

**COUNTY OF CARROLL, VIRGINIA**

**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2014**

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**COUNTY OF CARROLL, VIRGINIA**  
**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2014**

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COUNTY OF CARROLL, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2014

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## INTRODUCTORY SECTION

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## COUNTY OF CARROLL, VIRGINIA

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### BOARD OF SUPERVISORS

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Thomas W. Littrell	David V. Hutchins, Chair	Joshua A. Hendrick
Ralph J. Bob Martin, Jr.	Phil D. McGraw, Vice Chair	W. S. Sam Dickson

### COUNTY SCHOOL BOARD

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Reginald M. Gardner	Brian E. Spencer, Chair	Olen L. Gallimore
Joey D. Haynes, Vice Chair		Sanford G. Hendrick

### OTHER OFFICIALS

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

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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To the Honorable Members of the Board of Supervisors  
County of Carroll, 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 County of Carroll, Virginia, as of and for the year ended June 30, 2014, 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 County of Carroll, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of pension and OPEB funding progress on page 57 and 58 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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information 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.



*Other Information (continued)*

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 January 6, 2015, on our consideration of 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 County of Carroll, Virginia's internal control over financial reporting and compliance.

*Robinson, Turner, Cox Associates*

Blacksburg, Virginia  
January 6, 2015

## **Basic Financial Statements**

County of Carroll, Virginia  
Statement of Net Position  
June 30, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Public Service Authority	Industrial Development Authority
<b>ASSETS</b>						
Cash and cash equivalents	\$ 7,503,464	\$ -	\$ 7,503,464	\$ 2,047,935	\$ 287,460	\$ 322,506
Investments	1,947,573	-	1,947,573	117,554	-	-
Receivables (net of allowance for uncollectibles):						
Taxes receivable	3,906,485	-	3,906,485	-	-	-
Interest receivable	-	-	-	-	-	193,371
Accounts receivable	181,433	18,483	199,916	-	262,527	6,016
Other local taxes receivable	223,354	-	223,354	-	-	-
Note receivable	1,000,000	-	1,000,000	-	383,756	675,000
Grants receivable	-	-	-	-	737,488	-
Due from component units	1,861,128	202,341	2,063,469	-	-	-
Due from other governmental units	1,133,012	-	1,133,012	1,536,344	-	-
Prepaid items	5,584	-	5,584	234,865	37,729	6,457
Lease purchase receivable	-	-	-	-	-	12,177,120
Assets held for resale:						
Industrial sites	-	-	-	-	-	4,325,990
Restricted assets:						
Cash and cash equivalents	-	-	-	189,922	1,058,342	71,280
Investments	-	-	-	58,672	-	-
Capital assets (net of accumulated depreciation):						
Land	2,853,122	-	2,853,122	1,489,200	264,837	155,638
Buildings and system	53,511,487	-	53,511,487	3,344,451	37,615,241	224,027
Machinery and equipment	2,832,638	-	2,832,638	906,177	475,694	142,262
Construction in progress	5,426,696	-	5,426,696	113,360	3,437,344	182,888
Total assets	\$ 82,385,976	\$ 220,824	\$ 82,606,800	\$ 10,038,480	\$ 44,560,418	\$ 18,482,555
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,618
<b>LIABILITIES</b>						
Reconciled overdraft	\$ -	\$ 303,866	\$ 303,866	\$ -	\$ -	\$ -
Accounts payable	590,201	1,015	591,216	147,865	973,569	281,685
Retainage Payable	-	-	-	-	-	139,670
Salaries payable	347,139	-	347,139	1,826,940	-	-
Customers' deposits	-	4,160	4,160	-	-	-
Accrued interest payable	466,696	-	466,696	-	40,349	181,800
Amounts held for others	-	-	-	-	86,576	-
Due to other governmental units	46,056	-	46,056	-	-	-
Due to primary government	-	-	-	1,786,066	277,403	-
Long-term liabilities:						
Due within one year	3,511,173	-	3,511,173	699,165	543,437	688,215
Due in more than one year	42,103,885	-	42,103,885	2,352,269	23,975,011	11,866,285
Total liabilities	\$ 47,065,150	\$ 309,041	\$ 47,374,191	\$ 6,812,305	\$ 25,896,345	\$ 13,157,655
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue - property taxes	\$ 62,526	\$ -	\$ 62,526	\$ -	\$ -	\$ -
<b>NET POSITION</b>						
Net investment in capital assets	\$ 19,862,615	\$ -	\$ 19,862,615	\$ 5,853,188	\$ 17,760,550	\$ 333,579
Restricted:						
Asset forfeiture	20,966	-	20,966	-	-	-
School cafeterias	-	-	-	201,375	-	-
Debt service and bond covenants	-	-	-	-	769,425	71,280
Unrestricted (deficit)	15,374,719	(88,217)	15,286,502	(2,828,388)	134,098	4,946,659
Total net position	\$ 35,258,300	\$ (88,217)	\$ 35,170,083	\$ 3,226,175	\$ 18,664,073	\$ 5,351,518

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, 2014

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government		Component Units		
						Governmental Activities	Business-type Activities	School Board	Public Service Authority	Industrial Development Authority
<b>PRIMARY GOVERNMENT:</b>										
Governmental activities:										
General government administration	\$ 2,314,221	\$ -	\$ 275,332	\$ -	\$ -	\$ (2,038,889)	\$ -	\$ -	\$ -	\$ -
Judicial administration	968,302	18,567	732,189	-	-	(217,546)	-	-	-	-
Public safety	8,397,574	2,323,656	1,761,770	-	-	(4,312,148)	-	-	-	-
Public works	1,616,367	70,989	20,323	-	-	(1,525,055)	-	-	-	-
Health and welfare	5,074,792	-	3,437,113	-	-	(1,637,679)	-	-	-	-
Education	13,954,909	-	-	-	-	(13,954,909)	-	-	-	-
Parks, recreation, and cultural	1,178,753	241,787	251,883	-	-	(685,083)	-	-	-	-
Community development	2,568,641	15,770	-	-	-	(2,552,871)	-	-	-	-
Interest on long-term debt	1,008,885	-	-	-	-	(1,008,885)	-	-	-	-
Total governmental activities	\$ 37,082,444	\$ 2,670,769	\$ 6,478,610	\$ -	\$ -	\$ (27,933,065)	\$ -	\$ -	\$ -	\$ -
<b>Business-type activities:</b>										
Gas utilities	\$ 343,869	\$ 241,570	\$ -	\$ -	\$ -	\$ -	(102,299)	\$ -	\$ -	\$ -
Total primary government	\$ 37,426,313	\$ 2,912,339	\$ 6,478,610	\$ -	\$ -	\$ (27,933,065)	\$ (102,299)	\$ -	\$ (640,150)	\$ -
<b>COMPONENT UNITS:</b>										
School Board	\$ 40,969,533	\$ 909,632	\$ 27,531,242	\$ -	\$ -			\$ (12,528,659)	\$ -	\$ -
Public Service Authority	4,439,499	2,384,444	-	-	1,414,905			-	-	-
Industrial Development Authority	4,767,399	-	400,000	-	-			-	-	(4,367,399)
Total component units	\$ 50,176,431	\$ 3,294,076	\$ 27,931,242	\$ -	\$ 1,414,905			\$ (12,528,659)	\$ (640,150)	\$ (4,367,399)
<b>General revenues:</b>										
General property taxes						\$ 19,208,363	\$ -	\$ -	\$ -	\$ -
Local sales and use taxes						1,759,703	-	-	-	-
Consumer's utility tax						710,460	-	-	-	-
Motor vehicle taxes						612,679	-	-	-	-
Restaurant food taxes						392,024	-	-	-	-
Other local taxes						498,123	-	-	-	-
Unrestricted revenues from use of money and property						28,290	-	35,392	32,382	144,411
Miscellaneous						313,093	-	264,864	53,982	128,843
Payments from Primary Government						-	-	11,869,508	1,199,528	4,317,454
Grants and contributions not restricted to specific programs						2,239,412	-	-	-	-
Gain on disposal of capital assets						46,389	-	-	-	-
Total general revenues and transfers						\$ 25,808,536	\$ -	\$ 12,169,764	\$ 1,285,892	\$ 4,590,708
Change in net position						\$ (2,124,529)	\$ (102,299)	\$ (358,895)	\$ 645,742	\$ 223,309
Net position - beginning, as restated						37,382,829	14,082	3,585,070	18,018,331	5,128,209
Net position - ending						\$ 35,258,300	\$ (88,217)	\$ 3,226,175	\$ 18,664,073	\$ 5,351,518

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

County of Carroll, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2014

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,454,043	\$ 49,421	\$ 7,503,464
Investments	1,947,573	-	1,947,573
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,906,485	-	3,906,485
Accounts receivable	181,433	-	181,433
Other local taxes receivable	223,354	-	223,354
Note receivable	1,000,000	-	1,000,000
Due from component unit	1,861,128	-	1,861,128
Due from other governmental units	1,133,012	-	1,133,012
Prepaid items	5,584	-	5,584
Total assets	<u>\$ 17,712,612</u>	<u>\$ 49,421</u>	<u>\$ 17,762,033</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 590,201	\$ -	\$ 590,201
Salaries payable	347,139	-	347,139
Due to other governmental units	46,056	-	46,056
Total liabilities	<u>\$ 983,396</u>	<u>\$ -</u>	<u>\$ 983,396</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	<u>\$ 3,639,814</u>	<u>\$ -</u>	<u>\$ 3,639,814</u>
<b>FUND BALANCES</b>			
Fund balances:			
Nonspendable:			
Prepaid items	\$ 5,584	\$ -	\$ 5,584
Note receivable	1,000,000	-	1,000,000
Restricted:			
Asset forfeiture	20,966	-	20,966
Committed:			
Farmer's market funds	11,890	-	11,890
Narcotics funds	69,032	-	69,032
Law Library	15,951	-	15,951
AS400 replacement funds	5,140	-	5,140
Commonwealth Attorney technology funds	4,213	-	4,213
Assigned:			
Sheriff funds	76,409	-	76,409
Unassigned:	11,880,217	49,421	11,929,638
Total fund balances	<u>\$ 13,089,402</u>	<u>\$ 49,421</u>	<u>\$ 13,138,823</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,712,612</u>	<u>\$ 49,421</u>	<u>\$ 17,762,033</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, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	13,138,823
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Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the funds.

