,451,123
OPEB related items		1,002,552
		<u>8,453,675</u>
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	\$	(10,169,997)
Compensated absences		(853,296)
Net pension liability		(33,602,995)
		<u>(44,626,288)</u>
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(5,416,282)
OPEB related items		(1,951,103)
		<u>(7,367,385)</u>
Net position of governmental activities	\$	<u><u>(37,925,984)</u></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, 2020

		<u>School Operating Fund</u>
<b>REVENUES</b>		
Revenue from the use of money and property	\$	39,248
Charges for services		1,119,477
Miscellaneous		159,371
Recovered costs		375,295
Intergovernmental:		
Local government		10,705,286
Commonwealth		28,342,429
Federal		4,849,024
Total revenues	\$	<u>45,590,130</u>
<b>EXPENDITURES</b>		
Current:		
Education	\$	45,436,526
Total expenditures	\$	<u>45,436,526</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>153,604</u>
Net change in fund balances	\$	153,604
Fund balances - beginning		106,352
Fund balances - ending	\$	<u><u>259,956</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Net change in fund balances - total governmental funds - per above	\$	153,604
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	\$	217,237
Depreciation expense		<u>(684,126)</u>
		(466,889)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	\$	21,405
Change in pension related items		498,368
Change in OPEB related items		<u>(115,129)</u>
		404,644
Change in net position of governmental activities	\$	<u><u>91,359</u></u>

**County of Carroll, Virginia**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Discretely Presented Component Unit - School Board**  
**For the Year Ended June 30, 2020**

	<u>School Operating Fund</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 34,265	\$ 34,265	\$ 39,248	\$ 4,983
Charges for services	1,418,184	1,418,184	1,119,477	(298,707)
Miscellaneous	228,750	228,750	159,371	(69,379)
Recovered costs	1,035,623	1,035,623	375,295	(660,328)
Intergovernmental:				
Local government	11,251,664	11,251,664	10,705,286	(546,378)
Commonwealth	27,365,825	27,527,829	28,342,429	814,600
Federal	4,461,218	4,461,218	4,849,024	387,806
Total revenues	<u>\$ 45,795,529</u>	<u>\$ 45,957,533</u>	<u>\$ 45,590,130</u>	<u>\$ (367,403)</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>\$ 46,035,529</u>	<u>\$ 46,197,533</u>	<u>\$ 45,436,526</u>	<u>\$ 761,007</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (240,000)</u>	<u>\$ (240,000)</u>	<u>\$ 153,604</u>	<u>\$ 393,604</u>
Net change in fund balances	\$ (240,000)	\$ (240,000)	\$ 153,604	\$ 393,604
Fund balances - beginning	240,000	240,000	106,352	(133,648)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,956</u>	<u>\$ 259,956</u>

