

COUNTY OF CARROLL, VIRGINIA

FINANCIAL STATEMENTS



FISCAL YEAR ENDED JUNE 30, 2016

COUNTY OF CARROLL, VIRGINIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016



COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION



COUNTY OF CARROLL, VIRGINIA

BOARD OF SUPERVISORS

Joshua A. Hendrick, Chair
Rex L. Hill
Robbie McGraw

R. J. "Bob" Martin, Jr, Vice Chair
Thomas W. Littrell
Phil D. McGraw

COUNTY SCHOOL BOARD

Reginald M. Gardner
Joey D. Haynes, Vice Chair

Brian E. Spencer, Chair

Olen L. Gallimore
Sanford "Sandy" G. Hendrick

SOCIAL SERVICES BOARD

Harold "Hal" Hanks, Chair
Robbie McCraw
Jeanne Gallimore

Joyce Bunn, Vice Chair
Matthew Surratt
David Clontz

OTHER OFFICIALS

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



FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, Virginia, as of June 30, 2016, 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 22 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 79 Certain External Investment Pools and Pool Participants and 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. 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 73 and 74-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Information

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

Other Information (continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the County of Carroll, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Carroll, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
November 30, 2016



Basic Financial Statements



County of Carroll, Virginia
Statement of Net Position
June 30, 2016

Exhibit 1

	Primary Government		Component Units	
	Governmental Activities	School Board	Public Service Authority	Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 5,005,181	\$ 2,110,149	\$ 287,391	\$ 286,201
Investments	242,623	118,066	-	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	25,860,830	-	-	-
Interest receivable	-	-	-	110,482
Accounts receivable	154,404	-	265,910	71,913
Other local taxes receivable	196,556	-	-	-
Note receivable	845,274	-	369,898	2,190,000
Grants receivable	-	-	29,608	-
Due from component units	2,787,586	-	-	-
Due from other governmental units	1,233,016	1,833,256	-	-
Prepaid items	-	188,437	41,369	8,145
Prepaid incentives	-	-	-	-
Lease purchase receivable	-	-	-	11,876,429
Assets held for resale:				
Industrial sites	-	-	-	2,692,379
Restricted assets:				
Cash and cash equivalents	-	212,459	1,424,796	-
Capital assets (net of accumulated depreciation):				
Land	2,906,402	1,489,200	264,837	46,451
Buildings and system	55,247,999	3,035,050	-	194,361
Improvements other than buildings	-	139,284	-	-
Machinery and equipment	3,287,063	1,125,482	630,827	78,169
Infrastructure	-	-	39,967,723	-
Construction in progress	97,050	-	2,107,118	358,306
Total assets	\$ 97,863,984	\$ 10,251,383	\$ 45,389,477	\$ 17,912,836
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ 19,518
Pension contributions subsequent to measurement date	770,617	3,085,165	76,159	-
Change in proportionate share of pension liability	-	93,000	-	-
Differences between expected and actual experience	384,604	-	38,011	-
Total deferred outflows of resources	\$ 1,155,221	\$ 3,178,165	\$ 114,170	\$ 19,518
LIABILITIES				
Accounts payable	450,529	\$ 127,227	\$ 297,869	\$ 2,425
Salaries payable	523,961	1,903,434	-	-
Accrued interest payable	373,891	-	44,594	124,065
Amounts held for others	-	-	102,938	-
Due to other governmental units	29,570	-	-	-
Due to primary government	-	2,042,716	744,870	-
Long-term liabilities:				
Due within one year	4,336,548	715,508	615,364	397,652
Due in more than one year	40,335,329	37,657,697	25,602,741	12,351,331
Total liabilities	\$ 46,049,828	\$ 42,446,582	\$ 27,408,376	\$ 12,875,473
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 21,955,548	\$ -	\$ -	\$ -
Items related to measurement of net pension liability	576,011	2,628,815	-	-
Differences between expected and actual experience	-	676,531	56,926	-
Total deferred inflows of resources	\$ 22,531,559	\$ 3,305,346	\$ 56,926	\$ -
NET POSITION				
Net investment in capital assets	\$ 22,858,707	\$ 5,789,016	\$ 17,710,680	\$ 586,183
Restricted:				
Asset forfeiture	49,869	-	-	-
School cafeterias	-	212,459	-	-
Debt service and bond covenants	-	-	653,180	-
Unrestricted	7,529,242	(38,323,855)	(325,515)	4,470,698
Total net position	\$ 30,437,818	\$ (32,322,380)	\$ 18,038,345	\$ 5,056,881

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, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			School Board	Public Service Authority	Industrial Development Authority
					Governmental Activities	Business-type Activities	Total			
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 2,620,043	\$ -	\$ 279,451	\$ -	\$ (2,340,592)	\$ -	\$ (2,340,592)			
Judicial administration	977,670	19,316	790,190	-	(168,164)	-	(168,164)			
Public safety	9,096,396	2,252,678	1,675,479	500,400	(4,667,839)	-	(4,667,839)			
Public works	1,319,668	71,767	10,291	-	(1,237,610)	-	(1,237,610)			
Health and welfare	5,860,929	-	4,265,035	-	(1,595,894)	-	(1,595,894)			
Education	13,265,166	-	-	-	(13,265,166)	-	(13,265,166)			
Parks, recreation, and cultural	852,516	100,268	14,000	-	(738,248)	-	(738,248)			
Community development	1,794,103	37,403	-	-	(1,756,700)	-	(1,756,700)			
Interest on long-term debt	1,653,289	-	629,100	-	(1,024,189)	-	(1,024,189)			
Total governmental activities	\$ 37,439,780	\$ 2,481,432	\$ 7,663,546	\$ 500,400	\$ (26,794,402)	\$ -	\$ (26,794,402)			
Business-type activities:										
Gas utilities	\$ 109,257	\$ 201,313	\$ -	\$ -	\$ -	\$ 92,056	\$ 92,056			
Total primary government	\$ 37,549,037	\$ 2,682,745	\$ 7,663,546	\$ 500,400	\$ (26,794,402)	\$ 92,056	\$ (26,702,346)			
COMPONENT UNITS:										
School Board	\$ 41,184,008	\$ 752,657	\$ 29,635,069	\$ -				\$ (10,796,282)	\$ -	\$ -
Public Service Authority	4,666,709	2,648,303	-	541,558				-	(1,476,848)	-
Industrial Development Authority	1,038,606	-	190,000	-				-	-	(848,606)
Total component units	\$ 46,889,323	\$ 3,400,960	\$ 29,825,069	\$ 541,558				\$ (10,796,282)	\$ (1,476,848)	\$ (848,606)
General revenues:										
General property taxes					\$ 20,002,849	\$ -	\$ 20,002,849	\$ -	\$ -	\$ -
Local sales and use taxes					1,737,156	-	1,737,156	-	-	-
Consumer's utility tax					707,638	-	707,638	-	-	-
Motor vehicle taxes					647,265	-	647,265	-	-	-
Restaurant food taxes					549,571	-	549,571	-	-	-
Other local taxes					598,945	-	598,945	-	-	-
Unrestricted revenues from use of money and property					73,852	-	73,852	32,373	21,251	704,473
Miscellaneous					228,482	-	228,482	150,174	33,386	56,290
Payments from Primary Government					-	-	-	11,500,651	1,123,938	-
Grants and contributions not restricted to specific programs					2,188,053	-	2,188,053	-	-	-
Gain on disposal of capital assets					-	-	-	-	-	-
Transfers					(114,473)	114,473	-	-	-	409,820
Total general revenues and transfers					\$ 26,619,338	\$ 114,473	\$ 26,733,811	\$ 11,683,198	\$ 1,178,575	\$ 1,170,583
Change in net position					\$ (175,064)	\$ 206,529	\$ 31,465	\$ 886,916	\$ (298,273)	\$ 321,977
Net position - beginning					30,612,882	(206,529)	30,406,353	(33,209,296)	18,336,618	4,734,904
Net position - ending					\$ 30,437,818	\$ -	\$ 30,437,818	\$ (32,322,380)	\$ 18,038,345	\$ 5,056,881

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

County of Carroll, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,991,154	\$ 14,027	\$ 5,005,181
Investments	242,623	-	242,623
Receivables (net of allowance for uncollectibles):			
Taxes receivable	25,860,830	-	25,860,830
Accounts receivable	154,404	-	154,404
Other local taxes receivable	196,556	-	196,556
Note receivable	845,274	-	845,274
Due from component unit	2,787,586	-	2,787,586
Due from other governmental units	1,233,016	-	1,233,016
Total assets	<u>\$ 36,311,443</u>	<u>\$ 14,027</u>	<u>\$ 36,325,470</u>
LIABILITIES			
Accounts payable	\$ 450,529	\$ -	\$ 450,529
Salaries payable	523,961	-	523,961
Due to other governmental units	29,570	-	29,570
Total liabilities	<u>\$ 1,004,060</u>	<u>\$ -</u>	<u>\$ 1,004,060</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 25,540,015	\$ -	\$ 25,540,015
FUND BALANCES			
Fund balances:			
Nonspendable:			
Note receivable	\$ 845,274	\$ -	\$ 845,274
Restricted:			
Asset forfeiture	49,869	-	49,869
Committed:			
Farmer's market funds	7,141	-	7,141
Narcotics funds	52,030	-	52,030
Law Library	6,136	-	6,136
Commonwealth Attorney technology funds	205	-	205
Assigned:			
Sheriff funds	60,009	-	60,009
Unassigned:	8,746,704	14,027	8,760,731
Total fund balances	<u>\$ 9,767,368</u>	<u>\$ 14,027</u>	<u>\$ 9,781,395</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,311,443</u>	<u>\$ 14,027</u>	<u>\$ 36,325,470</u>

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

County of Carroll, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 9,781,395
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	55,247,999	
Machinery and equipment	3,287,063	
Construction in progress	<u>97,050</u>	61,538,514
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes	3,584,467	
Deferred inflows related to measurement of the net pension liability	<u>(576,011)</u>	3,008,456
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		770,617
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	\$ (22,937,944)	
Literary loans	(3,762,996)	
Capital lease	(490,023)	
Lease revenue bonds	(11,379,036)	
Unamortized premiums	(190,247)	
Unamortized discounts	80,439	
Accrued interest payable	(373,891)	
Compensated absences	(874,499)	
Net pension liability	(5,117,571)	
Deferred outflows related to measurement of the net pension liability	<u>384,604</u>	(44,661,164)
Net position of governmental activities		<u><u>\$ 30,437,818</u></u>

