

COUNTY OF PATRICK, VIRGINIA
AUDIT PRESENTATION
FOR YEAR ENDED JUNE 30, 2018



DECEMBER 17, 2018

CONTACT INFORMATION:

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON FINANCIAL ANALYSIS

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

We have audited in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the County of Patrick, Virginia for the years ended June 30, 2009-2018. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. In our reports we expressed an unmodified opinion for the years ended June 30, 2009-2018. The financial analysis set forth in this section is presented for purposes of additional analysis and is not a required part of the basic financial statements. However, this financial analysis was derived from, and should be read in conjunction with, the basic financial statements and the reports thereon. Any information which is of nonaccounting nature has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and we express no opinion on it.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 17, 2018

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County of Patrick, Virginia
General Fund Summary

	2011	2012	2013	2014	2015	2016	2017	2018	Annualized Growth Rates
REVENUES									
General property taxes	\$ 11,046,404	\$ 11,184,689	\$ 11,301,734	\$ 11,378,490	\$ 11,501,012	\$ 11,995,394	\$ 12,298,113	\$ 12,358,878	1.52%
Other local taxes	2,092,000	2,120,029	2,205,676	2,228,527	2,397,795	2,495,653	2,540,893	2,580,028	3.04%
Permits, privilege fees, and regulatory licenses	82,905	95,442	60,007	81,031	66,183	54,022	64,790	80,507	
Fines and forfeitures	26,708	16,377	18,201	18,892	17,507	24,692	27,388	20,530	
Revenue from the use of money and property	56,755	11,131	21,985	28,118	21,202	27,727	43,233	44,076	
Charges for services	308,684	220,616	282,248	336,837	348,042	318,352	330,253	414,901	
Miscellaneous	189,231	229,908	203,037	84,537	150,626	58,879	87,220	92,938	
Recovered costs	363,544	543,978	704,494	670,064	781,215	756,305	873,238	964,697	
Intergovernmental	6,311,550	5,367,235	6,077,687	5,312,699	5,378,074	5,829,938	6,344,103	6,300,190	-0.03%
Total revenues	\$ 20,477,781	\$ 19,779,405	\$ 20,875,069	\$ 20,139,195	\$ 20,661,656	\$ 21,561,962	\$ 22,609,231	\$ 22,856,745	1.59%
EXPENDITURES									
General government administration	\$ 1,341,103	\$ 1,315,043	\$ 1,302,404	\$ 1,596,476	\$ 1,480,422	\$ 1,359,604	\$ 1,441,604	\$ 1,440,861	1.03%
Judicial administration	683,627	698,740	714,323	724,378	815,155	836,644	882,011	1,049,636	6.32%
Public safety	5,027,159	5,381,619	5,233,932	6,016,498	6,163,896	5,866,635	6,628,684	7,740,086	6.36%
Public works	1,361,251	1,204,719	1,376,564	1,391,541	1,403,761	1,407,136	1,518,445	1,623,260	2.55%
Health and welfare	1,881,784	1,792,357	1,738,616	1,695,066	1,844,185	2,088,069	2,392,126	2,639,148	4.95%
Education	4,607,809	4,937,375	4,584,994	4,660,379	4,716,631	4,851,974	5,292,042	5,669,531	3.01%
Parks, recreation, and cultural	485,882	492,844	484,690	482,503	547,008	551,805	590,873	579,790	2.56%
Community development	890,556	873,669	1,890,320	630,345	1,018,031	697,115	878,367	1,028,313	2.07%
Capital Projects	-	61,433	274,028	132,740	245,054	1,443,605	800,553	194,234	
Debt service	2,589,445	2,903,175	2,998,449	3,015,908	3,396,738	2,572,960	2,575,599	2,202,987	-2.28%
Total expenditures	\$ 18,868,716	\$ 19,560,974	\$ 20,598,320	\$ 20,345,834	\$ 21,632,881	\$ 21,675,547	\$ 22,960,324	\$ 24,167,846	3.60%
Excess (deficiency) of revenues over (under) expenditures	\$ 1,609,065	\$ 118,431	\$ 276,749	\$ (206,639)	\$ (971,225)	\$ (113,585)	\$ (351,093)	\$ (1,311,101)	
OTHER FINANCING SOURCES (USES)									
Transfers in	18,909	1,100,233	-	-	-	-	-	-	
Transfers out	(1,170,900)	(171,716)	(431,562)	(224,313)	(206,898)	(169,049)	(194,349)	(250,402)	
Net bond/lease issuance	-	-	-	-	476,355	1,188,117	-	352,320	
Sale of capital assets	-	-	-	50,000	-	-	-	-	
Total other financing sources (uses)	\$ (1,151,991)	\$ 928,517	\$ (431,562)	\$ (174,313)	\$ 269,457	\$ 1,019,068	\$ (194,349)	\$ 101,918	
Net change in fund balances	\$ 457,074	\$ 1,046,948	\$ (154,813)	\$ (380,952)	\$ (701,768)	\$ 905,483	\$ (545,442)	\$ (1,209,183)	
Fund balances - beginning	6,152,603	6,609,677	7,656,625	7,501,812	7,189,662	6,487,894	7,393,377	6,847,935	
Fund balances - ending	\$ 6,609,677	\$ 7,656,625	\$ 7,501,812	\$ 7,120,860	\$ 6,487,894	\$ 7,393,377	\$ 6,847,935	\$ 5,638,752	-2.24%

Summarized from Financial Reports for the fiscal years listed above.

