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**COUNTY OF ALLEGHANY, VIRGINIA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

To The Board of Supervisors  
County of Alleghany, Virginia  
Covington, 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 unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia, as of and for the year ended June 30, 2017, 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 unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia, as of June 30, 2017, 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 schedules related to OPEB funding and pensions on pages 69-70 and 71-75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### ***Other Information***

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

*Other Information (continued)*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the County of Alleghany, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Alleghany, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
November 30, 2017

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**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

**MAJOR GOVERNMENTAL FUNDS**

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

County of Alleghany, Virginia  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2017

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,797,533	\$ 211,074	\$ 6,008,607
Cash in custody of others	348,700	-	348,700
Receivables (net of allowance for uncollectibles):			
Accounts receivable	15,800	34,687	50,487
Due from other funds	-	25,996	25,996
Due from other governmental units	277,104	-	277,104
Inventories	16,152	-	16,152
Prepaid items	340,799	-	340,799
Total assets	<u>\$ 6,796,088</u>	<u>\$ 271,757</u>	<u>\$ 7,067,845</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 275,863	\$ 1,599	\$ 277,462
Accrued liabilities	1,904,344	34,237	1,938,581
Due to other funds	25,996	-	25,996
Due to primary government	80,106	-	80,106
Total liabilities	<u>\$ 2,286,309</u>	<u>\$ 35,836</u>	<u>\$ 2,322,145</u>
<b>Fund balance:</b>			
Nonspendable	\$ 356,951	\$ -	\$ 356,951
Restricted for the school food program	348,700	-	348,700
Committed	3,804,128	235,921	4,040,049
Total fund balances	<u>\$ 4,509,779</u>	<u>\$ 235,921</u>	<u>\$ 4,745,700</u>
Total liabilities and fund balances	<u>\$ 6,796,088</u>	<u>\$ 271,757</u>	<u>\$ 7,067,845</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 4,745,700
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 971,024
Buildings and improvements	5,594,453
Machinery and equipment	2,111,816
Construction in progress	<u>176,549</u>
	8,853,842
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	1,807,438
Items related to measurement of the net pension liability are considered deferred outflows or deferred inflows and will be amortized and recognized in pension expense over future years.	
Deferred outflows of resources	\$ 1,491,955
Deferred inflows of resources	<u>(3,071,100)</u>
	(1,579,145)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (167,716)
Net OPEB obligation	(482,908)
Net pension liability	<u>(22,268,562)</u>
	(22,919,186)
Net position of governmental activities	<u>\$ (9,091,351)</u>

County of Alleghany, Virginia  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2017

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 6,389	\$ -	\$ 6,389
Charges for services	390,567	108,669	499,236
Miscellaneous	227,148	308,323	535,471
Recovered costs	146,208	-	146,208
Intergovernmental	25,713,257	89,926	25,803,183
Total revenues	<u>\$ 26,483,569</u>	<u>\$ 506,918</u>	<u>\$ 26,990,487</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 26,212,002	\$ 486,941	\$ 26,698,943
Capital projects	377,846	-	377,846
Total expenditures	<u>\$ 26,589,848</u>	<u>\$ 486,941</u>	<u>\$ 27,076,789</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (106,279)</u>	<u>\$ 19,977</u>	<u>\$ (86,302)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	\$ 6,491	\$ -	\$ 6,491
Total other financing sources (uses)	<u>\$ 6,491</u>	<u>\$ -</u>	<u>\$ 6,491</u>
Net change in fund balances	\$ (99,788)	\$ 19,977	\$ (79,811)
Fund balances - beginning	4,609,567	215,944	4,825,511
Fund balances - ending	<u>\$ 4,509,779</u>	<u>\$ 235,921</u>	<u>\$ 4,745,700</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 \$ (79,811)

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 outlay	\$ 794,669	
Depreciation expense	<u>(727,559)</u>	67,110

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

Change in deferred inflows of resources related to pensions 1,037,856

Pension contributions subsequent to the measurement date will be a decrease to the net pension liability in the next fiscal year and therefore, are not reported in the funds.

