County of Patrick, Virginia

Audit Presentation

For Year Ended June 30, 2022

December 12, 2022

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RFC
CPAs | Consultants

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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, 2013-2022. 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, 2013-2022. 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 12, 2022

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County of Patrick, Virginia
General Fund Summary

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Annualized Growth Rates
REVENUES											
General property taxes	$ 11,301,734	$ 11,378,490	$ 11,501,012	$ 11,995,394	$ 12,298,113	$ 12,358,878	$ 13,685,589	$ 14,542,405	$ 14,651,305	$ 15,282,528	3.41%
Other local taxes	2,205,676	2,228,527	2,397,795	2,495,653	2,540,893	2,580,028	2,630,959	2,785,240	3,577,053	5,323,716	10.29%
Permits, privilege fees, and regulatory licenses	60,007	81,031	66,183	54,022	64,790	80,507	68,349	72,788	88,880	112,163	
Fines and forfeitures	18,201	18,892	17,507	24,692	27,388	20,530	28,190	20,401	37,064	28,594	
Revenue from the use of money and property	21,985	28,118	21,202	27,727	43,233	44,076	51,894	47,465	25,930	33,799	
Charges for services	282,248	336,837	348,042	318,352	330,253	414,901	551,942	558,090	538,435	795,317	
Miscellaneous	203,037	84,537	150,626	59,879	87,220	92,938	88,385	198,114	317,355	171,033	
Recovered costs	704,494	670,064	781,215	756,305	873,238	964,697	819,194	919,236	1,022,770	1,459,903	
Intergovernmental	6,077,687	5,312,699	5,378,074	5,829,938	6,344,103	6,300,190	6,545,977	6,931,765	9,996,723	8,426,650	3.70%
Total revenues	$ 20,875,069	$ 20,139,195	$ 20,661,656	$ 21,561,962	$ 22,609,231	$ 22,856,745	$ 24,470,479	$ 26,075,504	$ 30,255,515	$ 31,633,703	4.73%
EXPENDITURES											
General government administration	$ 1,302,404	$ 1,596,476	$ 1,480,422	$ 1,359,604	$ 1,441,604	$ 1,440,861	$ 1,441,172	$ 1,722,099	$ 1,672,637	$ 1,661,445	2.74%
Judicial administration	714,323	724,378	815,155	836,644	882,011	1,049,636	1,139,437	1,249,062	1,269,756	1,247,700	6.39%
Public safety	5,233,932	6,016,498	6,163,896	5,866,635	6,628,684	7,740,086	7,536,155	7,795,372	8,551,024	8,327,673	5.30%
Public works	1,376,564	1,391,541	1,403,761	1,407,136	1,518,445	1,623,260	1,512,428	1,519,158	1,951,110	1,650,557	2.04%
Health and welfare	1,738,616	1,695,066	1,844,185	2,088,069	2,392,126	2,639,148	2,891,408	2,988,596	3,214,619	3,767,388	8.97%
Education	4,584,994	4,660,379	4,718,631	4,851,974	5,292,042	5,669,531	4,691,554	4,767,759	4,550,396	6,300,931	3.60%
Parks, recreation, and cultural	484,690	482,503	547,008	551,805	550,873	579,790	513,155	508,802	535,378	557,735	1.57%
Community development	1,890,320	630,345	1,018,031	697,115	878,387	1,028,313	927,193	872,151	1,348,752	1,116,995	-5.68%
Nondepartmental	-	-	-	-	-	-	-	-	264,006	21,000	
Capital Projects	274,028	132,740	245,054	1,443,605	800,553	194,234	268,442	140,619	79,948	35,438	-20.33%
Debt service	2,998,449	3,015,908	3,396,738	2,572,960	2,575,599	2,202,987	6,787,148	2,406,694	2,702,187	2,834,260	-0.62%
Total expenditures	$ 20,598,320	$ 20,345,834	$ 21,632,881	$ 21,675,547	$ 22,960,324	$ 24,167,846	$ 27,708,092	$ 23,970,312	$ 26,139,813	$ 27,521,122	3.27%
Excess (deficiency) of revenues over (under) expenditures	$ 276,749	$ (206,639)	$ (971,225)	$ (113,585)	$ (351,093)	$ (1,311,101)	$ (3,237,613)	$ 2,105,192	$ 4,115,702	$ 4,112,581	
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	-	-	-	-	150,000	4,278	1,027	
Transfers out	(431,562)	(224,313)	(206,898)	(169,049)	(194,349)	(250,402)	(3,409,060)	(820,073)	(310,911)	-	
Net bond/lease issuance	-	-	476,355	1,188,117	-	352,320	6,871,000	-	-	152,001	
Sale of capital assets	-	50,000	-	-	-	-	-	-	-	-	
Total other financing sources (uses)	$ (431,562)	$ (174,313)	$ 269,457	$ 1,019,068	$ (194,349)	$ 101,918	$ 3,461,940	$ (670,073)	$ (306,633)	$ 153,028	
Net change in fund balances	$ (154,813)	$ (380,952)	$ (701,768)	$ 905,483	$ (545,442)	$ (1,209,183)	$ 224,327	$ 1,435,119	$ 3,809,069	$ 4,265,609	
Fund balances - beginning	7,656,625	7,501,812	7,189,662	6,487,894	7,393,377	6,847,935	5,638,752	5,863,079	7,172,113	10,981,182	
Fund balances - ending	$ 7,501,812	$ 7,120,860	$ 6,487,894	$ 7,393,377	$ 6,847,935	$ 5,638,752	$ 5,863,079	$ 7,298,198	$ 10,981,182	$ 15,246,791	8.20%

Summarized from Financial Reports for the fiscal years listed above.

