# COUNTY OF CAROLINE, VIRGINIA

## Annual Financial Report

## For The Fiscal Year Ended June 30, 2018

# COUNTY OF CAROLINE, VIRGINIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

# FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared By:
Department of Finance

**COUNTY OF CAROLINE, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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**COUNTY OF CAROLINE, VIRGINIA**
**PRINCIPAL OFFICIALS**
**June 30, 2018**

**BOARD OF SUPERVISORS**

Nancy L. long, Chairperson

| | |
|---|---|
| Jeffrey S. Black | Clayton T. Forehand |
| Jeffery M. Sili | Floyd W. Thomas |

Reginald L. Underwood

**CONSTITUTIONAL OFFICERS**

Honorable Sarah L. Deneke ........ Judge of the Circuit Court
Susan W. Minarchi ........ Clerk of the Circuit Court
Mark R. Bissoon........ Commissioner of the Revenue
John L. Mahoney ........ Commonwealth's Attorney
Anthony "Tony" Lippa Jr.. ........Sheriff
Elizabeth B. Curran ........ Treasurer
Honorable Robert Eric Reibach ........Judge of the General District Court
Honorable Frank G. Uvanni........ Judge of the Juvenile and Domestic Relations Court
Honorable John E. Franklin ........ Judge of the Juvenile and Domestic Relations Court

**COUNTY ADMINISTRATIVE OFFICERS**

Charles M. Culley, Jr. ........County Administrator
Alan L. Partin ........ Deputy County Administrator
Benjamin Emerson ........County Attorney
Curtis S. Finney, Jr. ........Finance Director
Jason Loftus ........ Fire – EMS Chief
Donnell Howard ........Recreation Director
Joseph C. Schiebel........ Public Works / Public Utilities Director
Wendy Sneed ........ Social Services Director
Gary R. Wilson........Economic Development and Tourism Director
Michael Finchum ........Planning and Community Development Director
Megan Upshaw........Acting Library Director

**SCHOOL BOARD**

George L. Spaulding, Jr., Chairperson

| | |
|---|---|
| Dr. JoWanda Rollins-Fells | Tinka B. Harris |
| Nancy G. Carson | Shawn M. Kelley |

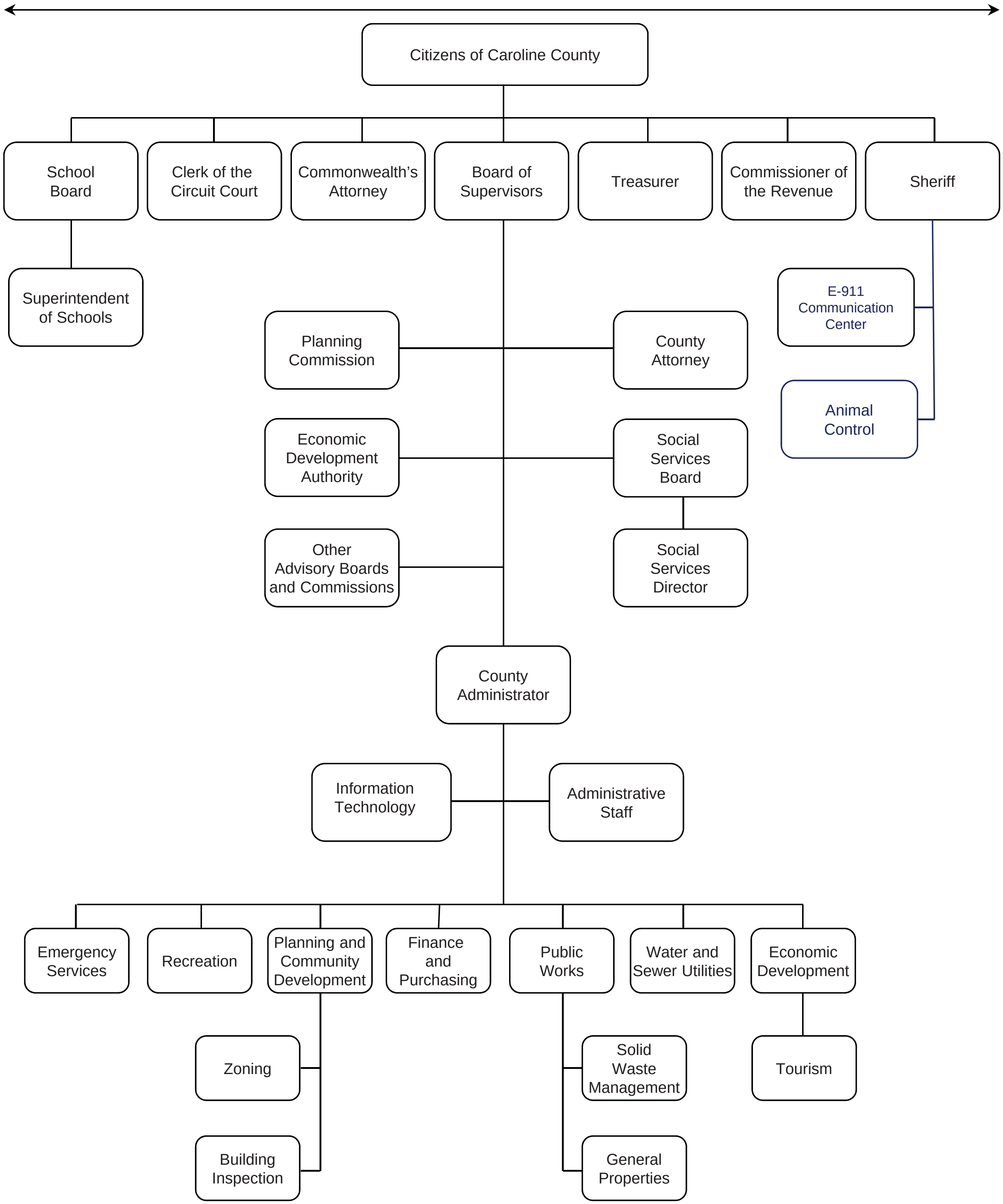
John I. Copeland

**SCHOOL BOARD ADMINISTRATIVE OFFICERS**

Dr. George Parker ........ Superintendent
Marcia Stevens ........ Finance Manager, Schools

## COUNTY OF CAROLINE, VIRGINIA

## ORGANIZATION CHART



# Caroline County, Virginia
# Board of Supervisors

Jeffrey S. Black
*Western Caroline District*

Clayton T. Forehand
*Madison District*

Nancy L. Long
*Port Royal District*

Jeffery M. Sili
*Bowling Green District*

Floyd W. Thomas
*Mattaponi District*

Reginald L. Underwood
*Reedy Church District*

Charles M. Culley, Jr.
*County Administrator*

Caroline County, VA
All-America City
2009

February 15, 2019

To the Honorable Members of the Board of Supervisors and the Citizens of Caroline County, Virginia

The Comprehensive Annual Financial Report of the County of Caroline, Virginia as of and for the fiscal year ended June 30, 2018 is herewith submitted. Section 15.2-2511 of the *Code of Virginia* essentially requires all localities to produce an independently audited financial report and this Comprehensive Annual Financial Report is provided to meet that requirement. It has been prepared by the County Department of Finance to conform with standards of financial reporting promulgated by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and the Commonwealth of Virginia Auditor of Public Accounts.

Responsibility for the completeness and reliability of all of the information presented in this report rests with Caroline County management. In order to take meaningful responsibility, County management must have reasonable assurance the underlying financial information on which the report is based is also accurate and reliable. To that end, County management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance the financial statements will be free from material misstatement. As management, we assert, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

It would be irresponsible for any financial statement user to rely on management's representations in the financial statements without some objective review and confirmation. To provide that objective confirmation, Caroline County's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance the financial statements of the County for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Caroline County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available at the back of this Comprehensive Annual Financial Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Caroline County's MD&A can be found immediately following the report of the independent auditors.

