# COUNTY OF CARROLL, VIRGINIA

## FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2018

## COUNTY OF CARROLL, VIRGINIA
## FINANCIAL REPORT
## FOR THE YEAR ENDED JUNE 30, 2018

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# INTRODUCTORY SECTION

# COUNTY OF CARROLL, VIRGINIA

## BOARD OF SUPERVISORS

Robbie McCraw, Chair
Thomas W. Littrell
Phillip McCraw

Rex Hill, Vice Chair
Joe Neil Webb
Ralph J. "Bob" Martin

## COUNTY SCHOOL BOARD

Brian E. Spencer, Chair

Joey D. Haynes, Vice Chair
Reginald M. Gardner

Olen L. Gallimore
Sanford "Sandy" G. Hendrick

## SOCIAL SERVICES BOARD

Jeanne Gallimore, Chair

Matthew Surratt, Vice Chair
David Clontz

Christopher Felts
Robbie McCraw

## OTHER OFFICIALS

Clerk of the Circuit Court ........ Gerald R. Goad
Commonwealth's Attorney ........ Nathan H. Lyons
Commissioner of the Revenue ........ Fran Zimmerman
Treasurer ........ Bonita M. Williams
Sheriff ........ John B. Gardner
Superintendent of Schools ........ Dr. Shirley A. Perry
County Administrator ........ Steven Truitt
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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Change in Accounting Principle*

As described in Note 23 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and* 85 *Omnibus 2017.* Our opinion is not modified with respect to this matter

*Restatement of Beginning Balances*

As described in Note 23 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 102 and 103-118 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 State 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 sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by** *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2019, on our consideration of the County of Carroll, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Carroll, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Carroll, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
January 14, 2019

# Basic Financial Statements

**County of Carroll, Virginia**
**Statement of Net Position**
**June 30, 2018**

| | Primary Government | Component Units | | |
|---|---|---|---|---|
| | Governmental Activities | School Board | Public Service Authority | Industrial Development Authority |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 6,168,183 | $ 1,951,002 | $ 420,871 | $ 714,570 |
| Investments | 11,099 | 69,958 | - | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 26,580,051 | - | - | - |
| Interest receivable | - | - | - | 100,040 |
| Accounts receivable | 425,736 | - | 439,663 | 1,050 |
| Other local taxes receivable | 92,226 | - | - | - |
| Note receivable | 668,400 | - | 355,373 | 3,003,719 |
| Due from component units | 1,044,871 | - | - | - |
| Due from other governmental units | 1,348,079 | 1,105,149 | - | - |
| Prepaid items | - | 70,902 | 37,399 | |
| Lease purchase receivable | - | - | - | 11,330,824 |
| Assets held for resale: | | | | |
| Industrial sites | - | - | - | 2,150,558 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | 221,297 | 807,622 | 95,350 |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 2,906,402 | 1,489,200 | 264,837 | 81,451 |
| Buildings and improvements | 51,032,540 | 2,824,635 | - | 334,592 |
| Improvements other than buildings | - | 123,888 | - | - |
| Machinery and equipment | 2,933,517 | 1,260,471 | 444,113 | 55,432 |
| Infrastructure | - | - | 40,421,659 | - |
| Construction in progress | - | - | 90,267 | 63,464 |
| Total assets | $ 93,211,104 | $ 9,116,502 | $ 43,281,804 | $ 17,931,050 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Pension related items | $ 1,056,430 | $ 5,038,500 | $ 94,506 | $ - |
| OPEB related items | 35,870 | 525,048 | - | - |
| Total deferred outflows of resources | $ 1,092,300 | $ 5,563,548 | $ 94,506 | $ - |
| **LIABILITIES** | | | | |
| Accounts payable | $ 323,007 | $ 393,801 | $ 127,079 | $ 7,543 |
| Salaries payable | 579,327 | 1,931,467 | - | - |
| Accrued interest payable | 252,969 | - | 42,733 | 91,169 |
| Amounts held for others | - | - | 111,712 | - |
| Due to other governmental units | 31,524 | - | - | - |
| Due to primary government | - | 976,209 | 68,662 | - |
| Long-term liabilities: | | | | |
| Due within one year | 4,412,011 | 668,288 | 745,126 | 492,652 |
| Due in more than one year | 33,487,442 | 45,655,524 | 24,623,605 | 11,924,379 |
| Total liabilities | $ 39,086,280 | $ 49,625,289 | $ 25,718,917 | $ 12,515,743 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred revenue - property taxes | $ 22,432,074 | $ - | $ - | $ - |
| Pension related items | 748,610 | 4,696,005 | 71,543 | - |
| OPEB related items | 69,898 | 316,000 | - | - |
| Total deferred inflows of resources | $ 23,250,582 | $ 5,012,005 | $ 71,543 | $ - |
| **NET POSITION** | | | | |
| Net investment in capital assets | $ 25,514,464 | $ 5,698,194 | $ 16,780,523 | $ 283,338 |
| Restricted: | | | | |
| Asset forfeiture | 77,268 | - | - | - |
| School cafeterias | - | 56,844 | - | - |
| Debt service and bond covenants | - | - | 695,910 | 95,350 |
| Unrestricted | 6,374,810 | (45,712,282) | 109,417 | 5,036,619 |
| Total net position | $ 31,966,542 | $ (39,957,244) | $ 17,585,850 | $ 5,415,307 |

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, 2018**

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | Component Units | | |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | School Board | Public Service Authority | Industrial Development Authority |
| **PRIMARY GOVERNMENT:** | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government administration | $ 2,580,579 | $ - | $ 288,019 | $ - | $ (2,292,560) | | | |
| Judicial administration | 1,034,603 | 22,584 | 833,279 | - | (178,740) | | | |
| Public safety | 9,850,165 | 3,338,034 | 1,675,006 | - | (4,837,125) | | | |
| Public works | 1,428,594 | 82,395 | 9,676 | - | (1,336,523) | | | |
| Health and welfare | 6,823,675 | - | 5,151,198 | - | (1,672,477) | | | |
| Education | 13,540,065 | - | - | - | (13,540,065) | | | |
| Parks, recreation, and cultural | 1,350,707 | 419,251 | 104,500 | - | (826,956) | | | |
| Community development | 1,507,984 | 12,175 | - | - | (1,495,809) | | | |
| Interest on long-term debt | 1,427,439 | - | 632,147 | - | (795,292) | | | |
| Total governmental activities | $ 39,543,811 | $ 3,874,439 | $ 8,693,825 | $ - | $ (26,975,547) | | | |
| **COMPONENT UNITS:** | | | | | | | | |
| School Board | $ 42,259,903 | $ 681,119 | $ 30,390,599 | $ - | | $ (11,188,185) | $ - | $ - |
| Public Service Authority | 4,856,558 | 3,119,311 | - | 194,873 | | - | (1,542,374) | - |
| Industrial Development Authority | 870,726 | - | - | - | | - | - | (870,726) |
| Total component units | $ 47,987,187 | $ 3,800,430 | $ 30,390,599 | $ 194,873 | | $ (11,188,185) | $ (1,542,374) | $ (870,726) |
| General revenues: | | | | | | | | |
| General property taxes | | | | | $ 21,549,755 | $ - | $ - | $ - |
| Local sales and use taxes | | | | | 1,794,641 | - | - | - |
| Consumer's utility tax | | | | | 739,499 | - | - | - |
| Motor vehicle taxes | | | | | 710,612 | - | - | - |
| Restaurant food taxes | | | | | 551,142 | - | - | - |
| Other local taxes | | | | | 598,927 | - | - | - |
| Unrestricted revenues from use of money and property | | | | | 70,791 | 39,191 | 21,694 | 674,581 |
| Miscellaneous | | | | | 142,990 | 143,183 | 113,693 | 2,520 |
| Payments from Primary Government | | | | | - | 11,737,557 | 996,787 | 71,876 |
| Grants and contributions not restricted to specific programs | | | | | 2,165,247 | - | - | 275,500 |
| Gain on disposal of capital assets | | | | | - | - | - | 197,400 |
| Total general revenues and transfers | | | | | $ 28,323,604 | $ 11,919,931 | $ 1,132,174 | $ 1,221,877 |
| Change in net position | | | | | $ 1,348,057 | $ 731,746 | $ (410,200) | $ 351,151 |
| Net position - beginning, as restated | | | | | 30,618,485 | (40,688,990) | 17,996,050 | 5,064,156 |
| Net position - ending | | | | | $ 31,966,542 | $ (39,957,244) | $ 17,585,850 | $ 5,415,307 |

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

Exhibit 3

**County of Carroll, Virginia**
**Balance Sheet**
**Governmental Funds**
**June 30, 2018**

| | General | School Construction | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 6,154,156 | $ 14,027 | $ 6,168,183 |
| Investments | 11,099 | - | 11,099 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 26,580,051 | - | 26,580,051 |
| Accounts receivable | 425,736 | - | 425,736 |
| Other local taxes receivable | 92,226 | - | 92,226 |
| Note receivable | 668,400 | - | 668,400 |
| Due from component unit | 1,044,871 | - | 1,044,871 |
| Due from other governmental units | 1,348,079 | - | 1,348,079 |
| Total assets | $ 36,324,618 | $ 14,027 | $ 36,338,645 |
| **LIABILITIES** | | | |
| Accounts payable | $ 323,007 | $ - | $ 323,007 |
| Salaries payable | 579,327 | - | 579,327 |
| Due to other governmental units | 31,524 | - | 31,524 |
| Total liabilities | $ 933,858 | $ - | $ 933,858 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred revenue - property taxes | $ 26,459,488 | $ - | $ 26,459,488 |
| **FUND BALANCES** | | | |
| Fund balances: | | | |
| Nonspendable: | | | |
| Note receivable | $ 668,400 | $ - | $ 668,400 |
| Restricted: | | | |
| Asset forfeiture | 77,268 | - | 77,268 |
| Committed: | | | |
| Farmer's market funds | 3,303 | - | 3,303 |
| Narcotics funds | 53,554 | - | 53,554 |
| Law Library | 1,261 | - | 1,261 |
| School Construction | - | 14,027 | 14,027 |
| Assigned: | | | |
| Sheriff funds | 36,554 | - | 36,554 |
| Unassigned | 8,090,932 | - | 8,090,932 |
| Total fund balances | $ 8,931,272 | $ 14,027 | $ 8,945,299 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 36,324,618 | $ 14,027 | $ 36,338,645 |

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, 2018**

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | | $ 8,945,299 |
| 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 | 51,032,540 | |
| Machinery and equipment | 2,933,517 | 56,872,459 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds. | | |
| Unavailable revenue - property taxes | | 4,027,414 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore are not reported in the funds. | | |
| Pension related items | $ 1,056,430 | |
| OPEB related items | 35,870 | 1,092,300 |
| 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 | $ (17,607,149) | |
| Literary loans | (2,402,661) | |
| Capital lease | (403,569) | |
| Lease revenue bonds | (10,927,342) | |
| Unamortized premiums | (97,512) | |
| Unamortized discounts | 80,238 | |
| Accrued interest payable | (252,969) | |
| Compensated absences | (914,179) | |
| Net pension liability | (5,086,211) | |
| Net OPEB liability | (541,068) | (38,152,422) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds | | |
| Pension related items | $ (748,610) | |
| OPEB related items | (69,898) | (818,508) |
| Net position of governmental activities | | $ 31,966,542 |

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

Exhibit 5

**County of Carroll, Virginia**
**Statement of Revenues, Expenditures, and Changes in Fund Balances**
**Governmental Funds**
**For the Year Ended June 30, 2018**

| | General | School Construction | Total |
|---|---|---|---|
| **REVENUES** | | | |
| General property taxes | $ 21,534,993 | $ - | $ 21,534,993 |
| Other local taxes | 4,394,821 | - | 4,394,821 |
| Permits, privilege fees, and regulatory licenses | 100,714 | - | 100,714 |
| Fines and forfeitures | 1,461,067 | - | 1,461,067 |
| Revenue from the use of money and property | 70,791 | - | 70,791 |
| Charges for services | 2,312,658 | - | 2,312,658 |
| Miscellaneous | 142,990 | - | 142,990 |
| Recovered costs | 2,061,561 | - | 2,061,561 |
| Intergovernmental: | | | |
| Commonwealth | 7,944,027 | - | 7,944,027 |
| Federal | 2,915,045 | - | 2,915,045 |
| Total revenues | $ 42,938,667 | $ - | $ 42,938,667 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government administration | $ 2,594,994 | $ - | $ 2,594,994 |
| Judicial administration | 1,308,469 | - | 1,308,469 |
| Public safety | 9,630,563 | - | 9,630,563 |
| Public works | 2,479,152 | - | 2,479,152 |
| Health and welfare | 6,978,821 | - | 6,978,821 |
| Education | 11,794,030 | - | 11,794,030 |
| Parks, recreation, and cultural | 1,363,454 | - | 1,363,454 |
| Community development | 1,609,205 | - | 1,609,205 |
| Debt service: | | | |
| Principal retirement | 8,781,248 | - | 8,781,248 |
| Interest and other fiscal charges | 1,534,260 | - | 1,534,260 |
| Total expenditures | $ 48,074,196 | $ - | $ 48,074,196 |
| Excess (deficiency) of revenues over (under) expenditures | $ (5,135,529) | $ - | $ (5,135,529) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Issuance of lease revenue bond | $ 5,200,000 | $ - | $ 5,200,000 |
| Total other financing sources (uses) | $ 5,200,000 | $ - | $ 5,200,000 |
| Net change in fund balances | $ 64,471 | $ - | $ 64,471 |
| Fund balances - beginning | 8,866,801 | 14,027 | 8,880,828 |
| Fund balances - ending | $ 8,931,272 | $ 14,027 | $ 8,945,299 |

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, 2018**

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | | $ 64,471 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | | |
| Capital outlays | $ 178,975 | |
| Depreciation expense | (2,708,330) | (2,529,355) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | | 14,762 |
| The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. | | |
| Issuance of Long-term Debt | | |
| Issuance of lease revenue refunding bond | $ (5,200,000) | |
| Principal Payments | | |
| General obligation bonds | 2,667,906 | |
| Lease revenue bonds | 5,391,251 | |
| Literary loans | 680,168 | |
| Capital lease | 41,923 | 3,581,248 |
| 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 | $ (18,897) | |
| Change in accrued interest payable | 71,865 | |
| Amortization of bond premium | 42,469 | |
| Amortization of bond discount | (7,513) | |
| Pension expense | 98,288 | |
| OPEB expense | 30,719 | 216,931 |
| Change in net position of governmental activities | | $ 1,348,057 |

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, 2018

| | | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 194,555 |
| Total assets | $ | 194,555 |
| | | |
| **LIABILITIES** | | |
| Amounts held for social services clients | $ | 20,746 |
| Amounts held for performance bonds | | 152,498 |
| Amounts held for School Board employees | | 20,007 |
| Amounts held for County employees | | 1,304 |
| Total liabilities | $ | 194,555 |

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

## Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

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

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

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

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

A. Financial Reporting Entity (continued)

Jointly Governed Organizations:

The County along with the Counties of Wythe, Bland, Grayson, Smyth and the City of Galax participate in supporting the Mt. Rogers Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2018, 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, 2018, the County contributed $306,728 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, 2018.