County of Patrick, Virginia
Calculation of Operating Reserve

	2011	2012	2013	2014	2015	2016	2017	2018
Ending General Fund Balance	\$ 6,609,677	\$ 7,656,625	\$ 7,501,812	\$ 7,120,860	\$ 6,487,894	\$ 7,393,377	\$ 6,847,935	\$ 5,638,752
Ending General Fund Cash and Investments Balance	\$ 5,371,083	\$ 6,138,455	\$ 7,262,946	\$ 6,840,633	\$ 6,250,856	\$ 7,486,571	\$ 6,848,284	\$ 5,332,262
Total County General Fund operating expenditures	\$ 18,868,716	\$ 19,660,974	\$ 20,598,320	\$ 20,345,634	\$ 21,632,881	\$ 21,675,547	\$ 22,960,324	\$ 24,167,846
School Board operating expenditures	25,701,095	23,978,329	24,730,315	24,839,976	25,152,401	27,254,877	27,976,470	28,014,198
Local contribution to School Board	(4,607,809)	(4,937,375)	(4,584,994)	(4,660,379)	(4,718,631)	(4,702,134)	(5,275,545)	(5,652,209)
Net Operating Expenditures	\$ 39,962,002	\$ 38,701,928	\$ 40,743,641	\$ 40,525,431	\$ 42,066,651	\$ 44,228,290	\$ 45,661,249	\$ 46,529,835
Ending Fund Balance as a % of Operating Expenditures	16.5%	19.8%	18.4%	17.6%	15.4%	16.7%	15.0%	12.1%
Ending Cash Balance as a % of Operating Expenditures	13.4%	15.9%	17.8%	16.9%	14.9%	16.9%	15.0%	11.5%
Days held in operating reserve (fund balance)	60	72	67	64	56	61	55	44
Days held in operating reserve (cash balance)	49	58	65	62	54	62	55	42
Unassigned Fund Balance	\$ 6,609,677	\$ 7,656,625	\$ 7,153,078	\$ 6,971,591	\$ 6,468,359	\$ 7,357,511	\$ 5,849,512	\$ 4,773,146
								-4.54%

- needs to be 28 to 25%

Summarized from Financial Reports for the fiscal years listed above.

County of Patrick, Virginia
Summary of Original Tax Assessments

Fiscal Year	Real Estate	Tax Rate	Personal Property	Tax Rate	Mobile Homes	Tax Rate	Machinery and Tools	Tax Rate	PSC	Total	Percentage Increase
2011	1,724,443,955	0.48	144,825,379	1.71	16,663,491	0.48	36,202,239	1.71	64,197,225	1,986,332,289	-29.468%
2012	1,732,478,250	0.48	145,193,617	1.71	16,473,207	0.48	33,603,847	1.71	67,438,239	1,995,187,160	0.446%
2013	1,739,594,600	0.48	147,329,828	1.71	16,502,151	0.48	34,548,797	1.71	52,520,654	1,990,496,030	-0.235%
2014	1,747,596,250	0.48	147,834,214	1.71	16,690,380	0.48	35,330,203	1.71	73,199,458	2,020,650,505	1.515%
2015	1,655,322,650	0.48/55	150,127,436	1.71	16,557,980	0.48/55	34,927,504	1.71	75,872,248	1,932,807,818	-4.347%
2016	1,560,070,500	0.55/57	153,018,518	1.71	14,936,626	0.55/57	38,455,812	1.71	81,109,560	1,847,591,016	-4.409%
2017	1,563,661,350	0.57	158,190,720	1.71	15,195,594	0.57	38,492,368	1.71	78,496,926	1,854,036,958	0.349%
2018	1,569,230,400	0.57	163,124,160	1.71	15,470,917	0.57	37,324,141	1.71	76,804,155	1,861,953,773	0.427%
Average	1,661,549,744		151,205,484		16,061,293		36,110,614		71,204,808	1,936,131,944	