County of Patrick, Virginia
Calculation of Operating Reserve

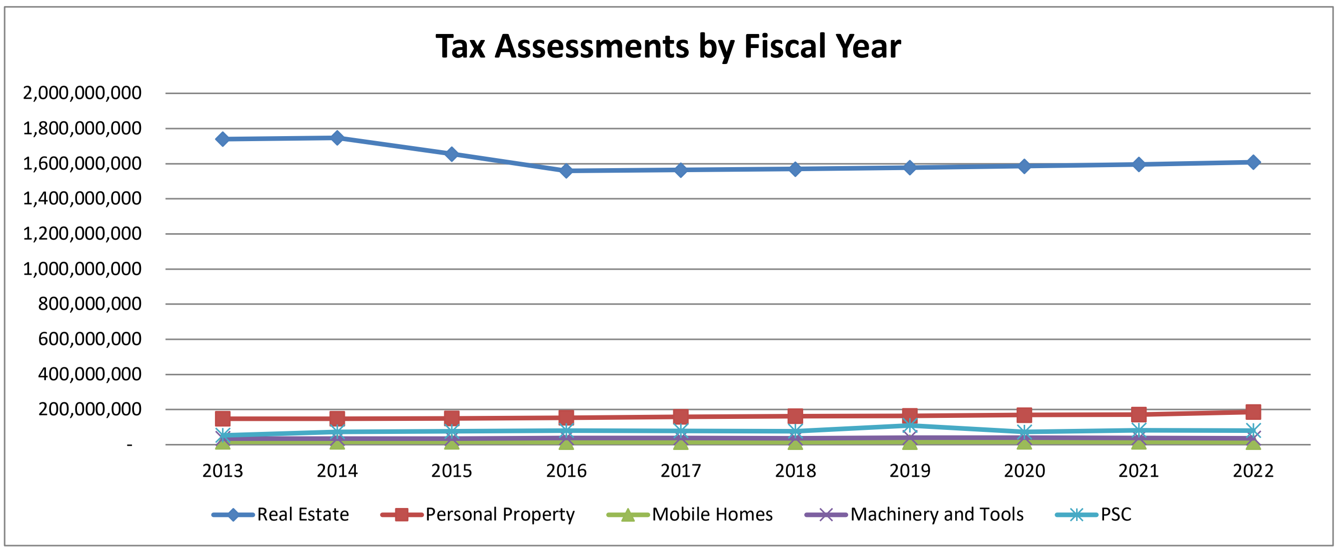
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Ending General Fund Balance	$ 7,501,812	$ 7,120,860	$ 6,487,894	$ 7,393,377	$ 6,847,935	$ 5,638,752	$ 5,863,079	$ 7,298,198	$ 10,981,182	$ 15,246,791	8.20%
Ending General Fund Cash and Investments Balance	$ 7,262,946	$ 6,840,633	$ 6,250,856	$ 7,486,571	$ 6,848,284	$ 5,332,262	$ 5,440,868	$ 7,933,424	$ 11,269,141	$ 16,345,418	9.43%
Total County General Fund operating expenditures	$ 20,598,320	$ 20,345,834	$ 21,632,881	$ 21,675,547	$ 22,960,324	$ 24,167,846	$ 27,708,092	$ 23,970,312	$ 26,139,813	$ 27,521,122	
School Board operating expenditures	24,730,315	24,839,976	25,152,401	27,254,877	27,976,470	28,014,198	27,736,587	26,874,769	29,477,401	35,662,684	4.15%
Local contribution to School Board	(4,584,994)	(4,660,379)	(4,718,631)	(4,702,134)	(5,275,545)	(5,652,209)	(4,674,232)	(4,750,437)	(4,533,396)	(6,283,931)	3.56%
Net Operating Expenditures	$ 40,743,641	$ 40,525,431	$ 42,066,651	$ 44,228,290	$ 45,661,249	$ 46,529,835	$ 50,770,447	$ 46,094,644	$ 51,083,818	$ 56,899,875	
Ending Fund Balance as a % of Operating Expenditures	18.4%	17.6%	15.4%	16.7%	15.0%	12.1%	11.5%	15.8%	21.5%	26.8%	
Ending Cash Balance as a % of Operating Expenditures	17.8%	16.9%	14.9%	16.9%	15.0%	11.5%	10.7%	17.2%	22.1%	28.7%	
Unassigned Fund Balance	$ 7,153,078	$ 6,971,591	$ 6,468,359	$ 7,357,511	$ 5,849,512	$ 4,773,146	$ 4,924,895	$ 6,411,718	$ 9,896,194	$ 12,945,484	6.81%
Ending Unassigned FB as a % of Operating Expenditures	17.6%	17.2%	15.4%	16.6%	12.8%	10.3%	9.7%	13.9%	19.4%	22.8%	

GFOA recommends a minimum unassigned fund balance of 2 months (or 16.67%) of general operating expenditures as well as considering each local governments economics and planning (www.gfoa.org/fund-balance-guidelines-general-fund).

Summarized from Financial Reports for the fiscal years listed above.