1,630

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

Change in compensated absences	\$ 845	
Change in net OPEB obligation	(9,064)	
Change in net pension liability	(1,890,419)	
Change in deferred outflows of resources related to the measurement of the net pension liability	<u>1,491,955</u>	(406,683)

Change in net position of governmental activities

\$ 620,102

County of Alleghany, 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, 2017

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 900	\$ 900	\$ 6,389	\$ 5,489
Charges for services	447,870	447,870	390,567	(57,303)
Miscellaneous	307,801	171,177	227,148	55,971
Recovered costs	127,114	126,114	146,208	20,094
Intergovernmental	25,471,795	25,425,898	25,713,257	287,359
Total revenues	<u>\$ 26,355,480</u>	<u>\$ 26,171,959</u>	<u>\$ 26,483,569</u>	<u>\$ 311,610</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 27,451,480	\$ 27,215,980	\$ 26,212,002	\$ 1,003,978
Capital projects	-	535,000	377,846	157,154
Total expenditures	<u>\$ 27,451,480</u>	<u>\$ 27,750,980</u>	<u>\$ 26,589,848</u>	<u>\$ 1,161,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,096,000)</u>	<u>\$ (1,579,021)</u>	<u>\$ (106,279)</u>	<u>\$ 1,472,742</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	\$ 5,000	\$ 5,000	\$ 6,491	\$ 1,491
Total other financing sources (uses)	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 6,491</u>	<u>\$ 1,491</u>
Net change in fund balances	\$ (1,091,000)	\$ (1,574,021)	\$ (99,788)	\$ 1,474,233
Fund balances - beginning	1,091,000	1,574,021	4,609,567	3,035,546
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,509,779</u>	<u>\$ 4,509,779</u>



County of Allegheny, Virginia  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board  
 June 30, 2017

	Allegheny Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 52,721	\$ 158,353	\$ 211,074
Receivables (net of allowance for uncollectibles):			
Accounts receivable	34,687	-	34,687
Due from other funds	25,996	-	25,996
Total assets	<u>\$ 113,404</u>	<u>\$ 158,353</u>	<u>\$ 271,757</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accrued liabilities	\$ 34,237	\$ -	\$ 34,237
Accounts payable	1,599	-	1,599
Total liabilities	<u>\$ 35,836</u>	<u>\$ -</u>	<u>\$ 35,836</u>
<b>Fund balances:</b>			
Committed	\$ 77,568	\$ 158,353	\$ 235,921
Total fund balances	<u>\$ 77,568</u>	<u>\$ 158,353</u>	<u>\$ 235,921</u>
Total liabilities and fund balances	<u>\$ 113,404</u>	<u>\$ 158,353</u>	<u>\$ 271,757</u>

County of Alleghany, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2017

	Alleghany Highlands Fund	Governor's School Fund	Total
<b>REVENUES</b>			
Charges for services	\$ -	\$ 108,669	\$ 108,669
Miscellaneous	308,323	-	308,323
Intergovernmental	-	89,926	89,926
Total revenues	<u>\$ 308,323</u>	<u>\$ 198,595</u>	<u>\$ 506,918</u>
<b>EXPENDITURES</b>			
Current:			
Education	<u>\$ 307,822</u>	<u>\$ 179,119</u>	<u>\$ 486,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 501</u>	<u>\$ 19,476</u>	<u>\$ 19,977</u>
Net change in fund balances	\$ 501	\$ 19,476	\$ 19,977
Fund balances - beginning	77,067	138,877	215,944
Fund balances - ending	<u>\$ 77,568</u>	<u>\$ 158,353</u>	<u>\$ 235,921</u>

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Board of Supervisors  
County of Alleghany, Virginia  
Covington, 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 unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Alleghany, Virginia's basic financial statements and have issued our report thereon dated November 30, 2017.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2017-001).

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Alleghany, 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 Alleghany, Virginia's Response to Findings

County of Alleghany, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Alleghany, 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, Farmer, Cox Associates*

Blacksburg, Virginia  
November 30, 2017

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Board of Supervisors  
County of Alleghany, Virginia  
Covington, Virginia

### Report on Compliance for Each Major Federal Program

We have audited the County of Alleghany, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Alleghany, Virginia's major federal programs for the year ended June 30, 2017. County of Alleghany, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

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

### *Auditors' Responsibility*

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

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

### *Opinion on Each Major Federal Program*

In our opinion, the County of Alleghany, 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, 2017.

## Report on Internal Control over Compliance

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

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

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

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

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
November 30, 2017