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

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 19,809,119	\$ -	\$ 19,809,119
Other local taxes	4,240,575	-	4,240,575
Permits, privilege fees, and regulatory licenses	130,250	-	130,250
Fines and forfeitures	1,009,917	-	1,009,917
Revenue from the use of money and property	73,852	-	73,852
Charges for services	1,341,265	-	1,341,265
Miscellaneous	223,482	5,000	228,482
Recovered costs	2,497,438	-	2,497,438
Intergovernmental:			
Commonwealth	7,227,477	-	7,227,477
Federal	3,124,522	-	3,124,522
Total revenues	<u>\$ 39,677,897</u>	<u>\$ 5,000</u>	<u>\$ 39,682,897</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,775,409	\$ -	\$ 2,775,409
Judicial administration	1,246,123	-	1,246,123
Public safety	9,145,079	-	9,145,079
Public works	2,534,232	-	2,534,232
Health and welfare	6,053,026	-	6,053,026
Education	12,076,401	-	12,076,401
Parks, recreation, and cultural	1,183,511	-	1,183,511
Community development	1,939,046	-	1,939,046
Capital projects	222,000	69,912	291,912
Debt service:			
Principal retirement	3,915,936	-	3,915,936
Interest and other fiscal charges	1,747,494	-	1,747,494
Total expenditures	<u>\$ 42,838,257</u>	<u>\$ 69,912</u>	<u>\$ 42,908,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,160,360)</u>	<u>\$ (64,912)</u>	<u>\$ (3,225,272)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (29,107)	\$ -	\$ (29,107)
Issuance of bonds	-	69,912	69,912
Issuance of capital leases	506,969	-	506,969
Total other financing sources (uses)	<u>\$ 477,862</u>	<u>\$ 69,912</u>	<u>\$ 547,774</u>
Net change in fund balances	\$ (2,682,498)	\$ 5,000	\$ (2,677,498)
Fund balances - beginning	12,449,866	9,027	12,458,893
Fund balances - ending	<u>\$ 9,767,368</u>	<u>\$ 14,027</u>	<u>\$ 9,781,395</u>

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

County of Carroll, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ (2,677,498)
--	----------------

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	\$ 1,594,184	
Depreciation expense	(2,769,711)	(1,175,527)

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

(149,594)

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

Property taxes	\$ 193,730	
Change in deferred inflows related to the measurement of the net pension liability	713,738	907,468

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

Lease revenue bonds	\$ (69,912)	
Capital lease	(506,969)	

Principal Payments

General obligation bonds	2,958,168	
Lease revenue bonds	260,655	
Literary loans	680,167	
Capital lease	16,946	3,339,055

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	\$ 53,146	
Change in accrued interest payable	43,388	
Amortization of bond premium	58,129	
Amortization of bond discount	(7,312)	
Change in net pension liability	(966,674)	
Change in deferred outflows related to measurement of net pension liability	384,604	
Change in deferred outflows related to pension payments subsequent to the measurement date	15,751	(418,968)

Change in net position of governmental activities

\$ (175,064)

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

County of Carroll, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2016

	Enterprise Fund Gas Utilities
ASSETS	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ -
Due from component unit	-
Total assets	<u>\$ -</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	<u>\$ -</u>
LIABILITIES	
Current liabilities:	
Reconciled overdraft	\$ -
Accounts payable	-
Salaries payable	-
Compensated absences	-
Total current liabilities	<u>\$ -</u>
Noncurrent liabilities:	
Compensated absences	\$ -
Net pension liability	-
Total noncurrent liabilities	<u>\$ -</u>
Total liabilities	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of net pension liability	\$ -
NET POSITION	
Unrestricted	\$ -
Total net position	<u><u>\$ -</u></u>

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

County of Carroll, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	Enterprise Fund Gas Utilities
OPERATING REVENUES	
Charges for services:	
Gas utilities	\$ 110,890
Hook up fees	9,225
Penalties and interest	11,051
Other revenues	70,147
Total operating revenues	<u>\$ 201,313</u>
OPERATING EXPENSES	
Salaries and fringe benefits	\$ 48,714
Gas	38,588
Contractual services	9,577
Maintenance and repairs	721
Operating supplies	7,250
Miscellaneous	4,407
Total operating expenses	<u>\$ 109,257</u>
Operating income (loss)	<u>\$ 92,056</u>
Transfers in	<u>\$ 114,473</u>
Change in net position	\$ 206,529
Total net position - beginning	(206,529)
Total net position - ending	<u><u>\$ -</u></u>

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

County of Carroll, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

	Enterprise Fund Gas Utilities
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 220,405
Payments to suppliers	(62,045)
Payments to employees	(152,824)
Net cash provided by (used for) operating activities	<u>\$ 5,536</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
(Increase) decrease in intergovernmental receivables	<u>\$ 525,289</u>
Net increase (decrease) in cash and cash equivalents	\$ 645,298
Cash and cash equivalents - beginning	(645,298)
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 92,056</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	\$ 19,092
(Increase) decrease in deferred outflows of resources	13,343
Increase (decrease) in accounts payable	(1,502)
Increase (decrease) in salaries payable	(2,940)
Increase (decrease) in compensated absences	(15,804)
Increase (decrease) in net pension liability	(75,309)
Increase (decrease) in deferred inflows of resources	(23,400)
Total adjustments	<u>\$ (86,520)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 5,536</u></u>

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

County of Carroll, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 218,863
Investments	3,373
Total assets	<u>\$ 222,236</u>
LIABILITIES	
Amounts held for social services clients	\$ 12,509
Amounts held for performance bonds	187,854
Amounts held for School Board employees	16,834
Amounts held for County employees	1,666
Amounts held for Twin County Airport	3,373
Total liabilities	<u>\$ 222,236</u>

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

COUNTY OF CARROLL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, 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, 2016, the County contributed \$312,634 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, 2016.

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, 2016, the County paid \$1,495,131 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.

The County reports the following major enterprise fund:

The *Gas Utilities Fund* accounts for activities related to the sales of natural gas and related expenses. During fiscal year 2016, the County sold the natural gas system. As such, the Gas Utilities Fund was closed.

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

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

Additionally, the County reports the following fund types:

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

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

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

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

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

1. Cash and Cash Equivalents

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

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

2. Investments

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

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

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

3. Receivables and Payables

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

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,128,730 at June 30, 2016 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 1-Summary of Significant Accounting Policies: (continued)****D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:**
(continued)**8. Capital Assets**

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

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

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

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

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

9. Deferred Outflows/Inflows of Resources

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

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

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

8. Deferred Outflows/Inflows of Resources (continued)

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

9. Compensated Absences

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

10. Pensions

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

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

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

11. 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.

12. 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.

13. Net Position Flow Assumption

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

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

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

14. Fund Equity

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

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

The Board of Supervisors is the County's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an action by the Board of Supervisors.

The County has not delegated authority to assign fund balance to anyone other than itself as of June 30, 2016.

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

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

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

14. Fund Equity (continued)

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

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

A. Budgetary information (continued)

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

B. Deficit fund equity

At June 30, 2016, there were no funds with deficit fund equity.

C. Appropriations

Law Library had expenditures in excess of appropriations.

Note 3-Deposits and Investments:

Deposits:

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

Investments:

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

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Note 3-Deposits and Investments: (continued)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, 2016 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	AAAm
LGIP	\$ 364,062

Concentration of Credit Risk:

At June 30, 2016, 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 and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk:

	Investment Maturities (in years)	
	<u>Fair Value</u>	<u>Less than 1 year</u>
LGIP	\$ 364,062	\$ 364,062

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, 2016, the balance was \$845,274.

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5-Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
<u>Local Government:</u>		
BRECEDA	\$ 58,812	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	349,937	-
State sales tax	-	781,171
Categorical aid-shared expenses	202,365	-
Noncategorical aid	187,332	-
Virginia public assistance funds	74,725	-
Comprehensive services act	228,872	-
<u>Federal Government:</u>		
Virginia public assistance funds	130,973	-
School grants	-	1,052,085
Totals	<u>\$ 1,233,016</u>	<u>\$ 1,833,256</u>

Note 6-Interfund Transfers and Balances:

Interfund transfers and remaining balances for the year ended June 30, 2016, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Primary Government:</u>		
General Fund - modified accrual	\$ -	\$ 29,107
General Fund - full accrual	-	85,366
Gas Utilities Fund	114,473	-
Total	<u>\$ 114,473</u>	<u>\$ 114,473</u>

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

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 7-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 2,787,586
Component Unit - School Board:		
School Operating Fund	2,042,716	-
Component Unit - Public Service Authority:		
PSA	744,870	-
Totals	<u>\$ 2,787,586</u>	<u>\$ 2,787,586</u>

Note 8-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2016:

	<u>Balance June 30, 2015</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2016</u>
General obligation bonds	\$ 25,896,112	\$ -	\$ (2,958,168)	\$ 22,937,944
Unamortized bond premium	248,376	-	(58,129)	190,247
Unamortized bond discount	(87,751)	-	7,312	(80,439)
Literary loans	4,443,163	-	(680,167)	3,762,996
Lease revenue bonds	11,569,779	69,912	(260,655)	11,379,036
Capital lease	-	506,969	(16,946)	490,023
Compensated absences	927,645	642,588	(695,734)	874,499
Net pension liability	4,150,897	3,035,358	(2,068,684)	5,117,571
Total	<u>\$ 47,148,221</u>	<u>\$ 4,254,827</u>	<u>\$ (6,731,171)</u>	<u>\$ 44,671,877</u>

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

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

Year Ending June 30,	General Obligation Bonds		Literary Loans		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,662,889	\$ 1,117,784	\$ 680,167	\$ 75,260	\$ 253,632	\$ 414,546
2018	2,667,906	1,040,620	680,167	61,657	273,062	420,972
2019	2,673,240	963,140	680,167	48,053	281,016	410,318
2020	2,678,909	885,324	680,167	34,450	294,075	399,259
2021	2,535,000	814,500	680,170	20,847	307,244	387,690
2022-2026	8,470,000	3,482,670	362,158	7,243	1,712,826	1,744,409
2027-2031	1,250,000	675,000	-	-	2,090,747	1,357,144
2032-2036	-	-	-	-	2,557,364	879,065
2037-2041	-	-	-	-	866,248	529,112
2042-2046	-	-	-	-	1,031,654	363,706
2047-2051	-	-	-	-	1,228,640	166,720
2052-2054	-	-	-	-	482,528	6,626
Totals	\$ 22,937,944	\$ 8,979,038	\$ 3,762,996	\$ 247,510	\$ 11,379,036	\$ 7,079,567

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation Bonds*</u>						
VPSA general obligation bond	5.10%-6.35%	2000	2021	\$ 4,505,000	\$ 1,125,000	\$ 225,000
VPSA general obligation bond	5.10%-6.10%	2000	2020	2,145,297	542,944	127,889
VPSA general obligation bond	4.10%-5.10%	2003	2023	21,115,000	7,770,000	1,110,000
VPSA (QSCB) general obligation bond	4.50%	2011	2027	15,000,000	13,500,000	1,200,000
Total General Obligation Bonds				<u>\$ 42,765,297</u>	<u>\$ 22,937,944</u>	<u>\$ 2,662,889</u>
<u>Lease Revenue Bonds</u>						
County Complex Revenue Bond	3.25%-4.33%	2006	2036	\$ 10,510,000	\$ 5,495,000	\$ 180,000
Carroll County High School Revenue Bond - IDA	3.50%	2013	2054	5,932,500	5,884,036	73,632
Total Lease Revenue Bonds				<u>\$ 16,442,500</u>	<u>\$ 11,379,036</u>	<u>\$ 253,632</u>
<u>Literary Loans</u>						
Gladesboro Elementary	2.00%	2001	2021	\$ 2,873,440	\$ 718,360	\$ 143,672
Oakland Elementary	2.00%	2002	2022	3,075,495	922,649	153,775
Gladesville Elementary	2.00%	2002	2022	4,167,647	1,250,294	208,382
Laurel Elementary	2.00%	2001	2021	3,486,763	871,693	174,338
Total Literary Loans				<u>\$ 13,603,345</u>	<u>\$ 3,762,996</u>	<u>\$ 680,167</u>
Subtotal Bonds and Loans					<u>\$ 38,079,976</u>	<u>\$ 3,596,688</u>
Plus:						
Unamortized Premium					190,247	50,266
Unamortized Discount					(80,439)	(7,312)
Total Bonds and Loans					<u>\$ 38,189,784</u>	<u>\$ 3,639,642</u>
<u>Other Long-term Obligations</u>						
Capital lease (Note 10)					\$ 490,023	\$ 41,032
Compensated absences					874,499	655,874
Net pension liability					5,117,571	-
Total Other Long-term Obligations					<u>\$ 6,482,093</u>	<u>\$ 696,906</u>
Total Long-term Obligations					<u>\$ 44,671,877</u>	<u>\$ 4,336,548</u>

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 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 2016, the sequester reduction rate was 6.80%.