Land	\$	2,853,122	
Buildings and improvements		53,511,487	
Machinery and equipment		2,832,638	
Construction in progress		5,426,696	64,623,943

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		3,577,288
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Long-term liabilities, including bonds payable, are not due and payable in the current  
period and, therefore, are not reported in the funds.

General obligation bonds	\$	(27,349,911)	
Literary loans		(5,123,330)	
Capital leases		(207,005)	
Revenue bonds		(11,862,840)	
Unamortized premiums		(313,306)	
Unamortized discounts		95,064	
Accrued interest payable		(466,696)	
Compensated absences		(853,730)	(46,081,754)

Net position of governmental activities	\$	35,258,300
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The accompanying notes to the financial statements are an integral part of this statement.

County of Carroll, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 19,017,610	\$ -	\$ 19,017,610
Other local taxes	3,972,989	-	3,972,989
Permits, privilege fees, and regulatory licenses	116,399	-	116,399
Fines and forfeitures	1,103,263	-	1,103,263
Revenue from the use of money and property	28,248	42	28,290
Charges for services	1,451,107	-	1,451,107
Miscellaneous	313,093	-	313,093
Recovered costs	5,884,493	-	5,884,493
Intergovernmental:			
Commonwealth	7,053,387	-	7,053,387
Federal	1,664,635	-	1,664,635
Total revenues	<u>\$ 40,605,224</u>	<u>\$ 42</u>	<u>\$ 40,605,266</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 2,354,836	\$ -	\$ 2,354,836
Judicial administration	1,231,350	-	1,231,350
Public safety	7,662,543	-	7,662,543
Public works	2,625,281	-	2,625,281
Health and welfare	5,350,134	-	5,350,134
Education	11,946,826	-	11,946,826
Parks, recreation, and cultural	1,151,267	-	1,151,267
Community development	6,323,395	-	6,323,395
Capital projects	926,859	5,975,572	6,902,431
Debt service:			
Principal retirement	2,779,993	-	2,779,993
Interest and other fiscal charges	1,127,173	-	1,127,173
Total expenditures	<u>\$ 43,479,657</u>	<u>\$ 5,975,572</u>	<u>\$ 49,455,229</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,874,433)</u>	<u>\$ (5,975,530)</u>	<u>\$ (8,849,963)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of bonds	\$ -	\$ 5,577,840	\$ 5,577,840
Sale of capital assets	-	46,389	46,389
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 5,624,229</u>	<u>\$ 5,624,229</u>
Net change in fund balances	\$ (2,874,433)	\$ (351,301)	\$ (3,225,734)
Fund balances - beginning	15,963,835	400,722	16,364,557
Fund balances - ending	<u>\$ 13,089,402</u>	<u>\$ 49,421</u>	<u>\$ 13,138,823</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, 2014

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

Net change in fund balances - total governmental funds	\$ (3,225,734)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlays	6,156,241	
Depreciation expense	(2,500,780)	3,655,461

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	190,753
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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 issuance costs, 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.

<u>Issuance of Long-term Debt</u>		
Lease revenue bond	(5,577,840)	
<u>Principal Payments</u>		
General obligation bonds	1,449,758	
Lease revenue bonds	590,000	
Literary loans	680,167	
Capital lease	60,068	(2,797,847)

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

(Increase) decrease in compensated absences	(65,450)	
(Increase) decrease in accrued interest payable	53,780	
Amortization of bond premium	71,820	
Amortization of bond discount	(7,312)	52,838

Change in net position of governmental activities	\$ (2,124,529)
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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, 2014

	Enterprise Fund
	Gas
	<u>Utilities</u>
<b>ASSETS</b>	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 18,483
Due from component unit	202,341
Total assets	<u>\$ 220,824</u>
<b>LIABILITIES</b>	
Current liabilities:	
Reconciled overdraft	\$ 303,866
Accounts payable	1,015
Salaries payable	4,160
Total current liabilities	<u>\$ 309,041</u>
Total liabilities	<u>\$ 309,041</u>
<b>NET POSITION</b>	
Unrestricted	\$ (88,217)
Total net position	<u>\$ (88,217)</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, 2014

	Enterprise Fund Gas <u>Utilities</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Gas utilities	\$ 219,442
Hook up fees	20,738
Penalties and interest	1,280
Other revenues	110
Total operating revenues	<u>\$ 241,570</u>
<b>OPERATING EXPENSES</b>	
Salaries and fringe benefits	\$ 96,393
Gas	81,832
Contractual services	35,438
Maintenance and repairs	1,262
Operating supplies	62,858
Miscellaneous	24,729
Total operating expenses	<u>\$ 302,512</u>
Operating income (loss)	<u>\$ (60,942)</u>
Income before contributions	\$ (60,942)
Contribution to Carroll County Industrial Development Authority	<u>(41,357)</u>
Change in net position	\$ (102,299)
Total net position - beginning	14,082
Total net position - ending	<u><u>\$ (88,217)</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, 2014

	Enterprise Fund Gas Utilities
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 20,746
Payments to suppliers	(215,150)
Payments to employees	(92,233)
Net cash provided by (used for) operating activities	<u>\$ (286,637)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Contribution to Carroll County Industrial Development Authority	<u>\$ (41,357)</u>
Net increase (decrease) in cash and cash equivalents	\$ (327,994)
Cash and cash equivalents - beginning	24,128
Cash and cash equivalents - ending	<u><u>\$ (303,866)</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (60,942)</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	\$ (18,483)
(Increase) decrease in intergovernmental receivables	(202,341)
Increase (decrease) in accounts payable	(9,031)
Increase (decrease) in salaries payable	4,160
Total adjustments	<u>\$ (225,695)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (286,637)</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, 2014

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 249,139
Total assets	<u>\$ 249,139</u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 8,313
Amounts held for School Board employees	11,288
Amounts held for County employees	947
Amounts held for Twin County Airport	<u>228,591</u>
Total liabilities	<u>\$ 249,139</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, 2014

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**Note 1-Summary of Significant Accounting Policies:**

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

**A. Financial Reporting Entity**

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

Blended component units - None

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

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

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

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

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

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

**A. Financial Reporting Entity (continued)**

Jointly Governed Organizations:

The County along with the Counties of Wythe, Bland, Grayson, Smyth and the City of Galax participate in supporting the Mt. Rogers Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2014, the County contributed \$161,996 to the Community Services Board.

The County along with the City of Galax participates in supporting the Galax-Carroll Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2014, the County contributed \$300,906 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 \$350,527 for the fiscal year ended June 30, 2014.

**B. Government-wide and fund financial statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additionally, the County reports the following fund types:

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

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



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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *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").

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

2. Receivables and Payables

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

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

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

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$793,585 at June 30, 2014 and is comprised solely of property taxes.

5. Use of Estimates

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

6. Prepaid Items

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

7. Capital Assets

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

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

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

**Note 1-Summary of Significant Accounting Policies: (continued)****D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:  
(continued)****7. Capital Assets (continued)**

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

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

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are 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 of accounting, amounts prepaid on installments due after year-end are reported as deferred inflows of resources.

**9. Compensated Absences**

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

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

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

10. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

11. Net Position

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

12. Net Position Flow Assumption

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

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

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

13. Fund Equity

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

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

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

The County has not delegated authority to assign fund balance to anyone other than itself as of June 30, 2014.

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

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

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

13. Fund Equity (continued)

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

**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, 2014, there were no funds with deficit fund equity.

C. Appropriations

The County Administrator, Treasurer, Care of Prisoners, Refuse Disposal, Public Utilities, Clerk of the Works, and Extension Office and Continuing Education Funds had expenditures that exceeded 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**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, 2014 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	AAAm
LGIP	\$ 2,123,799

Concentration of Credit Risk:

At June 30, 2014, 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 maintains a policy to operate in a manner consistent with SEC rule 2a-7.

Interest Rate Risk:

There are no interest rate risk disclosures required for the year ended June 30, 2014.