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, 2018, the County paid $2,143,981 for the confinement of prisoners.

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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

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

Additionally, the County reports the following fund types:

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

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

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

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

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

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

3. Receivables and Payables

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

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

   The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $1,289,412 at June 30, 2018 and is comprised solely of property taxes.

6. Use of Estimates

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

7. Prepaid Items

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

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

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

8. Capital Assets

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

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

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

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

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of 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 2$^{nd}$ 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's Retirement Plan and the additions to/deductions from the County'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)

*Group Life Insurance*

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

11. Other Postemployment Benefits (OPEB) (continued)

*Political Subdivision and Teacher Employee Health Insurance Credit Program*

The County and Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Programs were 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. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the Programs' OPEB, and the related OPEB expenses, information about the fiduciary net position of the County and VRS Teacher Employee HIC Programs; and the additions to/deductions from the County and VRS Teacher Employee HIC Programs' net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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. In accordance with the provisions of GASB 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

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.

**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

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

15. Net Position Flow Assumption

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

16. Fund Equity

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

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

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

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

16. Fund Equity (continued)

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, 2018.

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.

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

A. Budgetary information (continued)

2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund 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. Deficit fund equity

At June 30, 2018, there were no funds with deficit fund equity.

## Note 3-Deposits and Investments:

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

## Note 3-Deposits and Investments: (continued)

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

Credit Risk of Debt Securities:
The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

| County's Rated Debt Investments' Values | |
|---|---|
| Rated Debt Investments | Fair Quality Ratings |
| | AAAm |
| LGIP | $ 81,057 |

Concentration of Credit Risk:
At June 30, 2018, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

External Investment Pools:
The 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 under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk:

| Investment Maturities (in years) | | |
|---|---|---|
| | Fair Value | Less than 1 year |
| LGIP | $ 81,057 | $ 81,057 |

## Note 4-Note Receivable:

On June 29, 2014 the County issued a note receivable to the Carroll County Industrial Development Authority for $1,000,000 for economic development activities. Repayment terms called for monthly payments in the amount of $10,606, payable over 10 years at 5% per annum. As of June 30, 2018, the balance was $668,400.

## Note 5-Due from Other Governmental Units:

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

| | Primary Government | Component Unit School Board |
|---|---|---|
| **Commonwealth of Virginia:** | | |
| Local sales tax | $ 373,064 | $ - |
| State sales tax | - | 531,402 |
| Categorical aid-shared expenses | 204,168 | - |
| Noncategorical aid | 183,753 | - |
| Virginia public assistance funds | 81,597 | - |
| Categorical aid-other | 7,493 | - |
| Comprehensive services act | 364,131 | - |
| **Federal Government:** | | |
| Virginia public assistance funds | 133,873 | - |
| School grants | - | 573,747 |
| Totals | $ 1,348,079 | $ 1,105,149 |

## Note 6-Interfund Transfers and Balances:

There were no interfund transfers for the year ended June 30, 2018.

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

*The remainder of this page left blank intentionally.*

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

| Fund | Due to Primary Government/ Component Unit | Due from Primary Government/ Component Unit |
|---|---|---|
| **Primary Government:** | | |
| General Fund | $ - | $ 1,044,871 |
| **Component Unit - School Board:** | | |
| School Operating Fund | 976,209 | - |
| **Component Unit - Public Service Authority:** | | |
| PSA | 68,662 | - |
| Totals | $ 1,044,871 | $ 1,044,871 |

## 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, 2018:

| | Balance July 1, 2017, as restated | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2018 |
|---|---|---|---|---|
| General obligation bonds | $ 20,275,055 | $ - | $ (2,667,906) | $ 17,607,149 |
| Unamortized bond premium | 139,981 | - | (42,469) | 97,512 |
| Unamortized bond discount | (87,751) | 7,513 | - | (80,238) |
| Literary loans | 3,082,829 | - | (680,168) | 2,402,661 |
| Lease revenue bonds | 11,118,593 | 5,200,000 | (5,391,251) | 10,927,342 |
| Capital lease | 445,492 | - | (41,923) | 403,569 |
| Compensated absences | 895,282 | 690,359 | (671,462) | 914,179 |
| Net OPEB liability | 640,307 | 4,315 | (103,554) | 541,068 |
| Net pension liability | 6,694,678 | 2,737,743 | (4,346,210) | 5,086,211 |
| Total | $ 43,204,466 | $ 8,639,930 | $ (13,944,943) | $ 37,899,453 |

## Note 8-Long-Term Obligations: (continued)

Primary Government – Governmental Activities Indebtedness: (continued)

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

| Year Ending | General Obligation Bonds | | Literary Loans | | Lease Revenue Bonds | |
|---|---|---|---|---|---|---|
| June 30, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | $ 2,673,240 | $ 963,140 | $ 680,167 | $ 48,053 | $ 298,616 | $ 367,261 |
| 2020 | 2,678,909 | 885,324 | 680,167 | 34,450 | 309,075 | 356,804 |
| 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 |
| 2024-2028 | 5,000,000 | 2,700,000 | - | - | 1,902,454 | 1,427,242 |
| 2029-2033 | - | - | - | - | 2,259,664 | 1,069,973 |
| 2034-2038 | - | - | - | - | 1,883,124 | 672,784 |
| 2039-2043 | - | - | - | - | 928,964 | 466,396 |
| 2044-2048 | - | - | - | - | 1,106,345 | 289,015 |
| 2049-2053 | - | - | - | - | 1,245,310 | 81,058 |
| Totals | $ 17,607,149 | $ 6,820,634 | $ 2,402,661 | $ 110,593 | $ 10,927,342 | $ 5,734,470 |

*The remainder of this page left blank intentionally.*

## 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 |
|---|---|---|---|---|---|---|
| General Obligation Bonds* | | | | | | |
| VPSA general obligation bond | 5.10%-6.35% | 2000 | 2021 | $ 4,505,000 | $ 675,000 | $ 225,000 |
| VPSA general obligation bond | 5.10%-6.10% | 2000 | 2020 | 2,145,297 | 282,149 | 138,240 |
| VPSA general obligation bond | 4.10%-5.10% | 2003 | 2023 | 21,115,000 | 5,550,000 | 1,110,000 |
| VPSA (QSCB) general obligation bond | 4.50% | 2011 | 2027 | 15,000,000 | 11,100,000 | 1,200,000 |
| Total General Obligation Bonds | | | | $ 42,765,297 | $ 17,607,149 | $ 2,673,240 |
| Lease Revenue Bonds | | | | | | |
| County Complex Revenue Bond | 3.42% | 2017 | 2036 | $ 5,200,000 | $ 5,200,000 | $ 212,600 |
| Carroll County High School Revenue Bond - IDA | 3.50% | 2013 | 2053 | 5,932,500 | 5,727,342 | 86,016 |
| Total Lease Revenue Bonds | | | | $ 11,132,500 | $ 10,927,342 | $ 298,616 |
| Literary Loans | | | | | | |
| Gladesboro Elementary | 2.00% | 2001 | 2021 | $ 2,873,440 | $ 431,016 | $ 143,672 |
| Oakland Elementary | 2.00% | 2002 | 2022 | 3,075,495 | 615,099 | 153,775 |
| Gladesville Elementary | 2.00% | 2002 | 2022 | 4,167,647 | 833,529 | 208,382 |
| Laurel Elementary | 2.00% | 2001 | 2021 | 3,486,763 | 523,017 | 174,338 |
| Total Literary Loans | | | | $ 13,603,345 | $ 2,402,661 | $ 680,167 |
| Subtotal Bonds and Loans | | | | | $ 30,937,152 | $ 3,652,023 |
| Plus: | | | | | | |
| Unamortized Premium | | | | | 97,512 | 34,343 |
| Unamortized Discount | | | | | (80,238) | (7,112) |
| Total Bonds and Loans | | | | | $ 30,954,426 | $ 3,679,254 |
| Other Long-term Obligations | | | | | | |
| Capital lease (Note 10) | | | | | $ 403,569 | $ 47,123 |
| Compensated absences | | | | | 914,179 | 685,634 |
| Net OPEB liability | | | | | 541,068 | - |
| Net pension liability | | | | | 5,086,211 | - |
| Total Other Long-term Obligations | | | | | $ 6,945,027 | $ 732,757 |
| Total Long-term Obligations | | | | | $ 37,899,453 | $ 4,412,011 |

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

## 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 2018, the sequester reduction rate was 6.60%.

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

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

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2018:

| | Balance June 30, 2017, as restated | Increases | Decreases | Balance June 30, 2018 |
|---|---|---|---|---|
| Net OPEB liabilities | $ 11,237,000 | $ 866,000 | $ (823,000) | $ 11,280,000 |
| Compensated absences | 943,843 | 655,090 | (707,882) | 891,051 |
| Net pension liability | 38,444,724 | 6,990,448 | (11,282,411) | 34,152,761 |
| Total | $ 50,625,567 | $ 8,511,538 | $ (12,813,293) | $ 46,323,812 |

Details of long-term indebtedness:

| | Total Amount | Amount Due Within One Year |
|---|---|---|
| **Other Obligations:** | | |
| Net OPEB liabilities | $ 11,280,000 | $ - |
| Compensated absences | 891,051 | 668,288 |
| Net pension liability | 34,152,761 | - |
| Total Long-Term Obligations | $ 46,323,812 | $ 668,288 |

## Note 10-Capital Lease:

Primary Government

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

The assets acquired through capital leases are as follows:

| | School Buses |
|---|---|
| Machinery and equipment | $ 506,969 |
| Less: Accumulated depreciation | (168,659) |
| Net Capital Assets | $ 338,310 |

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018, were as follows:

| Year Ending June 30, | School Buses |
|---|---|
| 2019 | $ 59,064 |
| 2020 | 59,064 |
| 2021 | 59,064 |
| 2022 | 59,064 |
| 2023 | 59,064 |
| 2024-2026 | 159,242 |
| Subtotal | $ 454,562 |
| Less, amount representing interest | (50,993) |
| Present Value of Lease Agreement | $ 403,569 |

## Note 11-Pension Plan:

*Plan Description*

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

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

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

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

| RETIREMENT PLAN PROVISIONS | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **About Plan 1**<br>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. | **About Plan 2**<br>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. | **About the Hybrid Retirement Plan**<br>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.<br>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. |

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

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **About Plan 1 (Cont.)** | **About Plan 2 (Cont.)** | **About the Hybrid Retirement Plan (Cont.)**<br>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.<br>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. |
| **Eligible Members**<br>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.<br><br>**Hybrid Opt-In Election**<br>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. | **Eligible Members**<br>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.<br><br>**Hybrid Opt-In Election**<br>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. | **Eligible Members**<br>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:<br>• Political subdivision employees*<br>• School division employees<br>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. |

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

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Hybrid Opt-In Election (Cont.)**<br>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP. | **Hybrid Opt-In Election (Cont.)**<br>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.<br><br>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP. | ***Non-Eligible Members**<br>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:<br>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.<br>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP. |
| **Retirement Contributions**<br>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment. | **Retirement Contributions**<br>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. | **Retirement Contributions**<br>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages. |

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

*Plan Description (continued)*

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

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

*Plan Description (continued)*

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

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

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Vesting (Cont.)** | **Vesting (Cont.)** | **Vesting (Cont.)**<br>**Defined Contribution Component: (Cont.)**<br>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.<br>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br><br>Distribution is not required by law until age 70½. |
| **Calculating the Benefit**<br>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. | **Calculating the Benefit**<br>See definition under Plan 1. | **Calculating the Benefit**<br>**Defined Benefit Component:**<br>See definition under Plan 1 |

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

*Plan Description (continued)*

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

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

*Plan Description (continued)*

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

## Note 11-Pension Plan: (continued)

*Plan Description (continued)*

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

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

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<br>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.<br>• The member retires on disability.<br>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).<br>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.<br>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. | **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>Same as Plan 1. | **Cost-of-Living Adjustment (COLA) in Retirement (Cont.)**<br><br>**Exceptions to COLA Effective Dates:**<br>Same as Plan 1 and Plan 2. |

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

*Plan Description (continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Disability Coverage**<br>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. | **Disability Coverage**<br>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. | **Disability Coverage**<br>Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.<br>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. |
| **Purchase of Prior Service**<br>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay. | **Purchase of Prior Service**<br>Same as Plan 1. | **Purchase of Prior Service**<br>**Defined Benefit Component:**<br>Same as Plan 1, with the following exceptions:<br>• Hybrid Retirement Plan members are ineligible for ported service.<br>**Defined Contribution Component:**<br>Not applicable. |

## Note 11-Pension Plan: (continued)

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

*Contributions*

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

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 11.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $749,414 and $742,577 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit Public Service Authority's (PSA) contractually required employer contribution rate for the year ended June 30, 2018 was 11.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit PSA were $65,117 and $71,110 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability*

At June 30, 2018, the County reported a liability of $5,086,211 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. 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.