Annualized Growth Rates

-1.34%

1.71%

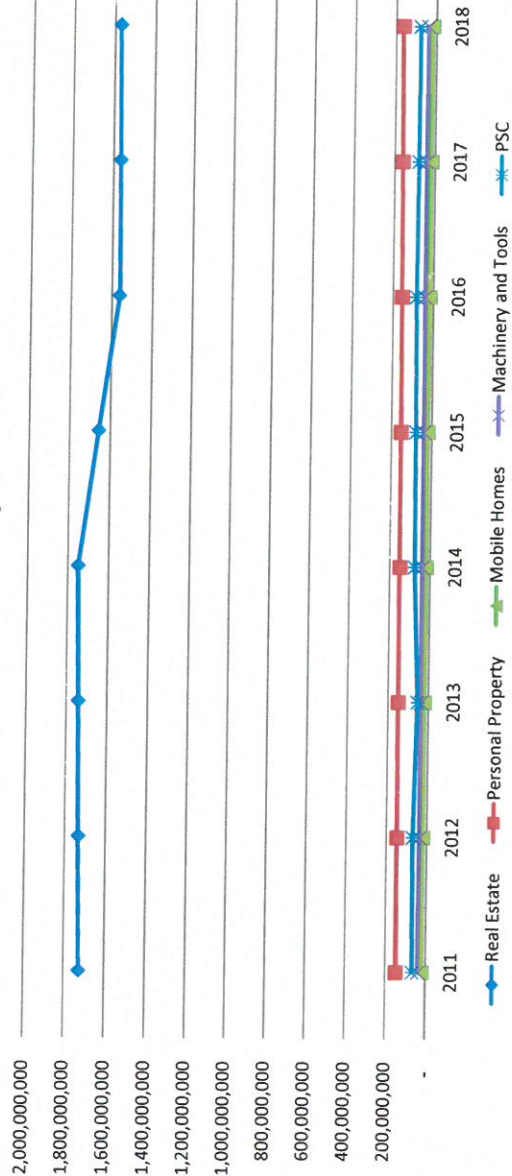
-1.06%

0.44%

2.59%

-0.92%

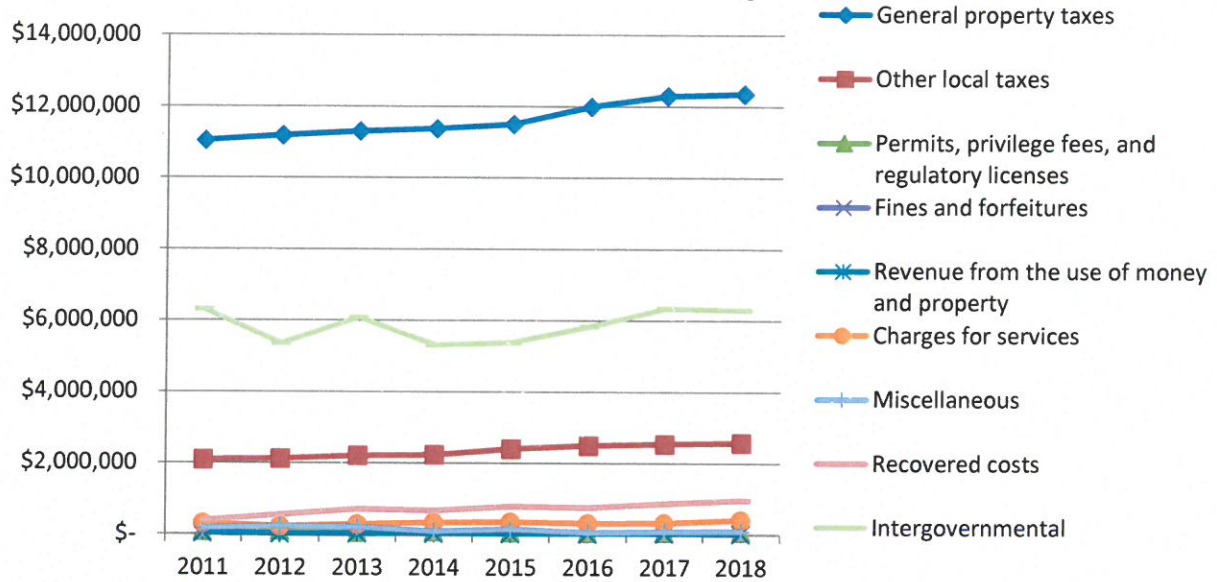
Tax Assessments by Fiscal Year



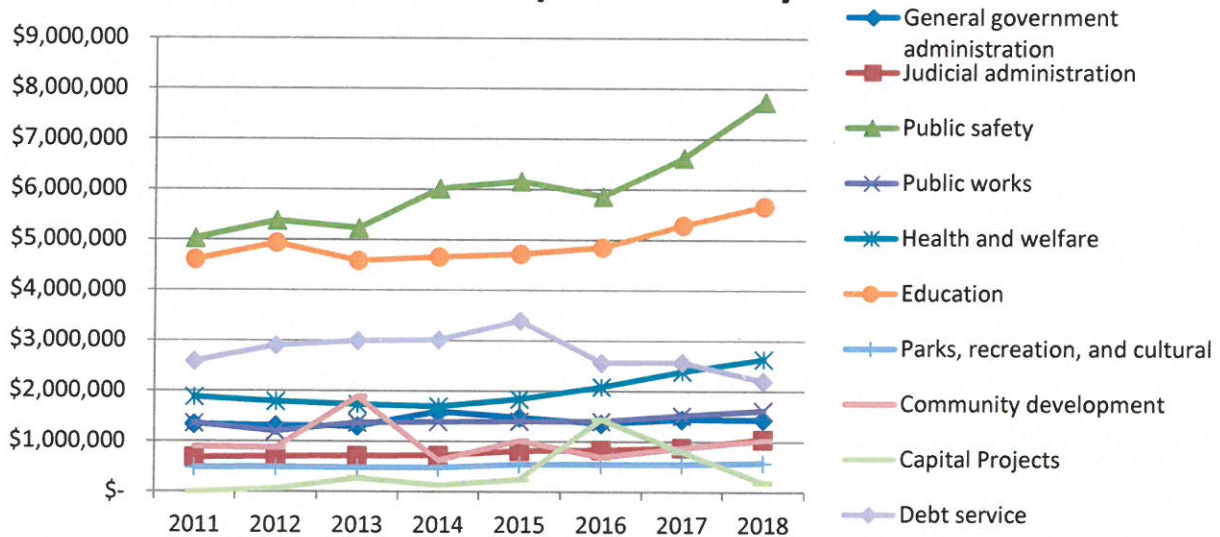
County of Patrick, Virginia
Summary of Debt

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Annualized Growth Rates
Total Outstanding Debt - General	\$ 35,292,826	\$ 40,898,391	\$ 41,817,789	\$ 38,557,893	\$ 37,328,072	\$ 36,278,096	\$ 40,732,223	\$ 41,123,170	\$ 40,955,317	\$ 39,263,923	1.19%
Total Outstanding Debt - Schools	503,018	624,760	757,730	848,743	992,070	1,202,300	22,964,336	24,111,612	26,640,954	27,895,586	56.23%
Total Outstanding Debt - Water/Sewer	-	-	1,455,371	2,968,659	3,508,640	3,466,679	3,423,009	3,377,560	3,330,259	3,281,032	
Grand Total Outstanding Debt	\$ 35,795,844	\$ 41,523,151	\$ 44,030,890	\$ 42,375,295	\$ 41,828,782	\$ 40,947,075	\$ 67,119,568	\$ 68,612,342	\$ 70,926,530	\$ 70,440,541	7.81%
Population (2010 Census)/APA Comparative Cost Report	18,770	18,490	18,463	18,635	18,691	18,691	18,718	18,718	18,039	18,039	-0.44%
Debt per Capita:											
County of Patrick, Virginia (Total Debt)	\$ 1,907	\$ 2,246	\$ 2,385	\$ 2,274	\$ 2,238	\$ 2,191	\$ 3,586	\$ 3,666	\$ 3,932	\$ 3,905	8.29%
State Avg. per APA	2,655	2,666	2,695	2,757	2,757	2,757	3,509	3,645	3,918	3,918	