## **Supporting Schedules**

County of Carroll, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 18,032,759	\$ 18,032,759	\$ 21,925,748	\$ 3,892,989
Real and personal public service corporation taxes	976,442	976,442	949,083	(27,359)
Personal property taxes	5,256,152	5,256,152	4,210,034	(1,046,118)
Mobile home taxes	73,814	73,814	83,966	10,152
Machinery and tools taxes	889,820	889,820	968,474	78,654
Merchant's capital taxes	232,703	232,703	225,488	(7,215)
Penalties	150,000	150,000	167,866	17,866
Interest	350,000	350,000	467,164	117,164
Fund balance rejuvenation	(3,846,188)	(4,330,526)	-	4,330,526
Total general property taxes	<u>\$ 22,115,502</u>	<u>\$ 21,631,164</u>	<u>\$ 28,997,823</u>	<u>\$ 7,366,659</u>
Other local taxes:				
Local sales and use taxes	\$ 1,950,950	\$ 1,950,950	\$ 2,120,199	\$ 169,249
Consumers' utility taxes- electric	670,000	670,000	676,928	6,928
Consumers' utility taxes- telephone	47,000	47,000	42,299	(4,701)
Consumption taxes	95,000	95,000	97,099	2,099
Recordation taxes	144,500	144,500	177,752	33,252
Motor vehicle licenses	436,453	920,791	743,739	(177,052)
Bank stock taxes	12,000	12,000	18,429	6,429
Hotel and motel room taxes	405,000	405,000	282,798	(122,202)
Restaurant food taxes	595,000	595,000	526,538	(68,462)
Total other local taxes	<u>\$ 4,355,903</u>	<u>\$ 4,840,241</u>	<u>\$ 4,685,781</u>	<u>\$ (154,460)</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 70,000	\$ 70,000	\$ 107,334	\$ 37,334
Animal licenses	14,000	14,000	9,995	(4,005)
Other permits and licenses	16,005	16,005	16,296	291
Total permits, privilege fees, and regulatory licenses	<u>\$ 100,005</u>	<u>\$ 100,005</u>	<u>\$ 133,625</u>	<u>\$ 33,620</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,300,000	\$ 1,300,000	\$ 849,360	\$ (450,640)
Revenue from use of money and property:				
Revenue from use of money	\$ 135,633	\$ 135,633	\$ 44,347	\$ (91,286)
Revenue from use of property	26,002	26,002	26,318	316
Total revenue from use of money and property	<u>\$ 161,635</u>	<u>\$ 161,635</u>	<u>\$ 70,665</u>	<u>\$ (90,970)</u>
Charges for services:				
Charges for EMS	\$ 1,456,331	\$ 1,456,331	\$ 1,435,554	\$ (20,777)
Charges for farmer's market	410,000	410,000	222,524	(187,476)
Charges for courthouse security	220,000	220,000	149,611	(70,389)
Charges for parks and recreation	91,500	91,500	66,972	(24,528)
Charges for sanitation and waste removal	42,500	42,500	34,407	(8,093)
Charges for courthouse maintenance	42,000	42,000	29,477	(12,523)
Charges for cannery	15,000	15,000	13,085	(1,915)
Charges for circuit court copies	8,500	8,500	7,138	(1,362)
Charges for commonwealth's attorney	5,000	5,000	5,038	38
Charges for law enforcement and traffic control	12,355	12,355	35,407	23,052
Charges for law library	-	-	3,948	3,948
Other charges for services	600	600	851	251
Total charges for services	<u>\$ 2,303,786</u>	<u>\$ 2,303,786</u>	<u>\$ 2,004,012</u>	<u>\$ (299,774)</u>

County of Carroll, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 175,900	\$ 175,900	\$ 248,064	\$ 72,164
Recovered costs:				
Solid Waste Authority	\$ 538,363	\$ 538,363	\$ 611,915	\$ 73,552
BRECEDA	134,831	134,831	104,405	(30,426)
Public Service Authority	891,077	891,077	724,304	(166,773)
Industrial Development Authority	1,000	1,000	240	(760)
City of Galax-shared expenses	265,000	265,000	265,000	-
Social services	169,422	169,422	220,920	51,498
School resource officer	56,000	56,000	65,159	9,159
Other recovered costs	88,100	88,100	102,855	14,755
Total recovered costs	<u>\$ 2,143,793</u>	<u>\$ 2,143,793</u>	<u>\$ 2,094,798</u>	<u>\$ (48,995)</u>
Total revenue from local sources	<u>\$ 32,656,524</u>	<u>\$ 32,656,524</u>	<u>\$ 39,084,128</u>	<u>\$ 6,427,604</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 55,000	\$ 55,000	\$ 50,975	\$ (4,025)
Motor vehicle rental taxes	6,500	6,500	6,835	335
Telecommunications Taxes	900,000	900,000	838,379	(61,621)
Rolling stock taxes	1,000	1,000	1,240	240
State recordation taxes	87,000	87,000	80,930	(6,070)
Personal property tax relief funds	1,051,552	1,051,552	1,051,552	-
Total noncategorical aid	<u>\$ 2,101,052</u>	<u>\$ 2,101,052</u>	<u>\$ 2,029,911</u>	<u>\$ (71,141)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 461,993	\$ 461,993	\$ 445,307	\$ (16,686)
Sheriff	1,463,078	1,463,078	1,449,285	(13,793)
Commissioner of revenue	132,503	132,503	131,070	(1,433)
Treasurer	125,105	125,105	123,746	(1,359)
Registrar/electoral board	41,000	41,000	46,125	5,125
Clerk of the Circuit Court	332,642	332,642	343,566	10,924
Total shared expenses	<u>\$ 2,556,321</u>	<u>\$ 2,556,321</u>	<u>\$ 2,539,099</u>	<u>\$ (17,222)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 1,507,848	\$ 1,507,848	\$ 1,802,527	\$ 294,679
Comprehensive Services Act	1,893,213	1,893,213	2,132,539	239,326
Animal friendly plates	335	335	388	53
Fire program	94,705	94,705	99,653	4,948
Litter control grant	10,057	10,057	7,903	(2,154)
Emergency and medical services grant	29,000	29,000	-	(29,000)
Records preservation grant	-	-	10,703	10,703
School Resource Officer	50,000	50,000	22,451	(27,549)
Victim witness	29,491	29,491	37,849	8,358
Asset forfeiture	-	-	14,853	14,853