**Profile of the Government**

Caroline County was formed in 1728 by action of the Virginia House of Burgesses and is currently one of 95 counties in the Commonwealth of Virginia. Policy-making and legislative authority are vested in a six member Board of Supervisors which is elected by District. The Board of Supervisors is responsible, among other things, for providing overall policy direction for the County government, passing ordinances, adopting the budget, appointing committees, and hiring both a County Administrator and County Attorney. The County Administrator is responsible for carrying out the policies and ordinances of the governing Board, for overseeing the day-to-day operations of the government, and for appointing heads of the various departments. Other officials who play a major role in the County government's operation or in providing services are separately elected. These officials are: Clerk of the Circuit Court - court clerk and custodian of legal records; Commissioner of the Revenue - the tax assessment officer of the County; Commonwealth's Attorney - criminal prosecution attorney for the County; Sheriff - chief law enforcement officer; Treasurer - recipient and custodian of County funds.

This Comprehensive Annual Financial Report includes all funds and activities of Caroline County. The County is the primary provider of all local government services within its boundaries and provides a full range of those services. This includes law enforcement, fire protection and emergency medical response; the construction and maintenance of public buildings and other infrastructure; solid waste collection and disposal; recreation; and community and economic development.

Public education in the County is provided by the Caroline County School Board. Caroline County Public Schools is a separate legal entity from the County and the School Board is separately elected. The School Board has no independent revenue raising authority, however, and must depend on the County for the local contribution required by the Virginia Constitution for the support of the public schools. As a result of this financial dependency, the funds and activities of the Caroline County School Board have been included in this financial report in order to provide a comprehensive view of the County's financial status and activities. Information on the School Board has been presented in discrete columns in the financial statements to emphasize its separate legal identity.

**Local Economy**

Caroline County is located in east central Virginia and encompasses approximately 549 square miles with an estimated July 1, 2018 population of 30,292. The County seat, the Town of Bowling Green, is located approximately 35 miles north of the State capitol of Richmond and approximately 20 miles south of the City of Fredericksburg.

Historically, Caroline County has remained relatively insulated from the dramatic growth seen in the nearby northern Virginia area and remained primarily rural and residential. Its economy has been agriculturally based with a handful of small to medium size industrial businesses and limited commercial development focused along major highway corridors. Fort A. P. Hill, a 77,000 acre undeveloped military training installation, entirely within the County's borders, also dominates the landscape. The County's population density of 55 persons per square mile compared to densities of well over 200 per square mile in counties just to the north and south and the Virginia average of 179 confirm this perspective.

In past years, its location along Interstate 95, the primary north-south transportation artery on the east coast, and increasing congestion in neighboring counties brought extensive development interest to the County. Three new mixed use development projects have been approved that could add almost 10,000 new homes to the County over a 25 year period along with a variety of commercial, recreational and other uses. Those projects were well underway with many new houses completed or under construction when the housing market dropped. It is likely to continue to be years before the County sees a return of the 2% – 3% annual population growth it was experiencing ten years ago.

The growth in population is expected to bring with it an expansion in retail and other non-residential development. This expansion, which had begun to occur, was been put on hold during the economic downturn. The decision by the State Fair of Virginia to relocate to Caroline County in 2009 helped raise the County's profile. McKesson Corporation built a large distribution center in Caroline County and the announcement of a distribution center by Harris Teeter has further raised the County's profile.

With this activity, the County is looking forward to and preparing itself for dramatic changes over the next several years. Significant increases in demand on the County's services and infrastructure are expected. Thorough planning and a disciplined commitment to implementing those plans will be vital as the County addresses those pressures over the next several years. Maintaining a solid financial foundation will be an important part of that process.

**Major Projects/Initiatives**

Building upgrades under an Energy Performance Contract at a cost of $3,017,058 paid for in large part by energy savings.

The expenditure of $308,500 for nine sheriff's vehicles to replace aging units.

The purchase of an ambulance at a cost of $194,000 and a fire engine at a cost of $600,000 to replace aging units.

**Other Information**

The following is provided to supplement the information provided in the financial statements and to assist those with an interest in the financial affairs of the County.

*Risk Management:* An active risk management program is essential for the County to protect itself from the many risks of loss it faces in providing services to the public. Risks of property damage, general and auto liability, and workers injury compensation are covered through premium contributions to an insurance pool operated by the Virginia Association of Counties (VACORP). The County works extensively with representatives of VACORP to identify loss trends and take corrective action to reduce claims. The County has also strengthened its emergency response planning to protect County resources and the public in the event of natural or man-made disasters.
*Pension and Other Employment Benefits:* Pension benefits for County employees are provided through participation in the Virginia Retirement System (VRS), a State-wide pension system for government employees. Bi-annually, VRS actuaries prepare contribution calculations for each local government participating in the system. The County fully funds its required contributions.

The County provides and makes contributions toward a self-funded group health insurance plan for its employees. Premium rates are negotiated annually with a third party insurance administrator and County contribution policies are set based on claims history and to a lesser extent, percentage of premiums contributed by surrounding counties. Retired employees are given the option of continuing their coverage under the County's group plan following termination, but the County makes no contribution toward their premiums.

In closing, we would like to thank the many members of the County staff who assisted in the preparation of this report. Finally and most particularly, we would like to thank the Board of Supervisors for their interest in and commitment to keeping the County on a solid financial foundation.

Respectfully submitted,

CHARLES M. CULLEY, JR.
County Administrator

CURTIS S. FINNEY, JR.
Finance Director

## Independent Auditors' Report

**To The Honorable Members of the Board of Supervisors**
**County of Caroline**
**Caroline, Virginia**

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Caroline, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Caroline, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Change in Accounting Principle*

As described in Note 20 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

*Restatement of Beginning Balances*

As described in Note 21 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75 and to correct certain fund balance presentations in the Component Unit School Board. Our opinion is not modified with respect to these matters.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-12, and 121-123, and 124-143 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.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Caroline, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section 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.

*Supplementary and 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 and statistical sections 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 February 15, 2019, on our consideration of County of Caroline, 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 solely 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 the effectiveness of County of Caroline, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Caroline, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
February 15, 2019

# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Caroline County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Caroline County for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

**Financial Highlights**

<u>Government-Wide Financial Statements</u>

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $30,386,413 (Total Net Position). The County is reporting a surplus in investment in capital assets, net of related debt of $3,889,218. A deficit in the investment in capital assets, net of related debt of $2,826,244 is in Governmental Activities.
- The County's total net position increased by $3,373,760, or 12.50%, in the fiscal year ended June 30, 2018.
- The County's total outstanding long-term obligations reflects a net decrease of $5,832,468 to $126,738,517 during the fiscal year ended June 30, 2018.

<u>Fund Financial Statements</u>

- Total fund balance of the County's Governmental Funds, reporting on a current financial resources basis, amounted to $27,916,090 at June 30, 2018. This was a net decrease of $2,199,582 over the prior year. The General Fund increased 3.9% ($941,433) and the Capital Projects Fund decreased 83.2% ($3,322,979). The decrease for the Capital Projects Fund is due to the expenditure for Energy Performance Program, and renovations of two schools with funds received in prior fiscal years. The increase in the General Fund is due to the increase in all revenue sources. No governmental funds have a negative fund balance.
- During the fiscal year ended June 30, 2018, the unassigned fund balance in the General Fund increased by $941,433 to $18,313,245. This fund balance represents 37.9% of total General Fund expenditures and operating transfers, an increase of 0.3% over the previous fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Caroline County's basic financial statements. The Caroline County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Caroline County's finances, in a manner similar to a private-sector business.

The S*tatement of Net Position* presents information on all of Caroline County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Caroline County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Caroline County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities*).* The governmental activities of Caroline County include general government, judicial support, public safety, sanitation, public facility maintenance, social services, education, community development, and culture and recreation. The business-type activities of Caroline County include the Caroline County Utility Fund, a public water and sewer utility, and the Dawn Wastewater System Fund, a public sewer utility.

The government-wide financial statements include not only Caroline County itself (known as the primary government*)*, but also two legally separate component units, the school division for which Caroline County is financially accountable and the Economic Development Authority. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Caroline County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Caroline County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions, reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information can be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Caroline County maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, the Debt Service Fund, the Social Services Fund and the Proffers Fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Caroline County adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided as part of the Required Supplementary Information in the Financial Section of this report to demonstrate compliance with this budget. Budgetary comparison statements for other governmental funds are also provided as Other Supplementary Information in the Financial Section of this report.