**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, 2014, the balance was \$1,000,000.

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**Note 5-Due from Other Governmental Units:**

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<b><u>Commonwealth of Virginia:</u></b>		
Local sales tax	331,671	-
State sales tax	-	733,926
Categorical aid-shared expenses	200,873	-
Non-categorical aid	197,826	-
Virginia public assistance funds	61,588	-
Other categorical aid	26,499	-
Comprehensive services act	206,457	-
<b><u>Federal Government:</u></b>		
Virginia public assistance funds	100,598	-
Other categorical aid	7,500	-
School grants	-	802,418
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 1,133,012</u>	<u>\$ 1,536,344</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**Note 6-Interfund/Component-Unit Obligations:**

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
<b>Primary Government:</b>		
General Fund	\$ -	\$ 1,861,128
Utilities Fund	-	202,341
<b>Component Unit - School Board:</b>		
School Operating Fund	1,786,066	-
<b>Component Unit - Public Service Authority:</b>		
PSA	<u>277,403</u>	<u>-</u>
<b>Totals</b>	<u>\$ 2,063,469</u>	<u>\$ 2,063,469</u>

**Note 7-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, 2014:

	<u>Balance July 1, 2013</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2014</u>
General obligation bonds	\$ 28,799,669	\$ -	\$ (1,449,758)	\$ 27,349,911
Unamortized bond premium	385,126	-	(71,820)	313,306
Unamortized bond discount	(102,376)	-	7,312	(95,064)
Literary loans	5,803,497	-	(680,167)	5,123,330
Lease revenue bonds	6,875,000	5,577,840	(590,000)	11,862,840
Capital lease	267,073	-	(60,068)	207,005
Compensated absences	<u>788,280</u>	<u>65,450</u>	<u>-</u>	<u>853,730</u>
<b>Total</b>	<u>\$ 42,816,269</u>	<u>\$ 5,643,290</u>	<u>\$ (2,844,501)</u>	<u>\$ 45,615,058</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014Note 7-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 Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,453,799	\$ 1,271,167	\$ 680,167	\$ 102,467	\$ 615,000	\$ 255,263
2016	2,958,168	1,194,651	680,167	88,863	175,000	239,463
2017	2,662,889	1,117,784	680,167	75,260	180,000	232,363
2018	2,667,906	1,040,620	680,167	61,657	190,000	224,963
2019	2,673,240	963,140	680,167	48,053	195,000	217,263
2020-2024	11,183,909	3,832,494	1,722,495	62,540	1,110,000	958,050
2025-2029	3,750,000	2,025,000	-	-	1,360,000	696,625
2030-2034	-	-	-	-	1,680,000	365,375
2035-2036	-	-	-	-	780,000	35,550
Totals	<u>\$ 27,349,911</u>	<u>\$ 11,444,856</u>	<u>\$ 5,123,330</u>	<u>\$ 438,840</u>	<u>\$ 6,285,000</u>	<u>\$ 3,224,915</u>
Bond in draw down phase	\$ -	\$ -	\$ -	\$ -	\$ 5,577,840	\$ -
Total	<u>\$ 27,349,911</u>	<u>\$ 11,444,856</u>	<u>\$ 5,123,330</u>	<u>\$ 438,840</u>	<u>\$ 11,862,840</u>	<u>\$ 3,224,915</u>

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

**Note 7-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	\$ 1,575,000	\$ 225,000
VPSA general obligation bond	5.10%-6.10%	2000	2020	2,145,297	784,911	118,799
VPSA general obligation bond	4.10%-5.10%	2003	2023	21,115,000	9,990,000	1,110,000
VPSA (QSCB) general obligation bond	4.50%	2011	2027	15,000,000	15,000,000	-
Total General Obligation Bonds				<u>\$ 42,765,297</u>	<u>\$ 27,349,911</u>	<u>\$ 1,453,799</u>
<u>Lease Revenue Bonds</u>						
County Complex Revenue Bond	3.25%-4.33%	2006	2036	\$ 10,510,000	\$ 6,285,000	\$ 615,000
Rural Development Revenue Bond - IDA**	3.50%	2013	2054	5,932,500	5,577,840	-
Total Lease Revenue Bonds				<u>\$ 16,442,500</u>	<u>\$ 11,862,840</u>	<u>\$ 615,000</u>
<u>Literary Loans</u>						
Gladesboro Elementary	2.00%	2001	2021	\$ 2,873,440	\$ 1,005,704	\$ 143,672
Oakland Elementary	2.00%	2002	2022	3,075,495	1,230,198	153,775
Gladesville Elementary	2.00%	2002	2022	4,167,647	1,667,059	208,382
Laurel Elementary	2.00%	2001	2021	3,486,763	1,220,369	174,338
Total Literary Loans				<u>\$ 13,603,345</u>	<u>\$ 5,123,330</u>	<u>\$ 680,167</u>
Subtotal Bonds and Loans					<u>\$ 44,336,081</u>	<u>\$ 2,748,966</u>
Plus:						
Unamortized Premium					313,306	64,930
Unamortized Discount					(95,064)	(7,312)
Total Bonds and Loans					<u>\$ 44,554,323</u>	<u>\$ 2,806,584</u>
<u>Other Long-term Obligations</u>						
Compensated absences					\$ 853,730	\$ 640,298
Capital lease (Note 8)					207,005	64,291
Total Other Long-term Obligations					<u>\$ 1,060,735</u>	<u>\$ 704,589</u>
Total Long-term Obligations					<u>\$ 45,615,058</u>	<u>\$ 3,511,173</u>

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

\*\*Bond is still in draw down phase at June 30, 2014 and not included in amortization schedules

**Note 7-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 2014, the sequester reduction rate was 7.20%.

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

**Note 8-Capital Lease:**

**Primary Government:**

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

The assets acquired through capital lease are as follows:

	<u>Machinery &amp; Equipment</u>
Machinery and equipment	\$ 434,900
Less: Accumulated depreciation	<u>(241,365)</u>
Net capital assets	<u>\$ 193,535</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**Note 8-Capital Lease: (continued)**Primary Government: (continued)

The future minimum lease obligation and the net present value of minimum lease payments as of June 30, 2014, were as follows:

Year Ending June 30,	Capital Lease
2015	\$ 65,626
2016	71,592
2017	71,592
2018	11,932
Subtotal	\$ 220,742
Less, amount representing interest	(13,737)
Present Value of Lease Agreement	\$ <u>207,005</u>

**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, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Net OPEB obligation	\$ 1,942,614	\$ 404,000	\$ (227,400)	\$ 2,119,214
Compensated absences	911,999	686,743	(666,522)	932,220
Total	\$ 2,854,613	\$ 1,090,743	\$ (893,922)	\$ 3,051,434

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**Note 9-Long-term Obligations-Component Unit School Board (continued):**Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>Other Obligations:</u></b>		
Net OPEB obligation	\$ 2,119,214	\$ -
Compensated absences	<u>932,220</u>	<u>699,165</u>
 Total Long-Term Obligations	 <u>\$ 3,051,434</u>	 <u>\$ 699,165</u>

**Note 10-Pension Plan:****A. Plan Description**

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

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

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

**VRS – PLAN 1**

- 1. Plan Overview** - VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

**Note 10-Pension Plan: (continued)**

A. Plan Description: (continued)

<b>VRS – PLAN 1 (CONTINUED)</b>
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The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

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 VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; 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.
5. **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.
6. **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.

Members are always 100% vested in the contributions that they make.

7. **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.

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.



**Note 10-Pension Plan: (continued)**

A. Plan Description: (continued)

<b>VRS – PLAN 1 (CONTINUED)</b>
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8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
13. **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%.
14. **Eligibility** - 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.

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.

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**Note 10-Pension Plan: (continued)**

A. Plan Description: (continued)

<b>VRS – PLAN 1 (CONTINUED)</b>
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**15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- 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.

**16. 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**17. 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.

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**Note 10-Pension Plan: (continued)**

A. Plan Description: (continued)

<b>VRS – PLAN 2</b>
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1. **Plan Overview** - VRS 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 VRS 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.
2. **Eligible Members** - Employees are in VRS 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.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

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 have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1-Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1- Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1-Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1-Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 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.
10. **Normal Retirement Age** - Normal Social Security retirement age.

**Note 10-Pension Plan: (continued)**

**A. Plan Description: (continued)**

<b>VRS – PLAN 2 (CONTINUED)</b>
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- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

- 13. 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%.

- 14. Eligibility** - Same as VRS Plan 1–Refer to Section 14.

- 15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

- 16. 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1–Refer to Section 17.

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**Note 10-Pension Plan: (continued)**

**A. Plan Description: (continued)**

<b>HYBRID RETIREMENT PLAN</b>
-------------------------------

1. **Plan Overview** - 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 VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")
  - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
  - State employees\*
  - School division employees
  - Political subdivision employees\*
  - Judges appointed or elected to an original term on or after January 1, 2014
  - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
3. **\*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
  - Members of the State Police Officers' Retirement System (SPORS)
  - Members of the Virginia Law Officers' Retirement System (VaLORS)
  - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

**Note 10-Pension Plan: (continued)**

**A. Plan Description: (continued)**

<b>HYBRID RETIREMENT PLAN (CONTINUED)</b>
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**3. \*Non-Eligible Members (Continued)**

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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

- 4. 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.

**5. Creditable Service**

Defined Benefit Component - 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.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

**6. Vesting**

Defined Benefit Component - 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. VRS Plan 1 or VRS 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.

Defined Contribution Component - 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.

Members are always 100% vested in the contributions that they make.

**Note 10-Pension Plan: (continued)**

**A. Plan Description: (continued)**

<b>HYBRID RETIREMENT PLAN (CONTINUED)</b>
---

**6. Vesting (Continued)**

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.

- 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.

Distribution is not required by law until age 70½.

**7. Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1-Refer to Section 7.

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.

- 8. Average Final Compensation** - Same as VRS Plan 2-Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.
- 9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**10. Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2-Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**11. Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Note 10-Pension Plan: (continued)**

**A. Plan Description: (continued)**

**HYBRID RETIREMENT PLAN (CONTINUED)**

**12. Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**13. Cost-of-Living Adjustment (COLA) in Retirement**

Defined Benefit Component - Same as VRS Plan 2-Refer to Section 13.

Defined Contribution Component - Not Applicable.

**14. Eligibility** - Same as VRS Plan 1 and VRS Plan 2-Refer to Section 14.

**15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2-Refer to Section 15.

**16. Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS 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.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**17. Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2-Refer to Section 17.

Defined Contribution Component - Not Applicable.

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/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.