County of Carroll, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Arts grant	\$ 4,500	\$ 4,500	\$ -	\$ (4,500)
Total other categorical aid	\$ 3,619,149	\$ 3,619,149	\$ 4,128,866	\$ 509,717
Total categorical aid	\$ 6,175,470	\$ 6,175,470	\$ 6,667,965	\$ 492,495
Total revenue from the Commonwealth	\$ 8,276,522	\$ 8,276,522	\$ 8,697,876	\$ 421,354
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 22,000	\$ 22,000	\$ 32,289	\$ 10,289
Categorical aid:				
Public assistance and welfare administration	\$ 2,070,805	\$ 2,070,805	\$ 2,694,843	\$ 624,038
QSCB interest	632,000	632,000	651,712	19,712
Victim witness	64,509	64,509	51,285	(13,224)
HHS stimulus - CARES ACT relief	-	-	75,977	75,977
Emergency management preparedness grants	7,500	7,500	-	(7,500)
Federal justice assistance grants	1,500	1,500	-	(1,500)
High intensity drug trafficking grant	25,000	25,000	50,899	25,899
Total categorical aid	\$ 2,801,314	\$ 2,801,314	\$ 3,524,716	\$ 723,402
Total revenue from the federal government	\$ 2,823,314	\$ 2,823,314	\$ 3,557,005	\$ 733,691
Total General Fund	\$ 43,756,360	\$ 43,756,360	\$ 51,339,009	\$ 7,582,649
Total Primary Government	\$ 43,756,360	\$ 43,756,360	\$ 51,339,009	\$ 7,582,649
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 34,265	\$ 34,265	\$ 39,248	\$ 4,983
Total revenue from use of money and property	\$ 34,265	\$ 34,265	\$ 39,248	\$ 4,983
Charges for services:				
Fees from pupils	\$ 19,100	\$ 19,100	\$ 21,865	\$ 2,765
Tuition from other localities	5,500	5,500	-	(5,500)
Cafeteria sales	1,357,584	1,357,584	608,205	(749,379)
Transportation of pupils	18,000	18,000	4,519	(13,481)
Other payments from other localities	18,000	18,000	484,888	466,888
Total charges for services	\$ 1,418,184	\$ 1,418,184	\$ 1,119,477	\$ (298,707)
Miscellaneous:				
E-rate	\$ 193,540	\$ 193,540	\$ 107,520	\$ (86,020)
Other miscellaneous	35,210	35,210	51,851	16,641
Total miscellaneous	\$ 228,750	\$ 228,750	\$ 159,371	\$ (69,379)
Recovered costs:				
Insurance recoveries and rebates	\$ 1,035,623	\$ 1,035,623	\$ 375,295	\$ (660,328)
Total revenue from local sources	\$ 2,716,822	\$ 2,716,822	\$ 1,693,391	\$ (1,023,431)