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.

Primary Government - Business-type Activities Indebtedness:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Compensated absences	\$ 15,804	\$ -	\$ (15,804)	\$ -
Net pension liability	75,309	-	(75,309)	-
Total	\$ 91,113	\$ -	\$ (91,113)	\$ -

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**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, 2016:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Net OPEB obligation	\$ 2,320,014	\$ 439,200	\$ (253,900)	\$ 2,505,314
Compensated absences	905,850	727,549	(679,388)	954,011
Net pension liability	33,950,655	8,439,831	(7,476,606)	34,913,880
Total	\$ 37,176,519	\$ 9,606,580	\$ (8,409,894)	\$ 38,373,205

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
Other Obligations:		
Net OPEB obligation	\$ 2,505,314	\$ -
Compensated absences	954,011	715,508
Net pension liability	34,913,880	-
Total Long-Term Obligations	\$ 38,373,205	\$ 715,508

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	(23,612)
Net Capital Assets	\$ 483,357

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 10-Capital Lease: (Continued)

Primary Government (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2016, were as follows:

Year Ending June 30,	School Buses
2017	\$ 54,538
2018	59,496
2019	59,496
2020	59,496
2021	59,496
2022-2026	<u>274,754</u>
Subtotal	\$ 567,276
Less, amount representing interest	<u>(77,253)</u>
Present Value of Lease Agreement	<u>\$ 490,023</u>

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

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

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

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

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

Plan Description (continued)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 11-Pension Plan: (continued)****Plan Description (continued)**

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

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

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

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

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

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

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

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

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) Defined Contribution Component: 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 A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. 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 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. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. 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 VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. 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 VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 11-Pension Plan:** (continued)*Plan Description (continued)*

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

Note 11-Pension Plan: (continued)

Plan Description (continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2016 was 12.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$770,617 and \$762,325 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit Public Service Authority's (PSA) contractually required contribution rate for the year ended June 30, 2015 was 12.17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$76,159 and \$75,339 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

At June 30, 2016, the County reported a liability of \$5,117,571 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. 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.

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 11-Pension Plan: (continued)

Net Pension Liability (continued)

Contributions as of June 30, 2016 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2015 and 2014, the County's proportion was 83.7951%.

At June 30, 2016, the Authority reported a liability of \$505,758 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2015 and 2014 as a basis for allocation. At June 30, 2015 and 2014, the Authority's proportion was 8.2813%.

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, 2014, 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, 2015.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Note 11-Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

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Note 11-Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Carroll County's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 11-Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees (continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 11-Pension Plan: (continued)****Discount Rate**

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the County Retirement Plan Net Pension Liability	\$ 8,700,364	\$ 5,117,571	\$ 2,143,451
Component Unit Public Service Authority Net Pension Liability	\$ 859,839	\$ 505,758	\$ 211,833

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016, the County and Component Unit PSA recognized pension expense of \$531,947 and \$52,571, 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, 2016, 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	\$ 384,604	\$ -	\$ 38,011	\$ -
Net difference between projected and actual earnings on pension plan investments	-	576,011	-	56,926
Employer contributions subsequent to the measurement date	770,617	-	76,159	-
Total	<u>\$ 1,155,221</u>	<u>\$ 576,011</u>	<u>\$ 114,170</u>	<u>\$ 56,926</u>

\$770,617 and \$76,159 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit PSA's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. 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
2016	\$ (110,231)	\$ (10,894)
2017	(110,231)	(10,894)
2018	(110,230)	(10,894)
2019	139,285	13,767
Thereafter	-	-

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2014 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	88
Inactive members:	
Vested inactive members	7
Non-vested inactive members	10
Inactive members active elsewhere in VRS	11
Total inactive members	28
Active members	132
Total covered employees	248

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 9.78% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 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 \$241,165 and \$239,595 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 9,968,705	\$ 9,200,050	\$ 768,655
Changes for the year:			
Service cost	\$ 272,694	\$ -	\$ 272,694
Interest	678,210	-	678,210
Differences between expected and actual experience	(276,046)	-	(276,046)
Contributions - employer	-	239,595	(239,595)
Contributions - employee	-	122,507	(122,507)
Net investment income	-	418,458	(418,458)
Benefit payments, including refunds of employee contributions	(559,995)	(559,995)	-
Administrative expenses	-	(5,839)	5,839
Other changes	-	(88)	88
Net changes	\$ 114,863	\$ 214,638	\$ (99,775)
Balances at June 30, 2015	\$ 10,083,568	\$ 9,414,688	\$ 668,880

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)	1,822,626	668,880	(305,665)

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

For the year ended June 30, 2016, the Component Unit School Board (nonprofessional) recognized pension expense of \$28,772. At June 30, 2016, 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	\$ -	\$ 204,531
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	247,815
Employer contributions subsequent to the measurement date	241,165	-
Total	\$ 241,165	\$ 452,346

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)***

\$241,165 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (168,682)
2018	(168,682)
2019	(158,666)
2020	43,684
Thereafter	-

Component Unit School Board (professional)***Plan Description***

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

Contributions

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$2,844,000 and \$2,933,000 for the years ended June 30, 2016 and June 30, 2015, 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, 2016, the school division reported a liability of \$34,245,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.27208% as compared to 0.27458% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$2,851,000. 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, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 472,000
Net difference between projected and actual earnings on pension plan investments	-	2,097,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	93,000	284,000
Employer contributions subsequent to the measurement date	<u>2,844,000</u>	<u>-</u>
Total	<u>\$ 2,937,000</u>	<u>\$ 2,853,000</u>

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)

\$2,844,000 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2017	\$	(972,000)
2018		(972,000)
2019		(972,000)
2020		237,000
Thereafter		(81,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 11-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions (continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	50,114,306	34,245,000	21,181,198

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**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 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,853,122	\$ 53,280	\$ -	\$ 2,906,402
Construction in progress	-	97,050	-	97,050
Total capital assets not being depreciated	<u>\$ 2,853,122</u>	<u>\$ 150,330</u>	<u>\$ -</u>	<u>\$ 3,003,452</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 77,765,081	\$ 238,632	\$ -	\$ 78,003,713
Machinery and equipment	9,691,174	1,205,222	(697,715)	10,198,681
Total capital assets being depreciated	<u>\$ 87,456,255</u>	<u>\$ 1,443,854</u>	<u>\$ (697,715)</u>	<u>\$ 88,202,394</u>
Accumulated depreciation:				
Buildings and improvements	\$ (20,641,327)	\$ (2,114,387)	\$ -	\$ (22,755,714)
Machinery and equipment	(6,804,415)	(655,324)	548,121	(6,911,618)
Total accumulated depreciation	<u>\$ (27,445,742)</u>	<u>\$ (2,769,711)</u>	<u>\$ 548,121</u>	<u>\$ (29,667,332)</u>
Total capital assets being depreciated, net	<u>\$ 60,010,513</u>	<u>\$ (1,325,857)</u>	<u>\$ (149,594)</u>	<u>\$ 58,535,062</u>
Governmental activities capital assets, net	<u>\$ 62,863,635</u>	<u>\$ (1,175,527)</u>	<u>\$ (149,594)</u>	<u>\$ 61,538,514</u>

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12-Capital Assets: (continued)

Primary Government: (continued)

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

Governmental activities:	
General government administration	\$ 48,252
Judicial administration	2,942
Public safety	564,296
Public works	359,014
Health and welfare	6,524
Education	1,698,765
Parks, recreation, and cultural	28,890
Community development	61,028
	<u>2,769,711</u>
Total depreciation expense-primary government	\$ <u>2,769,711</u>

Capital asset activity for the School Board for the year ended June 30, 2016 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,489,200	\$ -	\$ -	\$ 1,489,200
Total capital assets not being depreciated	<u>\$ 1,489,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,489,200</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 11,242,218	\$ 142,550	\$ -	\$ 11,384,768
Improvement other than buildings	153,754	-	-	153,754
Machinery and equipment	5,542,363	661,756	(109,858)	6,094,261
Total capital assets being depreciated	<u>\$ 16,938,335</u>	<u>\$ 804,306</u>	<u>\$ (109,858)</u>	<u>\$ 17,632,783</u>
Accumulated depreciation:				
Buildings and improvements	\$ (8,106,053)	\$ (243,665)	\$ -	\$ (8,349,718)
Improvement other than buildings	(6,782)	(7,688)	-	(14,470)
Machinery and equipment	(4,481,025)	(597,612)	109,858	(4,968,779)
Total accumulated depreciation	<u>\$ (12,593,860)</u>	<u>\$ (848,965)</u>	<u>\$ 109,858</u>	<u>\$ (13,332,967)</u>
Total capital assets being depreciated, net	<u>\$ 4,344,475</u>	<u>\$ (44,659)</u>	<u>\$ -</u>	<u>\$ 4,299,816</u>
Governmental activities capital assets, net	<u>\$ 5,833,675</u>	<u>\$ (44,659)</u>	<u>\$ -</u>	<u>\$ 5,789,016</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 13-Other Postemployment Benefits - Health Insurance:**

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

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

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

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 633 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates were as follows at July 1, 2014:

Participants	Key Advantage 250	Key Advantage 500
Single	\$ 680	\$ 627
Dual	1,258	1,160
Family	1,836	1,693

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 13-Other Postemployment Benefits - Health Insurance: (continued)**Component Unit: School Board (continued)**C. Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 443,000
Interest on net OPEB obligation	92,800
Adjustment to annual required contribution	(96,600)
Annual OPEB cost (expense)	\$ 439,200
Contributions made	253,900
Increase in net OPEB obligation	\$ 185,300
Net OPEB obligation - beginning of year	2,320,014
Net OPEB obligation - ending of year	\$ 2,505,314

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	404,200	56%	2,119,214
6/30/2015	425,900	53%	2,320,014
6/30/2016	439,200	58%	2,505,314

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2014, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 4,980,900
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 4,980,900
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 22,205,000
UAAL as a percentage of covered payroll	22.43%

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

Component Unit: School Board (continued)

D. Funded Status and Funding Progress (continued)

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

E. Actuarial Methods and Assumptions

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

As of July 1, 2014, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, and investment rate of return at 4%, and a health care trend rate of 8.50% decreasing 0.50% per year until an ultimate rate of 5.00% is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2014, was 30 years.