## Note 11-Pension Plan: (continued)

*Net Pension Liability (continued)*

Contributions as of June 30, 2018 were used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2017 and 2016, the County's proportions were 86.2947% and 86.2946%, respectively.

At June 30, 2018, the Authority reported a liability of $487,063 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2017 and 2016 as a basis for allocation. At June 30, 2017 and 2016, the Authority's proportions were 8.2637% and 8.2637%, respectively.

*Actuarial Assumptions – General Employees*

The total pension liability for General Employees in the Carroll County's Retirement Plan and the Carroll County School Board Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

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

*Net Pension Liability (continued)*

*Actuarial Assumptions – General Employees (continued)*

Mortality rates: (continued)

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

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.

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

Largest 10 – Non-Hazardous Duty:

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

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

*Net Pension Liability (continued)*

*Actuarial Assumptions – General Employees (continued)*

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

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

*Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits*

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

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

*Net Pension Liability (continued)*

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

Mortality rates: (continued)

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

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

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

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

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

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

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

Largest 10 – Hazardous Duty:

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

## Note 11-Pension Plan: (continued)

*Net Pension Liability (continued)*

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

All Others (Non 10 Largest) – Hazardous Duty:

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

*Long-Term Expected Rate of Return*

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

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

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

## Note 11-Pension Plan: (continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Carroll County Retirement Plan, Carroll County School Board Retirement Plan, and the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

| | Rate | | |
|---|---|---|---|
| | (6.00%) | (7.00%) | (8.00%) |
| County's proportionate share of the County Retirement Plan Net Pension Liability | $ 9,071,662 | $ 5,086,211 | $ 1,781,744 |
| Component Unit Public Service Authority's proportionate share of the County Retirement Plan Net Pension Liability | $ 868,715 | $ 487,063 | $ 170,622 |

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## Note 11-Pension Plan: (continued)

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

For the year ended June 30, 2018, the County and Component Unit PSA recognized pension expense of $639,609 and $61,327 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, 2018, 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 | $ 307,016 | $ 263,622 | $ 29,389 | $ 25,245 |
| Change in proportionate share | - | 5,931 | - | 431 |
| Change in assumptions | - | 110,234 | - | 10,556 |
| Net difference between projected and actual earnings on pension plan investments | - | 368,823 | - | 35,311 |
| Employer contributions subsequent to the measurement date | 749,414 | - | 65,117 | - |
| Total | $ 1,056,430 | $ 748,610 | $ 94,506 | $ 71,543 |

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## Note 11-Pension Plan: (continued)

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

$749,414 and $65,117 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, 2019. 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 |
|---|---|---|
| 2019 | $ (180,325) | $ (17,192) |
| 2020 | 77,355 | 7,464 |
| 2021 | (98,762) | (9,458) |
| 2022 | (239,862) | (22,968) |
| Thereafter | - | - |

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

**Component Unit School Board (nonprofessional)**

*Plan Description*

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

*Employees Covered by Benefit Terms*

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Component Unit School Board Nonprofessional |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 92 |
| Inactive members: | |
| Vested inactive members | 8 |
| Non-vested inactive members | 9 |
| Inactive members active elsewhere in VRS | 10 |
| Total inactive members | 27 |
| Active members | 126 |
| Total covered employees | 245 |

*Contributions*

The Component Unit School Board's (nonprofessional) contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 7.65% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

## Note 11-Pension Plan: (continued)

### Component Unit School Board (nonprofessional) (continued)

*Contributions (continued)*

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were $150,253 and $160,137 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability*

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

*Changes in Net Pension Liability*

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2016 | $ 10,495,309 | $ 9,362,585 | $ 1,132,724 |
| Changes for the year: | | | |
| Service cost | $ 266,275 | $ - | $ 266,275 |
| Interest | 711,451 | - | 711,451 |
| Change in assumptions | (120,248) | - | (120,248) |
| Differences between expected and actual experience | (194,378) | - | (194,378) |
| Contributions - employer | - | 156,370 | (156,370) |
| Contributions - employee | - | 102,599 | (102,599) |
| Net investment income | - | 1,119,816 | (1,119,816) |
| Benefit payments, including refunds of employee contributions | (639,723) | (639,723) | - |
| Refund of contributions | (23,716) | (23,716) | - |
| Administrative expenses | - | (6,738) | 6,738 |
| Other changes | - | (984) | 984 |
| Net changes | $ (339) | $ 707,624 | $ (707,963) |
| Balances at June 30, 2017 | $ 10,494,970 | $ 10,070,209 | $ 424,761 |

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## Note 11-Pension Plan: (continued)

### Component Unit School Board (nonprofessional) (continued)

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

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

| | Rate | | |
|---|---|---|---|
| | (6.00%) | (7.00%) | (8.00%) |
| Component Unit School Board (nonprofessional) Net Pension Liability (Asset) | $ 1,614,946 | $ 424,761 | $ (582,658) |

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

For the year ended June 30, 2018, the Component Unit School Board (nonprofessional) recognized pension expense of $(9,011). At June 30, 2018, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Component Unit School Board (nonprofessional) | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 11,247 | $ 199,538 |
| Changes of assumptions | - | 85,394 |
| Net difference between projected and actual earnings on pension plan investments | - | 142,073 |
| Employer contributions subsequent to the measurement date | 150,253 | - |
| Total | $ 161,500 | $ 427,005 |

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

**Component Unit School Board (nonprofessional) (continued)**

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

$150,253 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. 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 | | Component Unit School Board (nonprofessional) |
|---|---|---|
| 2019 | $ | (240,890) |
| 2020 | | (40,447) |
| 2021 | | (38,647) |
| 2022 | | (95,774) |
| Thereafter | | - |

**Component Unit School Board (professional)**

*Plan Description*

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

*Contributions*

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, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The 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 $3,445,000 and $3,136,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

## Note 11-Pension Plan: (continued)

### Component Unit School Board (professional) (continued)

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

At June 30, 2018, the school division reported a liability of $33,728,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division’s proportion of the Net Pension Liability was based on the school division’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division’s proportion was 0.27426% as compared to 0.26625% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of $2,499,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 2,388,000 |
| Net difference between projected and actual earnings on pension plan investments | - | 1,225,000 |
| Change of assumptions | 492,000 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 940,000 | 656,000 |
| Employer contributions subsequent to the measurement date | 3,445,000 | - |
| Total | $ 4,877,000 | $ 4,269,000 |

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

**Component Unit School Board (professional) (continued)**

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

$3,445,000 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. 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 | | Component Unit School Board (professional) |
|---|---|---|
| 2019 | $ | (1,314,000) |
| 2020 | | (96,000) |
| 2021 | | (417,000) |
| 2022 | | (1,003,000) |
| Thereafter | | (7,000) |

*Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

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

**Component Unit School Board (professional) (continued)**

*Actuarial Assumptions (continued)*

Mortality rates:

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

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

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

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

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

**Component Unit School Board (professional) (continued)**

*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | | Teacher Employee Retirement Plan |
|---|---|---|
| Total Pension Liability | $ | 45,417,520 |
| Plan Fiduciary Net Position | | 33,119,545 |
| Employers' Net Pension Liability (Asset) | $ | 12,297,975 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 72.92% |

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.

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

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

| | Rate | | |
|---|---|---|---|
| | (6.00%) | (7.00%) | (8.00%) |
| School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) | $ 50,367,000 | $ 33,728,000 | $ 19,964,000 |

## Note 11-Pension Plan: (continued)

### Component Unit School Board (professional) (continued)

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-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

In addition to the pension benefits described in Note 11, 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.

### Plan Membership

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

| | |
|---|---|
| Total active employees with coverage | 585 |
| Total retirees with coverage | 19 |
| Total | 604 |

### 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 meeting 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, 2018 was $126,000.

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

### Total OPEB Liability

The Schools' total OPEB liability was measured as of July 1, 2017. 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, 2017 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 | 7.00% for fiscal year end 2018, decreasing 0.50% per year to an ultimate rate of 5.00% |
| Discount Rate | 3.56% |
| Retirement Age | The average age at retirement is 62 |

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-2017.

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 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017.

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

### Changes in Total OPEB Liability

| | | Component Unit School Board Total OPEB Liability |
|---|---|---|
| Balances at July 1, 2017 | $ | 5,175,000 |
| Changes for the year: | | |
| Service cost | | 219,000 |
| Interest | | 190,000 |
| Benefit payments | | (126,000) |
| Net changes | $ | 283,000 |
| Balances at June 30, 2018 | $ | 5,458,000 |

### 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 (2.56%) or one-percentage point higher (4.56%) than the current discount rate:

| | Rate | |
|---|---|---|
| 1% Decrease (2.56%) | Current Discount Rate (3.56%) | 1% Increase (4.56%) |
| $ 6,020,000 | $ 5,458,000 | $ 4,950,000 |

*The remainder of this page left blank intentionally.*

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

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

The following presents the net OPEB liability of the Schools, as well as what the Schools' net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage point lower (6.00% decreasing by 0.50% annually to an ultimate rate of 6.00%) or one-percentage point higher (8.00% decreasing by 0.50% annually to an ultimate rate of 4.00%) than the current healthcare cost trend rates:

| | Rate | |
|---|---|---|
| 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| $ 4,760,000 | $ 5,458,000 | $ 6,286,000 |

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

For the year ended June 30, 2018, the Schools will recognize OPEB expense in the amount of $409,000. At June 30, 2018, the Schools did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

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

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

*Plan Description*

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

**GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS**

**Eligible Employees**

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

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

*Plan Description (Continued)*

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED) |
|---|
| **Benefit Amounts**<br><br>The benefits payable under the Group Life Insurance Program have several components.<br>• **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.<br>• **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.<br>• **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<br>o Accidental dismemberment benefit<br>o Safety belt benefit<br>o Repatriation benefit<br>o Felonious assault benefit<br>o Accelerated death benefit option |
| **Reduction in Benefit Amounts**<br><br>The benefit amounts provided to members covered under the Group Life Insurance Program 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. |
| **Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**<br><br>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111. |

*Contributions*

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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.

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

*Contributions (continued)*

Contributions to the Group Life Insurance Program from the County were $35,870 and $34,492 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (non-professional) were $10,663 and $10,990 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (professional) were $111,096 and $112,124 for the years ended June 30, 2018 and June 30, 2017, respectively.

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB*

At June 30, 2018, the County reported a liability of $541,068 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (nonprofessional) reported a liability of $172,000 for its proportionate share of the Net GLI OPEB Liability.

At June 30, 2018, the Component Unit-School Board (professional) reported a liability of $1,759,000 for its proportionate share of the Net GLI OPEB Liability.

The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2017, the County's proportion was 0.04167% as compared to 0.04241% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (nonprofessional) proportion was 0.01146% as compared to 0.01384% at June 30, 2016.

At June 30, 2017, the Component Unit-School Board (professional) proportion was 0.11690% as compared to 0.11318% at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of $4,315. 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.

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

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

For the year ended June 30, 2018, the Component-Unit School Board (nonprofessional) recognized GLI OPEB expense of $(5,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2018, the Component-Unit School Board (professional) recognized GLI OPEB expense of $30,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, 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 | $ - | $ 12,081 | $ - | $ 4,000 | $ - | $ 39,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 20,711 | - | 6,000 | - | 66,000 |
| Change in assumptions | - | 27,614 | - | 9,000 | - | 91,000 |
| Changes in proportion | - | 9,492 | - | 35,000 | 55,000 | - |
| Employer contributions subsequent to the measurement date | 35,870 | - | 10,663 | - | 111,096 | - |
| Total | $ 35,870 | $ 69,898 | $ 10,663 | $ 54,000 | $ 166,096 | $ 196,000 |

$35,870, $10,663, and $111,096 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, 2019. 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) |
|---|---|---|---|
| 2019 | $ (13,807) | $ (11,000) | $ (30,000) |
| 2020 | (13,807) | (11,000) | (30,000) |
| 2021 | (13,807) | (11,000) | (30,000) |
| 2022 | (13,806) | (11,000) | (30,000) |
| 2023 | (8,630) | (9,000) | (14,000) |
| Thereafter | (6,041) | (1,000) | (7,000) |

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

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

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

*Actuarial Assumptions: (Continued)*

**Mortality Rates – General State Employees**

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 25% |

## Note 13-Group Life Insurance (GLI) Program (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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

*Actuarial Assumptions: (Continued)*

**Mortality Rates – SPORS 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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 85% |

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

*Actuarial Assumptions: (Continued)*

**Mortality Rates – VaLORS 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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| 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 match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 50% to 35% |

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

*Actuarial Assumptions: (Continued)*

**Mortality Rates – JRS Employees**

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Decreased rates at first retirement eligibility |
| Withdrawal Rates | No change |
| Disability Rates | Removed disability rates |
| Salary Scale | No change |

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

*Actuarial Assumptions: (Continued)*

### Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

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

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

## Note 13-Group Life Insurance (GLI) Program (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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

*Actuarial Assumptions: (Continued)*

**Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees**

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

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

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

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

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

## Note 13-Group Life Insurance (GLI) Program (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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

*NET GLI OPEB Liability*

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

| | | Group Life Insurance OPEB Program |
|---|---|---|
| Total GLI OPEB Liability | $ | 2,942,426 |
| Plan Fiduciary Net Position | | 1,437,586 |
| Employers' Net GLI OPEB Liability (Asset) | $ | 1,504,840 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 48.86% |

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

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

*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending 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. From July 1, 2019 on, employers are assumed 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) Program (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 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | | Rate | |
|---|---|---|---|
| | **1% Decrease (6.00%)** | **Current Discount (7.00%)** | **1% Increase (8.00%)** |
| County's proportionate share of the Group Life Insurance Program Net OPEB Liability | $ 699,850 | $ 541,068 | $ 412,489 |
| Component Unit-School Board (Nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability | $ 223,000 | $ 172,000 | $ 131,000 |
| Component Unit-School Board (Professional) proportionate share of the Group Life Insurance Program Net OPEB Liability | $ 2,275,000 | $ 1,759,000 | $ 1,340,000 |

*Group Life Insurance Program Fiduciary Net Position*

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-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) Program:

*Plan Description*

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program 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 health insurance credit 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 about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

| POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS |
|---|
| **Eligible Employees**<br>The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.<br><br>Eligible employees of participating employers are enrolled automatically upon employment. They include:<br>• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. |
| **Benefit Amounts**<br>The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:<br>• **At Retirement** – 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.<br>• **Disability Retirement**- 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. |
| **Health Insurance Credit Program Notes:**<br>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.<br>• No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.<br>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree. |

**Note 14-Health Insurance Credit (HIC) Program: (continued)**

*Employees Covered by Benefit Terms*

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

| | Component Unit - School Board Nonprofessional |
|---|---|
| Inactive members: | |
| Vested inactive members | 48 |
| Active members | 101 |
| Total covered employees | 149 |

*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, 2018 was 0.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Health Insurance Credit Program were $20,000 and $21,000 for the year ended June 30, 2018 and June 30, 2017, respectively.