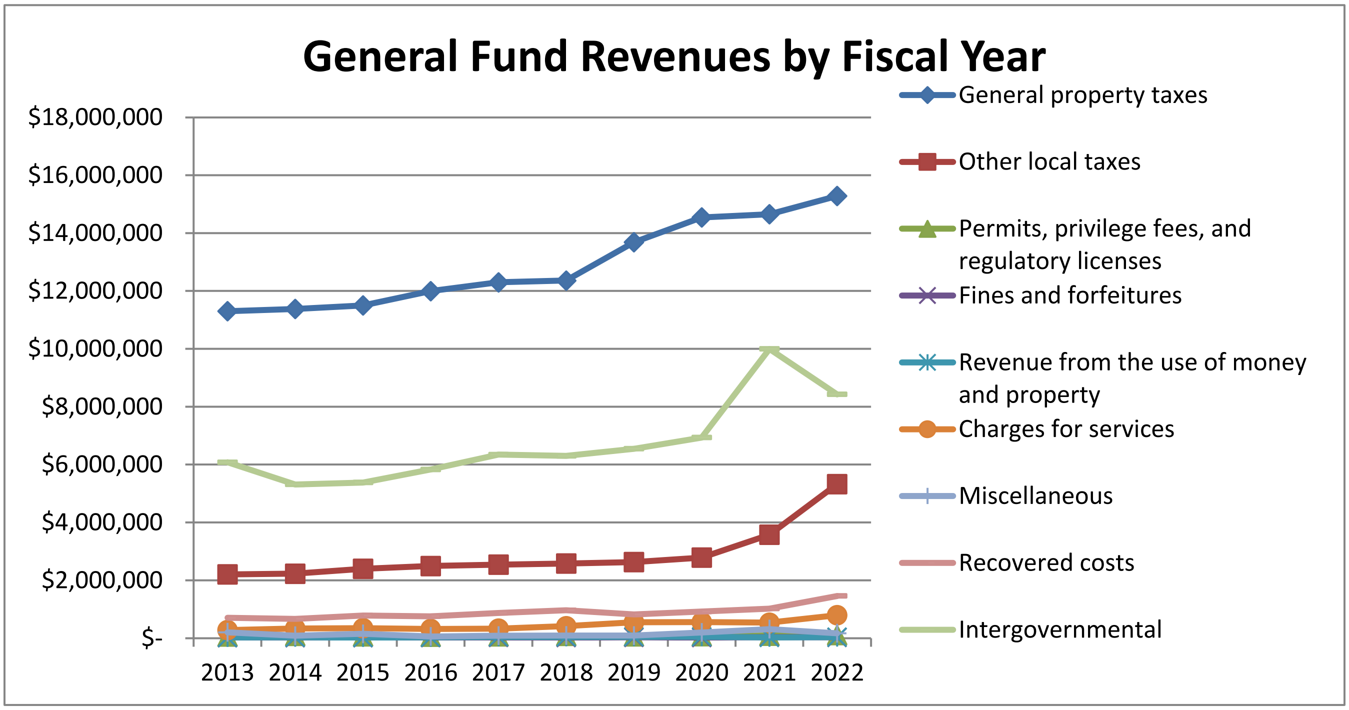
County of Patrick, Virginia
Summary of Original Tax Assessments

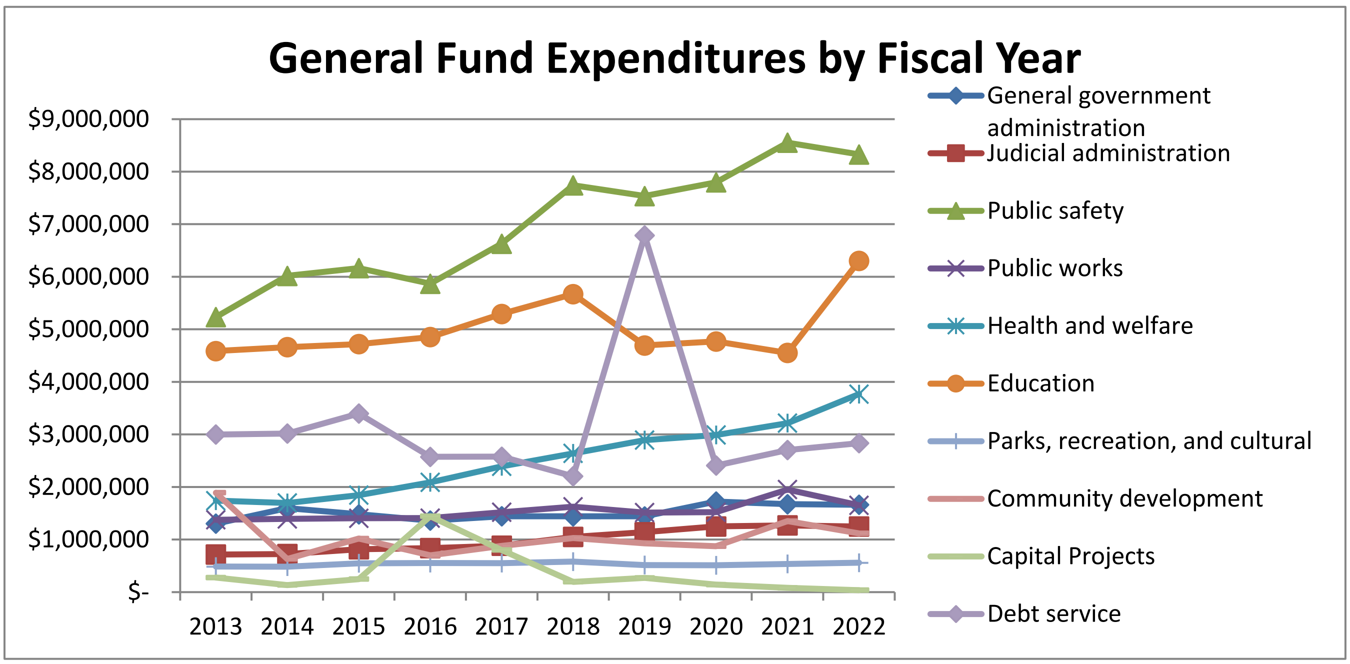
Fiscal Year	Real Estate	Tax Rate	Personal Property	Tax Rate	Mobile Homes	Tax Rate	Machinery and Tools	Tax Rate	PSC	Total	Percentage Increase
2013	1,739,594,600	0.48	147,329,828	1.71	16,502,151	0.48	34,548,797	1.71	52,520,654	1,990,496,030	
2014	1,747,596,250	0.48	147,834,214	1.71	16,690,380	0.48	35,330,203	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%
2019	1,577,743,350	0.57/.68	164,770,905	1.71	15,600,268	0.57	40,999,490	1.71	110,107,807	1,909,221,820	2.539%
2020	1,585,562,750	0.68	168,842,522	1.71	15,944,504	0.68	40,593,034	1.71	72,310,995	1,883,253,805	-1.360%
2021	1,595,935,950	0.68	171,424,670	1.71	16,350,511	0.68	38,629,724	1.71	81,559,947	1,903,900,802	1.096%
2022	1,607,962,200	0.68./.73	186,140,233	1.71	14,672,879	0.68./.73	37,099,657	1.71	80,534,559	1,926,409,528	1.182%
Average	1,620,268,000		161,080,321		15,792,181		37,640,073		78,251,631	1,913,032,206	
Annualized Growth Rates	-0.87%		2.63%		-1.30%		0.79%		4.86%	-0.36%	