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

Nonprofessional Employees - Discretely Presented Component Unit School Board

A. Plan Description

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

Note 14-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit: (continued)**A. Plan Description (continued)**

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

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

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2016 was 0.84% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

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

For 2016, the School Board's contribution of \$20,858 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

Component Unit:	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
School Board	6/30/2014	\$ 12,597	100.00%	\$ -
	6/30/2015	20,691	100.00%	-
	6/30/2016	20,858	100.00%	-

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 14-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit: (continued)****D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	291,928
Actuarial value of plan assets	\$	(21,547)
Unfunded actuarial accrued liability (UAAL)	\$	313,475
Funded ratio (actuarial value of plan assets/AAL)		-7.38%
Covered payroll (active plan members)	\$	2,435,872
UAAL as a percentage of covered payroll		12.87%

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

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

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payrolls on an open basis. The remaining open amortization period at June 30, 2015 was 19-28 years.

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

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

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. Contribution rates were 1.06%, 1.06%, and 1.11%, of annual covered payroll for the years ending June 30, 2016, 2015, and 2014, respectively. The School Board's contributions to VRS for the years ending June 30, 2016, 2015, and 2014 were \$215,104, \$214,298, and \$217,987, respectively and equaled the required contributions for each year.

Note 15-Risk Management:

The County and its component unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit - School Board participate with other localities in a public entity risk pool for their coverage of general liability, property, crime and auto insurance with the VACO Insurance Program. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit - School Board pay the program contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit or depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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Note 16-Contingent Liabilities:

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

Note 17-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

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

Note 18-Payroll Expenses:

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

Note 19-School Board Early Retirement Incentive Program:

SunTrust administers an early retirement incentive program for the Component Unit - School Board employees. Early retirement is available to those contracted employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The employee must have been employed with Carroll County School System for 10 consecutive years, immediately preceding retirement and must not be eligible for disability retirement benefits from the VRS and/or Social Security. Finally, participants must be approved by the School Board and must have a bona fide separation from service of at least 30 days. The program allows for several different methods of payment depending upon the number of months the participant wishes to be paid. SunTrust holds a trust account to fund these incentive payments. During fiscal year 2010, the School Board implemented an additional benefit of \$400 in health insurance premiums per month for seven years. Both programs require the employee to work for twenty days of each year to receive the benefit; therefore, there is a commitment and not a liability. Originally, twelve employees agreed to participate in the plan, creating an unfunded commitment of \$230,400. Since 2010, a number of the retirees have stopped participating. The School Board reserves the right to amend or terminate these programs. The final payment of benefits will occur in 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 20-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. Deferred revenue is comprised of the following:

	Government-wide Statements	Balance Sheet
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable/deferred revenue		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 3,584,467
Tax assessments due after June 30	21,875,991	21,875,991
Prepaid property taxes due after June 30 but paid in advance by taxpayers	<u>79,557</u>	<u>79,557</u>
Total unavailable/deferred revenue	<u>\$ 21,955,548</u>	<u>\$ 25,540,015</u>

Note 21-Litigation:

As of June 30, 2016, there were no matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

Note 22-Adoption of Accounting Principles:**Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants***

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 22-Adoption of Accounting Principles: (continued)

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 23-Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 23-Upcoming Pronouncements: (continued)

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

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

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

Required Supplementary Information



County of Carroll, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 20,519,506	\$ 20,519,506	\$ 19,809,119	\$ (710,387)
Other local taxes	4,145,800	4,145,800	4,240,575	94,775
Permits, privilege fees, and regulatory licenses	102,500	102,500	130,250	27,750
Fines and forfeitures	1,300,000	1,300,000	1,009,917	(290,083)
Revenue from the use of money and property	353,374	353,375	73,852	(279,523)
Charges for services	1,680,557	1,705,374	1,341,265	(364,109)
Miscellaneous	139,300	148,399	223,482	75,083
Recovered costs	2,596,842	2,971,683	2,497,438	(474,245)
Intergovernmental:				
Commonwealth	7,144,417	7,757,635	7,227,477	(530,158)
Federal	2,150,952	2,804,699	3,124,522	319,823
Total revenues	\$ 40,133,248	\$ 41,808,971	\$ 39,677,897	\$ (2,131,074)
EXPENDITURES				
Current:				
General government administration	\$ 2,905,685	\$ 2,965,401	\$ 2,775,409	\$ 189,992
Judicial administration	1,255,717	1,248,556	1,246,123	2,433
Public safety	9,045,005	9,804,921	9,145,079	659,842
Public works	2,869,730	2,919,722	2,534,232	385,490
Health and welfare	5,170,055	6,107,622	6,053,026	54,596
Education	11,610,837	11,603,537	12,076,401	(472,864)
Parks, recreation, and cultural	1,255,348	1,245,446	1,183,511	61,935
Community development	2,454,199	2,389,295	1,939,046	450,249
Capital projects	-	222,000	222,000	-
Debt service:				
Principal retirement	3,840,136	3,840,136	3,915,936	(75,800)
Interest and other fiscal charges	1,446,536	1,446,536	1,747,494	(300,958)
Total expenditures	\$ 41,853,248	\$ 43,793,172	\$ 42,838,257	\$ 954,915
Excess (deficiency) of revenues over (under) expenditures	\$ (1,720,000)	\$ (1,984,201)	\$ (3,160,360)	\$ (1,176,159)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (29,107)	\$ (29,107)
Issuance of capital leases	-	-	506,969	506,969
Total other financing sources (uses)	-	-	\$ 477,862	\$ 477,862
Net change in fund balances	\$ (1,720,000)	\$ (1,984,201)	\$ (2,682,498)	\$ (698,297)
Fund balances - beginning	1,720,000	1,984,201	12,449,866	10,465,665
Fund balances - ending	\$ -	\$ -	\$ 9,767,368	\$ 9,767,368

County of Carroll, Virginia
Schedule of OPEB Funding Progress

School Board Postemployment Benefit Plan - Health Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2014	\$ -	\$ 4,980,900	\$ 4,980,900	0.00%	\$ 22,205,000	22.43%
7/1/2012	-	4,503,200	4,503,200	0.00%	22,392,600	20.11%
7/1/2010	-	5,298,900	5,298,900	0.00%	21,511,300	24.63%

School Board Postemployment Benefit Plan - VRS Health Insurance Credit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2015	\$ (21,547)	\$ 291,928	\$ 313,475	-7.38%	\$ 2,435,872	12.87%
6/30/2014	(21,120)	286,139	307,259	-7.38%	2,454,711	12.52%
6/30/2013	(12,697)	272,975	285,672	-4.65%	2,483,468	11.50%

County of Carroll, Virginia
Schedule of Employer's Proportionate Share of the Net Pension Liability
June 30, 2016

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					
2015	83.7951% \$	5,117,570 \$	6,286,487	81.41%	81.30%
2014	83.7951%	4,226,206	6,057,711	69.77%	83.61%
Component Unit Public Service Authority					
2015	8.2813% \$	505,758 \$	625,793	80.82%	434.88%
2014	8.2813%	417,602	598,577	69.77%	510.11%
Component Unit School Board (professional)					
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 Components of and Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 272,694	\$ 282,837
Interest	678,210	650,702
Changes of benefit terms	-	-
Differences between expected and actual experience	(276,046)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(559,995)	(521,158)
Net change in total pension liability	\$ 114,863	\$ 412,381
Total pension liability - beginning	9,968,705	9,556,324
Total pension liability - ending (a)	<u>\$ 10,083,568</u>	<u>\$ 9,968,705</u>
Plan fiduciary net position		
Contributions - employer	\$ 239,595	\$ 259,093
Contributions - employee	122,507	123,499
Net investment income	418,458	1,264,799
Benefit payments, including refunds of employee contributions	(559,995)	(521,158)
Administrative expense	(5,839)	(6,876)
Other	(88)	67
Net change in plan fiduciary net position	\$ 214,638	\$ 1,119,424
Plan fiduciary net position - beginning	9,200,050	8,080,626
Plan fiduciary net position - ending (b)	<u>\$ 9,414,688</u>	<u>\$ 9,200,050</u>
School Division's net pension liability - ending (a) - (b)	\$ 668,880	\$ 768,655
Plan fiduciary net position as a percentage of the total pension liability	93.37%	92.29%
Covered payroll	\$ 2,463,253	\$ 2,469,959
School Division's net pension liability as a percentage of covered payroll	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 Year Ended June 30, 2016

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					
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					
2016	\$ 76,159	\$ 76,159	\$ -	\$ 625,793	12.17%
2015	75,339	75,339	-	678,989	11.10%
Component Unit School Board (nonprofessional)					
2016	\$ 241,165	\$ 241,165	\$ -	\$ 2,483,064	9.71%
2015	239,595	239,595	-	2,463,253	9.73%
2014	259,099	259,099	-	2,469,959	10.49%
2013	261,420	261,420	-	2,492,084	10.49%
2012	198,487	198,487	-	2,544,710	7.80%
2011	194,444	194,444	-	2,492,872	7.80%
2010	219,606	219,606	-	2,544,679	8.63%
2009	225,013	225,013	-	2,607,334	8.63%
2008	247,999	247,999	-	2,749,432	9.02%
2007	219,535	219,535	-	2,433,869	9.02%
Component Unit School Board (professional)					
2016	\$ 2,844,000	\$ 2,844,000	\$ -	\$ 20,292,867	14.01%
2015	2,933,000	2,933,000	-	20,216,777	14.51%
2014	2,341,300	2,341,300	-	20,079,764	11.66%
2013	2,289,845	2,289,845	-	19,638,470	11.66%
2012	1,239,333	1,239,333	-	19,578,718	6.33%
2011	765,893	765,893	-	19,488,369	3.93%
2010	1,744,737	1,744,737	-	19,804,052	8.81%
2009	1,782,901	1,782,901	-	20,237,242	8.81%
2008	2,242,405	2,242,405	-	21,770,922	10.30%
2007	1,680,013	1,680,013	-	18,261,011	9.20%

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, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

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 was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

Other Supplementary Information



County of Carroll, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	School Construction			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Miscellaneous	-	-	5,000	5,000
Total revenues	\$ -	\$ -	\$ 5,000	\$ 5,000
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 69,912	\$ (69,912)
Total expenditures	\$ -	\$ -	\$ 69,912	\$ (69,912)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (64,912)	\$ (64,912)
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	\$ -	\$ -	\$ 69,912	\$ 69,912
Total other financing sources (uses)	\$ -	\$ -	\$ 69,912	\$ 69,912
Net change in fund balances	\$ -	\$ -	\$ 5,000	\$ 5,000
Fund balances - beginning	-	-	9,027	9,027
Fund balances - ending	\$ -	\$ -	\$ 14,027	\$ 14,027