**Proprietary funds.** Caroline County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Caroline County uses enterprise funds to account for its Water and Sewer Utility and for the Dawn Wastewater System. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among Caroline County's various functions. Caroline County uses internal service funds to account for vehicle maintenance services and health insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility, the Dawn Wastewater System, the Vehicle Maintenance Internal Service Fund and the Self-Insurance Fund.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Caroline County's own programs.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** Following the basic financial statements and accompanying notes, this report also presents the combining financial statements referred to earlier in connection with nonmajor governmental funds and individual budgetary comparison statements for governmental funds except the General Fund. Combining financial statements and fund budgetary comparisons are also presented for the discretely presented Caroline County School Division and the Economic Development Authority. The School Division and the EDA do not issue separate annual financial reports.

**Government-Wide Financial Analysis**

As noted earlier, net position indicates the amount by which the County's total assets exceed its short and long term obligations and is a useful indicator of the County's overall financial condition at the time of measurement. In total, the County's net position for all governmental and business-type activities amounted to $30,386,413 at June 30, 2018. The following table summarizes the County's Statement of Net Assets:

County of Caroline, Virginia Net Position

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | $ 54,453,930 | $ 57,108,297 | $ 1,979,966 | $ 2,235,143 | $ 56,433,896 | $ 59,343,440 |
| Capital assets | 78,154,144 | 77,450,498 | 44,644,579 | 45,755,698 | 122,798,723 | 123,206,196 |
| Total assets | $ 132,608,074 | $ 134,558,795 | $ 46,624,545 | $ 47,990,841 | $179,232,619 | $182,549,636 |
| Deferred outflows of resources | $ 1,160,431 | $ 1,768,113 | $ 773,058 | $ 139,278 | $ 1,933,489 | $ 1,907,391 |
| Current liabilities | $ 4,102,904 | $ 4,713,649 | $ 796,172 | $ 741,999 | $ 4,899,076 | $ 5,455,648 |
| Long-term liabilities outstanding | 87,851,191 | 92,474,900 | 38,887,326 | 40,096,085 | 126,738,517 | 132,570,985 |
| Total liabilities | $ 91,954,095 | $ 97,188,549 | $ 39,683,498 | $ 40,838,084 | $131,637,593 | $138,026,633 |
| Deferred inflow of resources | $ 19,054,454 | $ 17,815,145 | $ 87,648 | $ 34,224 | $ 19,142,102 | $ 17,849,369 |
| Net position: | | | | | | |
| Net investment in capital assets | $ (2,826,244) | $ (7,599,642) | $ 6,715,462 | $ 5,996,430 | $ 3,889,218 | $ (1,603,212) |
| Restricted | 4,268,655 | 7,482,811 | 1,646,702 | 1,841,238 | 5,915,357 | 9,324,049 |
| Unrestricted | 21,317,545 | 21,440,045 | (735,707) | (579,857) | 20,581,838 | 20,860,188 |
| Total Net Position | $ 22,759,956 | $ 21,323,214 | $ 7,626,457 | $ 7,257,811 | $ 30,386,413 | $ 28,581,025 |

The County is reporting a decrease in the balance of unrestricted net position primarily due to the increase in capital assets and the reduction in debt. A portion of the County's assets, $5,915,357, are subject to external restrictions on their use. These assets are primarily cash held for the payment of debt service or ongoing construction projects. Restricted cash and investments held for the construction of capital assets are offset by related long term debt liabilities in calculating the County's net position.

The County's total balance of working capital, current and other assets minus current liabilities, decreased from $53,887,792 at June 30, 2017 to $51,534,820. The County's investment in capital assets increased by $5,492,430 and its long term obligations decreased by $5,832,468 over the same period.

As previously indicated, the County's net position increased $3,373,760. Net position of governmental activities increased by $2,920,283 and those of business-type activities, the County's water and sewer utility operations, increased $453,477. The following table summarizes the change in the County's net position as shown in the Statement of Activities:

County of Caroline, Virginia Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Program Revenues | | | | | | |
| Charges for Services | $ 2,329,785 | $ 2,135,324 | $ 2,636,964 | $ 2,482,265 | $ 4,966,749 | $ 4,617,589 |
| Operating Grants and Contributions | 7,516,459 | 6,976,522 | 256,922 | 350,877 | 7,773,381 | 7,327,399 |
| Capital Grants and Contributions | - | 215,241 | 937,671 | 979,279 | 937,671 | 1,194,520 |
| Total Program Revenues | $ 9,846,244 | $ 9,327,087 | $ 3,831,557 | $ 3,812,421 | $ 13,677,801 | $ 13,139,508 |
| General Revenues: | | | | | | |
| General Property Taxes | $ 35,811,884 | $ 33,404,396 | - | - | $ 35,811,884 | $ 33,404,396 |
| Local Sales and Use Taxes | 2,294,305 | 1,997,309 | - | - | 2,294,305 | 1,997,309 |
| Consumers Utility Taxes | 91,368 | 85,878 | - | - | 91,368 | 85,878 |
| Motor Vehicle Licenses | 1,106,599 | 1,067,923 | - | - | 1,106,599 | 1,067,923 |
| Other Local Taxes | 3,219,101 | 3,164,965 | - | - | 3,219,101 | 3,164,965 |
| Intergovernmental Revenues-State | 3,028,573 | 3,112,717 | - | - | 3,028,573 | 3,112,717 |
| Use of Money and Property | 484,436 | 348,824 | 23,287 | 12,553 | 507,723 | 361,377 |
| Miscellaneous | 419,795 | 522,253 | 255,114 | 197,665 | 674,909 | 719,918 |
| Transfers | (1,730,200) | (1,662,748) | 1,730,200 | 1,662,748 | - | - |
| Total General Revenues | $ 44,725,861 | $ 42,041,517 | $ 2,008,601 | $ 1,872,966 | $ 46,734,462 | $ 43,914,483 |
| Expenses: | | | | | | |
| General Government Administration | $ 4,047,104 | $ 3,789,710 | - | - | $ 4,047,104 | $ 3,789,710 |
| Judicial Administration | 1,515,859 | 1,497,332 | - | - | 1,518,859 | 1,497,332 |
| Public Safety | 14,205,256 | 13,510,255 | - | - | 14,205,256 | 13,510,255 |
| Public Works | 4,232,947 | 3,428,499 | - | - | 4,232,947 | 3,428,499 |
| Health and Welfare | 5,297,241 | 5,208,004 | - | - | 5,297,241 | 5,208,004 |
| Education | 16,899,064 | 15,859,165 | - | - | 16,899,064 | 15,859,165 |
| Parks, Recreation, and Cultural | 804,264 | 797,543 | - | - | 804,264 | 797,543 |
| Community Development | 1,343,428 | 1,254,830 | - | - | 1,343,428 | 1,254,830 |
| Interest and Other fiscal Charges | 3,303,659 | 3,424,233 | - | - | 3,303,659 | 3,424,233 |
| Water and Sewer Utilities | - | - | 5,386,681 | 5,558,380 | 5,386,681 | 5,558,380 |
| Total Expenses | $ 51,651,822 | $ 48,769,571 | $ 5,386,681 | $ 5,558,380 | $ 57,038,503 | $ 54,327,951 |
| Change in Net Position | $ 2,920,283 | $ 2,599,033 | $ 453,477 | $ 127,007 | $ 3,373,760 | $ 2,726,040 |
| Net Position, Beginning, restated | 19,839,673 | 18,724,181 | 7,172,980 | 7,130,804 | 27,012,653 | 25,854,985 |
| Net Position, Ending | $ 22,759,956 | $ 21,323,214 | $ 7,626,457 | $ 7,257,811 | $ 30,386,413 | $ 28,581,025 |

Expenditures in the County's governmental activities increased 4.8% over the prior year with expenditures increasing in most functions. Education again consumed the largest share of the total combined expenditures of the primary County government and its component units during the fiscal year ended June 30, 2018 at 44.3% of the total. Public safety spending represents 13.7% of the total. Program revenues, which include fees, charges and special purpose grants and contributions, funded 43.0% of total functional expenditures in fiscal year 2018, a slightly increased level as compared to fiscal year 2017. General property tax revenues increased 5.7% over the prior year and total general revenues for the County's governmental activities increased 4.9%. In the County's business type activities, expenditures decreased 3.2% and program revenues increased .05% from the prior year. The County's water and sewer utility operations realized a small loss in the current fiscal year and is continuing to prepare for a period of moderate growth sometime in the future. It should again be noted that these expenses are on a full accrual basis and, therefore, include depreciation expense on capital assets.