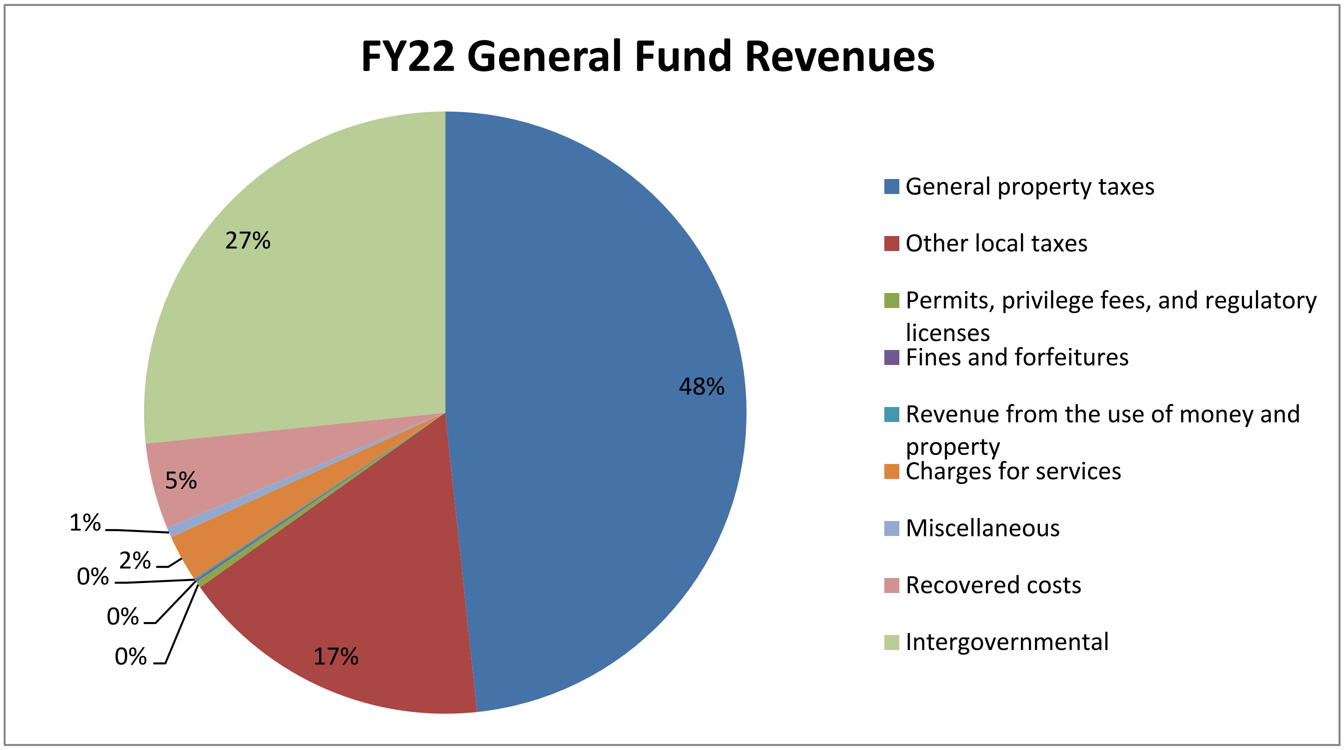


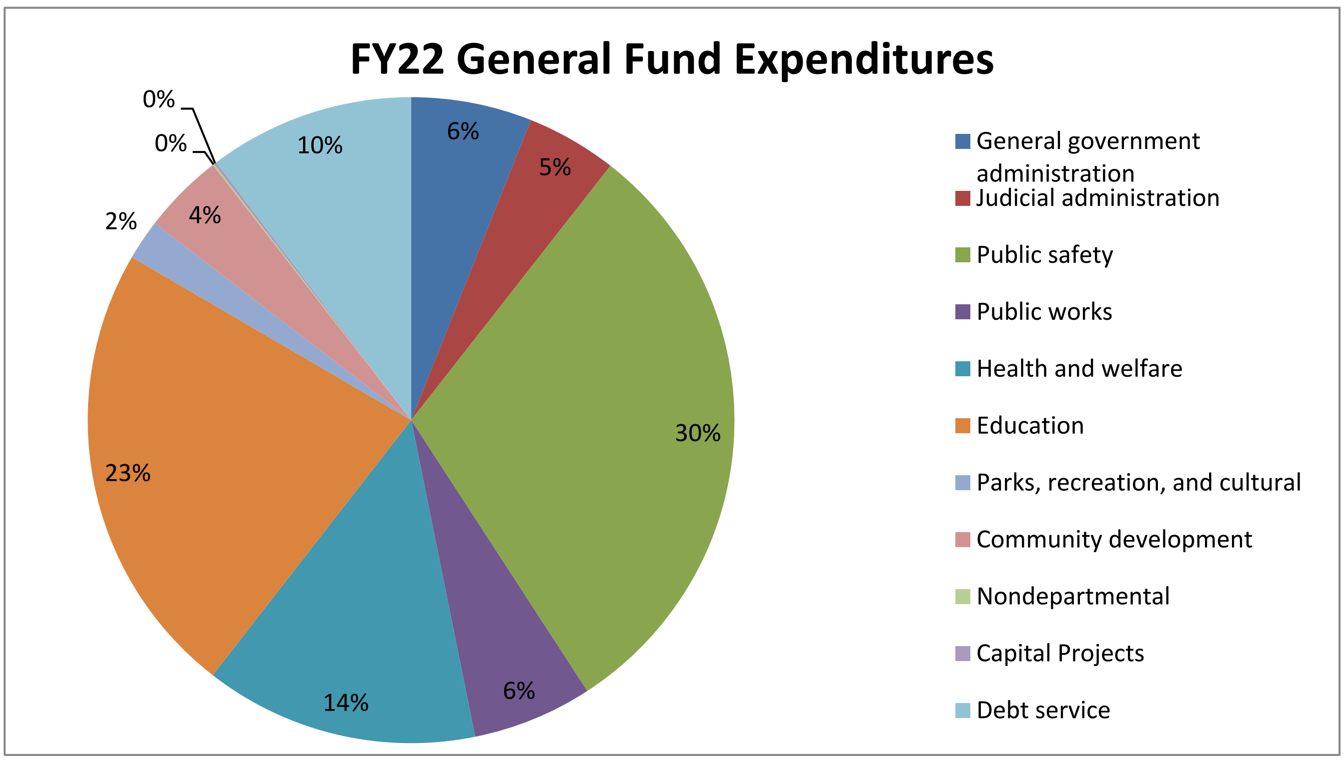
County of Patrick, Virginia
Summary of Debt