**Note 10-Pension Plan: (continued)**

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County of Carroll, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Carroll, Virginia's contribution rate for the fiscal year ended 2014 was 12.10% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2014 was 10.49% of annual covered payroll.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**Note 10-Pension Plan: (continued)****C. Annual Pension Cost**

For fiscal year 2014, the County and School Board's annual pension cost of \$874,733 and \$259,099 was equal to the County and School Board's required and actual contributions for the County and the School Board Non-Professionals, respectively.

## Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2014	\$ 874,733	100.00%	\$ -
	6/30/2013	827,705	100.00%	-
	6/30/2012	562,870	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2014	\$ 259,099	100.00%	\$ -
	6/30/2013	261,420	100.00%	-
	6/30/2012	198,487	100.00%	-

<sup>1</sup> Employer portion only

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 5.60% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the unfunded actuarial accrued liability (UAAL) was 30 years.

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**Note 10-Pension Plan: (continued)**

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2013, the most recent actuarial valuation date, the plan was 72.47% funded. The actuarial accrued liability for benefits was \$29,287,380, and the actuarial value of assets was \$21,225,204, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,062,176. The covered payroll (annual payroll of active employees covered by the plan) was \$6,991,978, and ratio of the UAAL to the covered payroll was 115.31%.

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

As of June 30, 2013, the most recent actuarial valuation date, the plan was 80.40% funded. The actuarial accrued liability for benefits was \$9,556,324, and the actuarial value of assets was \$7,682,908, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,873,416. The covered payroll (annual payroll of active employees covered by the plan) was \$2,483,468, and ratio of the UAAL to the covered payroll was 75.44%.

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

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

Plan Description

The Carroll County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The system issues a publicly available comprehensive annual financial report that includes financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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**Note 10-Pension Plan: (continued)**

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

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees, not including the 5.00% member contribution, was \$2,341,300, \$2,289,845, and \$1,239,333 for the fiscal years ended 2014, 2013, and 2012, respectively. Required employer contributions represented 11.66%, 11.66%, and 6.33% of covered payroll for the fiscal years ended 2014, 2013, and 2012, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**Note 11-Capital Assets:**

Capital asset activity for the year ended June 30, 2014 was as follows:

## Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,853,122	\$ -	\$ -	\$ 2,853,122
Construction in progress	-	5,426,696	-	5,426,696
Total capital assets not being depreciated	<u>\$ 2,853,122</u>	<u>\$ 5,426,696</u>	<u>\$ -</u>	<u>\$ 8,279,818</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 72,026,599	\$ 26,543	\$ -	\$ 72,053,142
Machinery and equipment	8,749,824	703,002	(204,000)	9,248,826
Total capital assets being depreciated	<u>\$ 80,776,423</u>	<u>\$ 729,545</u>	<u>\$ (204,000)</u>	<u>\$ 81,301,968</u>
Accumulated depreciation:				
Buildings and improvements	\$ (16,714,288)	\$ (1,827,367)	\$ -	\$ (18,541,655)
Machinery and equipment	(5,946,775)	(673,413)	204,000	(6,416,188)
Total accumulated depreciation	<u>\$ (22,661,063)</u>	<u>\$ (2,500,780)</u>	<u>\$ 204,000</u>	<u>\$ (24,957,843)</u>
Total capital assets being depreciated, net	<u>\$ 58,115,360</u>	<u>\$ (1,771,235)</u>	<u>\$ -</u>	<u>\$ 56,344,125</u>
Governmental activities capital assets, net	<u>\$ 60,968,482</u>	<u>\$ 3,655,461</u>	<u>\$ -</u>	<u>\$ 64,623,943</u>

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

Governmental activities:	
General government administration	\$ 23,908
Public safety	559,565
Public works	367,135
Health and welfare	8,264
Education	1,459,207
Parks, recreation, and cultural	28,505
Community development	54,196
Total depreciation expense-primary government	<u>\$ 2,500,780</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**Note 11-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2014 was as follows:

Discretely Presented Component Unit:

	Beginning Balance, As restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,489,200	\$ -	\$ -	\$ 1,489,200
Construction in progress	-	113,360	-	113,360
Total capital assets not being depreciated	<u>\$ 1,489,200</u>	<u>\$ 113,360</u>	<u>\$ -</u>	<u>\$ 1,602,560</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 11,028,043	\$ 186,315	\$ -	\$ 11,214,358
Machinery and equipment	4,797,278	367,584	-	5,164,862
Total capital assets being depreciated	<u>\$ 15,825,321</u>	<u>\$ 553,899</u>	<u>\$ -</u>	<u>\$ 16,379,220</u>
Accumulated depreciation:				
Buildings and improvements	\$ (7,609,460)	\$ (260,447)	\$ -	\$ (7,869,907)
Machinery and equipment	(4,044,987)	(213,698)	-	(4,258,685)
Total accumulated depreciation	<u>\$ (11,654,447)</u>	<u>\$ (474,145)</u>	<u>\$ -</u>	<u>\$ (12,128,592)</u>
Total capital assets being depreciated, net	<u>\$ 4,170,874</u>	<u>\$ 79,754</u>	<u>\$ -</u>	<u>\$ 4,250,628</u>
Governmental activities capital assets, net	<u>\$ 5,660,074</u>	<u>\$ 193,114</u>	<u>\$ -</u>	<u>\$ 5,853,188</u>

**Note 12-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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

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

**B. Funding Policy**

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 699 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates were as follows at June 30, 2013:

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

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

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**Note 12-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	\$ 407,200
Interest on net OPEB obligation	77,700
Adjustment to annual required contribution	(80,900)
Annual OPEB cost (expense)	404,000
Contributions made	227,400
Increase in net OPEB obligation	176,600
Net OPEB obligation - beginning of year	1,942,614
Net OPEB obligation - ending of year	\$ 2,119,214

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	592,500	52%	1,790,814
6/30/2013	392,900	61%	1,942,614
6/30/2014	404,200	56%	2,119,214

**D. Funded Status and Funding Progress**

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

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



**Note 12-Other Postemployment Benefits - Health Insurance: (Continued)**

**Component Unit: School Board (Continued)**

**D. Funded Status and Funding Progress (Continued)**

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

**E. Actuarial Methods and Assumptions**

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

As of July 1, 2012, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, and investment rate of return at 4%, and a health care trend rate of 9% decreasing .5% per year until an ultimate rate of 5.0% is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2012, was 30 years.

**Note 13-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit:**

**A. Plan Description**

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**Note 13-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit: (continued)****A. Plan Description (continued)**

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 9.

**B. Funding Policy**

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2013 was 0.51% of annual covered payroll.

**C. Annual OPEB Cost and Net OPEB Obligation**

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

For 2014, the School Board's contribution of \$12,597 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 2014 are as follows (fiscal year 2014 was the first year of participation):

Component Unit:	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
School Board	6/30/2013	\$ 12,710	100.00%	\$ -
	6/30/2014	12,597	100.00%	-

**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 272,975
Actuarial value of plan assets	\$ (12,697)
Unfunded actuarial accrued liability (UAAL)	\$ 285,672
Funded ratio (actuarial value of plan assets/AAL)	(4.65%)
Covered payroll (active plan members)	\$ 2,483,468
UAAL as a percentage of covered payroll	11.50%

**Note 13-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit: (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 into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

**E. Actuarial Methods and Assumptions**

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payrolls on an open basis. The remaining open amortization period at June 30, 2012 was 30 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**Note 14-Risk Management:**

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

**Note 15-Contingent Liabilities:**

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

**Note 16-Surety Bonds:**

Primary Government:

**Fidelity & Deposit Company of Maryland-Surety:**

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

**Note 17-Payroll Expenses:**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**Note 18-School Board Early Retirement Incentive Program:**

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

**Note 19-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. Unavailable revenue is comprised of the following:

	<u>Unavailable</u>
Prepaid taxes	\$ 62,526
Total deferred revenue for governmental activities	\$ 62,526
 Taxes receivable due prior to June 30, 2014, not collected within 60 days	 \$ 3,577,288
Total unavailable revenue for governmental funds	\$ 3,639,814

**Note 20-Upcoming Pronouncements:**

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements. The County believes the implementation of Statement No. 68 will significantly impact the County's net position; however, no formal study or estimate of the impact of this standard has been performed.

**Note 21-Litigation:**

As of June 30, 2014, 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-Restatement of Beginning Net Position:**

Beginning equity for the School Board was restated as follows:

	<u>School Board</u>
	<u>Governmental</u>
	<u>Activities</u>
Net Position as previously reported 6/30/13	\$ 1,002,747
Depreciation adjustment	2,582,323
Net Position as restated 6/30/13	<u>\$ 3,585,070</u>