**Financial Analysis of the County's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and for public accountability.

**Governmental Funds.** The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of available resources. By analyzing the sources and uses of funds, the differences between the two, and changes in balances over time, such information can be useful in assessing the County's financial needs. In particular, unreserved fund balance is important as a measure of the net resources available for financing future expenditures.

In total, governmental funds reported fund balances of $27,916,090 at June 30, 2018, $4,268,655 of that balance is restricted by external restrictions, $5,656,636 is committed or assigned and the remaining $17,990,799 is unassigned. Fund balances in the governmental funds decreased $2,199,582 during the fiscal year ended June 30, 2018. Fund balance in the General Fund increased by $941,433. Continued expenditures for renovations for two schools and energy performance program resulted in a decrease of $3,322,979 in the fund balance of the Capital Projects Fund.

In the General Fund, fund balance increased to $25,560,093, a 3.8% increase over the prior year. General property taxes remain the primary revenue source in the General Fund contributing 72.7% of the total revenues during fiscal year 2018, slightly less than in the prior year. Intergovernmental revenue from the Commonwealth of Virginia increased slightly to 0.7%, and the share added by other local taxes increased slightly to 6.4% compared to last year. Education consumed the bulk of the General Fund's expenditures (37.0%). Public Safety (34.7%) and Public Works (8.8%) also accounted for substantial shares of the expenditures in the Fund.

**Proprietary Funds.** The proprietary funds provide the same type of information found in the business-type activities sections of the government-wide financial statements, but in more detail.

The largest of the County's enterprise operations, the County Public Utility Fund had a net position of $4,556,247 at June 30, 2018, an increase over the previous year. The County has made significant investments in the utility system over the last ten plus years that have not yet been fully recovered through revenues in the fund. The County's main utility fund reported a net operating loss for the fiscal year ended June 30, 2018 of $814,801, a 8.9% decrease from last fiscal year due to a 7.5% increase in revenues. The Dawn Wastewater System reported a net operating loss of $175,392, a 4.3% increase from last fiscal year. This year was the tenth full year of operation for the Dawn system and the ninth full year of depreciation.

**General Fund Budgetary Highlights**

The original adopted budget of the General Fund was increased by 2.0% or $1,100,213. Following is a partial summary of these increases/reductions by function:

- $ 135,946 for General Government Administration
- $ 4,700 for Judicial Administration
- $ 363,413 for Public Safety
- $ 212,653 for Public Works
- $ 19,861 for Health and Welfare
- $ 33,914 for Parks, Recreation and Cultural
- $ 148,823 for Community Development
- $ 162,709 for Transfers to Other Funds

Actual revenue collections were $2,273,303 greater than the final budget estimates. Revenue from all categories were greater than budgeted estimates. Increased collection efforts contributed to the increase in general property taxes.

Actual expenditures totaled $726,834 less than the amended budget appropriations, a variance of 1.5%. Transfers out to other funds were $993,838 under budget, a variance of 2.0%.

**Capital Assets and Debt Administration**

**Capital Assets.** The County's total investment in capital assets for governmental and business-type activities amounted to $122,798,723 as of June 30, 2018, net of accumulated depreciation. This investment in capital assets includes land, buildings, property improvements, machinery and equipment, vehicles and utility improvements. It should be noted that this investment value is based on historical cost and is not reflective of the current market value of these assets.

Major capital improvement projects for the year included:

- $ 1,020,340 for emergency services equipment
- $ 75,589 for Point to Point internet equipment
- $ 3,079,769 for Energy Saving contract
- $ 632,855 for renovation of school buildings
- $ 63,504 for County park improvements
- $ 272,314 for fire logistics building construction phase I and II

- $ 155,750 for public utilities equipment

**Long-Term Obligations.** At June 30, 2018, the County's total long-term obligations amounted to $126,738,517. This total is comprised of:

- $27,735,569 in lease revenue bonds issued through the County's Economic Development Authority for a variety of general government, school and business-type activity improvements and equipment acquisitions.
- $37,049,116 in utility system revenue bonds for the improvement and expansion of the County's utility enterprise operations and landfill closure.
- $43,352,733 in general obligation bonds issued for the construction and improvement of County public schools.
- $7,273,988 in capital lease obligations for general government radio and motor vehicle equipment.
- $3,203,201 as the County's liability for closure and post-closure care of the former County Sanitary Landfill.

**Economic Factors and Next Year's Budget and Tax Rates**

- The population of Caroline County, based on the 2010 census has grown 6.8% since the April 2010 census to an estimated 30,178.
- The County completed a real property reassessment effective January 2016 to be sure its values for tax purposes are in line with market values. Growth had pushed assessed values up for the January 2008 reassessment to almost $3 billion, but the housing market crash had dropped values for 2011 by an estimated 18%. Growth in the County continues to be low.
- The unemployment rate for the County decreased from 4.2% to 3.9%.
- The burst of population growth the County had experienced several years ago has slowed dramatically as the nation-wide turnaround in real estate markets and recession has had an impact. After issuing a total of 318 residential building permits in the fiscal year ended June 30, 2007, the County building inspection division issued 136 in the fiscal year ended June 30, 2018 which is an increase of 24 permits over the fiscal year ended June 30, 2017. The County issued 7 Commercial Development permits in fiscal year June 30, 2018.

These and many other factors were considered in preparing the County's budget for fiscal year 2019. The fiscal year 2019 general fund budget (excluding capital investments) increased 2.7%. Fiscal year 2019 budget includes a 3.4% increase in funding for schools and a decrease of $195,365 in debt service payments; six new full time positions. The FY 2019 general fund budget also includes decreased funding for mandated services for the Children's Services Act for At-Risk Youth and Families and decreased transfers to Caroline Utility Fund. Capital investments reflect several small projects, the lease purchase of sheriff's vehicles, fire and rescue vehicles and equipment, accounting system upgrade, and construction of a solid waste convenience site in the amount of $1,956,400. The adopted real estate rate for calendar year 2018 remained the same at $0.83 per hundred dollars of assessed value. Personal property tax rates remained at $3.80.

**Requests for Information**

This financial report is designed to provide a general overview of the County of Caroline, Virginia's finances for all those who may have an interest in the County's financial condition and prospects. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director, Caroline County, Post Office Box 447, 212 N. Main Street, Bowling Green, Virginia 22427.

Statement of Net Position
June 30, 2018

| | Primary Government | | | Component Units | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | School Board | EDA |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 25,008,380 | $ - | $ 25,008,380 | $ 3,361,879 | $ 78,636 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes receivable | 22,546,827 | - | 22,546,827 | - | - |
| Accounts receivable | 440,576 | 331,887 | 772,463 | 65,225 | - |
| Due from other governmental units | 2,764,847 | 1,377 | 2,766,224 | 1,065,474 | - |
| Restricted cash and temporary cash investments | 3,693,300 | 1,646,702 | 5,340,002 | - | - |
| Net pension asset | - | - | - | 239,174 | - |
| Capital assets (net of accumulated depreciation): | | | | | |
| Land | 1,242,883 | 711,986 | 1,954,869 | 849,553 | - |
| Buildings | 43,630,394 | 1,024,068 | 44,654,462 | 3,785,104 | - |
| Improvements other than buildings | 4,964,497 | 42,207,124 | 47,171,621 | 310,488 | - |
| Equipment | 8,951,904 | 521,187 | 9,473,091 | 3,369,315 | - |
| Intangibles | 75,486 | - | 75,486 | - | - |
| Construction in progress | 19,288,980 | 180,214 | 19,469,194 | - | - |
| Total assets | $ 132,608,074 | $ 46,624,545 | $ 179,232,619 | $ 13,046,212 | $ 78,636 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Deferred charges on refunding | $ 77,600 | $ 702,239 | $ 779,839 | $ - | $ - |
| Pension related items | 1,005,211 | 65,865 | 1,071,076 | 4,478,613 | |
| OPEB related items | 77,620 | 4,954 | 82,574 | 466,971 | |
| Total deferred outflows of resources | $ 1,160,431 | $ 773,058 | $ 1,933,489 | $ 4,945,584 | $ - |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 2,596,299 | $ 146,852 | $ 2,743,151 | $ 361,963 | $ - |
| Accrued payroll | 290,907 | 15,571 | 306,478 | 1,954,286 | - |
| Other accrued liabilities | 276,674 | 13,631 | 290,305 | - | - |
| Customer deposits | - | 149,959 | 149,959 | - | - |
| Accrued interest payable | 697,600 | 470,159 | 1,167,759 | 34,352 | - |
| Insurance and benefits claims | 241,424 | - | 241,424 | - | - |
| Long-term liabilities: | | | | | |
| Due within one year | 6,032,296 | 1,460,330 | 7,492,626 | 280,584 | - |
| Due in more than one year | 81,818,895 | 37,426,996 | 119,245,891 | 46,367,780 | - |
| Total liabilities | $ 91,954,095 | $ 39,683,498 | $ 131,637,593 | $ 48,998,965 | $ - |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Deferred revenue - property taxes | $ 17,681,296 | $ - | $ 17,681,296 | $ - | $ - |
| Pension related items | 1,244,636 | 79,444 | 1,324,080 | 3,829,924 | |
| OPEB related items | 128,522 | 8,204 | 136,726 | 414,458 | - |
| Total deferred inflows of resources | $ 19,054,454 | $ 87,648 | $ 19,142,102 | $ 4,244,382 | $ - |