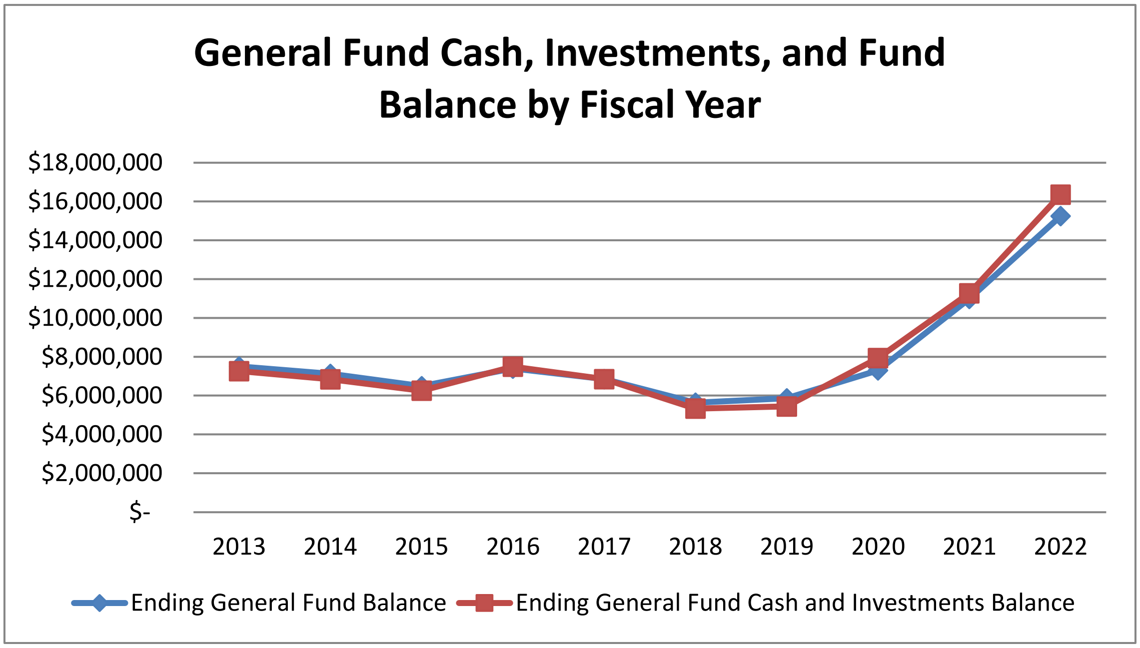
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Annualized Growth Rates
Total Outstanding Debt - General	$ 37,328,072	$ 36,278,096	$ 40,732,223	$ 41,123,170	$ 40,955,317	$ 39,263,923	$ 41,683,816	$ 42,110,731	$ 41,932,513	$ 35,760,529	-0.48%
Total Outstanding Debt - Schools	992,070	1,202,300	22,964,336	24,111,612	26,640,954	27,895,586	26,357,390	27,750,941	29,223,344	17,705,353	37.74%
Total Outstanding Debt - Water/Sewer	3,508,640	3,466,679	3,423,009	3,377,560	3,330,259	3,281,032	-	-	-	-	
Grand Total Outstanding Debt	$ 41,828,782	$ 40,947,075	$ 67,119,568	$ 68,612,342	$ 70,926,530	$ 70,440,541	$ 68,041,206	$ 69,861,672	$ 71,155,857	$ 53,465,882	2.76%
Population (Census)/APA Comparative Cost Report	18,691	18,691	18,718	18,718	18,039	18,039	17,790	17,790	17,608	17,608	-0.66%
Debt per Capita:											
County of Patrick, Virginia (Total Debt)	$ 2,238	$ 2,191	$ 3,586	$ 3,666	$ 3,932	$ 3,905	$ 3,825	$ 3,927	$ 4,041	$ 3,036	3.45%
State Avg. per APA	2,757	2,757	3,509	3,645	3,918	4,017	3,991	4,222	4,502	4,502	