## 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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 21,238,056	\$ 20,186,504	\$ 19,017,610	\$ (1,168,894)
Other local taxes	3,982,725	3,982,725	3,972,989	(9,736)
Permits, privilege fees, and regulatory licenses	154,173	116,230	116,399	169
Fines and forfeitures	1,200,000	1,230,000	1,103,263	(126,737)
Revenue from the use of money and property	230,122	230,122	28,248	(201,874)
Charges for services	1,669,600	1,695,353	1,451,107	(244,246)
Miscellaneous	221,020	307,728	313,093	5,365
Recovered costs	2,160,676	6,524,908	5,884,493	(640,415)
Intergovernmental:				
Commonwealth	5,983,298	7,555,514	7,053,387	(502,127)
Federal	1,610,410	1,691,903	1,664,635	(27,268)
Total revenues	\$ 38,450,080	\$ 43,520,987	\$ 40,605,224	\$ (2,915,763)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,549,003	\$ 2,551,590	\$ 2,354,836	\$ 196,754
Judicial administration	1,211,427	1,262,854	1,231,350	31,504
Public safety	7,152,521	7,750,270	7,662,543	87,727
Public works	2,608,630	2,756,575	2,625,281	131,294
Health and welfare	5,353,880	5,650,306	5,350,134	300,172
Education	11,305,043	11,555,534	11,946,826	(391,292)
Parks, recreation, and cultural	1,280,229	1,319,731	1,151,267	168,464
Community development	2,096,505	7,530,530	6,323,395	1,207,135
Capital projects	1,018,500	1,430,465	926,859	503,606
Debt service:				
Principal retirement	2,951,597	2,951,597	2,779,993	171,604
Interest and other fiscal charges	968,995	968,995	1,127,173	(158,178)
Total expenditures	\$ 38,496,330	\$ 45,728,447	\$ 43,479,657	\$ 2,248,790
Excess (deficiency) of revenues over (under) expenditures	\$ (46,250)	\$ (2,207,460)	\$ (2,874,433)	\$ (666,973)
Net change in fund balances	\$ (46,250)	\$ (2,207,460)	\$ (2,874,433)	\$ (666,973)
Fund balances - beginning	46,250	2,207,460	15,963,835	13,756,375
Fund balances - ending	\$ -	\$ -	\$ 13,089,402	\$ 13,089,402



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

Primary Government:  
County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 21,225,204	\$ 29,287,380	\$ 8,062,176	72.47%	\$ 6,991,978	115.31%
6/30/2012	20,552,682	29,250,542	8,697,860	70.26%	6,498,572	133.84%
6/30/2011	20,774,479	27,224,178	6,449,699	76.31%	6,347,244	101.61%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 7,682,908	\$ 9,556,324	\$ 1,873,416	80.40%	\$ 2,483,468	75.44%
6/30/2012	7,454,436	9,671,555	2,217,119	77.08%	2,533,950	87.50%
6/30/2011	7,503,256	9,103,822	1,600,566	82.42%	2,495,060	64.15%

School Board Postemployment Benefit Plan - Health Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2012	\$ -	\$ 4,503,200	\$ 4,503,200	0.00%	\$ 22,392,600	20.11%
7/1/2010	-	5,298,900	5,298,900	0.00%	21,511,300	24.63%
7/1/2008	-	7,586,600	7,586,600	0.00%	22,847,617	33.21%

School Board Postemployment Benefit Plan - VRS Health Insurance Credit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ (12,697)	\$ 272,975	\$ 285,672	-4.65%	\$ 2,483,468	11.50%
6/30/2012	(5,603)	261,700	267,303	-2.14%	2,533,950	10.55%

## Other Supplementary Information

County of Carroll, Virginia  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2014

	School Construction			Variance with
	Budgeted Amounts		Actual Amounts	Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 42	\$ 42
EXPENDITURES				
Capital projects	\$ 419,633	\$ 480,991	\$ 5,975,572	\$ (5,494,581)
Excess (deficiency) of revenues over (under) expenditures	\$ (419,633)	\$ (480,991)	\$ (5,975,530)	\$ (5,494,539)
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	\$ -	\$ -	5,577,840	\$ 5,577,840
Sale of capital assets	-	-	46,389	46,389
Total other financing sources (uses)	\$ -	\$ -	\$ 5,624,229	\$ 5,624,229
Net change in fund balances	\$ (419,633)	\$ (480,991)	\$ (351,301)	\$ 129,690
Fund balances - beginning	419,633	480,991	400,722	(80,269)
Fund balances - ending	\$ -	\$ -	\$ 49,421	\$ 49,421

## **FIDUCIARY FUNDS**

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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, 2014

	Agency Funds				Total
	Special Welfare	School Board FSA	County FSA	Twin County Airport	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,313	\$ 11,288	\$ 947	\$ 228,591	\$ 249,139
Total assets	\$ 8,313	\$ 11,288	\$ 947	\$ 228,591	\$ 249,139
<b>LIABILITIES</b>					
Amounts held for social services clients	\$ 8,313	\$ -	\$ -	\$ -	\$ 8,313
Amounts held for School Board employees	-	11,288	-	-	11,288
Amounts held for County employees	-	-	947	-	947
Amounts held for the Twin County Airport	-	-	-	228,591	228,591
Total liabilities	\$ 8,313	\$ 11,288	\$ 947	\$ 228,591	\$ 249,139

County of Carroll, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Assets</b>				
Current Assets				
Cash and cash equivalents				
Special Welfare	\$ 11,944	\$ 29,095	\$ (32,726)	\$ 8,313
Performance Bond Escrow	2,500	-	(2,500)	-
School Board FSA	15,043	79,645	(83,400)	11,288
County FSA	1,999	14,133	(15,185)	947
Twin County Airport	191,946	1,430,268	(1,393,623)	228,591
Total Assets	<u>\$ 223,432</u>	<u>\$ 1,553,141</u>	<u>\$ (1,527,434)</u>	<u>\$ 249,139</u>
<b>Liabilities</b>				
Amounts held for social services clients	\$ 11,944	\$ 29,095	\$ (32,726)	\$ 8,313
Amounts held for performance bonds	2,500	-	(2,500)	-
Amounts held for School Board employees	15,043	79,645	(83,400)	11,288
Amounts held for County employees	1,999	14,133	(15,185)	947
Amounts held for Twin County Airport	191,946	1,430,268	(1,393,623)	228,591
Total Liabilities	<u>\$ 223,432</u>	<u>\$ 1,553,141</u>	<u>\$ (1,527,434)</u>	<u>\$ 249,139</u>

## **DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

### **MAJOR GOVERNMENTAL FUNDS**

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

County of Carroll, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2014

	School Operating Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,047,935
Investments	117,554
Due from other governmental units	1,536,344
Prepaid items	234,865
Restricted assets:	
Cash and cash equivalents	189,922
Investments	58,672
Total assets	<u>\$ 4,185,292</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 147,865
Salaries payable	1,826,940
Due to primary government	1,786,066
Total liabilities	<u>\$ 3,760,871</u>
Fund balances:	
Nonspendable:	
Prepaid items	\$ 234,865
Restricted:	
Cafeteria operations	248,594
Committed:	
Textbook purchases	175,827
Unassigned:	(234,865)
Total fund balances	<u>\$ 424,421</u>
Total liabilities and fund balances	<u>\$ 4,185,292</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 424,421
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	3,344,451
Machinery and equipment	906,177
Construction in progress	<u>113,360</u>
	5,853,188
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	(2,119,214)
Compensated absences	<u>(932,220)</u>
	(3,051,434)
Net position of governmental activities	<u>\$ 3,226,175</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, 2014

	School Operating Fund
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 35,392
Charges for services	909,632
Miscellaneous	264,864
Recovered costs	794,489
Intergovernmental:	
Local government	11,869,508
Commonwealth	22,990,139
Federal	4,541,103
Total revenues	<u>\$ 41,405,127</u>
<b>EXPENDITURES</b>	
Current:	
Education	\$ 41,760,315
Total expenditures	<u>\$ 41,760,315</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (355,188)</u>
Net change in fund balances	\$ (355,188)
Fund balances - beginning	779,609
Fund balances - ending	<u><u>\$ 424,421</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	\$ (355,188)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlay exceeded depreciation in the current period.	
Capital asset additions	667,259
Depreciation in current year	<u>(474,145)</u> 193,114
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
(Increase) decrease in compensated absences	(20,221)
(Increase) decrease in Net OPEB obligation	<u>(176,600)</u> (196,821)
Change in net position of governmental activities	<u><u>\$ (358,895)</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, 2014

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 35,400	\$ 35,400	\$ 35,392	\$ (8)
Charges for services	1,059,928	1,059,928	909,632	(150,296)
Miscellaneous	98,500	178,500	264,864	86,364
Recovered costs	410,000	464,782	794,489	329,707
Intergovernmental:				
Local government	11,226,545	11,476,545	11,869,508	392,963
Commonwealth	23,466,092	23,466,092	22,990,139	(475,953)
Federal	4,297,938	4,456,261	4,541,103	84,842
Total revenues	\$ 40,594,403	\$ 41,137,508	\$ 41,405,127	\$ 267,619
EXPENDITURES				
Current:				
Education	\$ 40,860,108	\$ 41,632,113	\$ 41,760,315	\$ (128,202)
Excess (deficiency) of revenues over (under) expenditures	\$ (265,705)	\$ (494,605)	\$ (355,188)	\$ 139,417
Net change in fund balances	\$ (265,705)	\$ (494,605)	\$ (355,188)	\$ 139,417
Fund balances - beginning	518,708	747,608	779,609	32,001
Fund balances - ending	\$ 253,003	\$ 253,003	\$ 424,421	\$ 171,418