Statement of Net Position
June 30, 2018

| | | Primary Government | | | Component Units | |
|---|---|---|---|---|---|---|
| | | **Governmental Activities** | **Business-type Activities** | **Total** | **School Board** | **EDA** |
| **NET POSITION** | | | | | | |
| Net investment in capital assets | $ | (2,826,244) $ | 6,715,462 $ | 3,889,218 $ | 6,706,251 $ | - |
| Restricted: | | | | | | |
| Capital projects | | 670,415 | 1,646,702 | 2,317,117 | - | - |
| Debt service | | 1,847,361 | - | 1,847,361 | - | - |
| Social services | | 32,803 | - | 32,803 | - | - |
| Law enforcement | | 194,566 | - | 194,566 | - | - |
| Public safety grants | | 89,029 | - | 89,029 | - | - |
| Fire/rescue | | 2,000 | - | 2,000 | - | - |
| Fire/rescue grants | | 244,902 | - | 244,902 | - | - |
| Housing | | 33,581 | - | 33,581 | - | - |
| Courthouse maintenance | | 7,939 | - | 7,939 | - | - |
| Law library | | 1,487 | - | 1,487 | - | - |
| Tourism | | 96,769 | - | 96,769 | - | - |
| Ladysmith Commons road improvements | | 37,499 | - | 37,499 | - | - |
| Ladysmith library | | 365,327 | - | 365,327 | - | - |
| Ladysmith recreation | | 163,606 | - | 163,606 | - | - |
| Dawn library | | 5,412 | - | 5,412 | - | - |
| Route 639 construction | | 275,000 | - | 275,000 | - | - |
| Children's services | | 200,959 | - | 200,959 | - | - |
| Unrestricted | | 21,317,545 | (735,707) | 20,581,838 | (41,957,802) | 78,636 |
| Total net position | $ | 22,759,956 $ | 7,626,457 $ | 30,386,413 $ | (35,251,551) $ | 78,636 |

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

**COUNTY OF CAROLINE, VIRGINIA**

Statement of Activities
For the Year Ended June 30, 2018

| | | Program Revenues | | |
|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** |
| **PRIMARY GOVERNMENT:** | | | | |
| Governmental activities: | | | | |
| General government administration | $ 4,047,104 | $ - | $ 1,420,670 | $ - |
| Judicial administration | 1,518,859 | 809,303 | 605,634 | - |
| Public safety | 14,205,256 | 1,388,237 | 1,891,025 | - |
| Public works | 4,232,947 | 48,253 | 28,058 | - |
| Health and welfare | 5,297,241 | - | 3,571,072 | - |
| Education | 16,899,064 | - | - | - |
| Parks, recreation, and cultural | 804,264 | 83,992 | - | - |
| Community development | 1,343,428 | - | - | - |
| Interest on long-term debt | 3,303,659 | - | - | - |
| Total governmental activities | $ 51,651,822 | $ 2,329,785 | $ 7,516,459 | $ - |
| Business-type activities: | | | | |
| Public utilities | $ 5,386,681 | $ 2,636,964 | $ 256,922 | $ 937,671 |
| Total business-type activities | $ 5,386,681 | $ 2,636,964 | $ 256,922 | $ 937,671 |
| Total primary government | $ 57,038,503 | $ 4,966,749 | $ 7,773,381 | $ 937,671 |
| **COMPONENT UNITS:** | | | | |
| School Board | $ 44,865,015 | $ 714,908 | $ 29,156,823 | $ - |
| Economic Development Authority | 7,140 | - | 6,026 | - |
| Total component units | $ 44,872,155 | $ 714,908 | $ 29,162,849 | $ - |

General revenues:
General property taxes
Local sales and use tax
Consumer utility
Motor vehicle licenses and registration fees
Business license taxes
Meals tax
Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Grants and contributions not restricted to specific programs
Payment from Caroline County
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

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

| Governmental Activities | Business-type Activities | Total | School Board | EDA |
|---|---|---|---|---|
| Net (Expense) Revenue and Changes in Net Position | | | | |
| Primary Government | | | Component Units | |
| $ (2,626,434) | $ - | $ (2,626,434) | $ - | $ - |
| (103,922) | - | (103,922) | - | - |
| (10,925,994) | - | (10,925,994) | - | - |
| (4,156,636) | - | (4,156,636) | - | - |
| (1,726,169) | - | (1,726,169) | - | - |
| (16,899,064) | - | (16,899,064) | - | - |
| (720,272) | - | (720,272) | - | - |
| (1,343,428) | - | (1,343,428) | - | - |
| (3,303,659) | - | (3,303,659) | - | - |
| $ (41,805,578) | $ - | $ (41,805,578) | $ - | $ - |
| $ - | $ (1,555,124) | $ (1,555,124) | $ - | $ - |
| $ - | $ (1,555,124) | $ (1,555,124) | $ - | $ - |
| $ (41,805,578) | $ (1,555,124) | $ (43,360,702) | $ - | $ - |
| $ - | $ - | $ - | $ (14,993,284) | $ - |
| - | - | - | - | (1,114) |
| $ - | $ - | $ - | $ (14,993,284) | $ (1,114) |
| $ 35,811,884 | $ - | $ 35,811,884 | $ - | $ - |
| 2,294,305 | - | 2,294,305 | - | - |
| 91,368 | - | 91,368 | - | - |
| 1,106,599 | - | 1,106,599 | - | - |
| 858,769 | | 858,769 | - | - |
| 1,250,356 | | 1,250,356 | - | - |
| 1,109,976 | - | 1,109,976 | - | - |
| 484,436 | 23,287 | 507,723 | 49,335 | 108 |
| 419,795 | 255,114 | 674,909 | 1,271,228 | 59 |
| 3,028,573 | - | 3,028,573 | - | - |
| - | - | - | 14,430,552 | - |
| (1,730,200) | 1,730,200 | - | - | - |
| $ 44,725,861 | $ 2,008,601 | $ 46,734,462 | $ 15,751,115 | $ 167 |
| $ 2,920,283 | $ 453,477 | $ 3,373,760 | $ 757,831 | $ (947) |
| 19,839,673 | 7,172,980 | 27,012,653 | (36,009,382) | 79,583 |
| $ 22,759,956 | $ 7,626,457 | $ 30,386,413 | $ (35,251,551) | $ 78,636 |