*Net HIC OPEB Liability*

The Component Unit-School Board's (Nonprofessional) net Health Insurance Credit OPEB liability was measured as of June 30, 2017. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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**Note 14-Health Insurance Credit (HIC) Program: (continued)**

*Actuarial Assumptions*

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| Locality - General employees | 3.5%-5.35% |
| Locality - Hazardous Duty employees | 3.5%-4.75% |
| Investment rate of return | 7.0%, net of investment expenses, including inflation* |

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

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## Note 14-Health Insurance Credit (HIC) Program: (continued)

*Actuarial Assumptions: (Continued)*

### Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

Post-Disablement:
RP-2014 Disability 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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

## Note 14-Health Insurance Credit (HIC) Program: (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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**Note 14-Health Insurance Credit (HIC) Program: (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 | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | 100.00% | | 4.80% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 7.30% |

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

*Discount Rate*

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 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. From July 1, 2019 on, employers are assumed 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) Program: (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, 2016 | $ 441,000 | $ (22,000) | $ 463,000 |
| Changes for the year: | | | |
| Service cost | $ 12,000 | $ - | $ 12,000 |
| Interest | 13,000 | - | 13,000 |
| Assumption changes | (29,000) | - | (29,000) |
| Contributions - employer | - | 21,000 | (21,000) |
| Benefit payments | (21,000) | (21,000) | - |
| Other changes | (1,000) | (1,000) | - |
| Net changes | $ (26,000) | $ (1,000) | $ (25,000) |
| Balances at June 30, 2017 | $ 415,000 | $ (23,000) | $ 438,000 |

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

The following presents the Component Unit School Board's (nonprofessional) Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| **Component Unit School Board (Nonprofessional) Net HIC OPEB Liability** | $ 486,000 | $ 438,000 | $ 397,000 |

**Note 14-Health Insurance Credit (HIC) Program: (continued)**

*Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB*

For the year ended June 30, 2018, the Component Unit-School Board (Nonprofessional) recognized Health Insurance Credit Program OPEB expense of $20,000. At June 30, 2018, 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) Health Insurance Credit Program from the following sources:

| | Component-Unit School Board (Non-professional) | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Net difference between projected and actual earnings on HIC OPEB plan investments | $ - | $ 1,000 |
| Change in assumptions | - | 23,000 |
| Employer contributions subsequent to the measurement date | 20,000 | - |
| Total | $ 20,000 | $ 24,000 |

$20,000 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, 2019. 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) |
|---|---|
| 2019 | $ (6,000) |
| 2020 | (6,000) |
| 2021 | (6,000) |
| 2022 | (6,000) |
| 2023 | - |
| Thereafter | - |

## Note 14-Health Insurance Credit (HIC) Program: (continued)

*Health Insurance Credit Program Plan Data*

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

*Plan Description*

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit 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 Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

| TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS |
|---|
| **Eligible Employees**<br><br>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.<br><br>Eligible employees are enrolled automatically upon employment. They include:<br>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS. |
| **Benefit Amounts**<br><br>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:<br>• **At Retirement** – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.<br>• **Disability Retirement** – 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:<br>o $4.00 per month, multiplied by twice the amount of service credit, or<br>o $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower. |
| **Health Insurance Credit Program Notes:**<br><br>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.<br>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree. |

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

*Contributions*

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Health Insurance Credit Program were $262,289 and $238,462 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB*

At June 30, 2018, the school division reported a liability of $3,453,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.27221% as compared to 0.26624% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of $291,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

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

*Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)*

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | $ - | $ 6,000 |
| Change in assumptions | - | 36,000 |
| Change in proportion | 66,000 | - |
| Employer contributions subsequent to the measurement date | 262,289 | - |
| Total | $ 328,289 | $ 42,000 |

$262,289 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

| Year Ended June 30 | Component Unit-School Board (Professional) |
|---|---|
| 2019 | $ 3,000 |
| 2020 | 3,000 |
| 2021 | 3,000 |
| 2022 | 3,000 |
| 2023 | 5,000 |
| Thereafter | 7,000 |

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

*Actuarial Assumptions*

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

**Mortality Rates – Teachers**

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

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

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

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

*Actuarial Assumptions: (Continued)*

**Mortality Rates – Teachers: (Continued)**

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

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

*Net Teacher Employee HIC OPEB Liability*

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

| | | Teacher Employee HIC OPEB Plan |
|---|---|---|
| Total Teacher Employee HIC OPEB Liability | $ | 1,364,702 |
| Plan Fiduciary Net Position | | 96,091 |
| Teacher Employee net HIC OPEB Liability (Asset) | $ | 1,268,611 |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | | 7.04% |

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) Program (OPEB Plan): (continued)**

*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed 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) Program (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 Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability | $ 3,854,000 | $ 3,453,000 | $ 3,112,000 |

*Teacher Employee HIC OPEB Fiduciary Net Position*

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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## Note 16-Capital Assets:

Capital asset activity for the year ended June 30, 2018 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 | $ 2,906,402 | $ - | $ - | $ 2,906,402 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | $ 78,003,713 | $ 7,850 | $ - | $ 78,011,563 |
| Machinery and equipment | 10,768,302 | 171,125 | - | 10,939,427 |
| Total capital assets being depreciated | $ 88,772,015 | $ 178,975 | $ - | $ 88,950,990 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | $ (24,867,373) | $ (2,111,650) | $ - | $ (26,979,023) |
| Machinery and equipment | (7,409,230) | (596,680) | - | (8,005,910) |
| Total accumulated depreciation | $ (32,276,603) | $ (2,708,330) | $ - | $ (34,984,933) |
| Total capital assets being depreciated, net | $ 56,495,412 | $ (2,529,355) | $ - | $ 53,966,057 |
| Governmental activities capital assets, net | $ 59,401,814 | $ (2,529,355) | $ - | $ 56,872,459 |

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## Note 16-Capital Assets: (continued)

Primary Government: (continued)

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

| | | |
|---|---|---|
| Governmental activities: | | |
| General government administration | $ | 87,941 |
| Judicial administration | | 2,942 |
| Public safety | | 466,613 |
| Public works | | 351,511 |
| Health and welfare | | 6,899 |
| Education | | 1,746,035 |
| Parks, recreation, and cultural | | 30,321 |
| Community development | | 16,068 |
| Total depreciation governmental activities | $ | 2,708,330 |

Capital asset activity for the School Board for the year ended June 30, 2018 was as follows:

Discretely Presented Component Unit:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 1,489,200 | $ - | $ - | $ 1,489,200 |
| Total capital assets not being depreciated | $ 1,489,200 | $ - | $ - | $ 1,489,200 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | $ 11,452,518 | $ 248,849 | $ - | $ 11,701,367 |
| Improvement other than buildings | 153,754 | - | - | 153,754 |
| Machinery and equipment | 6,233,126 | 402,363 | - | 6,635,489 |
| Total capital assets being depreciated | $ 17,839,398 | $ 651,212 | $ - | $ 18,490,610 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | $ (8,609,078) | $ (267,654) | $ - | $ (8,876,732) |
| Improvement other than buildings | (22,158) | (7,708) | - | (29,866) |
| Machinery and equipment | (5,129,961) | (245,057) | - | (5,375,018) |
| Total accumulated depreciation | $ (13,761,197) | $ (520,419) | $ - | $ (14,281,616) |
| Total capital assets being depreciated, net | $ 4,078,201 | $ 130,793 | $ - | $ 4,208,994 |
| Governmental activities capital assets, net | $ 5,567,401 | $ 130,793 | $ - | $ 5,698,194 |

## Note 17-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 18-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 19-Surety Bonds:

Primary Government:

| Fidelity & Deposit Company of Maryland-Surety: | |
|---|---|
| Gerald R. Goad, Clerk of the Circuit Court | $ 1,525,000 |
| Bonita Williams, Treasurer | 400,000 |
| Fran Zimmerman, Commissioner of the Revenue | 3,000 |
| John B. Gardner, Sheriff | 30,000 |

## Note 20-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.

## Note 21-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 |
|---|---|---|
| | Governmental Activities | Governmental Funds |
| Unavailable/deferred revenue | | |
| Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures | $ - | $ 4,027,414 |
| Tax assessments due after June 30 | 22,326,110 | 22,326,110 |
| Prepaid property taxes due after June 30 but paid in advance by taxpayers | 105,964 | 105,964 |
| Total unavailable/deferred revenue | $ 22,432,074 | $ 26,459,488 |

## Note 22-Litigation:

As of June 30, 2018, there were no matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

*The remainder of this page left blank intentionally.*

## Note 23-Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

| | Governmental Activities | Component Unit School Board |
|---|---|---|
| Net Position, July 1, 2017, as previously stated | $ 31,224,300 | $ (32,646,880) |
| GASB 75 Implementation | (605,815) | (8,042,110) |
| Net Position, July 1, 2017, as restated | $ 30,618,485 | $ (40,688,990) |

## Note 24-Upcoming Pronouncements:

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

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

**Note 24-Upcoming Pronouncements: (continued)**

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

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about 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. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

# Required Supplementary Information

Exhibit 8

**County of Carroll, Virginia**
**General Fund**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**
**For the Year Ended June 30, 2018**

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | |
| **REVENUES** | | | | |
| General property taxes | $ 21,335,736 | $ 21,426,254 | $ 21,534,993 | $ 108,739 |
| Other local taxes | 4,407,532 | 4,448,842 | 4,394,821 | (54,021) |
| Permits, privilege fees, and regulatory licenses | 98,300 | 98,300 | 100,714 | 2,414 |
| Fines and forfeitures | 1,065,000 | 1,110,000 | 1,461,067 | 351,067 |
| Revenue from the use of money and property | 161,635 | 161,635 | 70,791 | (90,844) |
| Charges for services | 1,852,120 | 2,180,215 | 2,312,658 | 132,443 |
| Miscellaneous | 134,000 | 147,150 | 142,990 | (4,160) |
| Recovered costs | 2,142,554 | 2,194,108 | 2,061,561 | (132,547) |
| Intergovernmental: | | | | |
| Commonwealth | 7,433,105 | 8,304,535 | 7,944,027 | (360,508) |
| Federal | 2,601,802 | 2,623,906 | 2,915,045 | 291,139 |
| Total revenues | $ 41,231,784 | $ 42,694,945 | $ 42,938,667 | $ 243,722 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government administration | $ 2,744,107 | $ 2,685,759 | $ 2,594,994 | $ 90,765 |
| Judicial administration | 1,301,573 | 1,317,169 | 1,308,469 | 8,700 |
| Public safety | 9,282,700 | 9,802,257 | 9,630,563 | 171,694 |
| Public works | 2,715,104 | 2,671,506 | 2,479,152 | 192,354 |
| Health and welfare | 5,713,948 | 6,868,228 | 6,978,821 | (110,593) |
| Education | 11,308,850 | 11,308,997 | 11,794,030 | (485,033) |
| Parks, recreation, and cultural | 1,473,946 | 1,454,757 | 1,363,454 | 91,303 |
| Community development | 2,182,134 | 2,098,001 | 1,609,205 | 488,796 |
| Debt service: | | | | |
| Principal retirement | 3,265,445 | 3,265,298 | 8,781,248 | (5,515,950) |
| Interest and other fiscal charges | 1,463,977 | 1,470,323 | 1,534,260 | (63,937) |
| Total expenditures | $ 41,451,784 | $ 42,942,295 | $ 48,074,196 | $ (5,131,901) |
| Excess (deficiency) of revenues over (under) expenditures | $ (220,000) | $ (247,350) | $ (5,135,529) | $ (4,888,179) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Issuance of lease revenue bond | $ - | $ - | $ 5,200,000 | $ 5,200,000 |
| Net change in fund balances | $ (220,000) | $ (247,350) | $ 64,471 | $ 311,821 |
| Fund balances - beginning, as restated | 220,000 | 247,350 | 8,866,801 | 8,619,451 |
| Fund balances - ending | $ - | $ - | $ 8,931,272 | $ 8,931,272 |