County of Carroll, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	\$ 11,251,664	\$ 11,251,664	\$ 10,705,286	\$ (546,378)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,586,631	\$ 4,586,631	\$ 4,689,061	\$ 102,430
Basic school aid	12,324,920	12,324,920	11,983,001	(341,919)
Remedial summer education	184,687	184,687	126,109	(58,578)
Regular foster care	108,854	108,854	24,961	(83,893)
Gifted and talented	130,441	130,441	128,225	(2,216)
Remedial education	524,374	524,374	515,464	(8,910)
Alternative education	186,025	186,025	186,025	-
Special education	1,557,469	1,557,469	1,531,004	(26,465)
Textbook payment	262,683	262,683	258,219	(4,464)
Vocational standards of quality payments	476,762	476,762	453,916	(22,846)
Vocational adult education	900	900	994	94
Vocational education - equipment	26,812	26,812	11,573	(15,239)
Vocational occupational preparedness	15,000	15,000	15,525	525
Social security fringe benefits	787,865	787,865	774,478	(13,387)
Retirement fringe benefits	1,737,478	1,737,478	1,707,954	(29,524)
Group life insurance instructional	54,785	54,785	53,854	(931)
State lottery payments	948,138	948,138	938,631	(9,507)
Homebound education	17,961	17,961	29,474	11,513
School nutrition	37,381	37,381	37,254	(127)
Special education - foster children	-	-	34,835	34,835
Special education - regional	148,293	148,293	104,969	(43,324)
Compensation supplement	784,115	784,115	775,608	(8,507)
At risk payments	682,982	682,982	679,664	(3,318)
Early reading intervention	94,812	94,812	123,985	29,173
VPSA technology	362,000	362,000	646,000	284,000
Standards of Learning algebra readiness	66,638	66,638	65,080	(1,558)
At risk four-year olds	441,686	441,686	441,686	-
Primary class size	561,809	561,809	567,451	5,642
Breakfast after the Bell Initiative	-	-	11,652	11,652
Mentor teacher program	2,270	2,270	1,475	(795)
ISAEP	16,710	16,710	16,773	63
Jobs for VA grads	-	-	25,000	25,000
CTE industry credentials	4,500	4,500	16,228	11,728
English as a second language	84,649	84,649	96,392	11,743
Project graduation	6,695	6,695	6,695	-
School security grant	-	6,774	4,325	(2,449)
STEM Grant	-	-	12,000	12,000
Extended Year Grant	-	-	295,000	295,000
Other state funds	139,500	294,730	951,889	657,159
Total categorical aid	<u>\$ 27,365,825</u>	<u>\$ 27,527,829</u>	<u>\$ 28,342,429</u>	<u>\$ 814,600</u>
Total revenue from the Commonwealth	<u>\$ 27,365,825</u>	<u>\$ 27,527,829</u>	<u>\$ 28,342,429</u>	<u>\$ 814,600</u>

County of Carroll, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 1,027	\$ 1,027	\$ 8,343	\$ 7,316
Title I	1,106,229	1,106,229	1,132,757	26,528
Title VI-B, flow-through	1,019,987	1,019,987	1,015,610	(4,377)
Title VI-B, preschool	27,883	27,883	31,011	3,128
Title VI-B, rural and low income	72,986	72,986	61,082	(11,904)
Vocational education	86,178	86,178	92,361	6,183
Teacher quality	157,354	157,354	139,267	(18,087)
SNP equipment	50,000	50,000	40,921	(9,079)
Migrant education	59,173	59,173	38,073	(21,100)
School breakfast program	452,874	452,874	345,971	(106,903)
National school lunch program	1,233,802	1,233,802	1,002,731	(231,071)
Summer feeding program	-	-	697,872	697,872
Title III	11,745	11,745	7,763	(3,982)
Twenty first century learning centers	181,980	181,980	128,470	(53,510)
Title IV, Part A	-	-	89,890	89,890
Other federal funds	-	-	16,902	16,902
Total categorical aid	<u>\$ 4,461,218</u>	<u>\$ 4,461,218</u>	<u>\$ 4,849,024</u>	<u>\$ 387,806</u>
Total revenue from the federal government	<u>\$ 4,461,218</u>	<u>\$ 4,461,218</u>	<u>\$ 4,849,024</u>	<u>\$ 387,806</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 45,795,529</u>	<u>\$ 45,957,533</u>	<u>\$ 45,590,130</u>	<u>\$ (367,403)</u>