**COUNTY OF CAROLINE, VIRGINIA**

Balance Sheet
Governmental Funds
June 30, 2018

| | General | Debt Service | County Capital Projects |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 22,626,481 | $ - | $ - |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 22,546,827 | - | - |
| Accounts receivable | 246,171 | 158,371 | - |
| Due from other governmental units | 2,217,703 | 50,021 | - |
| Restricted cash and temporary cash investments | 1,691,207 | - | 2,002,093 |
| Total assets | $ 49,328,389 | $ 208,392 | $ 2,002,093 |
| **LIABILITIES** | | | |
| Accounts payable | $ 847,320 | $ - | $ 1,331,678 |
| Accrued payroll | 231,215 | - | - |
| Other accrued liabilities | 257,057 | - | - |
| Total liabilities | $ 1,335,592 | $ - | $ 1,331,678 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue - property taxes | $ 22,432,704 | $ - | $ - |
| Total deferred inflows of resources | $ 22,432,704 | $ - | $ - |
| **FUND BALANCES** | | | |
| Restricted | $ 1,847,361 | $ - | $ 670,415 |
| Committed | 2,392,483 | - | - |
| Assigned | 3,007,004 | 208,392 | - |
| Unassigned | 18,313,245 | - | - |
| Total fund balances | $ 25,560,093 | $ 208,392 | $ 670,415 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 49,328,389 | $ 208,392 | $ 2,002,093 |

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

**Exhibit 3**

| Proffers | | Virginia Public Assistance | | Other Governmental Funds | | Total |
|---|---|---|---|---|---|---|
| $ | 527,398 | $ | 445 | $ | 655,860 | $ 23,810,184 |
| | - | | - | | - | 22,546,827 |
| | - | | - | | 36,034 | 440,576 |
| | - | | 198,394 | | 298,729 | 2,764,847 |
| | - | | - | | - | 3,693,300 |
| $ | 527,398 | $ | 198,839 | $ | 990,623 | $ 53,255,734 |
| $ | - | $ | 40,144 | $ | 120,217 | $ 2,339,359 |
| | - | | 57,673 | | 2,019 | 290,907 |
| | - | | 19,462 | | 155 | 276,674 |
| $ | - | $ | 117,279 | $ | 122,391 | $ 2,906,940 |
| $ | - | $ | - | $ | - | $ 22,432,704 |
| $ | - | $ | - | $ | - | $ 22,432,704 |
| $ | 849,844 | $ | 32,803 | $ | 868,232 | $ 4,268,655 |
| | - | | - | | - | 2,392,483 |
| | - | | 48,757 | | - | 3,264,153 |
| | (322,446) | | - | | - | 17,990,799 |
| $ | 527,398 | $ | 81,560 | $ | 868,232 | $ 27,916,090 |
| $ | 527,398 | $ | 198,839 | $ | 990,623 | $ 53,255,734 |

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2018

| | | | | |
|---|---|---|---|---|
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | | | $ | 27,916,090 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | |
| Capital assets, cost | $ | 113,941,602 | | |
| Accumulated depreciation | | (35,787,458) | | 78,154,144 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds. | | | | |
| Unavailable revenue - property taxes | | | | 4,751,408 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | | | |
| Deferred charge on refunding | $ | 77,600 | | |
| Pension related items | | 1,005,211 | | |
| OPEB related items | | 77,620 | | 1,160,431 |
| Internal service funds are used by management to charge the cost of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. | | | | 699,832 |
| Long-term liabilities and related assets, including bonds payable. Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. | | | | |
| Bonds payable, including unamortized premiums | $ | (73,784,000) | | |
| Capital leases | | (7,273,988) | | |
| Landfill postclosure cost | | (3,203,201) | | |
| Accrued interest payable | | (697,600) | | |
| Net pension liability | | (886,898) | | |
| Net OPEB liabilities | | (1,865,187) | | |
| Compensated absences | | (837,917) | | (88,548,791) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | | | |
| Pension related items | $ | (1,244,636) | | |
| OPEB related items | | (128,522) | | (1,373,158) |
| Net position of governmental activities | | | $ | 22,759,956 |

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

**COUNTY OF CAROLINE, VIRGINIA**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

| | General | Debt Service | County Capital Projects |
|---|---|---|---|
| **REVENUES** | | | |
| General property taxes | $ 35,894,593 | $ - | $ - |
| Other local taxes | 4,720,423 | 1,825,297 | - |
| Permits, privilege fees, and regulatory licenses | 468,716 | - | - |
| Fines and forfeitures | 586,242 | - | - |
| Revenue from the use of money and property | 323,124 | 111,600 | 33,714 |
| Charges for services | 1,177,395 | - | - |
| Miscellaneous | 302,190 | - | - |
| Recovered costs | 354,782 | - | - |
| Intergovernmental: | | | |
| Local government | - | - | 387,775 |
| Commonwealth | 5,455,852 | 311,489 | - |
| Federal | 116,858 | 499,262 | - |
| Total revenues | $ 49,400,175 | $ 2,747,648 | $ 421,489 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government administration | $ 3,553,879 | $ - | $ - |
| Judicial administration | 1,269,425 | - | - |
| Public safety | 13,543,104 | - | - |
| Public works | 3,428,930 | - | - |
| Health and welfare | 650,229 | - | - |
| Education | 14,479,789 | - | - |
| Parks, recreation, and cultural | 758,817 | - | - |
| Community development | 1,405,961 | - | - |
| Capital outlay | - | - | 5,310,476 |
| Debt service: | | | |
| Principal retirement | - | 27,497,973 | - |
| Interest and other fiscal charges | - | 3,690,464 | - |
| Total expenditures | $ 39,090,134 | $ 31,188,437 | $ 5,310,476 |
| Excess (deficiency) of revenues over (under) expenditures | $ 10,310,041 | $ (28,440,789) | $ (4,888,987) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | $ - | $ 6,504,149 | $ - |
| Transfers out | (9,368,608) | - | (2,242) |
| Issuance of bond | - | 20,120,000 | - |
| Issuance of capital lease | - | - | 1,568,250 |
| Bond issuance premium | - | 1,790,388 | - |
| Total other financing sources (uses) | $ (9,368,608) | $ 28,414,537 | $ 1,566,008 |
| Net change in fund balances | $ 941,433 | $ (26,252) | $ (3,322,979) |
| Fund balances - beginning | 24,618,660 | 234,644 | 3,993,394 |
| Fund balances - ending | $ 25,560,093 | $ 208,392 | $ 670,415 |

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

**Exhibit 5**

| Proffers | Virginia Public Assistance | Other Governmental Funds | Total |
|---|---|---|---|
| $ - | $ - | $ - | $ 35,894,593 |
| - | - | 165,653 | 6,711,373 |
| | | | |
| - | - | - | 468,716 |
| - | - | - | 586,242 |
| | | | |
| 765 | - | 15,233 | 484,436 |
| - | - | 97,432 | 1,274,827 |
| 98,309 | 1,192 | 18,104 | 419,795 |
| - | - | - | 354,782 |
| | | | |
| - | - | - | 387,775 |
| - | 792,398 | 1,298,413 | 7,858,152 |
| - | 1,612,052 | 70,933 | 2,299,105 |
| $ 99,074 | $ 2,405,642 | $ 1,665,768 | $ 56,739,796 |
| | | | |
| $ - | $ - | $ - | $ 3,553,879 |
| - | - | 102,676 | 1,372,101 |
| - | - | 188,387 | 13,731,491 |
| - | - | | 3,428,930 |
| - | 2,851,793 | 1,797,256 | 5,299,278 |
| - | - | - | 14,479,789 |
| - | - | - | 758,817 |
| - | - | 158,657 | 1,564,618 |
| - | - | - | 5,310,476 |
| | | | |
| - | - | - | 27,497,973 |
| - | - | - | 3,690,464 |
| $ - | $ 2,851,793 | $ 2,246,976 | $ 80,687,816 |
| | | | |
| $ 99,074 | $ (446,151) | $ (581,208) | $ (23,948,020) |
| | | | |
| $ - | $ 447,220 | $ 690,031 | $ 7,641,400 |
| (750) | - | - | (9,371,600) |
| - | - | - | 20,120,000 |
| - | - | - | 1,568,250 |
| - | - | - | 1,790,388 |
| $ (750) | $ 447,220 | $ 690,031 | $ 21,748,438 |
| $ 98,324 | $ 1,069 | $ 108,823 | $ (2,199,582) |
| 429,074 | 80,491 | 759,409 | 30,115,672 |
| $ 527,398 | $ 81,560 | $ 868,232 | $ 27,916,090 |