**County of Carroll, Virginia**
**Schedule of Employer's Proportionate Share of the Net Pension Liability**
**For the Years Ended June 30, 2015 through June 30, 2018**

| Date (1) | Proportion of the Net Pension Liability (NPL) (2) | Proportionate Share of the NPL (3) | Covered Payroll (4) | Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6) |
|---|---|---|---|---|---|
| **Primary Government - County Retirement Plan** | | | | | |
| 2017 | 86.2947% | $ 5,086,211 | $ 6,436,392 | 79.02% | 83.27% |
| 2016 | 86.2946% | 6,694,678 | 6,380,074 | 104.93% | 77.51% |
| 2015 | 86.5376% | 5,285,062 | 6,286,487 | 84.07% | 81.30% |
| 2014 | 86.5376% | 4,226,206 | 6,057,711 | 69.77% | 83.61% |
| **Component Unit Public Service Authority** | | | | | |
| 2017 | 8.2637% | $ 487,063 | $ 614,367 | 79.28% | 83.27% |
| 2016 | 8.2637% | 641,092 | 625,793 | 102.44% | 122.99% |
| 2015 | 8.2813% | 505,758 | 678,989 | 74.49% | 434.88% |
| 2014 | 8.2813% | 417,602 | 678,989 | 61.50% | 510.11% |
| **Component Unit School Board (professional)** | | | | | |
| 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 Years Ended June 30, 2015 through June 30, 2018**

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **Total pension liability** | | | | |
| Service cost | $ 266,275 | $ 270,954 | $ 272,694 | $ 282,837 |
| Interest | 711,451 | 685,916 | 678,210 | 650,702 |
| Differences between expected and actual experience | (194,378) | 24,401 | (276,046) | - |
| Changes in assumptions | (120,248) | - | - | - |
| Benefit payments, including refunds of employee contributions | (639,723) | (569,530) | (559,995) | (521,158) |
| Refund of contributions | (23,716) | - | - | - |
| **Net change in total pension liability** | $ (339) | $ 411,741 | $ 114,863 | $ 412,381 |
| **Total pension liability - beginning** | 10,495,309 | 10,083,568 | 9,968,705 | 9,556,324 |
| **Total pension liability - ending (a)** | $ 10,494,970 | $ 10,495,309 | $ 10,083,568 | $ 9,968,705 |
| | | | | |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | $ 156,370 | $ 240,176 | $ 239,595 | $ 259,093 |
| Contributions - employee | 102,599 | 122,474 | 122,507 | 123,499 |
| Net investment income | 1,119,816 | 160,748 | 418,458 | 1,264,799 |
| Benefit payments, including refunds of employee contributions | (639,723) | (569,530) | (559,995) | (521,158) |
| Refund of contributions | (23,716) | - | - | - |
| Administrative expense | (6,738) | (5,902) | (5,839) | (6,876) |
| Other | (984) | (69) | (88) | 67 |
| **Net change in plan fiduciary net position** | $ 707,624 | $ (52,103) | $ 214,638 | $ 1,119,424 |
| **Plan fiduciary net position - beginning** | 9,362,585 | 9,414,688 | 9,200,050 | 8,080,626 |
| **Plan fiduciary net position - ending (b)** | $ 10,070,209 | $ 9,362,585 | $ 9,414,688 | $ 9,200,050 |
| | | | | |
| **School Division's net pension liability - ending (a) - (b)** | $ 424,761 | $ 1,132,724 | $ 668,880 | $ 768,655 |
| | | | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 95.95% | 89.21% | 93.37% | 92.29% |
| | | | | |
| **Covered payroll** | $ 2,093,296 | $ 2,483,064 | $ 2,463,253 | $ 2,469,959 |
| | | | | |
| **School Division's net pension liability as a percentage of covered payroll** | 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
## For the Years Ended June 30, 2009 through June 30, 2018

| Date | | Contractually Required Contribution (1) | | Contributions in Relation to Contractually Required Contribution (2) | | Contribution Deficiency (Excess) (3) | | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|---|---|---|---|
| **Primary Government** | | | | | | | | | |
| 2018 | $ | 749,414 | $ | 749,414 | $ | - | $ | 6,835,376 | 10.96% |
| 2017 | | 742,577 | | 742,577 | | - | | 6,436,392 | 11.54% |
| 2016 | | 770,617 | | 770,617 | | - | | 6,380,074 | 12.08% |
| 2015 | | 762,325 | | 762,325 | | - | | 6,286,487 | 12.13% |
| **Component Unit Public Service Authority** | | | | | | | | | |
| 2018 | $ | 65,117 | $ | 65,117 | $ | - | $ | 654,565 | 9.95% |
| 2017 | | 71,110 | | 71,110 | | - | | 614,367 | 11.57% |
| 2016 | | 76,159 | | 76,159 | | - | | 625,793 | 12.17% |
| 2015 | | 75,339 | | 75,339 | | - | | 678,989 | 11.10% |
| **Component Unit School Board (nonprofessional)** | | | | | | | | | |
| 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% |
| 2010 | | 219,606 | | 219,606 | | - | | 2,544,679 | 8.63% |
| 2009 | | 225,013 | | 225,013 | | - | | 2,607,334 | 8.63% |
| **Component Unit School Board (professional)** | | | | | | | | | |
| 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% |
| 2010 | | 1,744,737 | | 1,744,737 | | - | | 19,804,052 | 8.81% |
| 2009 | | 1,782,901 | | 1,782,901 | | - | | 20,237,242 | 8.81% |

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

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

**County of Carroll, Virginia**
**Notes to Required Supplementary Information**
**June 30, 2018**

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty:

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

Exhibit 13

**County of Carroll, Virginia**
**Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios**
**Component Unit - School Board**
**For the Year Ended June 30, 2018**

| | | 2018 |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ | 219,000 |
| Interest | | 190,000 |
| Benefit payments | | (126,000) |
| **Net change in total OPEB liability** | $ | 283,000 |
| **Total OPEB liability - beginning** | | 5,175,000 |
| **Total OPEB liability - ending** | $ | 5,458,000 |
| | | |
| **Covered-employee payroll** | $ | 23,677,000 |
| | | |
| **Component Unit School Board's total OPEB liability (asset) as a percentage of covered-employee payroll** | | 23.05% |

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

Exhibit 14

## County of Carroll, Virginia
## Notes to Required Supplementary Information - Component Unit School Board OPEB
## For the Year Ended June 30, 2018

Valuation Date: 7/1/2016
Measurement Date: 7/1/2017

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 | 7.00% for fiscal year end 2018, decreasing 0.50% per year to an ultimate rate of 5.00% |
| Discount Rate | 3.56% |
| Retirement Age | The average age at retirement is 62 |
| Mortality Rates | 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-2017 |

Exhibit 15

**County of Carroll, Virginia**
**Schedule of Employers's Share of Net OPEB Liability**
**Group Life Insurance Program**
**For the Year Ended June 30, 2018**

| 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 | | | | | |
| 2017 | 0.0417% | $ 541,068 | $ 6,633,359 | 8.16% | 48.86% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2017 | 0.0115% | $ 172,000 | $ 2,113,450 | 8.14% | 48.86% |
| Component Unit School Board (professional) | | | | | |
| 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.

Exhibit 16

# County of Carroll, Virginia
## Schedule of Employer Contributions
## Group Life Insurance Program
## For the Years Ended June 30, 2009 through June 30, 2018

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| 2018 | $ 35,870 | $ 35,870 | $ - | $ 6,898,061 | 0.52% |
| 2017 | 34,492 | 34,492 | - | 6,633,359 | 0.52% |
| **Component Unit School Board (nonprofessional)** | | | | | |
| 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% |
| 2010 | 4,977 | 4,977 | - | 2,545,915 | 0.20% |
| 2009 | 7,084 | 7,084 | - | 2,623,711 | 0.27% |
| **Component Unit School Board (nonprofessional)** | | | | | |
| 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% |
| 2010 | 38,120 | 38,120 | - | 19,885,375 | 0.19% |
| 2009 | 54,904 | 54,904 | - | 20,334,669 | 0.27% |

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

**County of Carroll, Virginia**
**Notes to Required Supplementary Information**
**Group Life Insurance Program**
**For the Year Ended June 30, 2018**

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

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

**General State 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 |
| Line of Duty Disability | Increased rate from 14% to 25% |

**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 |

**SPORS Employees**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 85% |

**VaLORS Employees**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| 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 50% to 35% |

**County of Carroll, Virginia**
**Notes to Required Supplementary Information**
**Group Life Insurance Program**
**For the Year Ended June 30, 2018**

**JRS Employees**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Decreased rates at first retirement eligibility |
| Withdrawal Rates | No change |
| Disability Rates | Removed disability rates |
| Salary Scale | No change |

**Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Largest Ten Locality Employers - Hazardous Duty Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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

Exhibit 18

## 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 Program (HIC)
## For the Year Ended June 30, 2018

| | | 2017 |
|---|---|---|
| **Total HIC OPEB Liability** | | |
| Service cost | $ | 12,000 |
| Interest | | 13,000 |
| Changes in assumptions | | (29,000) |
| Benefit payments | | (21,000) |
| Other changes | | (1,000) |
| **Net change in total HIC OPEB liability** | $ | (26,000) |
| **Total HIC OPEB Liability - beginning** | | 441,000 |
| **Total HIC OPEB Liability - ending (a)** | $ | 415,000 |
| | | |
| **Plan fiduciary net position** | | |
| Contributions - employer | $ | 21,000 |
| Benefit payments | | (21,000) |
| Other | | (1,000) |
| **Net change in plan fiduciary net position** | $ | (1,000) |
| **Plan fiduciary net position - beginning** | | (22,000) |
| **Plan fiduciary net position - ending (b)** | $ | (23,000) |
| | | |
| **Employer's net HIC OPEB liability - ending (a) - (b)** | $ | 438,000 |
| | | |
| **Plan fiduciary net position as a percentage of the total HIC OPEB liability** | | -5.54% |
| | | |
| **Covered payroll** | $ | 2,093,296 |
| | | |
| **Employer's net HIC OPEB liability as a percentage of covered payroll** | | 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
## For the Year Ended June 30, 2018
## For the Years Ended June 30, 2012 through June 30, 2018

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| **Component Unit - School Board (nonprofessional)** | | | | | |
| 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**
**For the Year Ended June 30, 2018**

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

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

**Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - General Employees**

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

**County of Carroll, Virginia**
**Schedule of School Board's Share of Net OPEB Liability**
**Teacher Health Insurance Credit Program (HIC)**
**For the Year Ended June 30, 2018**

| 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) |
|---|---|---|---|---|---|
| 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.

Exhibit 22

## County of Carroll, Virginia
## Schedule of Employer Contributions
## Teacher Health Insurance Credit Program (HIC)
## For the Years Ended June 30, 2009 through June 30, 2018

| 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) |
|---|---|---|---|---|---|
| 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% |
| 2010 | 146,315 | 146,315 | - | 19,804,052 | 0.74% |
| 2009 | 218,562 | 218,562 | - | 20,237,245 | 1.08% |

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

# County of Carroll, Virginia
## Notes to Required Supplementary Information
## Teacher Health Insurance Credit Program (HIC)
## For the Year Ended June 30, 2018

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

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

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

# Other Supplementary Information

## 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.

Exhibit 24

## County of Carroll, Virginia
## Combining Statement of Fiduciary Net Position
## Fiduciary Funds
## June 30, 2018

| | Agency Funds | | | | |
|---|---|---|---|---|---|
| | Special Welfare | School Board FSA | County FSA | Performance Bond Escrow | Total |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 20,746 | $ 20,007 | $ 1,304 | $ 152,498 | $ 194,555 |
| Total assets | $ 20,746 | $ 20,007 | $ 1,304 | $ 152,498 | $ 194,555 |
| **LIABILITIES** | | | | | |
| Amounts held for social services clients | $ 20,746 | $ - | $ - | $ - | $ 20,746 |
| Amounts held for performance bonds | - | - | - | 152,498 | 152,498 |
| Amounts held for School Board employees | - | 20,007 | - | - | 20,007 |
| Amounts held for County employees | - | - | 1,304 | - | 1,304 |
| Total liabilities | $ 20,746 | $ 20,007 | $ 1,304 | $ 152,498 | $ 194,555 |

**County of Carroll, Virginia**
**Combining Statement of Changes in Assets and Liabilities**
**Agency Funds**
**June 30, 2018**

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | | | | |
| Special Welfare | $ 17,756 | $ 82,123 | $ (79,133) | $ 20,746 |
| Performance Bond Escrow | 187,854 | 5,000 | (40,356) | 152,498 |
| School Board FSA | 22,198 | 66,897 | (69,088) | 20,007 |
| County FSA | 1,345 | 14,239 | (14,280) | 1,304 |
| Total cash and cash equivalents | $ 229,153 | $ 168,259 | $ (202,857) | $ 194,555 |
| Investments | | | | |
| Twin County Airport | $ 3,398 | $ 39 | $ (3,437) | $ - |
| Total Assets | $ 232,551 | $ 168,298 | $ (206,294) | $ 194,555 |
| **Liabilities** | | | | |
| Amounts held for social services clients | $ 17,756 | $ 82,123 | $ (79,133) | $ 20,746 |
| Amounts held for performance bonds | 187,854 | 5,000 | (40,356) | 152,498 |
| Amounts held for School Board employees | 22,198 | 66,897 | (69,088) | 20,007 |
| Amounts held for County employees | 1,345 | 14,239 | (14,280) | 1,304 |
| Amounts held for Twin County Airport | 3,398 | 39 | (3,437) | - |
| Total Liabilities | $ 232,551 | $ 168,298 | $ (206,294) | $ 194,555 |

## 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, 2018**

| | | School Operating Fund |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | | $ 1,951,002 |
| Investments | | 69,958 |
| Due from other governmental units | | 1,105,149 |
| Prepaid items | | 70,902 |
| Restricted assets: | | |
| Cash and cash equivalents | | 221,297 |
| Total assets | | $ 3,418,308 |
| **LIABILITIES** | | |
| Accounts payable | | $ 393,801 |
| Accrued liabilities | | 1,931,467 |
| Due to primary government | | 976,209 |
| Total liabilities | | $ 3,301,477 |
| **FUND BALANCES** | | |
| Nonspendable: | | |
| Prepaid items | | $ 70,902 |
| Restricted: | | |
| Cafeteria operations | | 56,844 |
| Committed: | | |
| Textbook purchases | | 59,987 |
| Unassigned: | | (70,902) |
| Total fund balances | | $ 116,831 |
| Total liabilities and fund balances | | $ 3,418,308 |
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: | | |
| Total fund balances per above | | $ 116,831 |
| 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 | 2,824,635 | |
| Improvement other than buildings | 123,888 | |
| Machinery and equipment | 1,260,471 | 5,698,194 |
| Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds. | | |
| Pension related items | $ 5,038,500 | |
| OPEB related items | 525,048 | 5,563,548 |
| 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 | $ (11,280,000) | |
| Compensated absences | (891,051) | |
| Net pension liability | (34,152,761) | (46,323,812) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Pension related items | $ (4,696,005) | |
| OPEB related items | (316,000) | (5,012,005) |
| Net position of governmental activities | | $ (39,957,244) |