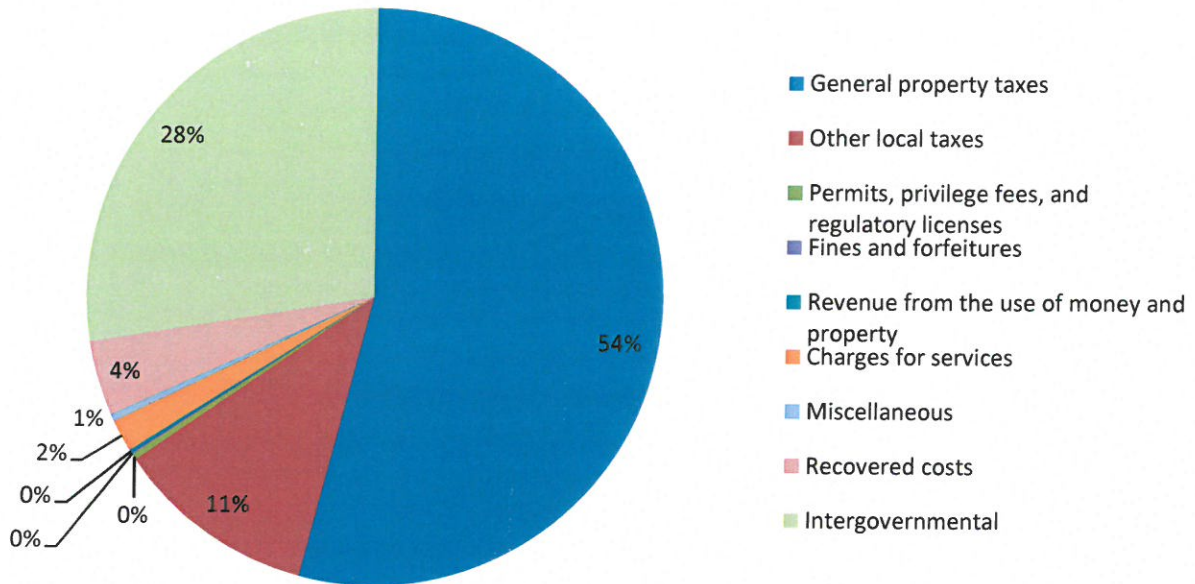
General Fund Revenues by Fiscal Year



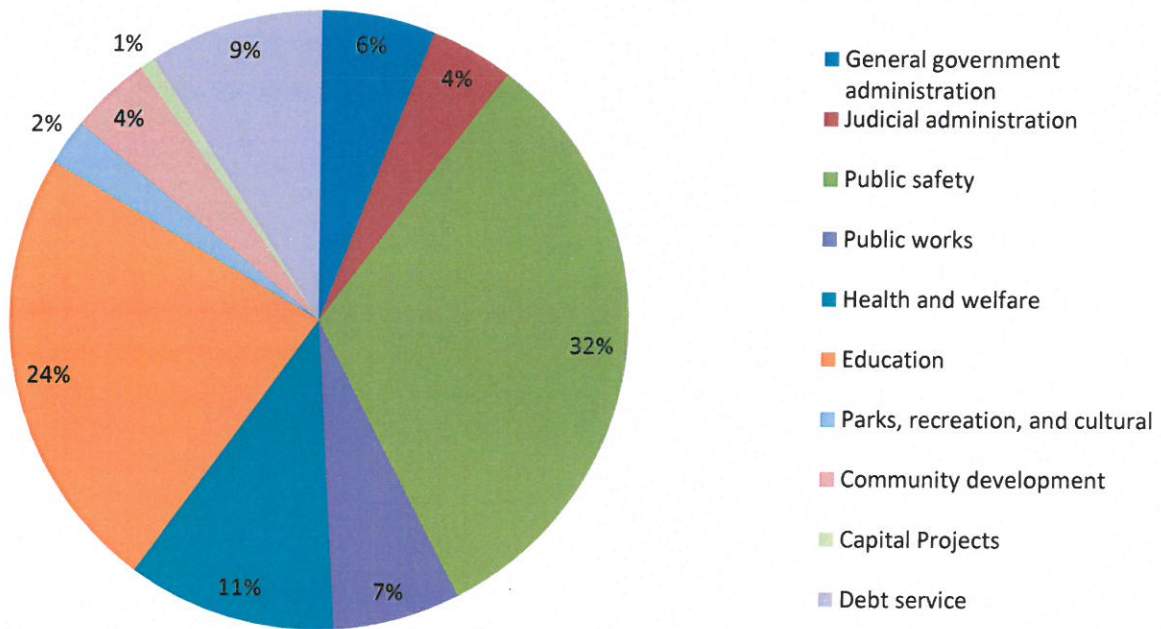
General Fund Expenditures by Fiscal Year