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2018

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | | $ (2,199,582) |
| 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 capital outlays exceeded depreciation in the current period. | | |
| Capital asset additions | $ 5,022,160 | |
| Depreciation expense | (4,232,108) | 790,052 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. | | (72,672) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | | (82,709) |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Issuance of long-term debt | $ (21,688,250) | |
| Issuance of bond premium | (1,790,388) | |
| Principal payments | 27,497,973 | |
| Change in landfill postclosure liability | (38,957) | |
| Amortization of bond premium | 55,276 | 4,035,654 |
| 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 | $ (93,955) | |
| Pension expense | 731,794 | |
| OPEB expense | (6,062) | |
| Amortization of deferred charges on refunding | (4,850) | |
| Change in accrued interest payable | 336,379 | 963,306 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. | | (513,766) |
| Change in net position of governmental activities | | $ 2,920,283 |

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

Statement of Net Position
Proprietary Funds
June 30, 2018

| | Enterprise Funds | | | |
|---|---|---|---|---|
| | Caroline County Utility Fund | Dawn Wastewater System Fund | Total | Internal Service Funds |
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ - | $ - | $ - | $ 1,198,196 |
| Accounts receivable, net | 323,201 | 8,686 | 331,887 | - |
| Due from other governmental units | 1,377 | - | 1,377 | - |
| Total current assets | $ 324,578 | $ 8,686 | $ 333,264 | $ 1,198,196 |
| Noncurrent assets: | | | | |
| Restricted cash and cash equivalents | $ 1,646,702 | $ - | $ 1,646,702 | $ - |
| Capital assets: | | | | |
| Land | 561,986 | 150,000 | 711,986 | - |
| Buildings | 1,389,536 | - | 1,389,536 | 412,315 |
| Improvements other than buildings | 50,439,812 | 5,660,499 | 56,100,311 | 68,551 |
| Equipment | 1,756,217 | - | 1,756,217 | - |
| Construction in progress | 180,214 | - | 180,214 | - |
| Accumulated depreciation | (14,282,998) | (1,210,687) | (15,493,685) | (480,866) |
| Total capital assets | $ 40,044,767 | $ 4,599,812 | $ 44,644,579 | $ - |
| Total noncurrent assets | $ 41,691,469 | $ 4,599,812 | $ 46,291,281 | $ - |
| Total assets | $ 42,016,047 | $ 4,608,498 | $ 46,624,545 | $ 1,198,196 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred charges on refunding | $ 702,239 | $ - | $ 702,239 | $ - |
| Pension related items | 65,865 | - | 65,865 | |
| OPEB related items | 4,954 | - | 4,954 | - |
| Total deferred outflows of resources | $ 773,058 | $ - | $ 773,058 | $ - |
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 141,588 | $ 5,264 | $ 146,852 | $ 256,940 |
| Accrued payroll | 15,571 | - | 15,571 | - |
| Other accrued liabilities | 13,631 | - | 13,631 | - |
| Customer deposits | 144,004 | 5,955 | 149,959 | - |
| Accrued interest payable | 470,159 | - | 470,159 | - |
| Insurance and benefit claims | - | - | - | 241,424 |
| Bonds payable - current portion | 1,282,625 | 169,674 | 1,452,299 | - |
| Compensated absences - current portion | 8,031 | - | 8,031 | - |
| Total current liabilities | $ 2,075,609 | $ 180,893 | $ 2,256,502 | $ 498,364 |
| Noncurrent liabilities: | | | | |
| Bonds payable - net of current portion | $ 35,821,662 | $ 1,357,395 | $ 37,179,057 | $ - |
| Net pension liability | 56,610 | - | 56,610 | - |
| Net OPEB liabilities | 119,054 | - | 119,054 | - |
| Compensated absences - net of current portion | 72,275 | - | 72,275 | - |
| Total noncurrent liabilities | $ 36,069,601 | $ 1,357,395 | $ 37,426,996 | $ - |
| Total liabilities | $ 38,145,210 | $ 1,538,288 | $ 39,683,498 | $ 498,364 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Pension related items | $ 79,444 | $ - | $ 79,444 | $ - |
| OPEB related items | 8,204 | - | 8,204 | - |
| Total deferred inflows of resources | $ 87,648 | $ - | $ 87,648 | $ - |
| **NET POSITION** | | | | |
| Net investment in capital assets | $ 3,642,719 | $ 3,072,743 | $ 6,715,462 | $ - |
| Restricted | 1,646,702 | - | 1,646,702 | - |
| Unrestricted | (733,174) | (2,533) | (735,707) | 699,832 |
| Total net position | $ 4,556,247 | $ 3,070,210 | $ 7,626,457 | $ 699,832 |

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

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

| | Enterprise Funds | | | |
|---|---|---|---|---|
| | Caroline County Utility Fund | Dawn Wastewater System Fund | Total | Internal Service Funds |
| **OPERATING REVENUES** | | | | |
| Charges for services: | | | | |
| Water | $ 849,351 | $ - | $ 849,351 | $ - |
| Sewer | 1,714,115 | 73,498 | 1,787,613 | - |
| Risk management | - | - | - | 2,635,959 |
| Other revenue | 255,114 | - | 255,114 | - |
| Total operating revenues | $ 2,818,580 | $ 73,498 | $ 2,892,078 | $ 2,635,959 |
| **OPERATING EXPENSES** | | | | |
| Personnel services | $ 789,825 | $ 12,888 | $ 802,713 | $ - |
| Fringe benefits | 267,442 | 2,853 | 270,295 | - |
| Contractual services | 363,195 | 27,377 | 390,572 | - |
| Risk financing and benefit payments | - | - | - | 3,135,982 |
| Other charges | 921,299 | 64,260 | 985,559 | - |
| Depreciation | 1,291,620 | 141,512 | 1,433,132 | 13,743 |
| Total operating expenses | $ 3,633,381 | $ 248,890 | $ 3,882,271 | $ 3,149,725 |
| Operating income (loss) | $ (814,801) | $ (175,392) | $ (990,193) | $ (513,766) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | |
| Connection availability fees | $ 882,584 | $ 55,087 | $ 937,671 | $ - |
| Interest revenue | 23,287 | - | 23,287 | - |
| Federal revenue - BABs subsidy | 256,922 | - | 256,922 | - |
| Interest expense | (1,504,410) | - | (1,504,410) | - |
| Total nonoperating revenues (expenses) | $ (341,617) | $ 55,087 | $ (286,530) | $ - |
| Income (loss) before transfers | $ (1,156,418) | $ (120,305) | $ (1,276,723) | $ (513,766) |
| Transfers in | 1,579,053 | 151,147 | 1,730,200 | - |
| Change in net position | $ 422,635 | $ 30,842 | $ 453,477 | $ (513,766) |
| Total net position - beginning, as restated | 4,133,612 | 3,039,368 | 7,172,980 | 1,213,598 |
| Total net position - ending | $ 4,556,247 | $ 3,070,210 | $ 7,626,457 | $ 699,832 |