## **Supporting Schedules**

County of Carroll, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

Schedule 1  
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 15,498,100	\$ 15,498,100	\$ 14,450,037	\$ (1,048,063)
Real and personal public service corporation taxes	638,983	638,983	713,055	74,072
Personal property taxes	3,738,208	2,686,656	2,522,998	(163,658)
Mobile home taxes	87,260	87,260	78,578	(8,682)
Machinery and tools taxes	709,365	709,365	673,145	(36,220)
Merchant's capital taxes	211,140	211,140	192,634	(18,506)
Penalties	125,000	125,000	126,244	1,244
Interest	230,000	230,000	260,919	30,919
Total general property taxes	<u>\$ 21,238,056</u>	<u>\$ 20,186,504</u>	<u>\$ 19,017,610</u>	<u>\$ (1,168,894)</u>
Other local taxes:				
Local sales and use taxes	\$ 1,675,000	\$ 1,675,000	\$ 1,759,703	\$ 84,703
Consumers' utility taxes- electric	660,000	660,000	664,703	4,703
Consumers' utility taxes- telephone	60,000	60,000	45,757	(14,243)
Consumption taxes	105,000	105,000	104,709	(291)
Franchise license taxes	10,000	10,000	9,195	(805)
Recordation taxes	135,000	135,000	126,414	(8,586)
Motor vehicle licenses	613,725	613,725	612,679	(1,046)
Bank stock taxes	18,000	18,000	9,722	(8,278)
Hotel and motel room taxes	232,500	232,500	248,083	15,583
Restaurant food taxes	473,500	473,500	392,024	(81,476)
Total other local taxes	<u>\$ 3,982,725</u>	<u>\$ 3,982,725</u>	<u>\$ 3,972,989</u>	<u>\$ (9,736)</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 82,000	\$ 82,000	\$ 80,673	\$ (1,327)
Animal licenses	17,000	18,966	19,956	990
Other permits and licenses	55,173	15,264	15,770	506
Total permits, privilege fees, and regulatory licenses	<u>\$ 154,173</u>	<u>\$ 116,230</u>	<u>\$ 116,399</u>	<u>\$ 169</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,200,000	\$ 1,230,000	\$ 1,103,263	\$ (126,737)
Revenue from use of money and property:				
Revenue from use of money	\$ 200,000	\$ 200,000	\$ 2,141	\$ (197,859)
Revenue from use of property	30,122	30,122	26,107	(4,015)
Total revenue from use of money and property	<u>\$ 230,122</u>	<u>\$ 230,122</u>	<u>\$ 28,248</u>	<u>\$ (201,874)</u>
Charges for services:				
Charges for EMS	\$ 1,100,000	\$ 1,117,217	\$ 929,530	\$ (187,687)
Charges for farmer's market	215,000	215,000	150,721	(64,279)
Charges for courthouse security	180,000	180,000	182,353	2,353
Charges for parks and recreation	76,500	77,425	76,042	(1,383)
Charges for sanitation and waste removal	34,500	34,500	35,202	702
Charges for courthouse maintenance	35,000	35,000	35,787	787
Charges for cannery	12,500	15,024	15,024	-

County of Carroll, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

Schedule 1  
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for circuit court copies	\$ 10,000	\$ 10,000	\$ 9,722	\$ (278)
Charges for commonwealth's attorney	3,000	4,595	4,597	2
Charges for law enforcement and traffic control	1,500	5,857	7,881	2,024
Charges for law library	-	-	3,362	3,362
Other charges for services	1,600	735	886	151
Total charges for services	\$ 1,669,600	\$ 1,695,353	\$ 1,451,107	\$ (244,246)
Miscellaneous revenue:				
Miscellaneous	\$ 221,020	\$ 307,728	\$ 313,093	\$ 5,365
Recovered costs:				
Solid Waste Authority	\$ 462,377	\$ 462,377	\$ 462,704	\$ 327
Crossroads	-	15,000	15,000	-
Public Service Authority	886,702	886,702	960,321	73,619
Industrial Development Authority	1,000	4,345,118	3,800,460	(544,658)
City of Galax-shared expenses	220,000	248,215	248,215	-
County of Grayson-shared expenses	10,000	16,126	16,126	-
Social services	446,190	397,244	278,309	(118,935)
School resource officer	46,900	34,600	34,600	-
Other recovered costs	87,507	119,526	68,758	(50,768)
Total recovered costs	\$ 2,160,676	\$ 6,524,908	\$ 5,884,493	\$ (640,415)
Total revenue from local sources	\$ 30,856,372	\$ 34,273,570	\$ 31,887,202	\$ (2,386,368)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 35,000	\$ 51,500	\$ 57,311	\$ 5,811
Motor vehicle rental taxes	2,000	3,500	4,927	1,427
Telecommunications Taxes	1,040,000	1,040,000	1,017,447	(22,553)
Rolling stock taxes	1,000	1,000	2,204	1,204
State recordation taxes	75,000	85,105	86,356	1,251
Personal property tax relief funds	-	1,051,552	1,051,552	-
Total noncategorical aid	\$ 1,153,000	\$ 2,232,657	\$ 2,219,797	\$ (12,860)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 419,229	\$ 419,229	\$ 418,537	\$ (692)
Sheriff	1,342,875	1,342,875	1,339,446	(3,429)
Commissioner of revenue	118,605	118,605	118,802	197
Treasurer	115,839	115,839	115,352	(487)
Registrar/electoral board	41,638	41,638	40,828	(810)
Clerk of the Circuit Court	275,946	275,946	275,828	(118)
Total shared expenses	\$ 2,314,132	\$ 2,314,132	\$ 2,308,793	\$ (5,339)

County of Carroll, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

Schedule 1  
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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>
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 1,244,453	\$ 1,244,453	\$ 920,597	\$ (323,856)
Comprehensive Services Act	1,035,429	1,035,429	918,940	(116,489)
Animal friendly plates	350	350	350	-
Farmer's market grants	-	310,015	246,883	(63,132)
Fire program	40,000	81,389	83,165	1,776
Litter control grant	11,000	10,200	10,200	-
Emergency and medical services grant	125,000	218,038	232,899	14,861
Records preservation grant	2,185	48,076	37,824	(10,252)
Victim witness	52,749	53,804	53,804	-
Asset forfeiture	-	-	13,164	13,164
Local law enforcement grant	-	1,321	1,321	-
Arts grant	5,000	5,000	5,000	-
Department of Environmental Quality	-	650	650	-
Total other categorical aid	<u>\$ 2,516,166</u>	<u>\$ 3,008,725</u>	<u>\$ 2,524,797</u>	<u>\$ (483,928)</u>
Total categorical aid	<u>\$ 4,830,298</u>	<u>\$ 5,322,857</u>	<u>\$ 4,833,590</u>	<u>\$ (489,267)</u>
Total revenue from the Commonwealth	<u>\$ 5,983,298</u>	<u>\$ 7,555,514</u>	<u>\$ 7,053,387</u>	<u>\$ (502,127)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 19,615</u>	<u>\$ 4,615</u>
Categorical aid:				
Public assistance and welfare administration	\$ 1,551,910	\$ 1,551,910	\$ 1,515,724	\$ (36,186)
Comprehensive Services Act	-	-	81,852	81,852
Emergency management preparedness grants	-	7,534	-	(7,534)
USDA library community facility grant	-	65,534	-	(65,534)
Local law enforcement grant	-	5,000	7,500	2,500
Equitable sharing program	-	-	12,450	12,450
Nonpoint source implementation grants	31,500	31,500	9,473	(22,027)
State and community highway safety	12,000	15,425	18,021	2,596
Total categorical aid	<u>\$ 1,595,410</u>	<u>\$ 1,676,903</u>	<u>\$ 1,645,020</u>	<u>\$ (31,883)</u>
Total revenue from the federal government	<u>\$ 1,610,410</u>	<u>\$ 1,691,903</u>	<u>\$ 1,664,635</u>	<u>\$ (27,268)</u>
Total General Fund	<u>\$ 38,450,080</u>	<u>\$ 43,520,987</u>	<u>\$ 40,605,224</u>	<u>\$ (2,915,763)</u>

County of Carroll, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 42	\$ 42
Total School Construction Fund	\$ -	\$ -	\$ 42	\$ 42
Total Primary Government	\$ 38,450,080	\$ 43,520,987	\$ 40,605,266	\$ (2,915,721)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 400	\$ 400	\$ 181	\$ (219)
Revenue from the use of property	35,000	35,000	35,211	211
Total revenue from use of money and property	\$ 35,400	\$ 35,400	\$ 35,392	\$ (8)
Charges for services:				
Fees from pupils	\$ 25,000	\$ 25,000	\$ 24,832	\$ (168)
Cafeteria sales	1,001,298	1,001,298	836,086	(165,212)
Transportation of pupils	10,000	10,000	16,007	6,007
Other payments from other localities	23,630	23,630	32,707	9,077
Total charges for services	\$ 1,059,928	\$ 1,059,928	\$ 909,632	\$ (150,296)
Miscellaneous revenue:				
E-rate	\$ 60,000	\$ 140,000	\$ 178,805	\$ 38,805
Other miscellaneous	38,500	38,500	86,059	47,559
Total miscellaneous revenue	\$ 98,500	\$ 178,500	\$ 264,864	\$ 86,364
Recovered costs:				
Insurance recoveries and rebates	\$ 410,000	\$ 464,782	\$ 794,489	\$ 329,707
Total revenue from local sources	\$ 1,603,828	\$ 1,738,610	\$ 2,004,377	\$ 265,767
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	\$ 11,226,545	\$ 11,476,545	\$ 11,869,508	\$ 392,963