# 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, 2018

| | | School Operating Fund |
|---|---|---|
| **REVENUES** | | |
| Revenue from the use of money and property | | $ 39,191 |
| Charges for services | | 681,119 |
| Miscellaneous | | 143,183 |
| Recovered costs | | 1,194,935 |
| Intergovernmental: | | |
| Local government | | 11,737,557 |
| Commonwealth | | 25,836,382 |
| Federal | | 4,554,217 |
| Total revenues | | $ 44,186,584 |
| **EXPENDITURES** | | |
| Current: | | |
| Education | | $ 44,509,392 |
| Total expenditures | | $ 44,509,392 |
| Excess (deficiency) of revenues over (under) expenditures | | $ (322,808) |
| Net change in fund balances | | $ (322,808) |
| Fund balances - beginning | | 439,639 |
| Fund balances - ending | | $ 116,831 |
| 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 | | $ (322,808) |
| 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 capital outlays exceeded depreciation in the current period. | | |
| Capital asset additions | $ 651,212 | |
| Depreciation expense | (520,419) | 130,793 |
| 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 | $ 52,792 | |
| Pension expense | 1,087,497 | |
| OPEB expense | (216,528) | 923,761 |
| Change in net position of governmental activities | | $ 731,746 |

# 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, 2018

| | School Operating Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Revenue from the use of money and property | $ 32,150 | $ 32,150 | $ 39,191 | $ 7,041 |
| Charges for services | 2,961,232 | 2,961,232 | 681,119 | (2,280,113) |
| Miscellaneous | 610,050 | 610,050 | 143,183 | (466,867) |
| Recovered costs | 996,186 | 996,186 | 1,194,935 | 198,749 |
| Intergovernmental: | | | | |
| Local government | 11,251,664 | 11,251,664 | 11,737,557 | 485,893 |
| Commonwealth | 26,052,380 | 26,347,380 | 25,836,382 | (510,998) |
| Federal | 4,317,277 | 4,527,422 | 4,554,217 | 26,795 |
| Total revenues | $ 46,220,939 | $ 46,726,084 | $ 44,186,584 | $ (2,539,500) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Education | $ 46,220,939 | $ 46,726,084 | $ 44,509,392 | $ 2,216,692 |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ - | $ (322,808) | $ (322,808) |
| Net change in fund balances | $ - | $ - | $ (322,808) | $ (322,808) |
| Fund balances - beginning | - | - | 439,639 | 439,639 |
| Fund balances - ending | $ - | $ - | $ 116,831 | $ 116,831 |

# Supporting Schedules

**County of Carroll, Virginia**
**Schedule of Revenues - Budget and Actual**
**Governmental Funds**
**For the Year Ended June 30, 2018**

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund:** | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | $ 15,069,640 | $ 15,069,640 | $ 14,893,839 | $ (175,801) |
| Real and personal public service corporation taxes | 867,885 | 919,069 | 919,499 | 430 |
| Personal property taxes | 3,741,477 | 3,771,572 | 3,906,690 | 135,118 |
| Mobile home taxes | 82,140 | 82,140 | 79,348 | (2,792) |
| Machinery and tools taxes | 942,410 | 942,410 | 898,120 | (44,290) |
| Merchant's capital taxes | 202,184 | 211,423 | 215,098 | 3,675 |
| Penalties | 150,000 | 150,000 | 160,523 | 10,523 |
| Interest | 280,000 | 280,000 | 461,876 | 181,876 |
| Total general property taxes | $ 21,335,736 | $ 21,426,254 | $ 21,534,993 | $ 108,739 |
| Other local taxes: | | | | |
| Local sales and use taxes | $ 1,801,364 | $ 1,801,364 | $ 1,794,641 | $ (6,723) |
| Consumers' utility taxes- electric | 665,000 | 665,000 | 674,187 | 9,187 |
| Consumers' utility taxes- telephone | 42,000 | 66,455 | 65,312 | (1,143) |
| Consumption taxes | 95,000 | 95,000 | 103,636 | 8,636 |
| Recordation taxes | 136,000 | 136,000 | 153,909 | 17,909 |
| Motor vehicle licenses | 722,168 | 739,023 | 710,612 | (28,411) |
| Bank stock taxes | 11,000 | 11,000 | 14,836 | 3,836 |
| Hotel and motel room taxes | 355,000 | 355,000 | 326,546 | (28,454) |
| Restaurant food taxes | 580,000 | 580,000 | 551,142 | (28,858) |
| Total other local taxes | $ 4,407,532 | $ 4,448,842 | $ 4,394,821 | $ (54,021) |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Building permits | $ 65,000 | $ 65,000 | $ 74,079 | $ 9,079 |
| Animal licenses | 18,000 | 18,000 | 14,460 | (3,540) |
| Other permits and licenses | 15,300 | 15,300 | 12,175 | (3,125) |
| Total permits, privilege fees, and regulatory licenses | $ 98,300 | $ 98,300 | $ 100,714 | $ 2,414 |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | $ 1,065,000 | $ 1,110,000 | $ 1,461,067 | $ 351,067 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | $ 135,633 | $ 135,633 | $ 44,769 | $ (90,864) |
| Revenue from use of property | 26,002 | 26,002 | 26,022 | 20 |
| Total revenue from use of money and property | $ 161,635 | $ 161,635 | $ 70,791 | $ (90,844) |
| Charges for services: | | | | |
| Charges for EMS | $ 1,358,000 | $ 1,503,478 | $ 1,573,192 | $ 69,714 |
| Charges for farmer's market | 140,000 | 289,511 | 310,452 | 20,941 |
| Charges for courthouse security | 185,000 | 192,982 | 201,968 | 8,986 |
| Charges for parks and recreation | 55,500 | 80,624 | 92,940 | 12,316 |
| Charges for sanitation and waste removal | 37,000 | 37,000 | 43,075 | 6,075 |
| Charges for courthouse maintenance | 35,000 | 35,000 | 39,320 | 4,320 |
| Charges for cannery | 19,000 | 19,000 | 15,859 | (3,141) |
| Charges for circuit court copies | 8,500 | 8,500 | 7,253 | (1,247) |

**County of Carroll, Virginia**
**Schedule of Revenues - Budget and Actual**
**Governmental Funds**
**For the Year Ended June 30, 2018**

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Revenue from local sources: (Continued) | | | | |
| Chages for services: (Continued) | | | | |
| Charges for commonwealth's attorney | $ 5,000 | $ 5,000 | $ 5,620 | $ 620 |
| Charges for law enforcement and traffic control | 8,720 | 8,720 | 13,268 | 4,548 |
| Charges for law library | - | - | 7,593 | 7,593 |
| Other charges for services | 400 | 400 | 2,118 | 1,718 |
| Total charges for services | $ 1,852,120 | $ 2,180,215 | $ 2,312,658 | $ 132,443 |
| Miscellaneous: | | | | |
| Miscellaneous | $ 134,000 | $ 147,150 | $ 142,990 | $ (4,160) |
| Recovered costs: | | | | |
| Solid Waste Authority | $ 544,426 | $ 544,426 | $ 502,941 | $ (41,485) |
| BRECEDA | 128,503 | 128,503 | 116,970 | (11,533) |
| Public Service Authority | 964,253 | 964,253 | 861,706 | (102,547) |
| Industrial Development Authority | 1,500 | 1,500 | 443 | (1,057) |
| City of Galax-shared expenses | 250,000 | 265,000 | 265,000 | - |
| Social services | 124,422 | 138,341 | 164,904 | 26,563 |
| School resource officer | 55,000 | 60,345 | 54,469 | (5,876) |
| Other recovered costs | 74,450 | 91,740 | 95,128 | 3,388 |
| Total recovered costs | $ 2,142,554 | $ 2,194,108 | $ 2,061,561 | $ (132,547) |
| Total revenue from local sources | $ 31,196,877 | $ 31,766,504 | $ 32,079,595 | $ 313,091 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Mobile home titling taxes | $ 57,000 | $ 57,000 | $ 55,791 | $ (1,209) |
| Motor vehicle rental taxes | 6,500 | 6,500 | 5,864 | (636) |
| Telecommunications Taxes | 950,000 | 950,000 | 924,800 | (25,200) |
| Rolling stock taxes | 1,200 | 1,200 | 1,088 | (112) |
| State recordation taxes | 95,000 | 95,000 | 96,415 | 1,415 |
| Personal property tax relief funds | 1,051,552 | 1,051,552 | 1,051,552 | - |
| Total noncategorical aid | $ 2,161,252 | $ 2,161,252 | $ 2,135,510 | $ (25,742) |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | $ 449,421 | $ 449,421 | $ 446,626 | $ (2,795) |
| Sheriff | 1,436,276 | 1,436,276 | 1,402,004 | (34,272) |
| Commissioner of revenue | 124,904 | 124,904 | 125,752 | 848 |
| Treasurer | 120,827 | 120,827 | 119,534 | (1,293) |
| Registrar/electoral board | 41,000 | 41,000 | 42,320 | 1,320 |
| Clerk of the Circuit Court | 284,933 | 284,933 | 289,968 | 5,035 |
| Total shared expenses | $ 2,457,361 | $ 2,457,361 | $ 2,426,204 | $ (31,157) |
| Other categorical aid: | | | | |
| Public assistance and welfare administration | $ 1,295,417 | $ 1,295,417 | $ 1,288,995 | $ (6,422) |

**County of Carroll, Virginia**
**Schedule of Revenues - Budget and Actual**
**Governmental Funds**
**For the Year Ended June 30, 2018**

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Other categorical aid: (Continued) | | | | |
| Comprehensive Services Act | $ 1,208,863 | $ 1,968,700 | $ 1,712,889 | $ (255,811) |
| Animal friendly plates | 335 | 335 | 413 | 78 |
| Farmer's market grants | - | 100,000 | 100,000 | - |
| Fire program | 89,500 | 91,472 | 91,472 | - |
| Litter control grant | 10,200 | 10,200 | 9,676 | (524) |
| Emergency and medical services grant | 148,650 | 117,960 | 89,960 | (28,000) |
| Records preservation grant | 6,340 | 18,070 | 18,406 | 336 |
| School Resource Officer | 36,417 | 64,998 | 28,036 | (36,962) |
| Victim witness | 13,770 | 13,770 | 13,770 | - |
| Asset forfeiture | - | - | 24,196 | 24,196 |
| Arts grant | 5,000 | 5,000 | 4,500 | (500) |
| Total other categorical aid | $ 2,814,492 | $ 3,685,922 | $ 3,382,313 | $ (303,609) |
| Total categorical aid | $ 5,271,853 | $ 6,143,283 | $ 5,808,517 | $ (334,766) |
| Total revenue from the Commonwealth | $ 7,433,105 | $ 8,304,535 | $ 7,944,027 | $ (360,508) |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| Payments in lieu of taxes | $ 20,000 | $ 20,000 | $ 29,737 | $ 9,737 |
| Categorical aid: | | | | |
| Public assistance and welfare administration | $ 1,865,458 | $ 1,865,458 | $ 2,149,314 | $ 283,856 |
| QSCB interest | 626,400 | 626,400 | 632,147 | 5,747 |
| Victim witness | 64,509 | 64,509 | 64,509 | - |
| Emergency management preparedness grants | 7,500 | 7,500 | 7,829 | 329 |
| Federal justice assistance grants | - | 3,000 | 4,469 | 1,469 |
| State and community highway safety | - | 9,415 | 353 | (9,062) |
| High intensity drug trafficking grant | 17,935 | 27,624 | 26,687 | (937) |
| Total categorical aid | $ 2,581,802 | $ 2,603,906 | $ 2,885,308 | $ 281,402 |
| Total revenue from the federal government | $ 2,601,802 | $ 2,623,906 | $ 2,915,045 | $ 291,139 |
| Total General Fund | $ 41,231,784 | $ 42,694,945 | $ 42,938,667 | $ 243,722 |
| Total Primary Government | $ 41,231,784 | $ 42,694,945 | $ 42,938,667 | $ 243,722 |
| **Discretely Presented Component Unit - School Board:** | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | $ 150 | $ 150 | $ 1,032 | $ 882 |
| Revenue from the use of property | 32,000 | 32,000 | 38,159 | 6,159 |
| Total revenue from use of money and property | $ 32,150 | $ 32,150 | $ 39,191 | $ 7,041 |

**County of Carroll, Virginia**
**Schedule of Revenues - Budget and Actual**
**Governmental Funds**
**For the Year Ended June 30, 2018**