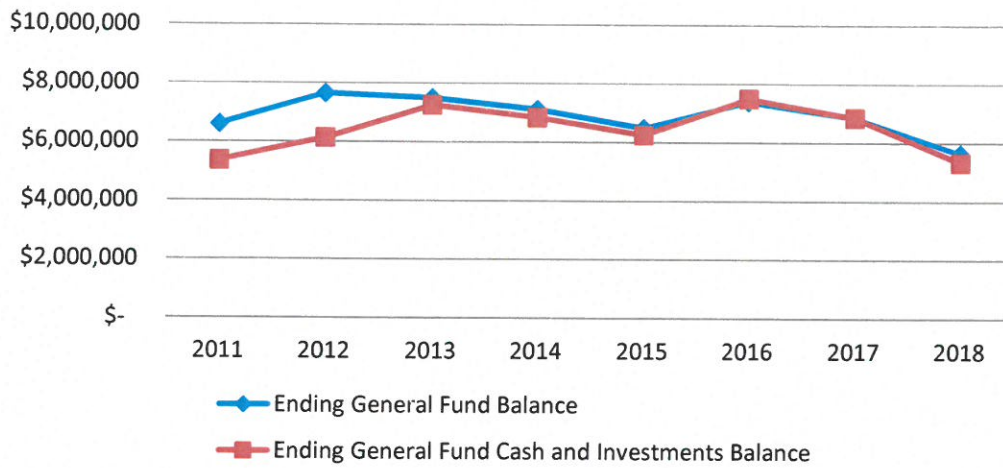
FY18 General Fund Revenues



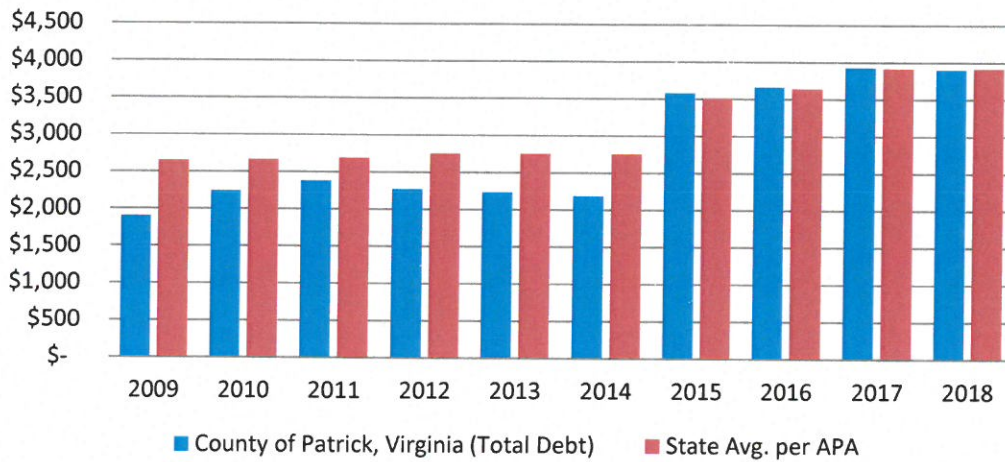
FY18 General Fund Expenditures



General Fund Cash, Investments, and Fund Balance by Fiscal Year



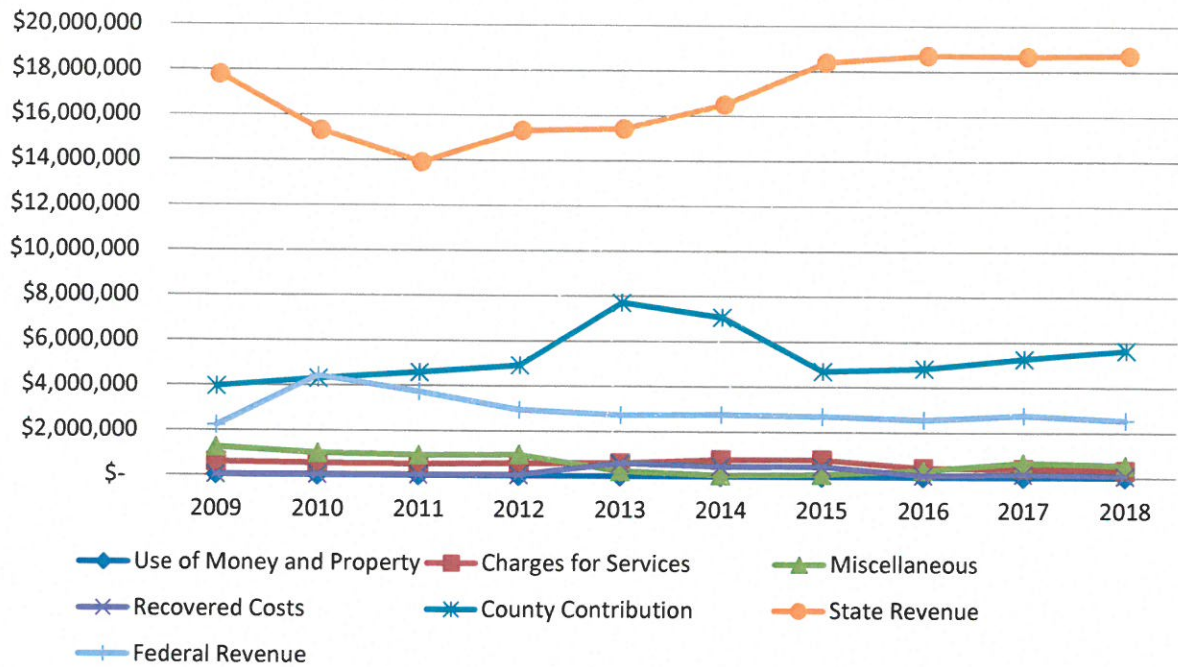
Debt per Capita by Fiscal Year



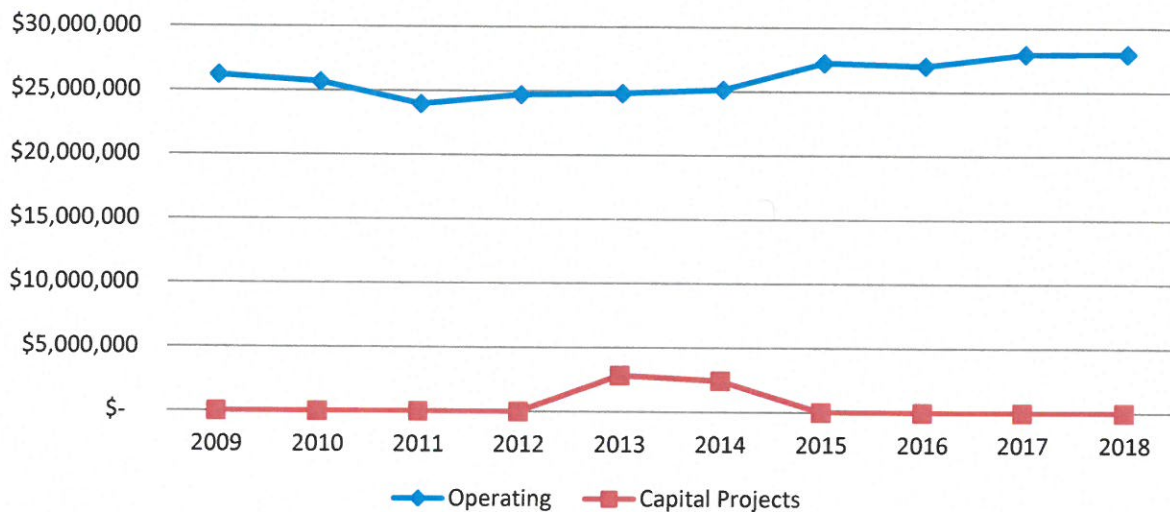
County of Patrick, Virginia
School Fund Summary

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Annualized Growth Rates
REVENUES											
Revenue from the use of money and property	\$ 37,907	\$ 11,147	\$ 9,499	\$ 8,261	\$ 7,317	\$ 4,985	\$ 7,202	\$ 12,705	\$ 4,059	\$ 2,553	-25.90%
Charges for services	609,877	551,318	518,767	583,601	588,637	765,674	769,283	424,114	403,399	339,549	-6.30%
Miscellaneous	1,261,148	1,006,981	922,616	960,057	243,992	76,178	117,329	323,340	670,888	558,359	-8.66%
Recovered costs	58,803	55,041	58,561	61,652	591,440	466,496	473,709	100,433	162,164	92,269	5.13%
Intergovernmental revenues:											
Local government	3,960,665	4,312,848	4,592,023	4,922,378	7,715,381	7,081,333	4,702,134	4,835,477	5,275,545	5,652,209	4.03%
Commonwealth	17,788,336	15,319,278	13,913,364	15,325,386	15,418,503	16,506,664	18,388,962	18,710,341	18,694,892	18,719,997	0.57%