County of Carroll, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 434,364	\$ 418,089	\$ 385,915	\$ 32,174
General and financial administration:				
County administrator	\$ 647,974	\$ 552,057	\$ 488,489	\$ 63,568
County attorney	75,000	75,000	60,500	14,500
Commissioner of revenue	404,738	412,632	396,396	16,236
Treasurer	401,609	405,707	399,918	5,789
Finance	261,549	250,999	245,665	5,334
Management information systems	428,565	398,565	301,309	97,256
Total general and financial administration	\$ 2,219,435	\$ 2,094,960	\$ 1,892,277	\$ 202,683
Board of elections:				
Electoral board and officials	\$ 85,255	\$ 89,742	\$ 116,473	\$ (26,731)
Registrar	126,545	126,545	123,381	3,164
Total board of elections	\$ 211,800	\$ 216,287	\$ 239,854	\$ (23,567)
Total general government administration	\$ 2,865,599	\$ 2,729,336	\$ 2,518,046	\$ 211,290
Judicial administration:				
Courts:				
Circuit court	\$ 64,859	\$ 64,859	\$ 55,619	\$ 9,240
General district court	25,273	17,273	13,294	3,979
Juvenile court	10,500	10,500	7,056	3,444
Special magistrates	3,515	4,084	4,306	(222)
Victim witness	92,595	94,466	86,252	8,214
Clerk of the circuit court	537,143	535,226	546,763	(11,537)
Law library	5,000	5,000	912	4,088
Total courts	\$ 738,885	\$ 731,408	\$ 714,202	\$ 17,206
Commonwealth's attorney:				
Commonwealth's attorney	\$ 632,365	\$ 634,475	\$ 607,974	\$ 26,501
Total judicial administration	\$ 1,371,250	\$ 1,365,883	\$ 1,322,176	\$ 43,707
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,351,383	\$ 2,524,513	\$ 2,475,647	\$ 48,866
Courtroom Security	302,645	302,645	291,947	10,698
Total law enforcement and traffic control	\$ 2,654,028	\$ 2,827,158	\$ 2,767,594	\$ 59,564
Fire and rescue services:				
Volunteer fire departments	\$ 472,882	\$ 494,836	\$ 379,221	\$ 115,615
Rescue squads	334,956	344,573	277,231	67,342
Carroll EMS	1,791,173	1,817,705	1,714,010	103,695
Total fire and rescue services	\$ 2,599,011	\$ 2,657,114	\$ 2,370,462	\$ 286,652
Correction and detention:				
Payments to New River Regional Jail	\$ 2,350,000	\$ 2,390,398	\$ 2,316,231	\$ 74,167
Juvenile probation and detention	241,775	241,775	130,472	111,303
Total correction and detention	\$ 2,591,775	\$ 2,632,173	\$ 2,446,703	\$ 185,470
Inspections:				
Building	\$ 324,409	\$ 324,451	\$ 280,040	\$ 44,411