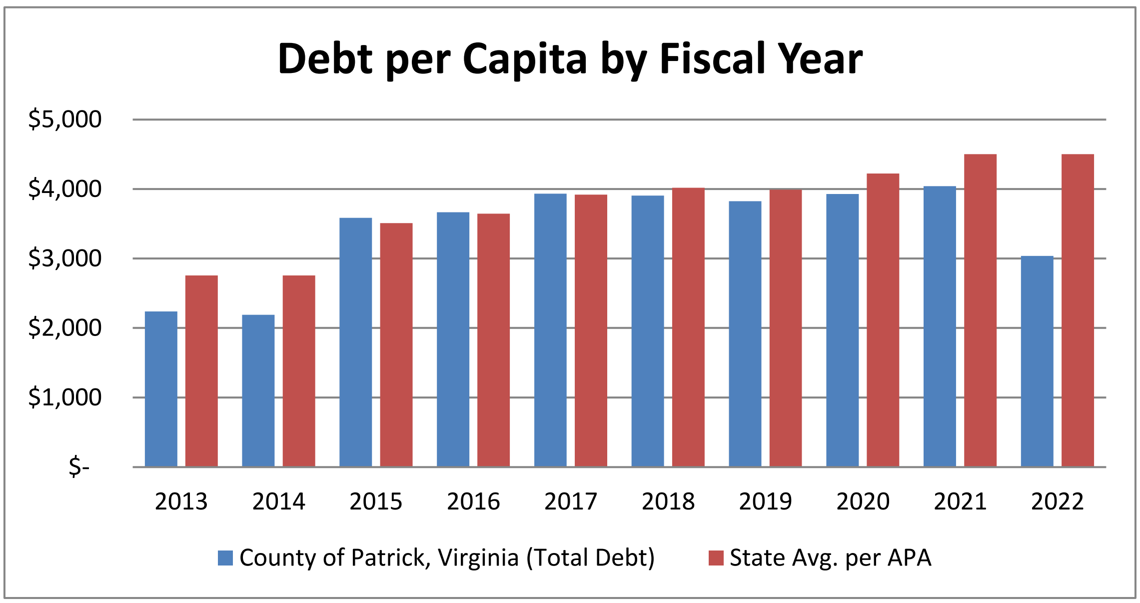

General Fund Revenues by Fiscal Year
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022
General property taxes
Other local taxes
Permits, privilege fees, and regulatory licenses
Fines and forfeitures
Revenue from the use of money and property
Charges for services
Miscellaneous
Recovered costs
Intergovernmental


General Fund Expenditures by Fiscal Year
$9,000,000
$8,000,000
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$-
2013 2014 2015 2016 2017 2018 2019 2020 2021 2022
General government administration
Judicial administration
Public safety
Public works
Health and welfare
Education
Parks, recreation, and cultural
Community development
Capital Projects
Debt service


FY22 General Fund Revenues
48%
17%
0%
0%
0%
2%
1%
5%
27%
General property taxes
Other local taxes
Permits, privilege fees, and regulatory licenses
Fines and forfeitures
Revenue from the use of money and property
Charges for services
Miscellaneous
Recovered costs
Intergovernmental

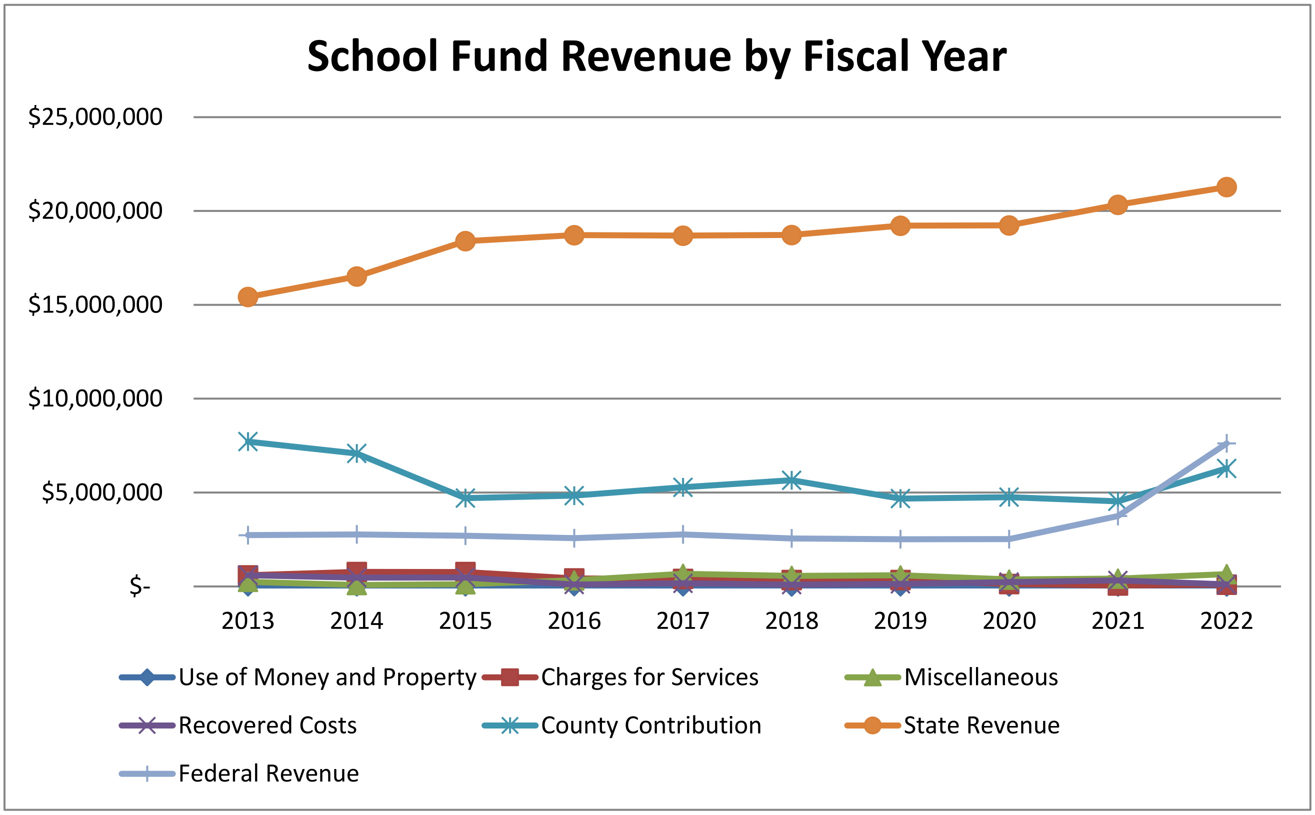

FY22 General Fund Expenditures
6%
5%
30%
6%
14%
23%
2%
4%
0%
0%
10%
General government administration
Judicial administration
Public safety
Public works
Health and welfare
Education
Parks, recreation, and cultural
Community development
Nondepartmental
Capital Projects
Debt service