Federal	2,228,707	4,430,659	3,725,869	2,945,633	2,728,017	2,768,628	2,699,015	2,565,428	2,768,171	2,554,742	1.53%
Total revenues	\$ 25,945,443	\$ 25,687,272	\$ 23,740,699	\$ 24,806,968	\$ 27,293,287	\$ 27,669,958	\$ 27,157,634	\$ 26,971,838	\$ 27,969,118	\$ 27,919,678	0.82%
EXPENDITURES											
Current:											
Education	\$ 26,220,859	\$ 25,701,095	\$ 23,978,329	\$ 24,730,315	\$ 24,839,976	\$ 25,152,401	\$ 27,254,877	\$ 27,037,612	\$ 27,976,470	\$ 28,014,198	0.74%
Capital projects	-	-	-	-	2,842,676	2,429,926	-	-	-	-	
Total expenditures	\$ 26,220,859	\$ 25,701,095	\$ 23,978,329	\$ 24,730,315	\$ 27,682,652	\$ 27,582,327	\$ 27,254,877	\$ 27,037,612	\$ 27,976,470	\$ 28,014,198	
Excess (deficiency) of revenues over (under) expenditures	\$ (275,416)	\$ (13,823)	\$ (237,630)	\$ 76,653	\$ (389,365)	\$ 87,631	\$ (97,243)	\$ (65,774)	\$ (7,352)	\$ (94,520)	
Fund balances - beginning	118,457	(156,959)	(170,782)	(408,412)	(331,759)	253,592	341,223	243,980	178,206	170,854	
Fund balances - ending	\$ (156,959)	\$ (170,782)	\$ (408,412)	\$ (331,759)	\$ (721,124)	\$ 341,223	\$ 243,980	\$ 178,206	\$ 170,854	\$ 76,334	-192.30%