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Discretely Presented Component Unit - School Board:** | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Fees from pupils | $ 19,000 | $ - | $ 18,585 | $ 18,585 |
| Tuition from other localities | 5,800 | 5,800 | 16,115 | 10,315 |
| Cafeteria sales | 2,903,432 | 2,903,432 | 628,508 | (2,274,924) |
| Transportation of pupils | 9,000 | 28,000 | 17,845 | (10,155) |
| Other payments from other localities | 24,000 | 24,000 | 66 | (23,934) |
| Total charges for services | $ 2,961,232 | $ 2,961,232 | $ 681,119 | $ (2,280,113) |
| Miscellaneous: | | | | |
| E-rate | $ 175,000 | $ 175,000 | $ 116,634 | $ (58,366) |
| Other miscellaneous | 435,050 | 435,050 | 26,549 | (408,501) |
| Total miscellaneous | $ 610,050 | $ 610,050 | $ 143,183 | $ (466,867) |
| Recovered costs: | | | | |
| Insurance recoveries and rebates | $ 996,186 | $ 996,186 | $ 1,194,935 | $ 198,749 |
| Total revenue from local sources | $ 4,599,618 | $ 4,599,618 | $ 2,058,428 | $ (2,541,190) |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Carroll, Virginia | $ 11,251,664 | $ 11,251,664 | $ 11,737,557 | $ 485,893 |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | $ 4,448,370 | $ 4,448,370 | $ 4,199,293 | $ (249,077) |
| Basic school aid | 11,756,122 | 11,756,122 | 11,731,124 | (24,998) |
| Remedial summer education | 129,078 | 129,078 | 156,425 | 27,347 |
| Regular foster care | 95,187 | 95,187 | 29,302 | (65,885) |
| Gifted and talented | 128,848 | 128,848 | 128,789 | (59) |
| Remedial education | 560,092 | 560,092 | 559,837 | (255) |
| Alternative education | 173,333 | 173,333 | 173,333 | - |
| Special education | 1,351,584 | 1,351,584 | 1,350,967 | (617) |
| Textbook payment | 288,671 | 288,671 | 288,539 | (132) |
| Vocational standards of quality payments | 496,983 | 496,983 | 496,756 | (227) |
| Vocational adult education | 900 | 900 | 1,141 | 241 |
| Vocational education - equipment | 25,760 | 25,760 | 11,952 | (13,808) |
| Vocational occupational preparedness | 15,000 | 15,000 | 17,418 | 2,418 |
| Social security fringe benefits | 762,567 | 762,567 | 762,219 | (348) |
| Retirement fringe benefits | 1,748,645 | 1,748,645 | 1,747,846 | (799) |
| Group life insurance instructional | 52,591 | 52,591 | 52,567 | (24) |
| State lottery payments | 720,810 | 720,810 | 721,138 | 328 |
| Homebound education | 26,107 | 26,107 | 25,286 | (821) |
| School nutrition | 39,061 | 39,061 | 36,189 | (2,872) |
| Special education - foster children | - | - | 54,066 | 54,066 |
| Special education - regional | 143,414 | 143,414 | 125,982 | (17,432) |

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Discretely Presented Component Unit - School Board: (Continued)** | | | | |
| **School Operating Fund: (Continued)** | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | $ 122,859 | $ 122,859 | $ 122,816 | $ (43) |
| At risk payments | 561,595 | 561,595 | 571,736 | 10,141 |
| Early reading intervention | 85,551 | 85,551 | 104,562 | 19,011 |
| VPSA technology | 362,000 | 362,000 | 336,000 | (26,000) |
| Standards of Learning algebra readiness | 64,953 | 64,953 | 67,200 | 2,247 |
| At risk four-year olds | 481,440 | 481,440 | 481,440 | - |
| Primary class size | 616,042 | 616,042 | 624,309 | 8,267 |
| Breakfast after the Bell Initiative | - | - | 7,994 | 7,994 |
| Mentor teacher program | 2,317 | 2,317 | 1,861 | (456) |
| ISAEP | 15,717 | 15,717 | 16,587 | 870 |
| Jobs for VA grads | - | - | 25,000 | 25,000 |
| CTE industry credentials | 4,500 | 4,500 | 20,713 | 16,213 |
| English as a second language | 82,513 | 82,513 | 84,421 | 1,908 |
| Project graduation | - | - | 6,907 | 6,907 |
| School security grant | 92,000 | 92,000 | 87,120 | (4,880) |
| Small School Division Enrollment | 341,846 | 341,846 | - | (341,846) |
| STEM Grant | - | - | 15,000 | 15,000 |
| Extended Year Grant | - | 295,000 | 295,000 | - |
| Other state funds | 255,924 | 255,924 | 297,547 | 41,623 |
| Total categorical aid | $ 26,052,380 | $ 26,347,380 | $ 25,836,382 | $ (510,998) |
| Total revenue from the Commonwealth | $ 26,052,380 | $ 26,347,380 | $ 25,836,382 | $ (510,998) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Forest reserve | $ 10,000 | $ 10,000 | $ 9,063 | $ (937) |
| Title I | 1,064,830 | 1,064,830 | 1,125,531 | 60,701 |
| Title VI-B, flow-through | 1,044,756 | 1,044,756 | 1,018,513 | (26,243) |
| Title VI-B, preschool | 27,171 | 27,171 | 27,023 | (148) |
| Title VI-B, rural and low income | 78,738 | 78,738 | 83,456 | 4,718 |
| Vocational education | 73,180 | 73,180 | 55,586 | (17,594) |
| Teacher quality | 170,000 | 170,000 | 171,388 | 1,388 |
| Migrant education | 38,000 | 38,000 | 61,920 | 23,920 |
| School breakfast program | 432,016 | 432,016 | 430,000 | (2,016) |
| National school lunch program | 1,192,500 | 1,192,500 | 1,254,873 | 62,373 |
| Title III | 9,000 | 9,000 | - | (9,000) |
| Twenty first century learning centers | 177,086 | 359,066 | 238,338 | (120,728) |
| Title IV, Part A | - | 28,165 | 28,165 | - |
| Other federal funds | - | - | 50,361 | 50,361 |
| Total categorical aid | $ 4,317,277 | $ 4,527,422 | $ 4,554,217 | $ 26,795 |
| Total revenue from the federal government | $ 4,317,277 | $ 4,527,422 | $ 4,554,217 | $ 26,795 |
| Total Discretely Presented Component Unit - School Board | $ 46,220,939 | $ 46,726,084 | $ 44,186,584 | $ (2,539,500) |

**County of Carroll, Virginia**
**Schedule of Expenditures - Budget and Actual**
**Governmental Funds**
**For the Year Ended June 30, 2018**

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund:** | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | $ 504,825 | $ 506,607 | $ 451,278 | $ 55,329 |
| General and financial administration: | | | | |
| County administrator | $ 442,485 | $ 426,178 | $ 476,636 | $ (50,458) |
| County attorney | 75,000 | 75,000 | 74,425 | 575 |
| Commissioner of revenue | 411,725 | 411,475 | 409,898 | 1,577 |
| Treasurer | 374,320 | 374,282 | 358,780 | 15,502 |
| Finance | 264,412 | 264,385 | 263,417 | 968 |
| Management information systems | 455,966 | 385,122 | 343,865 | 41,257 |
| Web development | 7,500 | 7,500 | 5,424 | 2,076 |
| Total general and financial administration | $ 2,031,408 | $ 1,943,942 | $ 1,932,445 | $ 11,497 |
| Board of elections: | | | | |
| Electoral board and officials | $ 86,198 | $ 113,547 | $ 91,543 | $ 22,004 |
| Registrar | 121,676 | 121,663 | 119,728 | 1,935 |
| Total board of elections | $ 207,874 | $ 235,210 | $ 211,271 | $ 23,939 |
| Total general government administration | $ 2,744,107 | $ 2,685,759 | $ 2,594,994 | $ 90,765 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | $ 64,497 | $ 64,490 | $ 60,614 | $ 3,876 |
| General district court | 24,445 | 25,659 | 13,005 | 12,654 |
| Juvenile court | 10,500 | 9,285 | 8,152 | 1,133 |
| Special magistrates | 3,515 | 3,515 | 3,450 | 65 |
| Victim witness | 92,629 | 92,618 | 95,099 | (2,481) |
| Clerk of the circuit court | 491,841 | 503,528 | 475,294 | 28,234 |
| Law library | - | 4,000 | 11,121 | (7,121) |
| Total courts | $ 687,427 | $ 703,095 | $ 666,735 | $ 36,360 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | $ 614,146 | $ 614,074 | $ 641,734 | $ (27,660) |
| Total judicial administration | $ 1,301,573 | $ 1,317,169 | $ 1,308,469 | $ 8,700 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | $ 2,339,254 | $ 2,406,104 | $ 2,399,017 | $ 7,087 |
| Courtroom Security | 206,403 | 225,406 | 224,034 | 1,372 |
| Total law enforcement and traffic control | $ 2,545,657 | $ 2,631,510 | $ 2,623,051 | $ 8,459 |
| Fire and rescue services: | | | | |
| Volunteer fire departments | $ 519,159 | $ 470,019 | $ 469,071 | $ 948 |
| Rescue squads | 425,280 | 321,729 | 282,106 | 39,623 |

**County of Carroll, Virginia**
**Schedule of Expenditures - Budget and Actual**
**Governmental Funds**
**For the Year Ended June 30, 2018**

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Public safety: (Continued) | | | | |
| Fire and rescue services: (Continued) | | | | |
| Carroll EMS | $ 1,679,463 | $ 1,876,458 | $ 1,847,195 | $ 29,263 |
| Total fire and rescue services | $ 2,623,902 | $ 2,668,206 | $ 2,598,372 | $ 69,834 |
| Correction and detention: | | | | |
| Payments to New River Regional Jail | $ 1,800,000 | $ 2,115,200 | $ 2,143,981 | $ (28,781) |
| Juvenile probation and detention | 156,700 | 186,700 | 254,775 | (68,075) |
| Total correction and detention | $ 1,956,700 | $ 2,301,900 | $ 2,398,756 | $ (96,856) |
| Inspections: | | | | |
| Building | $ 345,285 | $ 344,284 | $ 359,612 | $ (15,328) |
| Other protection: | | | | |
| Animal warden | $ 121,424 | $ 119,810 | $ 109,677 | $ 10,133 |
| Emergency services | 217,899 | 217,286 | 221,271 | (3,985) |
| E-911 | 374,154 | 374,154 | 374,154 | - |
| Day reporting program | 62,980 | 66,181 | 62,963 | 3,218 |
| Highway safety | 1,034,699 | 1,078,926 | 882,707 | 196,219 |
| Total other protection | $ 1,811,156 | $ 1,856,357 | $ 1,650,772 | $ 205,585 |
| Total public safety | $ 9,282,700 | $ 9,802,257 | $ 9,630,563 | $ 171,694 |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | $ 598,556 | $ 599,781 | $ 558,204 | $ 41,577 |
| Public Service Authority | 960,809 | 960,809 | 870,468 | 90,341 |
| Litter control | 10,200 | 10,200 | 10,200 | - |
| Total sanitation and waste removal | $ 1,569,565 | $ 1,570,790 | $ 1,438,872 | $ 131,918 |
| Maintenance of general buildings and grounds: | | | | |
| Governmental complex | $ 380,782 | $ 345,213 | $ 337,555 | $ 7,658 |
| Cannery | 53,858 | 42,692 | 39,127 | 3,565 |
| Maintenance force | 564,899 | 570,757 | 530,695 | 40,062 |
| Maintenance of other properties | 146,000 | 142,054 | 132,903 | 9,151 |
| Total maintenance of general buildings and grounds | $ 1,145,539 | $ 1,100,716 | $ 1,040,280 | $ 60,436 |
| Total public works | $ 2,715,104 | $ 2,671,506 | $ 2,479,152 | $ 192,354 |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | $ 263,922 | $ 263,922 | $ 262,688 | $ 1,234 |
| Mental health and mental retardation: | | | | |
| Community services board | $ 130,500 | $ 130,500 | $ 130,500 | $ - |

**County of Carroll, Virginia**
**Schedule of Expenditures - Budget and Actual**
**Governmental Funds**
**For the Year Ended June 30, 2018**

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Health and welfare: (Continued) | | | | |
| Welfare: | | | | |
| Public assistance and welfare administration | $ 5,245,310 | $ 6,399,590 | $ 6,511,417 | $ (111,827) |
| Senior citizens center | 74,216 | 74,216 | 74,216 | - |
| Total welfare | $ 5,319,526 | $ 6,473,806 | $ 6,585,633 | $ (111,827) |
| Total health and welfare | $ 5,713,948 | $ 6,868,228 | $ 6,978,821 | $ (110,593) |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contributions to Community College | $ 41,086 | $ 41,086 | $ 42,086 | $ (1,000) |
| Contribution to County School Board | 11,251,664 | 11,251,664 | 11,737,557 | (485,893) |
| School Board utilities | 16,100 | 16,247 | 14,387 | 1,860 |
| Total education | $ 11,308,850 | $ 11,308,997 | $ 11,794,030 | $ (485,033) |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Recreational | $ 452,053 | $ 453,473 | $ 426,539 | $ 26,934 |
| Farmer's Market | 621,095 | 600,505 | 549,350 | 51,155 |
| County Fair | 90,000 | 90,000 | 80,837 | 9,163 |
| Total parks and recreation | $ 1,163,148 | $ 1,143,978 | $ 1,056,726 | $ 87,252 |
| Library: | | | | |
| Contribution to Carroll-Galax Regional Library | $ 310,798 | $ 310,779 | $ 306,728 | $ 4,051 |
| Total parks, recreation, and cultural | $ 1,473,946 | $ 1,454,757 | $ 1,363,454 | $ 91,303 |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning commission | $ 4,800 | $ 4,800 | $ 1,323 | $ 3,477 |
| Economic development | 367,444 | 327,444 | 206,470 | 120,974 |
| Business development | 113,503 | 113,491 | 109,573 | 3,918 |
| Tourism | 141,091 | 163,078 | 158,897 | 4,181 |
| Contribution to Carroll Industrial Development Authority | 414,963 | 348,855 | - | 348,855 |
| Contribution to Public Service Authority | 996,787 | 996,787 | 996,787 | - |
| Contribution to Twin County Airport | 69,960 | 69,960 | 62,960 | 7,000 |
| Total planning and community development | $ 2,108,548 | $ 2,024,415 | $ 1,536,010 | $ 488,405 |
| Environmental management: | | | | |
| Contribution to soil and water district | $ 8,000 | $ 8,000 | $ 8,000 | $ - |
| Cooperative extension program: | | | | |
| Extension office | $ 65,586 | $ 65,586 | $ 65,195 | $ 391 |
| Total community development | $ 2,182,134 | $ 2,098,001 | $ 1,609,205 | $ 488,796 |