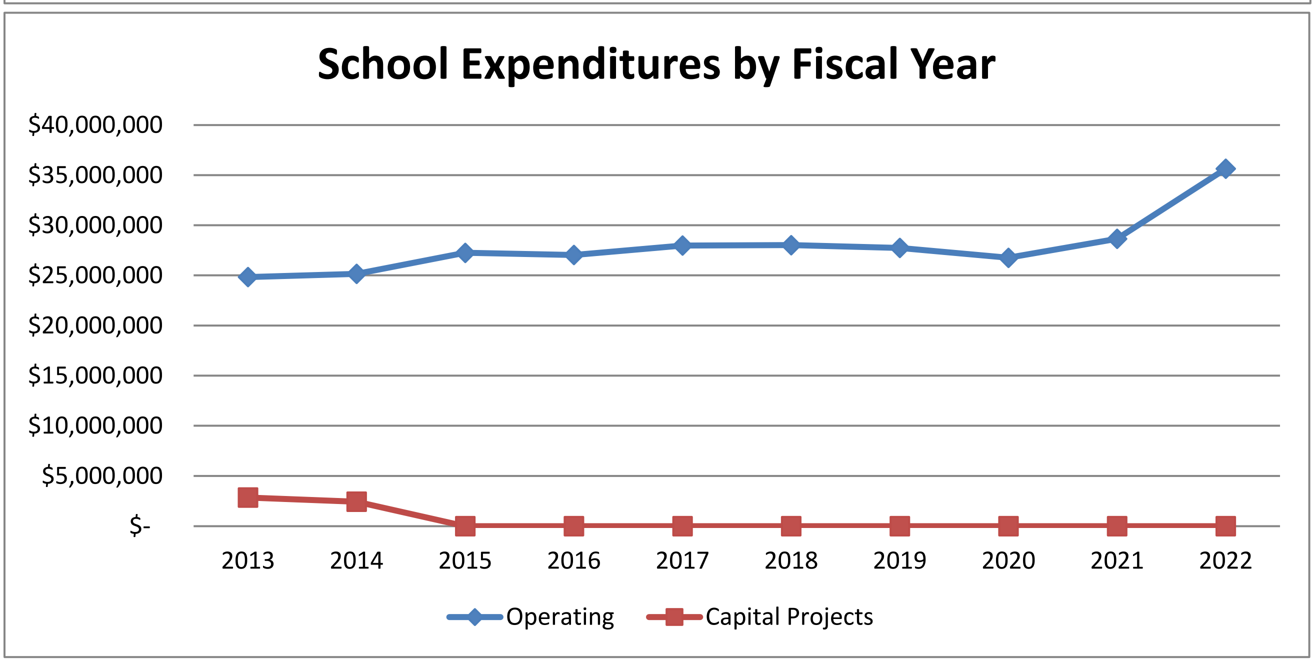

General Fund Cash, Investments, and Fund Balance by Fiscal Year
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Ending General Fund Balance
Ending General Fund Cash and Investments Balance


Debt per Capita by Fiscal Year
$5,000
$4,000
$3,000
$2,000
$1,000
$-
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
County of Patrick, Virginia (Total Debt)
State Avg. per APA

County of Patrick, Virginia
School Fund Summary

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Annualized Growth Rates
REVENUES											
Revenue from the use of money and property	$ 7,317	$ 4,985	$ 7,202	$ 12,705	$ 4,059	$ 2,553	$ 2,994	$ 1,796	$ 259	$ 844	-21.34%
Charges for services	588,637	765,674	769,283	424,114	403,399	339,549	339,379	130,393	50,604	93,308	-18.51%
Miscellaneous	243,992	76,178	117,329	323,340	670,888	558,359	587,569	366,246	412,897	653,984	11.58%
Recovered costs	591,440	466,496	473,709	100,433	162,164	92,269	133,551	224,883	316,199	101,310	-17.80%
Intergovernmental revenues:											
Local government	7,715,381	7,081,333	4,702,134	4,835,477	5,275,545	5,652,209	4,674,232	4,750,437	4,533,396	6,283,931	-2.25%
Commonwealth	15,418,503	16,506,664	18,388,962	18,710,341	18,684,892	18,719,997	19,212,966	19,229,575	20,327,687	21,277,402	3.64%
Federal	2,728,017	2,768,628	2,699,015	2,565,428	2,768,171	2,554,742	2,511,979	2,516,945	3,745,182	7,619,950	12.09%
Total revenues	$ 27,293,287	$ 27,669,958	$ 27,157,634	$ 26,971,838	$ 27,969,118	$ 27,919,678	$ 27,462,670	$ 27,220,275	$ 29,386,224	$ 36,030,729	3.13%
EXPENDITURES											
Current:											
Education	$ 24,839,976	$ 25,152,401	$ 27,254,877	$ 27,037,612	$ 27,976,470	$ 28,014,198	$ 27,736,587	$ 26,760,283	$ 28,650,267	$ 35,642,506	4.09%
Capital projects	2,842,676	2,429,926	-	-	-	-	-	-	-	-	
Debt service	-	-	-	-	-	-	-	114,486	114,486	20,178	
Total expenditures	$ 27,682,652	$ 27,582,327	$ 27,254,877	$ 27,037,612	$ 27,976,470	$ 28,014,198	$ 27,736,587	$ 26,874,769	$ 28,764,753	$ 35,662,684	
Excess (deficiency) of revenues over (under) expenditures	$ (389,365)	$ 87,631	$ (97,243)	$ (65,774)	$ (7,352)	$ (94,520)	$ (273,917)	$ 345,506	$ 621,471	$ 368,045	
OTHER FINANCING SOURCES (USES)											
Lease proceeds	$ -	$ -	$ -	$ -	$ -	$ -	$ 327,168	$ -	$ -	$ 8,986	
Transfer to SAF	-	-	-	-	-	-	-	-	(331,890)	(318,685)	
Fund balances - beginning	(331,759)	253,592	341,223	243,980	178,206	170,854	76,334	129,585	475,091	764,672	
Fund balances - ending	$ (721,124)	$ 341,223	$ 243,980	$ 178,206	$ 170,854	$ 76,334	$ 129,585	$ 475,091	$ 764,672	$ 823,018	-201.48%