School Fund Revenue by Fiscal Year



School Expenditures by Fiscal Year



County of Patrick, Virginia
Review of Cash Balances
FY18 Audit Presentation

GENERAL FUND							
Account	Description	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
1000-100	Cash Balance - General Fund	1,940,694	1,178,250	2,741,992	1,730,382	2,713,939	3,132,937
1000-101	Cash Balance - General Fund (LGIP)	1,391	1,012,496	-	-	-	-
1000-106	Cash Balance Law Library	18,978	17,951	16,973	15,965	14,992	-
1000-107	Cash Balance Courthouse Maint	36,039	30,945	25,798	20,416	14,828	9,841
1000-112	Cash Balance Courthouse Security	10,642	3,118	2,845	2,007	4,565	1,927
1000-114	Cash Balance Capital Depreciation	178,473	175,859	174,541	173,979	173,784	173,606
1000-117	Cash Balance Fire Programs	126,300	102,627	96,718	91,737	34,194	29,652
1000-118	Cash Balance Four For Life	12,550	16,312	29,211	29,146	33,019	-
1000-128	Cash Balance Treasurer's Deferred Account	129	141	-	-	-	-
1000-129	Cash Balance Non-Judicial Sale Escrow Account	241	-	-	-	-	-
1000-130	Cash Balance Skate Park Fund	18,717	-	-	-	-	-
1000-301	Cash Balance Prepaid Taxes	1,265,568	1,135,421	1,125,236	1,059,887	1,004,616	1,001,984
1000-302	Cash Balance Inmate Medical	10,735	50,206	5,333	2,809	23,405	8,600
1000-305	Cash Balance Contingency	1,309,174	2,569,535	2,552,877	2,542,172	2,537,196	2,533,460
1000-306	Cash Balance CSA	-	-	-	44,338	71,588	36,848
1000-370	Cash Balance Spay and Neuter	195	124	124	124	65	64
1000-401	Cash Balance HEM	6,842	8,946	5,746	3,886	7,708	6,178
1000-610	Cash Stormwater	6,289	651	1,728	-	-	-
1000-630	Cash Balance Inmate Daily	9,002	12,789	2,790	24,888	9,462	10,397
1000-800	Cash Balance Cap Equip Fire and Rescue	189,262	130,219	256,924	139,655	143,842	100,724
1000-805	Petty Cash - Sheriff	4,395	21,926	19,729	24,935	26,911	14,939
1000-806	DARE Fund	993	2,094	-	-	-	-
1000-810	CASH BALANCE - REASSESSMENT	-	-	-	-	-	201,789
1000-900	Cash Balance Fred Clifton Park	3,665	3,633	3,593	3,570	3,541	-
1000-901	Cash Balance Transient Occupancy Tax Fund	181,988	375,041	424,413	340,960	-	-
1000-950	Cash Balance Recreation Committee	-	-	-	-	22,978	-
Total General Fund Cash		5,332,262	6,848,284	7,486,571	6,250,856	6,840,633	7,262,946
Total Unassigned General Fund Cash		4,523,245.00	5,896,494.00	6,421,833.00	5,332,441.00	6,255,751.00	6,668,381.00
Annual Change in Unassigned Cash		(1,373,249.00)	(525,339.00)	1,089,392.00	(923,310.00)	(412,630.00)	
Total Change 2014-2018		(2,145,136.00)					

HEALTH INSURANCE FUND							
Account	Description	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
1000-004	Cash Balance - Health Insurance Fund	578,527	336,102	925,106	1,419,243	1,365,776	1,584,835
1100-001	LGIP Health Insurance fund	301,004	131,452	-	-		
	Total Health Insurance Fund Cash	879,531	467,554	925,106	1,419,243	1,365,776	1,584,835
	Annual Change in Cash	411,977.00	(457,552.00)	(494,137.00)	53,467.00	(219,059.00)	
	Total Change 2014-2018	(705,304.00)					

Summary Information on the Implementation of GASB Nos. 68 and 71

In the fiscal year ending June 30, 2015, the County and School Board implemented provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

Key provisions of these Statements are:

1. The County and School Board will present a net pension asset or liability for the difference between investments held in trust and the present value of projected pension benefits owed. Normally, the reported net pension asset or liability will be based on an actuarial valuation from the prior fiscal year. (i.e. net pension assets and liabilities reported at June 30, 2018 were based on an actuarial valuation as of June 30, 2016 measured as of June 30, 2017).
2. Contributions to pension plans after the valuation date, but before the end of the fiscal year are not reported as expenses, rather they are reported as deferred outflows in the statement of net position (balance sheet).
3. Investment earnings in any given year that exceed or fall short of each pension plan's projected earnings rate (7% for VRS) are reported as deferred inflows or outflows in the statement of net position (balance sheet) and amortized over future periods (currently 5 years).
4. Changes in expected and actual experience and changes in proportion are reported as deferred inflows or outflows in the statement of net position and amortized over future periods (currently 5 years).

The following table presents the net pension (asset) liability of the County and School Board using discount rates utilized by each pension plan as well as what the net pension (asset) liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	(6.00%)	(7.00%)	(8.00%)
<u>Virginia Retirement System Plan</u>			
County's net pension liability (asset)	\$ 5,776,539	\$ 2,684,915	\$ 114,801
School Board's net pension liability (asset) (Teachers Pool)	\$31,202,000	\$20,894,000	\$12,368,000
School Board's net pension liability (asset) (Non-professional employees)	\$ 1,049,114	\$ 278,956	\$ (374,210)

Summary Information on GASB Nos. 75 and 85

For the fiscal year ending June 30, 2018, the County and School Board implemented provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) and GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 resulted in a restatement of beginning net position, see Note 20, while GASB No. 85 had no financial statement impact.

Under the provisions of GASB Statement No. 75, the County and School Board will present a net OPEB asset or liability for the difference between investments held in trust and the present value of projected OPEB liabilities owed.