FIDUCIARY FUNDS

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

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

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

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

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



County of Carroll, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Agency Funds					Total
	<u>Special Welfare</u>	<u>School Board FSA</u>	<u>County FSA</u>	<u>Performance Bond Escrow</u>	<u>Twin County Airport</u>	
ASSETS						
Cash and cash equivalents	\$ 12,509	\$ 16,834	\$ 1,666	\$ 187,854	\$ -	\$ 218,863
Investments	-	-	-	-	3,373	3,373
Total assets	<u>\$ 12,509</u>	<u>\$ 16,834</u>	<u>\$ 1,666</u>	<u>\$ 187,854</u>	<u>\$ 3,373</u>	<u>\$ 222,236</u>
LIABILITIES						
Amounts held for social services clients	\$ 12,509	-	-	-	-	\$ 12,509
Amounts held for performance bonds	-	-	-	187,854	-	187,854
Amounts held for School Board employees	-	16,834	-	-	-	16,834
Amounts held for County employees	-	-	1,666	-	-	1,666
Amounts held for the Twin County Airport	-	-	-	-	3,373	3,373
Total liabilities	<u>\$ 12,509</u>	<u>\$ 16,834</u>	<u>\$ 1,666</u>	<u>\$ 187,854</u>	<u>\$ 3,373</u>	<u>\$ 222,236</u>

County of Carroll, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2016

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Assets				
Current Assets				
Cash and cash equivalents				
Special Welfare	\$ 11,094	\$ 43,094	\$ (41,679)	\$ 12,509
Performance Bond Escrow	3,223	184,631	-	187,854
School Board FSA	14,160	81,946	(79,272)	16,834
County FSA	707	15,676	(14,717)	1,666
Total cash and cash equivalents	<u>\$ 29,184</u>	<u>\$ 325,347</u>	<u>\$ (135,668)</u>	<u>\$ 218,863</u>
Investments				
Twin County Airport	\$ 3,362	\$ 11	\$ -	\$ 3,373
Total Assets	<u>\$ 32,546</u>	<u>\$ 325,358</u>	<u>\$ (135,668)</u>	<u>\$ 222,236</u>
Liabilities				
Amounts held for social services clients	\$ 11,094	\$ 43,094	\$ (41,679)	\$ 12,509
Amounts held for performance bonds	3,223	184,631	-	187,854
Amounts held for School Board employees	14,160	81,946	(79,272)	16,834
Amounts held for County employees	707	15,676	(14,717)	1,666
Amounts held for Twin County Airport	3,362	11	-	3,373
Total Liabilities	<u>\$ 32,546</u>	<u>\$ 325,358</u>	<u>\$ (135,668)</u>	<u>\$ 222,236</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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



County of Carroll, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 2,110,149
Investments	118,066
Due from other governmental units	1,833,256
Prepaid items	188,437
Restricted assets:	
Cash and cash equivalents	212,459
Total assets	<u>\$ 4,462,367</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 127,227
Salaries payable	1,903,434
Due to primary government	2,042,716
Total liabilities	<u>\$ 4,073,377</u>
Fund balances:	
Nonspendable:	
Prepaid items	\$ 188,437
Restricted:	
Cafeteria operations	212,459
Committed:	
Textbook purchases	176,531
Unassigned:	
Total fund balances	<u>\$ 388,990</u>
Total liabilities and fund balances	<u>\$ 4,462,367</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 388,990
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	3,035,050
Improvement other than buildings	139,284
Machinery and equipment	<u>1,125,482</u>
	5,789,016
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Deferred inflows related to measurement of net pension liability	(3,305,346)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	
	3,085,165
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net OPEB obligation	\$ (2,505,314)
Compensated absences	(954,011)
Net pension liability	(34,913,880)
Deferred outflows related to measurement of net pension liability	<u>93,000</u>
	(38,280,205)
Net position of governmental activities	<u>\$ (32,322,380)</u>

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 32,373
Charges for services	752,657
Miscellaneous	150,174
Recovered costs	967,126
Intergovernmental:	
Local government	11,500,651
Commonwealth	24,824,563
Federal	4,285,506
Total revenues	<u>\$ 42,513,050</u>
EXPENDITURES	
Current:	
Education	\$ 42,460,096
Total expenditures	<u>\$ 42,460,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 52,954</u>
Net change in fund balances	\$ 52,954
Fund balances - beginning	336,036
Fund balances - ending	<u><u>\$ 388,990</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 52,954
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital asset additions	\$ 804,306
Depreciation in current year	<u>(848,965)</u> (44,659)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred inflows of resources related to the measurement of the net pension liability	2,183,048
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	\$ (48,161)
Change in net OPEB obligation	(185,300)
Change in net pension liability	(963,225)
Change in deferred outflows of resources related to pensions	<u>(107,741)</u> (1,304,427)
Change in net position of governmental activities	<u><u>\$ 886,916</u></u>

County of Carroll, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 32,200	\$ 32,200	\$ 32,373	\$ 173
Charges for services	1,190,028	1,190,028	752,657	(437,371)
Miscellaneous	206,407	260,831	150,174	(110,657)
Recovered costs	2,363,377	2,607,778	967,126	(1,640,652)
Intergovernmental:				
Local government	11,528,337	11,528,337	11,500,651	(27,686)
Commonwealth	24,140,789	24,785,841	24,824,563	38,722
Federal	4,047,287	4,077,360	4,285,506	208,146
Total revenues	<u>\$ 43,508,425</u>	<u>\$ 44,482,375</u>	<u>\$ 42,513,050</u>	<u>\$ (1,969,325)</u>
EXPENDITURES				
Current:				
Education	\$ 43,697,510	\$ 44,671,460	\$ 42,460,096	\$ 2,211,364
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (189,085)</u>	<u>\$ (189,085)</u>	<u>\$ 52,954</u>	<u>\$ 242,039</u>
Net change in fund balances	\$ (189,085)	\$ (189,085)	\$ 52,954	\$ 242,039
Fund balances - beginning	448,900	448,900	336,036	(112,864)
Fund balances - ending	<u>\$ 259,815</u>	<u>\$ 259,815</u>	<u>\$ 388,990</u>	<u>\$ 129,175</u>



Supporting Schedules



County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 1 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 14,640,614	\$ 14,640,614	\$ 13,850,670	\$ (789,944)
Real and personal public service corporation taxes	761,142	761,142	790,011	28,869
Personal property taxes	3,517,708	3,517,708	3,535,758	18,050
Mobile home taxes	75,000	75,000	86,770	11,770
Machinery and tools taxes	893,042	893,042	911,166	18,124
Merchant's capital taxes	202,000	202,000	201,965	(35)
Penalties	150,000	150,000	190,343	40,343
Interest	280,000	280,000	242,436	(37,564)
Total general property taxes	<u>\$ 20,519,506</u>	<u>\$ 20,519,506</u>	<u>\$ 19,809,119</u>	<u>\$ (710,387)</u>
Other local taxes:				
Local sales and use taxes	\$ 1,800,800	\$ 1,800,800	\$ 1,737,156	\$ (63,644)
Consumers' utility taxes- electric	665,000	665,000	666,433	1,433
Consumers' utility taxes- telephone	40,000	40,000	41,205	1,205
Consumption taxes	100,000	100,000	99,331	(669)
Franchise license taxes	10,000	10,000	-	(10,000)
Recordation taxes	125,000	125,000	122,874	(2,126)
Motor vehicle licenses	600,000	600,000	647,265	47,265
Bank stock taxes	10,000	10,000	12,945	2,945
Hotel and motel room taxes	245,000	245,000	363,795	118,795
Restaurant food taxes	550,000	550,000	549,571	(429)
Total other local taxes	<u>\$ 4,145,800</u>	<u>\$ 4,145,800</u>	<u>\$ 4,240,575</u>	<u>\$ 94,775</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 70,000	\$ 70,000	\$ 73,958	\$ 3,958
Animal licenses	15,000	15,000	18,889	3,889
Other permits and licenses	17,500	17,500	37,403	19,903
Total permits, privilege fees, and regulatory licenses	<u>\$ 102,500</u>	<u>\$ 102,500</u>	<u>\$ 130,250</u>	<u>\$ 27,750</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,300,000	\$ 1,300,000	\$ 1,009,917	\$ (290,083)
Revenue from use of money and property:				
Revenue from use of money	\$ 327,272	\$ 327,273	\$ 47,220	\$ (280,053)
Revenue from use of property	26,102	26,102	26,632	530
Total revenue from use of money and property	<u>\$ 353,374</u>	<u>\$ 353,375</u>	<u>\$ 73,852</u>	<u>\$ (279,523)</u>
Charges for services:				
Charges for EMS	\$ 1,291,957	\$ 1,291,957	\$ 968,526	\$ (323,431)
Charges for courthouse security	200,000	200,000	173,973	(26,027)
Charges for parks and recreation	67,000	91,817	82,904	(8,913)
Charges for sanitation and waste removal	37,000	37,000	37,954	954
Charges for courthouse maintenance	40,000	40,000	33,813	(6,187)
Charges for cannery	19,000	19,000	17,364	(1,636)
Charges for circuit court copies	10,500	10,500	8,681	(1,819)
Charges for commonwealth's attorney	5,000	5,000	5,373	373
Charges for law enforcement and traffic control	9,200	9,200	7,415	(1,785)
Charges for law library	-	-	3,229	3,229
Other charges for services	900	900	2,033	1,133
Total charges for services	<u>\$ 1,680,557</u>	<u>\$ 1,705,374</u>	<u>\$ 1,341,265</u>	<u>\$ (364,109)</u>

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 2 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 139,300	\$ 148,399	\$ 223,482	\$ 75,083
Recovered costs:				
Solid Waste Authority	\$ 500,369	\$ 504,119	\$ 498,093	\$ (6,026)
BRECEDA	505,907	505,907	468,633	(37,274)
Public Service Authority	1,023,544	1,038,544	947,925	(90,619)
Industrial Development Authority	10,000	356,911	70,131	(286,780)
City of Galax-shared expenses	300,000	300,000	255,461	(44,539)
Social services	133,922	133,922	124,805	(9,117)
School resource officer	34,600	34,600	34,600	-
High intensity drug trafficking grant	-	7,536	6,075	(1,461)
Other recovered costs	88,500	90,144	91,715	1,571
Total recovered costs	\$ 2,596,842	\$ 2,971,683	\$ 2,497,438	\$ (474,245)
Total revenue from local sources	\$ 30,837,879	\$ 31,246,637	\$ 29,325,898	\$ (1,920,739)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 52,000	\$ 52,000	\$ 54,367	\$ 2,367
Motor vehicle rental taxes	8,000	8,000	5,905	(2,095)
Telecommunications Taxes	1,015,000	1,015,000	978,700	(36,300)
Rolling stock taxes	1,151	1,151	-	(1,151)
State recordation taxes	85,000	85,000	77,030	(7,970)
Personal property tax relief funds	1,051,552	1,051,552	1,051,552	-
Total noncategorical aid	\$ 2,212,703	\$ 2,212,703	\$ 2,167,554	\$ (45,149)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 439,096	\$ 439,096	\$ 426,122	\$ (12,974)
Sheriff	1,365,475	1,365,475	1,360,068	(5,407)
Commissioner of revenue	121,834	122,645	120,926	(1,719)
Treasurer	117,968	117,968	116,801	(1,167)
Registrar/electoral board	40,000	40,000	41,389	1,389
Clerk of the Circuit Court	281,192	281,192	277,837	(3,355)
Total shared expenses	\$ 2,365,565	\$ 2,366,376	\$ 2,343,143	\$ (23,233)
Other categorical aid:				
Public assistance and welfare administration	\$ 1,008,219	\$ 1,093,718	\$ 1,114,580	\$ 20,862
Comprehensive Services Act	1,212,500	1,708,848	1,201,888	(506,960)
Animal friendly plates	400	400	335	(65)
Farmer's market grants	-	-	-	-
Fire program	78,000	78,000	86,718	8,718
Litter control grant	10,200	10,200	10,291	91
Emergency and medical services grant	171,750	182,867	185,484	2,617
Records preservation grant	30,000	12,000	22,500	10,500
Victim witness	50,080	58,393	55,418	(2,975)
Asset forfeiture	-	-	24,219	24,219
Local law enforcement grant	-	20,130	1,347	(18,783)