School Fund Revenue by Fiscal Year
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$-
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Use of Money and Property
Charges for Services
Miscellaneous
Recovered Costs
County Contribution
State Revenue
Federal Revenue


School Expenditures by Fiscal Year
$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$-
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Operating
Capital Projects

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

The County and School Board report pension activity in accordance with 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, 2022 were based on an actuarial valuation as of June 30, 2020 measured as of June 30, 2021).

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 (6.75% 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		
Virginia Retirement System Plan	(5.75%)	(6.75%)	(7.75%)
County's net pension liability (asset)	$ 5,897,518	$ 1,676,804	$ (1,799,499)
School Board's net pension liability (asset) (Teachers Pool)	$21,665,987	$11,226,215	$ 2,638,108
School Board's net pension liability (asset) (Non-professional employees)	$ 327,458	$ (506,295)	$ (1,307,620)

Accounting Update – Summary of Upcoming Pronouncements by the Governmental Accounting Standards Board (GASB)[1]

GASB STATEMENT NO. 91 – Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

[1] Source of information – Governmental Accounting Standards Board. Readers may obtain complete copies of these standards at: http://www.gasb.org/

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB STATEMENT NO. 94 – Public-Public Partnership and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

GASB STATEMENT NO. 96 – Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.

- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB STATEMENT NO. 101 – Compensated Absences

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants
CPAs | CONSULTANTS

Independent Accountants' Report

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

We have examined management of County of Patrick, Virginia's assertion that the census data reported to the Virginia Retirement System by County of Patrick, Virginia during the year ended June 30, 2022, 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 management's 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.

We are required to be independent of the County of Patrick, Virginia and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2022, 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 the Auditor of Public Accounts of the Commonwealth of Virginia and the County of Patrick, Virginia's governing body, School Board, and management 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 22, 2022

cc: Local Governing Body
School Board

Appendix A

We identified two control environments during this review, one for which County of Patrick, Virginia was responsible and 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 (1)	Risks and Other Considerations Used to Determine Sample Size
Review of Census Data Elements *	191	21	No risk identified - see note below for documentation of sample size.
Review of Eligibility of Newly Enrolled Members Reported to the VRS **	42	5	No risk identified - see note below for documentation of sample size.
Review of Monthly *my*VRS Navigator Contribution Confirmation Reconciliations ***	N/A	N/A	Not tested under alternate testing
Review of *my*VRS Navigator System Access ****	N/A	N/A	Not tested under alternate testing

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 (1)	Risks and Other Considerations Used to Determine Sample Size
Review of Census Data Elements *	468	25	No risk identified - see note below for documentation of sample size.
Review of Eligibility of Newly Enrolled Members Reported to the VRS **	89	10	No risk identified - see note below for documentation of sample size.
Review of Monthly *my*VRS Navigator Contribution Confirmation Reconciliations ***	N/A	N/A	Not tested under alternate testing
Review of *my*VRS Navigator System Access ****	N/A	N/A	Not tested under alternate testing

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

(1) 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%. Prior history, staff knowledge of VRS requirements, etc. was factored into determining sample size.

RFC
CPAs | Consultants

Robinson, Farmer, Cox Associates, PLLC
Certified Public Accountants

Date:	December 7, 2022
Memorandum to:	Geri Hazelwood, 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, 2022, 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:

Conflict of Interest Forms

During our review of the required annual forms, we noted that several board members did not complete the form in entirety. We recommend all required forms be completed thoroughly, timely, and submitted to the clerk for audit purposes.

Health Insurance Fund:

We recommend the County and School Board work together to better fund the health insurance fund through monthly premium charges to better account for the per person cost. The Fund has a negative fund balance due to payables exceeding the positive cash balance in the Fund as of June 30, 2022.

Transfer Station

During our audit, we noted that the revenue collection process at the transfer station is a very manual process. We recommend the County consider purchasing a software to process billings to help ensure all revenue is properly recorded.

School Board:

Grant Reimbursement Requests

During our audit, we noted several reimbursement requests were not completed timely. We recommend all reimbursement requests be completely at least quarterly and preferably each month. If reimbursement requests are not performed timely it can lead to missing accruals and inaccurate financial information.

Blacksburg Office:
108 South Park Drive
Blacksburg, Virginia 24060
(540) 552-7322

Contact:
Scott Wickham, CPA, CFE
Member
swickham@rfca.com

School Board: **(Continued)**

Conflict of Interest Forms

During our review of the required annual forms, we noted that several Board members did not complete forms and some did not complete the form in entirety. We recommend all required forms be completed thoroughly, timely, and submitted to the clerk for audit purposes.

Accounts Payable

During our test of disbursements, we found that one invoice was paid twice, and another was overpaid. While the total error was only $156.80, we recommend ensuring internal controls are in place to prevent overpaying bills.

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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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, 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, 2022. 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 May 11, 2022. 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 24 to the financial statements, County of Patrick, Virginia changed accounting policies by adopting Statement of Governmental Accounting Standards (GASB Statement) Nos. 87, *Leases* and 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 24. 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 December 7, 2022.

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, Farmer, Cox Associates

Blacksburg, Virginia
December 7, 2022