County of Carroll, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Other protection:				
Animal warden	\$ 123,197	\$ 118,716	\$ 108,023	\$ 10,693
Emergency services	222,428	177,382	195,060	(17,678)
E-911	374,154	374,154	374,154	-
Day reporting program	66,571	66,570	62,962	3,608
Highway safety	879,347	1,093,813	860,081	233,732
Total other protection	<u>\$ 1,665,697</u>	<u>\$ 1,830,635</u>	<u>\$ 1,600,280</u>	<u>\$ 230,355</u>
Total public safety	<u>\$ 9,834,920</u>	<u>\$ 10,271,531</u>	<u>\$ 9,465,079</u>	<u>\$ 806,452</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 592,920	\$ 580,479	\$ 572,693	\$ 7,786
Public Service Authority	891,077	891,077	706,492	184,585
Litter control	10,057	10,057	7,903	2,154
Total sanitation and waste removal	<u>\$ 1,494,054</u>	<u>\$ 1,481,613</u>	<u>\$ 1,287,088</u>	<u>\$ 194,525</u>
Maintenance of general buildings and grounds:				
Governmental complex	\$ 357,982	\$ 322,982	\$ 257,275	\$ 65,707
Cannery	29,453	25,197	21,761	3,436
Maintenance force	513,941	494,283	431,532	62,751
Maintenance of other properties	166,374	161,243	95,080	66,163
Total maintenance of general buildings and grounds	<u>\$ 1,067,750</u>	<u>\$ 1,003,705</u>	<u>\$ 805,648</u>	<u>\$ 198,057</u>
Total public works	<u>\$ 2,561,804</u>	<u>\$ 2,485,318</u>	<u>\$ 2,092,736</u>	<u>\$ 392,582</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 263,622	\$ 263,622	\$ 262,860	\$ 762
Mental health and mental retardation:				
Community services board	\$ 130,500	\$ 130,500	\$ 130,500	\$ -
Welfare:				
Public assistance and welfare administration	\$ 7,202,805	\$ 8,219,315	\$ 8,543,549	\$ (324,234)
Senior citizens center	72,241	56,092	56,092	-
Total welfare	<u>\$ 7,275,046</u>	<u>\$ 8,275,407</u>	<u>\$ 8,599,641</u>	<u>\$ (324,234)</u>
Total health and welfare	<u>\$ 7,669,168</u>	<u>\$ 8,669,529</u>	<u>\$ 8,993,001</u>	<u>\$ (323,472)</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 45,244	\$ 45,244	\$ 45,244	\$ -
Contribution to County School Board	11,251,664	10,751,664	10,705,286	46,378
School Board utilities	16,100	16,100	14,535	1,565
Total education	<u>\$ 11,313,008</u>	<u>\$ 10,813,008</u>	<u>\$ 10,765,065</u>	<u>\$ 47,943</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 395,099	\$ 375,682	\$ 187,525	\$ 188,157
Farmer's Market	654,732	619,732	520,960	98,772
County Fair	116,500	84,500	81,036	3,464
Total parks and recreation	<u>\$ 1,166,331</u>	<u>\$ 1,079,914</u>	<u>\$ 789,521</u>	<u>\$ 290,393</u>

County of Carroll, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural: (Continued)				
Library:				
Contribution to Carroll-Galax Regional Library	\$ 317,825	\$ 317,825	\$ 317,892	\$ (67)
Total parks, recreation, and cultural	\$ 1,484,156	\$ 1,397,739	\$ 1,107,413	\$ 290,326
Community development:				
Planning and community development:				
Planning commission	\$ 5,416	\$ 5,416	\$ 2,597	\$ 2,819
Economic development	242,600	242,600	245,583	(2,983)
Business development	119,845	119,845	136,532	(16,687)
Tourism	180,958	178,793	122,003	56,790
Contribution to Public Service Authority	1,020,405	320,405	993,057	(672,652)
Contribution to Twin County Airport	62,960	62,960	65,720	(2,760)
Total planning and community development	\$ 1,632,184	\$ 930,019	\$ 1,565,492	\$ (635,473)
Environmental management:				
Contribution to soil and water district	\$ 8,000	\$ 8,000	\$ 6,500	\$ 1,500
Cooperative extension program:				
Extension office	\$ 71,541	\$ 71,541	\$ 51,929	\$ 19,612
Total community development	\$ 1,711,725	\$ 1,009,560	\$ 1,623,921	\$ (614,361)
Debt service:				
Principal retirement	\$ 3,650,474	\$ 3,650,474	\$ 3,732,460	\$ (81,986)
Interest and other fiscal charges	1,294,256	1,294,256	1,294,256	-
Total debt service	\$ 4,944,730	\$ 4,944,730	\$ 5,026,716	\$ (81,986)
Total General Fund	\$ 43,756,360	\$ 43,686,634	\$ 42,914,153	\$ 772,481
Total Primary Government	\$ 43,756,360	\$ 43,686,634	\$ 42,914,153	\$ 772,481
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,833,518	\$ 1,833,518	\$ 1,794,686	\$ 38,832
Instruction costs:				
Instruction	\$ 33,437,945	\$ 33,593,175	\$ 34,160,152	\$ (566,977)
Operating costs:				
Pupil transportation	\$ 2,964,800	\$ 2,964,800	\$ 2,459,373	\$ 505,427
Operation and maintenance of school plant	4,477,625	4,484,399	4,109,850	374,549
Food services and other non-instructional costs	3,321,641	3,321,641	2,912,465	409,176
Total operating costs	\$ 10,764,066	\$ 10,770,840	\$ 9,481,688	\$ 1,289,152
Total Discretely Presented Component Unit - School Board	\$ 46,035,529	\$ 46,197,533	\$ 45,436,526	\$ 761,007