County of Carroll, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

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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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,213,160	\$ 4,213,160	\$ 4,089,302	\$ (123,858)
Basic school aid	11,335,196	11,335,196	11,339,838	4,642
Remedial summer education	93,251	93,251	95,285	2,034
Regular foster care	47,088	47,088	42,014	(5,074)
Gifted and talented	127,458	127,458	125,564	(1,894)
Remedial education	473,810	473,810	466,770	(7,040)
Alternative education	156,392	156,392	156,666	274
Special education	1,307,826	1,307,826	1,288,393	(19,433)
Textbook payment	248,625	248,625	244,347	(4,278)
Vocational standards of quality payments	313,102	313,102	308,450	(4,652)
Vocational adult education	-	-	884	884
Vocational education - equipment	25,259	25,259	12,219	(13,040)
Vocational occupational preparedness	-	-	12,828	12,828
Social security fringe benefits	734,267	734,267	723,356	(10,911)
Retirement fringe benefits	1,224,702	1,224,702	1,206,504	(18,198)
Group life insurance instructional	47,104	47,104	46,404	(700)
State lottery payments	-	-	584	584
Homebound education	45,011	45,011	20,299	(24,712)
School nutrition	39,804	39,804	40,531	727
Special education - foster children	-	-	58,368	58,368
Special education - regional	115,307	115,307	127,699	12,392
Salary supplement	281,461	281,461	277,229	(4,232)
At risk payments	515,465	515,465	507,927	(7,538)
Early reading intervention	67,147	67,147	71,623	4,476
VPSA technology	362,000	362,000	26,000	(336,000)
Standards of Learning algebra readiness	73,434	73,434	64,160	(9,274)
At risk four-year olds	477,455	477,455	477,455	-
Primary class size	601,022	601,022	597,047	(3,975)
Mentor teacher program	2,453	2,453	1,136	(1,317)
ISAEF	15,717	15,717	16,717	1,000
Jobs for VA grads	-	-	21,000	21,000
CTE industry credentials	-	-	7,062	7,062
Adult secondary payments	6,282	6,282	-	(6,282)
English as a second language	80,788	80,788	76,941	(3,847)
Other state funds	435,506	435,506	439,537	4,031
Total categorical aid	\$ 23,466,092	\$ 23,466,092	\$ 22,990,139	\$ (475,953)
Total revenue from the Commonwealth	\$ 23,466,092	\$ 23,466,092	\$ 22,990,139	\$ (475,953)



County of Carroll, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

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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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 10,000	\$ 10,000	\$ 9,609	\$ (391)
Title I	1,197,665	1,197,665	1,176,637	(21,028)
Title VI-B, flow-through	1,043,418	1,043,418	1,036,866	(6,552)
Title VI-B, preschool	27,506	27,506	29,146	1,640
Title VI-B, rural and low income	-	60,058	57,012	(3,046)
Advanced Placement Grant			90	90
Vocational education	78,000	78,000	101,190	23,190
Teacher quality	236,624	236,624	195,775	(40,849)
Migrant education	18,000	23,200	44,324	21,124
School breakfast program	446,060	471,060	392,672	(78,388)
National school lunch program	1,067,195	1,117,195	1,175,636	58,441
Title III	13,684	31,749	69,048	37,299
Twenty first century learning centers	159,786	159,786	253,098	93,312
Total revenue from the federal government	<u>\$ 4,297,938</u>	<u>\$ 4,456,261</u>	<u>\$ 4,541,103</u>	<u>\$ 84,842</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 40,594,403</u>	 <u>\$ 41,137,508</u>	 <u>\$ 41,405,127</u>	 <u>\$ 267,619</u>

County of Carroll, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

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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>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 529,909	\$ 460,813	\$ 416,790	\$ 44,023
General and financial administration:				
County administrator	\$ 366,091	\$ 366,193	\$ 375,442	\$ (9,249)
County attorney	75,000	112,744	119,436	(6,692)
Commissioner of revenue	308,838	309,042	309,018	24
County assessor	164,224	164,351	150,911	13,440
Treasurer	351,059	351,341	359,676	(8,335)
Finance	256,359	256,461	170,930	85,531
Management information systems	205,545	236,653	196,861	39,792
Human Resources	86,179	86,204	86,054	150
Total general and financial administration	\$ 1,813,295	\$ 1,882,989	\$ 1,768,328	\$ 114,661
Board of elections:				
Electoral board and officials	\$ 80,501	\$ 80,501	\$ 50,618	\$ 29,883
Registrar	125,298	127,287	119,100	8,187
Total board of elections	\$ 205,799	\$ 207,788	\$ 169,718	\$ 38,070
Total general government administration	\$ 2,549,003	\$ 2,551,590	\$ 2,354,836	\$ 196,754
Judicial administration:				
Courts:				
Circuit court	\$ 61,669	\$ 66,121	\$ 58,826	\$ 7,295
General district court	29,622	25,836	25,327	509
Juvenile court	10,520	10,520	9,634	886
Special magistrates	5,164	5,292	4,350	942
Victim witness	66,816	66,841	64,565	2,276
Clerk of the circuit court	450,007	496,052	483,379	12,673
Law library	-	-	8,477	(8,477)
Total courts	\$ 623,798	\$ 670,662	\$ 654,558	\$ 16,104
Commonwealth's attorney:				
Commonwealth's attorney	\$ 587,629	\$ 592,192	\$ 576,792	\$ 15,400
Total judicial administration	\$ 1,211,427	\$ 1,262,854	\$ 1,231,350	\$ 31,504
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,657,590	\$ 2,876,377	\$ 2,885,898	\$ (9,521)
Courtroom Security	163,029	230,866	227,575	3,291
Total law enforcement and traffic control	\$ 2,820,619	\$ 3,107,243	\$ 3,113,473	\$ (6,230)

County of Carroll, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

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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>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire departments	\$ 344,800	\$ 444,832	\$ 408,751	\$ 36,081
Rescue squads	571,500	704,220	581,513	122,707
Carroll EMS	1,156,863	1,178,902	1,155,847	23,055
Total fire and rescue services	<u>\$ 2,073,163</u>	<u>\$ 2,327,954</u>	<u>\$ 2,146,111</u>	<u>\$ 181,843</u>
Correction and detention:				
Payments to New River Regional Jail	\$ 1,170,000	\$ 1,040,017	\$ 1,138,764	\$ (98,747)
Juvenile probation and detention	81,943	202,097	222,759	(20,662)
Total correction and detention	<u>\$ 1,251,943</u>	<u>\$ 1,242,114</u>	<u>\$ 1,361,523</u>	<u>\$ (119,409)</u>
Inspections:				
Building	\$ 285,522	\$ 285,458	\$ 271,899	\$ 13,559
Other protection:				
Animal warden	\$ 122,998	\$ 123,023	\$ 111,583	\$ 11,440
Emergency services	243,433	247,258	240,209	7,049
E-911	350,527	350,527	350,527	-
Day reporting program	-	62,146	63,021	(875)
Highway safety	4,316	4,547	4,197	350
Total other protection	<u>\$ 721,274</u>	<u>\$ 787,501</u>	<u>\$ 769,537</u>	<u>\$ 17,964</u>
Total public safety	<u>\$ 7,152,521</u>	<u>\$ 7,750,270</u>	<u>\$ 7,662,543</u>	<u>\$ 87,727</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 521,223	\$ 521,223	\$ 511,758	\$ 9,465
Public Service Authority	886,702	886,702	922,767	(36,065)
Litter control	11,000	10,200	12,091	(1,891)
Total sanitation and waste removal	<u>\$ 1,418,925</u>	<u>\$ 1,418,125</u>	<u>\$ 1,446,616</u>	<u>\$ (28,491)</u>
Maintenance of general buildings and grounds:				
Governmental complex	\$ 521,351	\$ 628,066	\$ 577,564	\$ 50,502
Cannery	21,025	54,425	49,164	5,261
Maintenance force	355,417	364,047	329,358	34,689
Maintenance of other properties	291,912	291,912	222,579	69,333
Total maintenance of general buildings and grounds	<u>\$ 1,189,705</u>	<u>\$ 1,338,450</u>	<u>\$ 1,178,665</u>	<u>\$ 159,785</u>
Total public works	<u>\$ 2,608,630</u>	<u>\$ 2,756,575</u>	<u>\$ 2,625,281</u>	<u>\$ 131,294</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 229,648	\$ 254,538	\$ 254,408	\$ 130

County of Carroll, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 161,996	\$ 161,996	\$ 161,996	\$ -
Welfare:				
Public assistance and welfare administration	\$ 4,888,621	\$ 5,160,157	\$ 4,860,115	\$ 300,042
Senior citizens center	73,615	73,615	73,615	-
Total welfare	\$ 4,962,236	\$ 5,233,772	\$ 4,933,730	\$ 300,042
Total health and welfare	\$ 5,353,880	\$ 5,650,306	\$ 5,350,134	\$ 300,172
Education:				
Other instructional costs:				
Contributions to Community College	\$ 40,398	\$ 40,398	\$ 40,398	\$ -
Contribution to County School Board	11,226,545	11,475,445	11,869,508	(394,063)
School Board utilities	38,100	39,691	36,920	2,771
Total education	\$ 11,305,043	\$ 11,555,534	\$ 11,946,826	\$ (391,292)
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 382,178	\$ 381,680	\$ 333,330	\$ 48,350
Farmer's Market	527,781	567,781	458,573	109,208
County Fair	67,300	67,300	58,458	8,842
Total parks and recreation	\$ 977,259	\$ 1,016,761	\$ 850,361	\$ 166,400
Library:				
Contribution to Carroll-Galax Regional Library	\$ 302,970	\$ 302,970	\$ 300,906	\$ 2,064
Total parks, recreation, and cultural	\$ 1,280,229	\$ 1,319,731	\$ 1,151,267	\$ 168,464
Community development:				
Planning and community development:				
Planning commission	\$ 4,800	\$ 4,800	\$ 3,969	\$ 831
Economic development	274,056	280,736	187,344	93,392
Business development	131,441	134,609	129,756	4,853
Tourism	200,685	295,379	232,993	62,386
Geographic information services	91,681	91,732	84,526	7,206
Contribution to Carroll Industrial Development Authority	-	5,324,118	4,313,085	1,011,033
Contribution to Public Service Authority	1,199,528	1,208,638	1,208,638	-
Contribution to Twin County Airport	72,317	68,317	56,727	11,590
Other planning and community development	56,287	56,312	39,548	16,764
Total planning and community development	\$ 2,030,795	\$ 7,464,641	\$ 6,256,586	\$ 1,208,055
Environmental management:				
Contribution to soil and water district	\$ 7,500	\$ 7,500	\$ 7,500	\$ -