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2016

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Conservation and recreation grant	-	9,000	9,000	-
Total other categorical aid	\$ 2,566,149	\$ 3,178,556	\$ 2,716,780	\$ (461,776)
Total categorical aid	\$ 4,931,714	\$ 5,544,932	\$ 5,059,923	\$ (485,009)
Total revenue from the Commonwealth	\$ 7,144,417	\$ 7,757,635	\$ 7,227,477	\$ (530,158)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 20,000	\$ 20,000	\$ 20,499	\$ 499
Categorical aid:				
Public assistance and welfare administration	\$ 1,497,052	\$ 1,649,052	\$ 1,789,051	\$ 139,999
Comprehensive Services Act	-	-	159,516	159,516
QSCB interest	626,400	626,400	629,100	2,700
Victim witness	-	-	8,313	8,313
Local law enforcement grant	7,500	7,500	-	(7,500)
State and community highway safety	-	1,347	17,643	16,296
Assistance to firefighters grant	-	500,400	500,400	-
Total categorical aid	\$ 2,130,952	\$ 2,784,699	\$ 3,104,023	\$ 319,324
Total revenue from the federal government	\$ 2,150,952	\$ 2,804,699	\$ 3,124,522	\$ 319,823
Total General Fund	\$ 40,133,248	\$ 41,808,971	\$ 39,677,897	\$ (2,131,074)
Capital Projects Fund:				
School Construction Fund:				
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 5,000	\$ 5,000
Total Primary Government	\$ 40,133,248	\$ 41,808,971	\$ 39,682,897	\$ (2,126,074)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 200	\$ 200	\$ 380	\$ 180
Revenue from the use of property	32,000	32,000	31,993	(7)
Total revenue from use of money and property	\$ 32,200	\$ 32,200	\$ 32,373	\$ 173
Charges for services:				
Fees from pupils	\$ 19,000	\$ 19,000	\$ 17,900	\$ (1,100)
Tuition from other localities	4,000	4,000	5,100	1,100
Cafeteria sales	1,133,398	1,133,398	700,140	(433,258)
Transportation of pupils	10,000	10,000	3,596	(6,404)
Other payments from other localities	23,630	23,630	25,921	2,291
Total charges for services	\$ 1,190,028	\$ 1,190,028	\$ 752,657	\$ (437,371)
Miscellaneous:				
E-rate	\$ 80,000	\$ 134,424	\$ 134,424	\$ -
Other miscellaneous	126,407	126,407	15,750	(110,657)
Total miscellaneous	\$ 206,407	\$ 260,831	\$ 150,174	\$ (110,657)

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2016

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Recovered costs:				
Insurance recoveries and rebates	\$ 2,363,377	\$ 2,607,778	\$ 967,126	\$ (1,640,652)
Total revenue from local sources	\$ 3,792,012	\$ 4,090,837	\$ 1,902,330	\$ (2,188,507)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	\$ 11,528,337	\$ 11,528,337	\$ 11,500,651	\$ (27,686)
Revenue from the Commonwealth:				
Share of state sales tax	\$ 4,377,541	\$ 4,377,541	\$ 4,395,852	\$ 18,311
Basic school aid	11,448,026	11,993,455	11,992,915	(540)
Remedial summer education	102,660	102,660	103,365	705
Regular foster care	79,582	79,582	27,724	(51,858)
Gifted and talented	124,270	124,270	128,785	4,515
Remedial education	505,013	505,013	523,361	18,348
Alternative education	161,873	161,873	161,873	-
Special education	1,369,617	1,369,617	1,419,377	49,760
Textbook payment	337,803	337,803	145,739	(192,064)
Vocational standards of quality payments	372,811	372,811	386,356	13,545
Vocational adult education	-	-	1,021	1,021
Vocational education - equipment	25,931	25,931	11,491	(14,440)
Vocational occupational preparedness	-	-	13,247	13,247
Social security fringe benefits	756,198	756,198	783,672	27,474
Retirement fringe benefits	1,493,887	1,493,887	1,548,162	54,275
Group life insurance instructional	47,593	47,593	49,322	1,729
State lottery payments	171,017	171,017	117,914	(53,103)
Homebound education	16,875	16,875	20,802	3,927
School nutrition	41,757	41,757	38,400	(3,357)
Special education - foster children	-	-	21,153	21,153
Special education - regional	164,069	164,069	126,130	(37,939)
Salary supplement	206,625	206,625	213,968	7,343
At risk payments	571,343	571,343	592,154	20,811
Early reading intervention	81,056	81,056	-	(81,056)
Early reading specialist initiative	22,424	22,424	85,688	63,264
VPSA technology	362,000	362,000	388,000	26,000
Standards of Learning algebra readiness	66,474	66,474	66,474	-
At risk four-year olds	442,622	442,622	442,622	-
Primary class size	490,419	490,419	469,421	(20,998)
Breakfast after the Bell Initiative	3,292	3,292	1,939	(1,353)
Mentor teacher program	2,033	2,033	1,471	(562)
ISAEF	15,717	15,717	17,462	1,745
Jobs for VA grads	-	-	25,000	25,000
CTE industry credentials	-	-	5,949	5,949
English as a second language	80,261	80,261	70,739	(9,522)
Cyber camp extended summer school	-	-	62,500	62,500
Project graduation	-	-	18,893	18,893
School security grant	-	99,623	191,320	91,697
Other state funds	200,000	200,000	154,302	(45,698)
Total categorical aid	\$ 24,140,789	\$ 24,785,841	\$ 24,824,563	\$ 38,722
Total revenue from the Commonwealth	\$ 24,140,789	\$ 24,785,841	\$ 24,824,563	\$ 38,722

County of Carroll, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ -	\$ -	\$ 9,390	\$ 9,390
Title I	1,092,859	1,092,859	1,046,964	(45,895)
Title VI-B, flow-through	1,022,449	1,022,449	1,061,316	38,867
Title VI-B, preschool	26,023	26,023	22,818	(3,205)
Title VI-B, rural and low income	-	-	103,545	103,545
Vocational education	88,731	88,731	78,119	(10,612)
Teacher quality	175,016	175,016	177,021	2,005
Migrant education	18,380	48,453	40,926	(7,527)
School breakfast program	468,363	468,363	315,445	(152,918)
National school lunch program	1,142,965	1,142,965	1,310,713	167,748
Title III	12,501	12,501	12,287	(214)
Twenty first century learning centers	-	-	106,962	106,962
Total categorical aid	\$ 4,047,287	\$ 4,077,360	\$ 4,285,506	\$ 208,146
Total revenue from the federal government	\$ 4,047,287	\$ 4,077,360	\$ 4,285,506	\$ 208,146
Total Discretely Presented Component Unit - School Board	\$ 43,508,425	\$ 44,482,375	\$ 42,513,050	\$ (1,969,325)

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 499,552	\$ 468,863	\$ 407,719	\$ 61,144
General and financial administration:				
County administrator	\$ 465,142	\$ 468,142	\$ 415,773	\$ 52,369
County attorney	75,000	75,000	67,625	7,375
Commissioner of revenue	683,590	692,688	693,328	(640)
Treasurer	401,155	401,155	384,072	17,083
Finance	169,026	169,026	162,035	6,991
Management information systems	300,467	356,486	332,345	24,141
Human resources	96,062	96,862	97,920	(1,058)
Web development	11,000	11,000	3,292	7,708
Total general and financial administration	\$ 2,201,442	\$ 2,270,359	\$ 2,156,390	\$ 113,969
Board of elections:				
Electoral board and officials	\$ 80,500	\$ 101,988	\$ 91,228	\$ 10,760
Registrar	124,191	124,191	120,072	4,119
Total board of elections	\$ 204,691	\$ 226,179	\$ 211,300	\$ 14,879
Total general government administration	\$ 2,905,685	\$ 2,965,401	\$ 2,775,409	\$ 189,992
Judicial administration:				
Courts:				
Circuit court	\$ 68,300	\$ 68,300	\$ 63,215	\$ 5,085
General district court	28,123	32,924	27,753	5,171
Juvenile court	11,400	11,400	8,676	2,724
Special magistrates	3,320	4,921	4,877	44
Victim witness	70,948	81,062	81,108	(46)
Clerk of the circuit court	481,936	452,136	448,574	3,562
Law library	-	-	7,960	(7,960)
Total courts	\$ 664,027	\$ 650,743	\$ 642,163	\$ 8,580
Commonwealth's attorney:				
Commonwealth's attorney	\$ 591,690	\$ 597,813	\$ 603,960	\$ (6,147)
Total judicial administration	\$ 1,255,717	\$ 1,248,556	\$ 1,246,123	\$ 2,433
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,126,649	\$ 2,171,244	\$ 2,200,284	\$ (29,040)
Courtroom Security	220,744	220,744	200,512	20,232
Total law enforcement and traffic control	\$ 2,347,393	\$ 2,391,988	\$ 2,400,796	\$ (8,808)
Fire and rescue services:				
Volunteer fire departments	\$ 785,776	\$ 486,755	\$ 414,127	\$ 72,628
Rescue squads	581,387	581,387	394,447	186,940
Carroll EMS	1,697,781	1,708,898	1,704,557	4,341
Total fire and rescue services	\$ 3,064,944	\$ 2,777,040	\$ 2,513,131	\$ 263,909
Correction and detention:				
Payments to New River Regional Jail	\$ 1,200,000	\$ 1,615,263	\$ 1,495,131	\$ 120,132
Juvenile probation and detention	164,494	171,380	155,386	15,994
Total correction and detention	\$ 1,364,494	\$ 1,786,643	\$ 1,650,517	\$ 136,126