## **Other Statistical Section**

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Gas		Total
										Utilities	Gas	
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
2010-11	2,323,036	820,260	7,186,720	1,600,919	5,600,560	8,312,852	1,034,858	2,115,102	1,178,018	-	-	30,172,325

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				
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			
2010-11	2,183,703	6,706,032	283,621	18,764,027	4,064,005	54,982	289,482	2,222,581	-	34,568,433			

(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
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
2010-11	2,412,057	821,010	6,646,958	2,286,302	5,931,970	40,328,396	1,015,205	2,140,204	59,348	1,148,367	3,883,177	66,672,994

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

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	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
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
2010-11	18,306,907	4,064,005	119,914	721,019	90,376	2,489,700	288,838	2,425,069	39,154,945	67,660,773

(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
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%
2010-11	19,768,722	18,198,136	92.06%	885,223	19,083,359	96.53%	3,732,556	18.88%

(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
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
2010-11	2,411,198,906	258,802,749	56,181,685	8,424,505	-	99,302,189	2,833,910,034

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

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

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property (2)	Machinery and Tools (2)	Merchant's Capital (4)	Farm Equipment (3)
2019-20 (5)	0.695/0.730	\$ 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
2010-11	0.595	1.60	1.30	2.30	-

(1) Per \$100 of assessed value.

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

(3) In fiscal year 2012, the County 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%.

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
2019-20	30,042	\$ 2,655,465	\$ 13,269,007	\$ 13,269,007	0.50%	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
2010-11	30,042	2,833,910	38,852,410	38,852,410	1.37%	1,293

(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
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%
2010-11	2,523,235	1,359,942	3,883,177	66,672,994	5.82%

- (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, 2020, 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 January 14, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items [2020-01] that we consider to be material weaknesses.

## 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

## Purpose of this Report

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

*Polina, Fane, Cox Associates*

Blacksburg, Virginia  
January 14, 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, 2020. 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, 2020.