County of Carroll, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

Schedule 2  
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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>
<b>General Fund: (Continued)</b>				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 58,210	\$ 58,389	\$ 59,309	\$ (920)
Total community development	\$ 2,096,505	\$ 7,530,530	\$ 6,323,395	\$ 1,207,135
Capital projects:				
Other capital projects	\$ 1,018,500	\$ 1,430,465	\$ 926,859	\$ 503,606
Debt service:				
Principal retirement	\$ 2,951,597	\$ 2,951,597	\$ 2,779,993	\$ 171,604
Interest and other fiscal charges	968,995	968,995	1,127,173	(158,178)
Total debt service	\$ 3,920,592	\$ 3,920,592	\$ 3,907,166	\$ 13,426
Total General Fund	\$ 38,496,330	\$ 45,728,447	\$ 43,479,657	\$ 2,248,790
<b>Capital Projects Fund:</b>				
<b>School Construction Fund:</b>				
Capital projects expenditures:				
School improvements	\$ 419,633	\$ 480,991	\$ 397,732	\$ 83,259
Carroll County High School Improvements	-	-	5,577,840	(5,577,840)
Total capital projects expenditures	\$ 419,633	\$ 480,991	\$ 5,975,572	\$ (5,494,581)
Total School Construction Fund	\$ 419,633	\$ 480,991	\$ 5,975,572	\$ (5,494,581)
Total Primary Government	\$ 38,915,963	\$ 46,209,438	\$ 49,455,229	\$ (3,245,791)
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,604,461	\$ 1,604,461	\$ 1,679,878	\$ (75,417)
Instruction costs:				
Instruction	\$ 29,866,359	\$ 30,029,682	\$ 30,005,796	\$ 23,886
Operating costs:				
Pupil transportation	\$ 2,900,419	\$ 2,987,248	\$ 3,133,325	\$ (146,077)
Operation and maintenance of school plant	3,985,407	4,432,260	4,484,218	(51,958)
Food services and other non-instructional costs	2,503,462	2,578,462	2,457,098	121,364
Total operating costs	\$ 9,389,288	\$ 9,997,970	\$ 10,074,641	\$ (76,671)
Total Discretely Presented Component Unit - School Board	\$ 40,860,108	\$ 41,632,113	\$ 41,760,315	\$ (128,202)

## **Other Statistical Section**

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Gas Utilities	Gladeville Cranberry Sewer	Total
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
2005-06	1,776,300	766,461	4,098,143	788,065	3,835,853	8,107,291	382,682	975,161	1,501,082	-	277,051	22,508,089
2004-05	1,190,402	706,038	3,941,388	654,418	3,406,872	8,079,764	584,179	1,574,911	2,028,436	-	284,247	22,450,655

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	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		
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
2005-06	499,634	5,120,043	70,316		14,002,880	4,829,522	361,322	125,327	1,293,822	-	-	26,302,866
2004-05	820,018	5,144,456	2,934		13,835,903	4,013,487	296,457	52,037	1,110,014	-	-	25,275,306

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



Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Capital Projects (3)	Debt Service	Total
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
2005-06	1,849,163	782,601	4,122,737	1,039,243	3,849,577	34,230,491	589,939	1,032,539	-	-	4,621,819	52,118,109
2004-05	1,532,879	757,000	3,777,944	908,835	3,455,461	33,663,223	555,453	1,693,801	-	-	4,680,902	51,025,498

(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
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
2005-06	13,845,984	4,829,522	249,930	10,310	293,981	1,021,775	199,390	942,928	32,952,975	54,346,795
2004-05	13,588,256	4,013,487	213,853	5,686	311,851	1,046,653	289,173	1,225,778	30,968,533	51,663,270

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

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

(3) Fiscal Year 2009-10 is the first year State Communications Tax is classified as Intergovernmental revenue and not Other Local Taxes.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
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%
2005-06	14,931,151	14,180,736	94.97%	573,197	14,753,933	98.81%	1,892,855	12.68%
2004-05	13,754,293	13,010,114	94.59%	416,655	13,426,769	97.62%	1,682,637	12.23%

(1) Exclusive of penalties and interest.

(2) Does not include land redemption.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property (3)	Machinery and Tools (3)	Merchant's Capital (3)	Farm Equipment (4)	Public Service Corporations (2)	Total
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
2005-06	1,766,780,800	348,171,685	-	-	-	95,200,694	2,210,153,179
2004-05	1,734,981,500	346,387,969	-	-	-	96,094,144	2,177,463,613

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

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

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property (2)	Machinery and Tools (2)	Merchant's Capital	Farm Equipment (3)
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	-
2005-06	0.59	1.30	1.30	2.30	-
2004-05	0.59	1.30	1.30	2.30	-

(1) Per \$100 of assessed value.

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

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

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
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
2005-06	29,245	2,210,153	34,893,872	34,893,872	1.58%	1,193
2004-05	29,245	2,177,464	37,137,832	37,137,832	1.71%	1,270

(1) Bureau of the Census.

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

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

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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%
2005-06	2,999,324	1,622,495	4,621,819	52,118,109	8.87%
2004-05	2,567,217	2,113,685	4,680,902	51,025,498	9.17%

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

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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Carroll, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Carroll, Virginia's basic financial statements and have issued our report thereon dated January 6, 2015.

### Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [2014-001].

### Compliance and Other Matters

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

## County of Carroll, Virginia's Response to 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  
January 6, 2015

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

### Report on Compliance for Each Major Federal Program

We have audited County of Carroll, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Carroll, Virginia's major federal programs for the year ended June 30, 2014. County of Carroll, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of County of Carroll, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Carroll, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### *Opinion on Each Major Federal Program*

In our opinion, County of Carroll, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of County of Carroll, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Carroll, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Carroll, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Robinson, Turner, Cox Associates*

Blacksburg, Virginia  
January 6, 2015

County of Carroll, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

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	0950113, 0960113	\$ 15,244
Temporary Assistance for Needy Families	93.558	0400113, 0400114	298,455
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113, 0500114	1,725
Low-Income Home Energy Assistance	93.568	0600413, 0600414	28,728
Child Care Mandatory and Matching Funds of the Child Care and Development Funds	93.596	0760113, 0760114	41,611
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900113, 0900114	1,948
Foster Care - Title IV-E	93.658	1100113, 1100114	176,179
Adoption Assistance	93.659	1120113, 1120114	179,781
Social Services Block Grant	93.667	1000113, 1000114	279,859
Chafee Foster Care Independence Program	93.674	9150113, 9150114	7,300
Children's Health Insurance Program	93.767	0540113, 0540114	8,492
Medical Assistance Program	93.778	1200113, 1200114	259,573
Total Department of Health and Human Services			\$ 1,298,895
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
State Homeland Security Program	97.073	52743	\$ 7,500
Environmental Protection Agency			
Pass Through Payments:			
Department of Conservation and Recreation:			
Nonpoint Source Implementation Grants	66.460	Not available	\$ 9,473
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food Distribution (Note 3)	10.559	Not available	\$ 1,458
Food Distribution (Note 3)	10.555	Not available	\$ 155,030
Department of Education:			
National School Lunch Program	10.555	40623	1,019,148
National School Lunch Program Subtotal			\$ 1,174,178
School Breakfast Program	10.553	40591	\$ 392,672
Department Education:			
Schools and Roads - Grants to States	10.665	43841	9,609

County of Carroll, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010113, 0010114,	\$ 298,681
Total Department of Agriculture			\$ 1,876,598
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice:			
Equitable Sharing Program	16.922	Not applicable	\$ 12,450
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC-13-53030, SC-14-54075	\$ 18,021
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 1,176,637
Migrant Education - State Grant Program	84.011	42910	39,087
Special Education Cluster:			
Special Education - Grants to States	84.027	43071, 87138	1,036,866
Special Education - Preschool Grants	84.173	62521	29,146
Career and Technical Education: Basic Grants to States	84.048	61095	101,190
Twenty-First Century Community Learning Centers	84.287	60565	253,098
Advanced Placement Program	84.330	60957	90
Rural Education	84.358	43481	57,012
Migrant Education - Coordination Program	84.144	61399	5,237
English Language Acquisition State Grants	84.365	60512	69,048
Improving Teacher Quality State Grants	84.367	61480	195,775
Total Department of Education			\$ 2,963,186
Total Expenditures of Federal Awards			\$ 6,186,123

County of Carroll, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2014

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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, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2014 Carroll County, Virginia had food commodities totaling \$0 in inventory.

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,664,635
Less: Payment in lieu of taxes	<u>(19,615)</u>

Total primary government	<u>\$ 1,645,020</u>
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Component Unit School Board:

School Operating Fund	<u>\$ 4,541,103</u>
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Total expenditures of federal awards per the basic financial statements	<u><u>\$ 6,186,123</u></u>
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County of Carroll, Virginia

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

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**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 Circular A-133, Section .510 (a)?	No
Identification of major programs:	

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

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



## County of Carroll, Virginia

### Schedule of Findings and Questioned Costs Year Ended June 30, 2014

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#### Section II - Financial Statement Findings

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##### 2014-001

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**Criteria:** Per Statement on Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose *adjustments* necessary to comply with reporting standards is not a component of such controls.

**Condition:** The financial statements for the School Board 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 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 School Board's internal controls over financial reporting.

**Recommendation:** The School Board should review the auditors' proposed audit adjustments for 2014 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

**Management's Response:** To address the finding, the School Board will review the adjustments made by the auditor and determine if they can prepare the trial balances going forward or if they will need to hire a consultant to assist. In either case, the trial balances will be ready for audit in FY2015.

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

None

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

Financial Statement Finding 2013-1 was recurring in the current year.