Health Insurance OPEB
VRS related OPEB's (GLI and HIC, as applicable)
Total Net OPEB Liabilities

Fiscal Year 2018	
County	School Board
\$ 275,604	\$ 2,871,931
451,000	3,382,000
\$ 726,604	\$ 6,253,931

The following table presents the net OPEB (assets) liabilities as reported as well as their sensitivity to 1% fluctuations in the discount rates used to calculate the (assets) liabilities for a select few liabilities reported:

	Rate		
	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Health Insurance OPEB:			
County	\$ 295,745	\$ 275,604	\$ 256,972
School Board	\$ 3,109,292	\$ 2,871,931	\$ 2,650,142

	Rate		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Group Life Insurance OPEB:			
County	\$ 583,000	\$ 451,000	\$ 344,000
School Board	\$ 1,597,000	\$ 1,234,000	\$ 940,000

	Rate		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Health Insurance Credit OPEB:			
School Board	\$ 2,397,000	\$ 2,148,000	\$ 1,936,000

Note: Positive numbers indicate liabilities while negative numbers indicate assets.

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Report

Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

We have examined management of the County of Patrick, Virginia's assertion that the census data reported to the Virginia Retirement System by the County of Patrick, Virginia during the year ended June 30, 2018, were complete and accurate based on the criteria set forth by the Virginia Retirement System and the Board of Trustees' plan provisions as mandated in §51.1-136 of the Code of Virginia. County of Patrick, Virginia's management is responsible for its assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that the census data reported to the Virginia Retirement System by the County of Patrick, Virginia during the year ended June 30, 2018, were complete and accurate based on the criteria set forth by the Virginia Retirement System and the Board of Trustees' plan provisions as mandated in §51.1-136 of the Code of Virginia, is fairly stated, in all material respects.

This report is intended solely for the information and use of County of Patrick, Virginia and the Auditor of Public Accounts of the Commonwealth of Virginia and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
September 28, 2018

cc: School Board
Local Governing Body

Appendix A

We identified two control environment during this review, one for which the County of Patrick, Virginia was responsible, one for which the County of Patrick, Virginia's School Board was responsible.

The following table reflects the population size and sample size for each procedure performed over the control environment for which County of Patrick, Virginia was responsible:

Required Audit Procedure	Population Size	Sample Size	Risks and Other Considerations Used to Determine Sample Size
Review of Census Data Elements *	145	15	No risk identified - see note below for documentation of sample size
Review of Eligibility of Newly Enrolled Members Reported to the VRS **	20	4	No risk identified - see note below for documentation of sample size
Review of Monthly myVRS Navigator Contribution Confirmation Reconciliations ***	12	3	No risk identified - see note below for documentation of sample size
Review of myVRS Navigator System Access ****	2	2	No risk identified - tested 100% of the population based on cost/benefit analysis

The following table reflects the population size and sample size for each procedure performed over the control environment for which County of Patrick, Virginia's School Board was responsible:

Required Audit Procedure	Population Size	Sample Size	Risks and Other Considerations Used to Determine Sample Size
Review of Census Data Elements *	517	25	No risk identified - see note below for documentation of sample size
Review of Eligibility of Newly Enrolled Members Reported to the VRS **	59	7	No risk identified - see note below for documentation of sample size
Review of Monthly myVRS Navigator Contribution Confirmation Reconciliations ***	24	6	No risk identified - see note below for documentation of sample size
Review of myVRS Navigator System Access ****	5	5	No risk identified - tested 100% of the population based on cost/benefit analysis

**** Note: Refer to corresponding number of asterisks in the Audit Specifications for the applicable audit procedures.

Sample sizes are based on a 5% tolerable rate and approximately a 75% confidence level for populations over 250. Sample sizes for populations under 250 are based on a percentage of the population which is not less than 10%.

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: November 30, 2018

Memorandum to: Tom Rose, County Administrator

From: Robinson, Farmer, Cox Associates

Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of County of Patrick, Virginia for the year ended June 30, 2018, we considered the County's internal control structure to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience.

County:

Procurement

During our review of procurement, we found the County had not obtained bids/quotes for waste hauling. We recommend the County obtain bids as required by the Virginia Public Procurement Act.

County Response:

The County has been under a ten (10) year contract with Waste Management. The contract states that a one (1) year notice prior to the end of the contract if we want to put this service out for bid. This contract expires December 17, 2019 and a notification letter dated November 30, 2018 has been forwarded to Waste Management of our intent to go out for bid in 2019.

BLACKSBURG OFFICE
STREET ADDRESS:
108 SOUTH PARK DRIVE
BLACKSBURG, VIRGINIA 24060

SCOTT WICKHAM, CPA, CFE, MEMBER

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Communication with Those Charged with Governance

To the Board of Supervisors County of Patrick, Virginia

We have audited the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Patrick, Virginia for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 12, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by County of Patrick, Virginia are described in Note 1 to the financial statements. As described in Note 20 to the financial statements, County of Patrick, Virginia changed accounting policies related to other postemployment benefits by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and No. 85 *Omnibus 2017*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 20 of the financial statements. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the County's financial statements were:

Management's estimate of the depreciation is based on the straight line method. We evaluated the key factors and assumptions used to develop the useful lives of assets and related depreciation calculation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts for property taxes and EMS accounts receivable is based on historical data. Amounts over a certain period delinquent are written off as uncollectible. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of net pension and OPEB liabilities is based on the entry age actuarial cost method. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of incurred but not reported (IBNR) insurance liability is based on industry standards and provided by the insurance provider. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the schedules related to pension and OPEB funding, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI. Our responsibility with respect to the budgetary comparison information, which also supplements the basic financial statements, is to evaluate the presentation of the schedules in relation to the financial statements as a whole and to report on whether it is fairly stated, in all material respects, in relation to the financial statements as a whole.

We were engaged to report on other supplementary information and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on introductory section and other statistical information, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Board of Supervisors and management of the County of Patrick, Virginia and is not intended to be, and should not be, used by anyone other than these specified parties.

Robinson, Famer, Cox Associates

Blacksburg, Virginia
November 30, 2018