## 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.

*Polina, Faver, Cox Associates*

Blacksburg, Virginia  
January 14, 2021

County of Carroll, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number			Federal Expenditures
Department of Health and Human Services:					
Pass Through Payments:					
Department of Social Services:					
Promoting Safe and Stable Families Program	93.556	0950119, 0950120			\$ 29,604
Temporary Assistance for Needy Families	93.558	0400119, 0400120			274,614
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	0500120			375
Low-Income Home Energy Assistance	93.568	0600119, 0600120			50,838
Child Care and Development Fund Cluster:					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760119, 0760120			50,578
Adoption and Legal Guardianship Incentive Payments	93.603	1130117			1,602
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118, 0900119			713
Foster Care - Title IV-E	93.658	1100119, 1100120			661,249
Adoption Assistance	93.659	1120119, 1120120			472,897
Social Services Block Grant	93.667	1000119, 1000120			389,283
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150118, 9150119			5,623
Children's Health Insurance Program	93.767	0540119, 0540120			6,074
Medicaid Cluster:					
Medical Assistance Program	93.778	1200119, 1200120			382,010
Total Department of Health and Human Services					<u>\$ 2,325,460</u>
Department of Agriculture:					
Pass Through Payments:					
Child Nutrition Cluster:					
Department of Agriculture and Consumer Services:					
Food Distribution (Note 3)	10.555	Not available	\$ 143,341		
Department of Education:					
COVID-19 National School Lunch Program	10.555	40264	58,162		
National School Lunch Program	10.555	40254	801,228	\$ 1,002,731	
School Breakfast Program					
School Breakfast Program	10.553	40253	\$ 322,170		
COVID-19 School Breakfast Program	10.553	40263	23,801	345,971	
COVID-19 Summer Food Service Program for Children					
Summer Food Service Program for Children	10.559	60175/60176	\$ 662,587		
	10.559	60302/60303	34,641		
Department of Agriculture and Consumer Services:					
Food Distribution (Note 3)	10.559	Not available	644	697,872	\$ 2,046,574
Department of Education:					
Forest Service Schools and Roads Cluster:					
Schools and Roads - Grants to States	10.665	43841			8,343
Child Nutrition Discretionary Grants Limited Availability	10.579	86804			40,921
Department of Social Services:					
SNAP Cluster:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118, 0010120 0040119, 0040120			369,383
Total Department of Agriculture					<u>\$ 2,465,221</u>
Department of Justice:					
Pass Through Payments:					
Department of Criminal Justice:					
Juvenile Justice and Delinquency Prevention	16.540	CJS7701601			\$ 16,902
Crime Victim Assistance	16.575	CJS601701			51,285
Total Department of Justice					<u>\$ 68,187</u>
Executive Office of the President:					
Pass Through Payments:					
Financial Commission for Appalachia HIDTA Appalachia High Intensity Drug Trafficking Areas Program	95.001	G17AP0001A			\$ 50,899
Department of Education:					
Pass Through Payments:					
Department of Education:					
Title I - Grants to Local Educational Agencies	84.010	42901			\$ 1,132,757
Migrant Education - State Grant Program	84.011	42910			28,840
Special Education Cluster:					
Special Education - Grants to States	84.027	43071, 61110		\$ 1,015,610	
Special Education - Preschool Grants	84.173	62521	31,011		1,046,621
Career and Technical Education: Basic Grants to States	84.048	61095, 60031			92,361
Twenty-First Century Community Learning Centers	84.287	60565			128,470
Rural Education	84.358	43481			61,082
English Language Acquisition State Grants	84.365	60512			7,763
Migrant Education - Coordination Program	84.144	61399			9,233
Student Support and Academic Enrichment Program	84.424	60019			89,890
Supporting Effective Instruction State Grant	84.367	61480, 60018			139,267
Total Department of Education					<u>\$ 2,736,284</u>
Total Expenditures of Federal Awards					<u>\$ 7,646,051</u>

County of Carroll, Virginia  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2020

## 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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Carroll, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Carroll, Virginia.

## Note 2 -- Summary of Significant Accounting Policies

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

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

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

## Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, Carroll County, Virginia had food commodities totaling \$143,985 in inventory.

## Note 4 -- Subrecipients

The County did not have any subrecipients for the year ended June 30, 2020.

## Note 5 -- 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 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	\$ 3,557,005
Less: QSCB subsidy	(651,712)
Less: Payment in lieu of taxes	(32,289)
Less: Provider relief fund	(75,977)
	<u>2,797,027</u>
Total primary government	\$ 2,797,027
Component Unit School Board:	
School Operating Fund	<u>4,849,024</u>
Total expenditures of federal awards per the basic financial statements	<u>\$ 7,646,051</u>

County of Carroll, Virginia

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020

---

Section I - Summary of Auditors' Results

**Financial Statements**

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

**Federal Awards**

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
---	-----------

Auditee qualified as low-risk auditee?	No
--	----

County of Carroll, Virginia

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020

---

Section II - Financial Statement Findings

None

**2020-001**

---

Criteria: Identification of adjustments to the financial statements that were not detected by the entity's internal controls indicates that a material weakness may exist.

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

Cause of Condition: During the closing process, the County failed to identify all year end accounting adjustments necessary for the accounts to prepared in accordance with current reporting standards.

Effect of Condition: There is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

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

Management's Response: The County will review the auditors' proposed audit adjustments for 2020. The County's current staff has a good understanding of the County's books and accounting processes. It is anticipated that the number of audit adjustments will decrease in future periods.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

None