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 332,598	\$ 342,289	\$ 336,958	\$ 5,331
Other protection:				
Animal warden	\$ 124,552	\$ 125,552	\$ 109,828	\$ 15,724
Emergency services	250,424	808,224	784,647	23,577
E-911	388,368	374,154	374,154	-
Day reporting program	60,853	60,853	62,141	(1,288)
Highway safety	1,111,379	1,138,178	912,907	225,271
Total other protection	\$ 1,935,576	\$ 2,506,961	\$ 2,243,677	\$ 263,284
Total public safety	\$ 9,045,005	\$ 9,804,921	\$ 9,145,079	\$ 659,842
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 560,641	\$ 559,865	\$ 556,838	\$ 3,027
Public Service Authority	1,023,544	1,039,344	949,516	89,828
Litter control	10,200	10,200	9,517	683
Total sanitation and waste removal	\$ 1,594,385	\$ 1,609,409	\$ 1,515,871	\$ 93,538
Maintenance of general buildings and grounds:				
Governmental complex	\$ 595,862	\$ 630,130	\$ 543,855	\$ 86,275
Cannery	31,000	45,100	39,616	5,484
Maintenance force	465,583	452,183	297,366	154,817
Maintenance of other properties	182,900	182,900	137,524	45,376
Total maintenance of general buildings and grounds	\$ 1,275,345	\$ 1,310,313	\$ 1,018,361	\$ 291,952
Total public works	\$ 2,869,730	\$ 2,919,722	\$ 2,534,232	\$ 385,490
Health and welfare:				
Health:				
Supplement of local health department	\$ 269,964	\$ 269,964	\$ 266,798	\$ 3,166
Mental health and mental retardation:				
Community services board	\$ 130,500	\$ 130,500	\$ 130,500	\$ -
Welfare:				
Public assistance and welfare administration	\$ 4,695,976	\$ 5,633,543	\$ 5,582,113	\$ 51,430
Senior citizens center	73,615	73,615	73,615	-
Total welfare	\$ 4,769,591	\$ 5,707,158	\$ 5,655,728	\$ 51,430
Total health and welfare	\$ 5,170,055	\$ 6,107,622	\$ 6,053,026	\$ 54,596
Education:				
Other instructional costs:				
Contributions to Community College	\$ 42,000	\$ 42,000	\$ 42,000	\$ -
Contribution to County School Board	11,528,337	11,528,337	11,500,651	27,686
School Board utilities	40,500	33,200	26,781	6,419
Purchase of school buses	-	-	506,969	(506,969)
Total education	\$ 11,610,837	\$ 11,603,537	\$ 12,076,401	\$ (472,864)

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 441,615	\$ 467,751	\$ 447,031	\$ 20,720
Farmer's Market	423,259	385,577	343,892	41,685
County Fair	80,000	80,000	79,954	46
Total parks and recreation	<u>\$ 944,874</u>	<u>\$ 933,328</u>	<u>\$ 870,877</u>	<u>\$ 62,451</u>
Library:				
Contribution to Carroll-Galax Regional Library	\$ 310,474	\$ 312,118	\$ 312,634	\$ (516)
Total parks, recreation, and cultural	<u>\$ 1,255,348</u>	<u>\$ 1,245,446</u>	<u>\$ 1,183,511</u>	<u>\$ 61,935</u>
Community development:				
Planning and community development:				
Planning commission	\$ 4,800	\$ 4,800	\$ 765	\$ 4,035
Economic development	322,200	322,250	317,582	4,668
Business development	118,548	118,548	115,094	3,454
Tourism	166,037	176,673	163,805	12,868
Geographic information services	91,328	91,328	90,151	1,177
Contribution to Carroll Industrial Development Authority	414,463	414,463	-	414,463
Contribution to Public Service Authority	1,199,528	1,123,938	1,123,938	-
Contribution to Twin County Airport	70,875	70,875	62,964	7,911
Total planning and community development	<u>\$ 2,387,779</u>	<u>\$ 2,322,875</u>	<u>\$ 1,874,299</u>	<u>\$ 448,576</u>
Environmental management:				
Contribution to soil and water district	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Cooperative extension program:				
Extension office	\$ 58,420	\$ 58,420	\$ 56,747	\$ 1,673
Total community development	<u>\$ 2,454,199</u>	<u>\$ 2,389,295</u>	<u>\$ 1,939,046</u>	<u>\$ 450,249</u>
Capital projects:				
Other capital projects	\$ -	\$ 222,000	\$ 222,000	\$ -
Debt service:				
Principal retirement	\$ 3,840,136	\$ 3,840,136	\$ 3,915,936	\$ (75,800)
Interest and other fiscal charges	1,446,536	1,446,536	1,747,494	(300,958)
Total debt service	<u>\$ 5,286,672</u>	<u>\$ 5,286,672</u>	<u>\$ 5,663,430</u>	<u>\$ (376,758)</u>
Total General Fund	<u>\$ 41,853,248</u>	<u>\$ 43,793,172</u>	<u>\$ 42,838,257</u>	<u>\$ 954,915</u>
Capital Projects Fund:				
School Construction Fund:				
Capital projects expenditures:				
Carroll County High School Improvements	\$ -	\$ -	\$ 69,912	\$ (69,912)
Total capital projects expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,912</u>	<u>\$ (69,912)</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,912</u>	<u>\$ (69,912)</u>
Total Primary Government	<u>\$ 41,853,248</u>	<u>\$ 43,793,172</u>	<u>\$ 42,908,169</u>	<u>\$ 885,003</u>

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,679,692	\$ 1,679,692	\$ 1,535,862	\$ 143,830
Instruction costs:				
Instruction	\$ 30,454,307	\$ 31,328,634	\$ 31,558,527	\$ (229,893)
Operating costs:				
Pupil transportation	\$ 3,017,728	\$ 3,017,728	\$ 2,659,559	\$ 358,169
Operation and maintenance of school plant	4,133,402	4,233,025	4,246,669	(13,644)
Food services and other non-instructional costs	4,412,381	4,412,381	2,445,586	1,966,795
Facilities	-	-	13,893	(13,893)
Total operating costs	\$ 11,563,511	\$ 11,663,134	\$ 9,365,707	\$ 2,297,427
Total Discretely Presented Component Unit - School Board	\$ 43,697,510	\$ 44,671,460	\$ 42,460,096	\$ 2,211,364



Other Statistical Section



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

Table 1

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
2015-16	\$ 2,620,043	\$ 977,670	\$ 9,096,396	\$ 1,319,668	\$ 5,860,929	\$ 13,265,166	\$ 852,516	\$ 1,794,103	\$ 1,653,289	\$ 109,257	\$ -	\$ 37,549,037
2014-15	2,160,757	910,625	8,251,074	1,391,661	5,415,823	13,291,086	811,369	1,293,877	1,160,247	386,978	-	35,073,497
2013-14	2,314,221	968,302	8,397,574	1,616,367	5,074,792	13,954,909	1,178,753	2,568,641	1,008,885	343,869	-	37,426,313
2012-13	2,646,748	860,938	7,608,448	2,423,430	5,029,724	12,055,049	1,198,123	2,977,741	941,166	29,931	-	35,771,298
2011-12	2,149,650	927,275	7,051,156	1,430,936	5,563,512	10,059,750	987,821	2,535,682	1,445,238	-	-	32,151,020
2010-11	2,323,036	820,260	7,186,720	1,600,919	5,600,560	8,312,852	1,034,858	2,115,102	1,178,018	-	-	30,172,325
2009-10	1,703,677	925,671	6,994,784	1,213,242	5,237,690	9,607,514	1,131,080	3,927,237	1,362,010	-	-	32,102,905
2008-09	2,274,741	917,156	5,527,643	1,403,993	4,560,878	9,318,301	1,090,266	2,210,516	1,456,967	-	3,128,996	31,889,457
2007-08	2,386,740	873,323	4,688,063	830,990	4,208,213	10,319,961	366,720	1,734,643	1,561,537	-	467,272	27,437,462
2006-07	1,820,062	840,164	4,327,693	1,413,001	4,083,737	9,255,667	461,145	1,480,648	1,585,968	-	328,222	25,596,307

Table 2

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

2015-2016 Fiscal Year											
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	
2015-16	\$ 2,682,745	\$ 7,663,546	\$ 500,400	\$ 20,002,849	\$ 4,240,575	\$ 73,852	\$ 228,482	\$ 2,188,053	\$ -	\$ 37,580,502	
2014-15	3,239,583	6,644,265	25,000	18,833,801	4,028,765	73,235	348,630	2,218,368	-	35,411,647	
2013-14	2,912,339	6,478,610	-	19,208,363	3,972,989	28,290	313,093	2,239,412	46,389	35,199,485	
2012-13	2,611,738	6,075,406	179,133	19,131,036	3,818,144	33,984	374,007	2,229,764	-	34,453,212	
2011-12	2,966,308	6,505,064	114,386	19,268,656	3,881,421	64,812	322,075	2,178,196	-	35,300,918	
2010-11	2,183,703	6,706,032	283,621	18,764,027	4,064,005	54,982	289,482	2,222,581	-	34,568,433	
2009-10	1,878,271	6,322,099	1,955,261	18,930,242	3,851,833	66,952	1,187,572	2,224,997	-	36,417,227	
2008-09	1,756,912	6,012,860	59,414	19,133,533	4,921,995	375,242	264,578	1,204,174	-	33,728,708	
2007-08	984,574	5,837,979	-	16,382,540	4,015,754	424,501	83,283	1,174,594	-	28,903,225	
2006-07	868,695	5,120,043	7,172	16,319,668	5,052,300	543,360	276,500	2,001,626	-	30,189,364	

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

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

Table 3

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
2015-16	\$ 2,775,409	\$ 1,246,123	\$ 9,145,079	\$ 2,534,232	\$ 6,053,026	\$ 43,035,846	\$ 1,183,511	\$ 1,939,046	\$ -	\$ 222,000	\$ 5,663,430	\$ 73,797,702
2014-15	2,769,189	1,268,976	8,204,703	2,637,210	5,544,042	41,956,209	1,103,510	2,221,814	-	-	4,082,215	69,787,868
2013-14	2,354,836	1,231,350	7,662,543	2,625,281	5,350,134	41,837,633	1,151,267	6,323,395	-	926,859	3,907,166	73,370,464
2012-13	2,650,138	1,111,525	6,997,334	2,509,702	5,416,386	42,945,068	1,186,656	2,912,853	-	863,859	3,108,737	69,702,258
2011-12	2,540,222	927,380	6,436,744	2,388,506	5,689,210	40,839,883	986,813	2,654,658	574	861,584	4,887,370	68,212,944
2010-11	2,412,057	821,010	6,646,958	2,286,302	5,931,970	40,328,396	1,015,205	2,140,204	59,348	1,148,367	3,883,177	66,672,994
2009-10	2,412,585	924,889	6,814,501	2,026,004	5,258,218	40,562,878	1,101,482	3,983,899	-	919,374	4,174,649	68,178,479
2008-09	2,560,055	910,971	6,500,497	1,886,658	4,541,186	41,262,282	1,106,315	2,975,348	-	-	4,507,996	66,251,308
2007-08	2,516,169	874,219	4,777,341	1,453,133	4,284,238	39,375,766	533,165	1,657,164	-	-	4,391,942	59,863,137
2006-07	2,036,565	850,387	4,601,974	1,189,285	4,045,618	38,649,619	527,277	1,556,236	-	-	3,740,680	57,197,641

(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
2015-16	\$ 19,809,119	\$ 4,240,575	\$ 130,250	\$ 1,009,917	\$ 106,225	\$ 2,093,922	\$ 373,656	\$ 3,464,564	\$ 39,462,068	\$ 70,690,296
2014-15	19,020,352	4,028,765	101,352	1,376,217	106,735	2,180,195	550,751	4,246,706	37,448,874	69,059,947
2013-14	19,017,610	3,972,989	116,399	1,103,263	63,640	2,360,739	577,957	6,678,982	36,249,264	70,140,843
2012-13	18,964,978	3,818,144	107,630	1,005,568	66,221	2,430,205	501,277	2,887,919	38,529,299	68,311,241
2011-12	19,016,267	3,881,421	109,925	1,136,326	69,592	2,817,672	392,210	2,949,356	38,821,355	69,194,124
2010-11	18,306,907	4,064,005	119,914	721,019	90,376	2,489,700	288,838	2,425,069	39,154,945	67,660,773
2009-10	18,198,583	3,851,833	193,447	323,043	106,881	2,228,272	505,956	2,127,298	40,430,674	67,965,987
2008-09	18,689,595	4,921,995	140,040	213,615	421,492	2,331,949	392,921	1,780,396	39,183,413	68,075,416
2007-08	16,552,335	5,176,431	210,405	10,176	474,065	1,343,173	307,401	1,542,265	37,000,054	62,616,305
2006-07	16,210,523	5,052,300	201,149	11,396	522,489	1,279,392	868,571	1,466,666	36,583,313	62,195,799

(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.