**County of Carroll, Virginia**
**Schedule of Expenditures - Budget and Actual**
**Governmental Funds**
**For the Year Ended June 30, 2018**

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Debt service: | | | | |
| Principal retirement | $ 3,265,445 | $ 3,265,298 | $ 8,781,248 | $ (5,515,950) |
| Interest and other fiscal charges | 1,463,977 | 1,470,323 | 1,534,260 | (63,937) |
| Total debt service | $ 4,729,422 | $ 4,735,621 | $ 10,315,508 | $ (5,579,887) |
| Total General Fund | $ 41,451,784 | $ 42,942,295 | $ 48,074,196 | $ (5,131,901) |
| Total Primary Government | $ 41,451,784 | $ 42,942,295 | $ 48,074,196 | $ (5,131,901) |
| **Discretely Presented Component Unit - School Board** | | | | |
| **School Operating Fund:** | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| Administration, attendance and health | $ 1,756,745 | $ 1,756,745 | $ 1,651,802 | $ 104,943 |
| Instruction costs: | | | | |
| Instruction | $ 32,501,080 | $ 33,006,225 | $ 33,077,854 | $ (71,629) |
| Operating costs: | | | | |
| Pupil transportation | $ 3,021,275 | $ 3,021,275 | $ 2,661,495 | $ 359,780 |
| Operation and maintenance of school plant | 4,374,830 | 4,374,830 | 4,711,518 | (336,688) |
| Food services and other non-instructional costs | 4,567,009 | 4,567,009 | 2,406,723 | 2,160,286 |
| Total operating costs | $ 11,963,114 | $ 11,963,114 | $ 9,779,736 | $ 2,183,378 |
| Total Discretely Presented Component Unit - School Board | $ 46,220,939 | $ 46,726,084 | $ 44,509,392 | $ 2,216,692 |

# Other Statistical Section

Table 1

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

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Parks, Recreation, and Cultural | Community Development | Interest on Long-Term Debt | Gas Utilities | Gladeville Cranberry Sewer | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 2009-10 | 1,703,677 | 925,671 | 6,994,784 | 1,213,242 | 5,237,690 | 9,607,514 | 1,131,080 | 3,927,237 | 1,362,010 | - | - | 32,102,905 |
| 2008-09 | 2,274,741 | 917,156 | 5,527,643 | 1,403,993 | 4,560,878 | 9,318,301 | 1,090,266 | 2,210,516 | 1,456,967 | - | 3,128,996 | 31,889,457 |

Table 2

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

| | PROGRAM REVENUES | | | GENERAL REVENUES | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Property Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous | Grants and Contributions Not Restricted to Specific Programs (1) | Gain on Disposal of Capital Asset | Total |
| 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 |
| 2009-10 | 1,878,271 | 6,322,099 | 1,955,261 | 18,930,242 | 3,851,833 | 66,952 | 1,187,572 | 2,224,997 | - | 36,417,227 |
| 2008-09 | 1,756,912 | 6,012,860 | 59,414 | 19,133,533 | 4,921,995 | 375,242 | 264,578 | 1,204,174 | - | 33,728,708 |

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

Table 3

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

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education (2) | Parks, Recreation, and Cultural | Community Development | Non-departmental | Capital Projects (3) | Debt Service | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 2009-10 | 2,412,585 | 924,889 | 6,814,501 | 2,026,004 | 5,258,218 | 40,562,878 | 1,101,482 | 3,983,899 | - | 919,374 | 4,174,649 | 68,178,479 |
| 2008-09 | 2,560,055 | 910,971 | 6,500,497 | 1,886,658 | 4,541,186 | 41,262,282 | 1,106,315 | 2,975,348 | - | - | 4,507,996 | 66,251,308 |

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board, excludes Capital Projects Funds.
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.
(3) Expenditures posted to capital projects department in General Fund.

Table 4

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

| Fiscal Year | General Property Taxes | Other Local Taxes (3) | Permits, Privilege Fees, Regulatory Licenses | Fines and Forfeitures | Revenue from the Use of Money and Property | Charges for Services | Miscellaneous | Recovered Costs | Inter-governmental (2) | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 2009-10 | 18,198,583 | 3,851,833 | 193,447 | 323,043 | 106,881 | 2,228,272 | 505,956 | 2,127,298 | 40,430,674 | 67,965,987 |
| 2008-09 | 18,689,595 | 4,921,995 | 140,040 | 213,615 | 421,492 | 2,331,949 | 392,921 | 1,780,396 | 39,183,413 | 68,075,416 |

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board, excludes Capital Projects Funds.
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.
(3) Fiscal Year 2009-10 is the first year State Communications Tax is classified as Intergovernmental revenue and not Other Local Taxes.

Table 5

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

| Fiscal Year | Total Tax Levy (1) | Current Tax Collections (1) | Percent of Levy Collected | Delinquent Tax Collections (1) | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1,2) | Percent of Delinquent Taxes to Tax Levy |
|---|---|---|---|---|---|---|---|---|
| 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% |
| 2009-10 | 19,721,304 | 18,215,777 | 92.37% | 798,592 | 19,014,369 | 96.42% | 3,303,172 | 16.75% |
| 2008-09 | 19,904,746 | 18,823,904 | 94.57% | 644,206 | 19,468,110 | 97.81% | 2,566,863 | 12.90% |

(1) Exclusive of penalties and interest.
(2) Does not include land redemption.

Table 6

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

| Fiscal Year | Real Estate (1) | Personal Property | Machinery and Tools (3) | Merchant's Capital (3) | Farm Equipment (4) | Public Service Corporations (2) | Total |
|---|---|---|---|---|---|---|---|
| 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 |
| 2009-10 | 2,393,470,955 | 257,258,260 | 60,840,765 | 10,216,725 | - | 100,657,481 | 2,822,444,186 |
| 2008-09 | 2,375,104,457 | 276,213,445 | 63,712,645 | 10,086,080 | - | 101,292,633 | 2,826,409,260 |

(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.

**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) |
|---|---|---|---|---|---|
| 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 | - |
| 2009-10 | 0.595 | 1.60 | 1.30 | 2.30 | - |
| 2008-09 | 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 establish a new class of personal property for farm equipment.
In fiscal year 2017, the County did not tax farm equipment.
(4) Starting in fiscal year 2016, the County started assessing merchant's capital at 100%. Prior to this, it was assessed at 30%.

Table 8

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

| Fiscal Year | Population (1) | Assessed Value (in thousands) (2) | Gross Bonded Debt (3) | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|---|---|---|---|---|---|---|
| 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 |
| 2009-10 | 29,245 | 2,822,444 | 25,790,540 | 25,790,540 | 0.91% | 882 |
| 2008-09 | 29,245 | 2,826,409 | 27,981,785 | 27,981,785 | 0.99% | 957 |

(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 compnesated absences.

## 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 |
|---|---|---|---|---|---|
| 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% |
| 2009-10 | 2,711,245 | 1,463,404 | 4,174,649 | 68,178,479 | 6.12% |
| 2008-09 | 2,923,296 | 1,584,700 | 4,507,996 | 66,251,308 | 6.80% |

(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, 2018, 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, 2019.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
January 14, 2019

# 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, 2018. 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, 2018.

## 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
January 14, 2019

**County of Carroll, Virginia**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2018**

| Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | | | Federal Expenditures |
|---|---|---|---|---|---|
| Department of Health and Human Services: | | | | | |
| Pass Through Payments: | | | | | |
| Department of Social Services: | | | | | |
| Promoting Safe and Stable Families | 93.556 | 0950116, 0950117 | | | $ 18,458 |
| Temporary Assistance for Needy Families | 93.558 | 0400117, 0400118 | | | 301,092 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500117, 0500118 | | | 417 |
| Low-Income Home Energy Assistance | 93.568 | 0600417, 0600418 | | | 38,278 |
| Child Care and Development Fund Cluster: | | | | | |
| Child Care and Development Block Grant | 93.575 | 0770117, 0770118 | | $ (4,190) | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760117, 0760118 | | 42,933 | 38,743 |
| Chafee Education and Training Vouchers Program | 93.599 | 9160117 | | | 2,321 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900116, 0900117 | | | 940 |
| Foster Care - Title IV-E | 93.658 | 1100117, 1100118 | | | 403,353 |
| Adoption Assistance | 93.659 | 1120117, 1120118 | | | 291,496 |
| Social Services Block Grant | 93.667 | 1000117, 1000118 | | | 340,569 |
| Chafee Foster Care Independence Program | 93.674 | 9150117, 9150118 | | | 8,691 |
| Children's Health Insurance Program | 93.767 | 0540117, 0540118 | | | 13,393 |
| Medical Assistance Program | 93.778 | 1200117, 1200118 | | | 348,345 |
| Total Department of Health and Human Services | | | | | $ 1,806,096 |
| Department of Homeland Security: | | | | | |
| Pass Through Payments: | | | | | |
| Department of Emergency Services: | | | | | |
| Emergency Management Performance Grants | 97.042 | Not available | | | $ 7,500 |
| Disaster Grants - Public Assistance | 97.036 | DEM0015899 | | | 329 |
| Total Department of Homeland Security | | | | | $ 7,829 |
| Department of Agriculture: | | | | | |
| Pass Through Payments: | | | | | |
| Child Nutrition Cluster: | | | | | |
| Department of Agriculture and Consumer Services: | | | | | |
| Food Distribution (Note 3) | 10.555 | Not available | $ 154,773 | | |
| Department of Education: | | | | | |
| National School Lunch Program | 10.555 | 40623 | 1,098,501 | $ 1,253,274 | |
| School Breakfast Program | 10.553 | 40591 | | 430,000 | |
| Summer Food Service Program for Children | 10.559 | Not available | | 1,249 | 1,684,523 |
| State Admin Exp for Child Nutrition | 10.560 | DOE86507 | | | 350 |
| Schools and Roads - Grants to States | 10.665 | 43841 | | | 9,063 |
| Department of Social Services: | | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010117, 0010118 0040117, 0040118 | | | 343,218 |
| Total Department of Agriculture | | | | | $ 2,037,154 |
| Department of Justice: | | | | | |
| Pass Through Payments: | | | | | |
| Department of Criminal Justice: | | | | | |
| Juvenile Justice and Delinquency Prevention - Allocation to States | 16.540 | CJS67000 | | | $ 50,361 |
| Crime Victim Assistance | 16.575 | CJS7601601, CJS86015 | | | 64,509 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | CJS7101608, CJS7110 | | | 4,469 |
| Total Department of Justice | | | | | $ 119,339 |
| Department of Transportation: | | | | | |
| Pass Through Payments: | | | | | |
| Department of Motor Vehicles: | | | | | |
| State and Community Highway Safety | 20.600 | SC1757126, SC1656288 | | | $ 353 |
| Executive Office of the President | | | | | |
| Pass Through Payments: | | | | | |
| Financial Commission for Appalachia HIDTA | | | | | |
| Appalachia High Intesity Drug Trafficking Areas Program | 95.001 | G17AP0001A | | | $ 26,687 |

**County of Carroll, Virginia**
**Schedule of Expenditures of Federal Awards (Continued)**
**For the Year Ended June 30, 2018**

| Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | | Federal Expenditures |
|---|---|---|---|---|
| Department of Education: | | | | |
| Pass Through Payments: | | | | |
| Department of Education: | | | | |
| Title I: Grants to Local Educational Agencies | 84.010 | 42901 | | $ 1,125,531 |
| Migrant Education - State Grant Program | 84.011 | 42910 | | 55,469 |
| Special Education Cluster: | | | | |
| Special Education - Grants to States | 84.027 | 43071, 87138 | $ 1,018,513 | |
| Special Education - Preschool Grants | 84.173 | 62521 | 27,023 | 1,045,536 |
| Career and Technical Education: Basic Grants to States | 84.048 | 61095 | | 55,586 |
| Twenty-First Century Community Learning Centers | 84.287 | 60565 | | 238,338 |
| Rural Education | 84.358 | 43481 | | 83,456 |
| Migrant Education - Coordination Program | 84.144 | 61399 | | 6,451 |
| Student Support and Academic Enrichment Grants | 84.424 | Not available | | 28,165 |
| Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) | 84.367 | 61480 | | 171,388 |
| Total Department of Education | | | | $ 2,809,920 |
| Total Expenditures of Federal Awards | | | | $ 6,807,378 |

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, 2018. 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, 2018, Carroll County, Virginia had food commodities totaling $0 in inventory.

Note 4 -- Subrecipients

The County did not have any subrecipients for the year ended June 30, 2018.

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 | $ 2,915,045 |
| Less: QSCB subsidy | (632,147) |
| Less: Payment in lieu of taxes | (29,737) |
| Total primary government | $ 2,253,161 |
| Component Unit School Board: | |
| School Operating Fund | $ 4,554,217 |
| Total expenditures of federal awards per the basic financial statements | $ 6,807,378 |

## Schedule of Findings and Questioned Costs
## Year Ended June 30, 2018

### Section I - Summary of Auditors' Results

*Financial Statements*

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

*Federal Awards*

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

Identification of major programs:

| CFDA # | Name of Federal Program or Cluster |
|---|---|
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 84.010 | 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 |

## Schedule of Findings and Questioned Costs
**Year Ended June 30, 2018**

### Section II - Financial Statement Findings

None

### Section III - Federal Award Findings and Questioned Costs

None

### Section IV - Status of Prior Audit Findings and Questioned Costs

**2017-001**

| | |
|---|---|
| Condition: | The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements. |
| Cause of Condition: | The County/Component Unit School Board does not have proper controls in place to detect and correct errors in closing their year end financial statements. |
| Status in Current Year: | Adjustments for 2018 were kept to an amount considered immaterial. |