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

Table 5

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
2015-16	\$ 20,961,120	\$ 19,500,727	93.03%	\$ 918,697	20,419,424	97.42%	\$ 5,321,466	25.39%
2014-15	20,252,227	18,746,563	92.57%	941,768	19,688,331	97.22%	4,721,641	23.31%
2013-14	20,053,028	18,498,334	92.25%	1,183,665	19,681,999	98.15%	4,700,070	23.44%
2012-13	19,886,065	18,480,517	92.93%	1,133,380	19,613,897	98.63%	4,249,835	21.37%
2011-12	19,869,528	18,490,236	93.06%	1,171,181	19,661,417	98.95%	3,993,255	20.10%
2010-11	19,768,722	18,198,136	92.06%	885,223	19,083,359	96.53%	3,732,556	18.88%
2009-10	19,721,304	18,215,777	92.37%	798,592	19,014,369	96.42%	3,303,172	16.75%
2008-09	19,904,746	18,823,904	94.57%	644,206	19,468,110	97.81%	2,566,863	12.90%
2007-08	17,331,553	16,409,298	94.68%	867,468	17,276,766	99.68%	2,190,593	12.64%
2006-07	17,225,325	16,710,474	97.01%	592,349	17,302,823	100.45%	2,206,981	12.81%

(1) Exclusive of penalties and interest.

(2) Does not include land redemption.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools (3)	Merchant's Capital (3)	Farm Equipment (4)	Public Service Corporations (2)	Total
2015-16	\$ 2,171,983,967	\$ 260,253,329	\$ 52,156,600	\$ 29,892,051	\$ -	\$ 118,794,393	\$ 2,633,080,340
2014-15	2,160,547,151	256,700,342	50,745,280	9,065,040	18,120,000	111,939,519	2,607,117,332
2013-14	2,144,065,417	247,561,253	50,667,085	8,741,339	17,702,676	107,848,891	2,576,586,661
2012-13	2,434,652,756	248,219,837	55,680,165	9,089,115	17,921,290	103,112,644	2,868,675,807
2011-12	2,427,272,971	247,400,317	57,114,155	8,645,475	17,750,500	103,112,644	2,861,296,062
2010-11	2,411,198,906	258,802,749	56,181,685	8,424,505	-	99,302,189	2,833,910,034
2009-10	2,393,470,955	257,258,260	60,840,765	10,216,725	-	100,657,481	2,822,444,186
2008-09	2,375,104,457	276,213,445	63,712,645	10,086,080	-	101,292,633	2,826,409,260
2007-08	1,751,236,733	252,077,395	74,085,710	9,942,670	-	79,044,406	2,166,386,914
2006-07	1,722,690,903	250,305,907	80,855,380	8,774,975	-	85,896,569	2,148,523,734

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

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

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property (2)	Machinery and Tools (2)	Merchant's Capital (4)	Farm Equipment (3)
2015-16	\$ 0.660	\$ 1.95	\$ 1.75	\$ 0.69	\$ -
2014-15	0.680	1.60	1.30	2.30	0.80
2013-14	0.680	1.60	1.30	2.30	0.80
2012-13	0.595	1.60	1.30	2.30	0.80
2011-12	0.595	1.60	1.30	2.30	0.80
2010-11	0.595	1.60	1.30	2.30	-
2009-10	0.595	1.60	1.30	2.30	-
2008-09	0.595	1.60	1.30	2.30	-
2007-08	0.71	1.30	1.30	2.30	-
2006-07	0.71	1.30	1.30	2.30	-

(1) Per \$100 of assessed value.

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

(3) In fiscal year 2012, the County establish a new class of personal property for farm equipment.
In fiscal year 2016, 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
2015-16	30,042	\$ 2,633,080	\$ 26,810,748	\$ 26,810,748	1.02%	\$ 892
2014-15	30,042	2,607,117	30,499,900	30,499,900	1.17%	1,015
2013-14	30,042	2,576,587	32,691,483	32,691,483	1.27%	1,088
2012-13	30,042	2,868,676	34,885,916	34,885,916	1.22%	1,161
2011-12	30,042	2,861,296	36,729,419	36,729,419	1.28%	1,223
2010-11	30,042	2,833,910	38,852,410	38,852,410	1.37%	1,293
2009-10	29,245	2,822,444	25,790,540	25,790,540	0.91%	882
2008-09	29,245	2,826,409	27,981,785	27,981,785	0.99%	957
2007-08	29,245	2,166,387	30,400,081	30,400,081	1.40%	1,039
2006-07	29,245	2,148,524	32,647,950	32,647,950	1.52%	1,116

(1) Bureau of the Census.

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

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

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2015-16	\$ 3,915,936	\$ 1,747,494	\$ 5,663,430	\$ 73,797,702	7.67%
2014-15	2,987,109	1,095,106	4,082,215	69,787,868	5.85%
2013-14	2,779,993	1,127,173	3,907,166	73,370,464	5.33%
2012-13	2,187,124	921,613	3,108,737	69,702,258	4.46%
2011-12	3,299,432	1,587,938	4,887,370	68,212,944	7.16%
2010-11	2,523,235	1,359,942	3,883,177	66,672,994	5.82%
2009-10	2,711,245	1,463,404	4,174,649	68,178,479	6.12%
2008-09	2,923,296	1,584,700	4,507,996	66,251,308	6.80%
2007-08	2,737,868	1,654,074	4,391,942	59,863,137	7.34%
2006-07	2,245,922	1,494,758	3,740,680	57,197,641	6.54%

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



COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, Virginia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Carroll, Virginia's basic financial statements and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses [2016-001].

Compliance and Other Matters

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

County of Carroll, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Turner, & Associates

Blacksburg, Virginia
November 30, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Carroll, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Carroll, Virginia's major federal programs for the year ended June 30, 2016. 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, 2016.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Turner, & Associates

Blacksburg, Virginia
November 30, 2016

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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	0950114, 0960115	\$ 16,642
Temporary Assistance for Needy Families	93.558	0400115, 0400116	294,307
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115, 0500116	273
Low-Income Home Energy Assistance	93.568	0600415, 0600416	29,890
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	0770116	\$ (2,200)
Chafee Education and Training Vouchers Program	93.596	0760115, 0760116	41,111
Stephanie Tubbs Jones Child Welfare Services Program	93.599	9160114, 9160115	38,911
Foster Care - Title IV-E	93.645	0900115, 0900116	691
Adoption Assistance	93.658	1100115, 1100116	1,417
Social Services Block Grant	93.659	1120115, 1120116	330,037
Chafee Foster Care Independence Program	93.667	1000115, 1000116	223,590
Children's Health Insurance Program	93.674	9150115, 9150116	350,333
Medical Assistance Program	93.767	0540115, 0540116	5,256
	93.778	1200115, 1200116	11,582
			357,720
Total Department of Health and Human Services			\$ 1,660,649
Department of Homeland Security:			
Direct Payments:			
Federal Emergency Management Agency:			
Assistance to Firefighters Grant	97.044	EMW-2013-FR-00484	\$ 500,400
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	Not available	\$ 730
Food Distribution (Note 3)	10.555	Not available	156,461
Department of Education:			
National School Lunch Program	10.555	40623	1,153,522
School Breakfast Program	10.553	40591	\$ 1,310,713
Schools and Roads - Grants to States	10.665	43841	315,445
			1,626,158
			9,390
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115, 0010116, 0040115, 0040116	287,918
Total Department of Agriculture			\$ 3,234,179
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice:			
Crime Victim Assistance	16.575	CJS86015	\$ 8,313
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC1555040, SC1656288	\$ 17,643
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 1,046,964
Migrant Education - State Grant Program	84.011	42910	36,328
Special Education Cluster:			
Special Education - Grants to States	84.027	43071, 87138	\$ 1,061,316
Special Education - Preschool Grants	84.173	62521	22,818
Career and Technical Education: Basic Grants to States	84.048	61095	1,084,134
Twenty-First Century Community Learning Centers	84.287	60565	78,119
Rural Education	84.358	43481	106,962
Migrant Education - Coordination Program	84.144	61399	103,545
English Language Acquisition State Grants	84.365	60512	4,598
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	61480	12,287
			177,021
Total Department of Education			\$ 2,649,958
Total Expenditures of Federal Awards			\$ 6,760,429

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

Notes to Schedule of Expenditures of Federal Awards

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of County of Carroll, Virginia under programs of the federal government for the year ended June 30, 2016. 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.

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, 2016, Carroll County, Virginia had food commodities totaling \$0 in inventory.

Note 4 -- Relationship to the Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 3,124,522
Less: QSCB subsidy	(629,100)
Less: Payment in lieu of taxes	(20,499)
	<u>\$ 2,474,923</u>

Total primary government

\$ 2,474,923

Component Unit School Board:

School Operating Fund	\$ 4,285,506
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Total expenditures of federal awards per the basic financial statements

\$ 6,760,429

County of Carroll, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR section
200.516(a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title 1 Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster (IDEA)
97.044	Assistance to Firefighters Grant

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

Auditee qualified as low-risk auditee? No

County of Carroll, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section II - Financial Statement Findings

2016-001

Criteria:	Per Statement on Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose <i>adjustments</i> necessary to comply with reporting standards is not a component of such controls.
Condition:	The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The County/Component Unit School Board does not have proper controls in place to detect and correct errors in closing their year end financial statements.
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County/School Board's internal controls over financial reporting.
Recommendation:	The County/School Board should review the auditors' proposed audit adjustments for 2016 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	This is the first year that the County and School Board has hired a consultant to help with year-end closing. As the consultant becomes more familiar with the County/School Board's books, the adjustments should be reduced to an amount below materiality.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

No federal findings or questioned costs in prior year.