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

| | Enterprise Funds | | | |
|---|---|---|---|---|
| | Caroline County Utility Fund | Dawn Wastewater System Fund | Total | Internal Service Funds |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Receipts from customers | $ 2,797,732 | $ 74,892 | $ 2,872,624 | $ 2,823,959 |
| Claims and benefits paid | - | - | - | (3,113,512) |
| Payments to suppliers for goods and services | (1,212,539) | (95,710) | (1,308,249) | (27,758) |
| Payments to employees for services | (1,098,584) | (15,741) | (1,114,325) | - |
| Net cash provided by (used for) operating activities | $ 486,609 | $ (36,559) | $ 450,050 | $ (317,311) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | |
| Transfers from other funds | $ 1,579,053 | $ 151,147 | $ 1,730,200 | $ - |
| Net cash provided by (used for) noncapital financing activities | $ 1,579,053 | $ 151,147 | $ 1,730,200 | $ - |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | |
| Grant revenue | $ 349,688 | $ - | $ 349,688 | $ - |
| Connection availability fees | 882,584 | 55,087 | 937,671 | - |
| Principal paid on bonds | (989,919) | (169,675) | (1,159,594) | - |
| Interest and other fiscal charges | (2,203,825) | - | (2,203,825) | - |
| Acquisition and construction of capital assets | (322,013) | - | (322,013) | - |
| Net cash provided by (used for) capital and related financing activities | $ (2,283,485) | $ (114,588) | $ (2,398,073) | $ - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Interest received on investment securities | $ 23,287 | $ - | $ 23,287 | $ - |
| Net cash provided by (used for) investing activities | $ 23,287 | $ - | $ 23,287 | $ - |
| Net increase (decrease) in cash and cash equivalents | $ (194,536) | $ - | $ (194,536) | $ (317,311) |
| Cash and cash equivalents - beginning | 1,841,238 | - | 1,841,238 | 1,515,507 |
| Cash and cash equivalents - ending | $ 1,646,702 | $ - | $ 1,646,702 | $ 1,198,196 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Operating income (loss) | $ (814,801) | $ (175,392) | $ (990,193) | $ (513,766) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation | $ 1,291,620 | $ 141,512 | $ 1,433,132 | $ 13,743 |
| (Increase) decrease in accounts receivable | (33,007) | 882 | (32,125) | 188,000 |
| (Increase) decrease in pension related deferred outflows of resources | 41,731 | - | 41,731 | - |
| (Increase) decrease in OPEB related deferred outflows of resources | (1,714) | - | (1,714) | - |
| Increase (decrease) in accounts payable | 60,217 | (4,073) | 56,144 | (27,758) |
| Increase (decrease) in accrued payroll | 2,478 | - | 2,478 | - |
| Increase (decrease) in other accrued liabilities | 11,738 | - | 11,738 | - |
| Increase (decrease) in customer deposits | 12,159 | 512 | 12,671 | - |
| Increase (decrease) in insurance and benefit claims | - | - | - | 22,470 |
| Increase (decrease) in pension related deferred inflows of resources | 45,220 | - | 45,220 | - |
| Increase (decrease) in OPEB related deferred inflows of resources | 8,204 | - | 8,204 | - |
| Increase (decrease) in net pension liability | (135,365) | - | (135,365) | - |
| Increase (decrease) in net OPEB liabilities | (6,103) | - | (6,103) | - |
| Increase (decrease) in compensated absences | 4,232 | - | 4,232 | - |
| Total adjustments | $ 1,301,410 | $ 138,833 | $ 1,440,243 | $ 196,455 |
| Net cash provided by (used for) operating activities | $ 486,609 | $ (36,559) | $ 450,050 | $ (317,311) |

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

| | | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 1,113,058 |
| Total assets | $ | 1,113,058 |
| **LIABILITIES** | | |
| Amounts held for social services clients | $ | 28,521 |
| Amounts held for consortium | | 38,704 |
| Refundable escrow deposits payable | | 1,045,833 |
| Total liabilities | $ | 1,113,058 |

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

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The County of Caroline, Virginia (the "County") is governed by an elected six member Board of Supervisors. The County provides a full range of services for its citizens. These services include law enforcement and volunteer and paid fire protection and rescue services; sanitation services; recreational activities, cultural events, education, and social services.

The financial statements of the County of Caroline, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board, and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

Financial Statement Presentation

The County's financial report is prepared in accordance with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results.

### A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Caroline (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

### B. Individual Component Unit Disclosures

*Blended Component Unit*. The County has no blended component units to be included for the fiscal year ended June 30, 2018.

*Discretely Presented Component Unit*

The School Board members are elected by the citizens of Caroline County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. Additionally, the School Board provides a potential benefit or burden to the County, and cannot be included as part of another financial

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### B. Individual Component Unit Disclosures: (Continued)

reporting entity. The County not only provides financial support to the School Board but also is responsible for any debt or financial obligation. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2018.

The Caroline County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of six members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2018. The Authority does not issue a separate financial report.

### C. Other Related Organizations

*Middle Peninsula Juvenile Detention Commission*

The Middle Peninsula Juvenile Detention Commission (the "Commission") is a political subdivision of the Commonwealth of Virginia and is governed by a separate board. The Commission was created to enhance the region for the protection of the citizens by the construction, equipping, maintenance and operation of a juvenile detention facility (the "Center") serving the eighteen member jurisdictions of which the County Administrator serves as the County's representative on the board. The Commission is fiscally independent of the County because substantially all of its income will be generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. Under the Service Agreement, the County is obligated to pay a per diem rate to be determined annually by the Commission for each day a juvenile from the County is held at the Center or in another detention facility secured by the Commission. If the sum of all per diem rates paid during the fiscal year is below $2,500, the County shall pay the Commission the amount equal to the difference. Separate audited financial statements for the Commission can be obtained from the fiscal agent's office at James City County, P.O. Box 8784, Williamsburg, Virginia 23187.

*Pamunkey Regional Jail Authority*

The Pamunkey Regional Jail Authority (Jail Authority) is a political subdivision of the Commonwealth of Virginia. The participating jurisdictions of the Jail Authority are the Counties of Caroline and Hanover and the Town of Ashland. The Jail Authority is governed by a five-member board comprised of two members each from the Counties of Caroline and Hanover and one from the Town of Ashland. Management and accountability for fiscal matters rest with the Jail Authority. The board formulates and approves its own budget. The County does not bear any direct or indirect liabilities for the operation of the Jail Authority and has no equity interest in it.

The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the County is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. The County made per diem contributions totaling $1,914,549 in fiscal year 2018. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### C. Other Related Organizations (Continued)

**Included in the County's Financial Report**

None

### D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

The County's fiduciary funds are presented in the fund financial statements by type and have no measurement focus but use the accrual basis of accounting for asset and liability recognition. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Property taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

Permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the County are organized on a basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

1. Governmental Funds – are those through which most governmental functions typically are financed. The County reports the General Fund, Debt Service Fund, County Capital Projects Fund, Proffers Fund and Virginia Public Assistance Fund as major governmental funds.

   General Fund – The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for fund reporting purposes.

   Debt Service Fund – The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report financial resources being accumulated for future debt service. Payment of principal and interest on the County's and School Board's general long-term debt financing is provided by appropriations from the General Fund.

   County Capital Projects Funds – The County Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditures for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

   Special Revenue Funds – Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditure for specified purposes other than debt service or capital projects. The County reports the following major special revenue funds: Virginia Public Assistance Fund and Proffers Fund. These funds have been judgmentally determined to be major for public interest reasons, in that the presentation is of particular importance to the financial statement users. The County reports the following nonmajor funds:

   Nonmajor Special Revenue Funds – account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Nonmajor Special Revenue Funds consist of the following funds: Children's Services, Law Library, Courthouse Maintenance, Tourism, Confiscated Asset, Housing, Sheriff, and Fire/Rescue Grant.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)**

2. Proprietary Funds – account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds and Internal Service Funds.

   Enterprise Funds – Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The County's Major Enterprise Funds consist of the Caroline County Utility Fund and Dawn Wastewater System Fund, which account for the operations of sewage pumping stations and collection systems, and the water distribution system.

   Internal Service Funds – account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government, on a cost reimbursement basis. The County's internal service funds include the Vehicle Maintenance Fund and the Self-Insurance Fund.

3. Fiduciary Funds – (Trust and Agency Funds) – account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust and Agency Funds utilize the accrual basis of accounting, but do not have a measurement focus. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which includes social services clients, technology education consortium program, and refundable escrow deposits.

**E. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

**F. Investments**

State statutes allow the County to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are stated at fair value based on quoted market prices. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

Cash of individual funds other than the Agency Funds is combined to form a pool of cash and investments. The pool consists primarily of government and corporate obligations, commercial paper and an external local government investment pool. The government and corporate securities are stated at fair value based on quoted market prices and the investment in the local government investment pool is reported at the pool's share price. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on average monthly balances.

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $1,174,686 at June 30, 2018 and is comprised primarily of property taxes ($1,083,117).

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

| | Real Property | Personal Property |
|---|---|---|
| Levy | January 1 | January 1 |
| Due Date | June 5/December 5 (50% each date) | June5/December 5 (50% each date) |
| Lien Date | June 6/December 6 | June 6/December 6 |

The County bills and collects its own property taxes. The County reassesses all existing real property every four to five years and the last reassessment was completed in 2017.

### H. Restricted Cash

Proceeds from the County's bond issues, as well as certain resources set aside for their repayment, are classified as restricted cash on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

### I. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure, are reported in the applicable governmental columns in the government-wide financial statements for both the County and the Component Unit School Board. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as acquisition value at the date of donation.

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

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### I. Capital Assets (Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction on governmental activities' capital assets in not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest is amortized using the straight-line method over the useful life of the asset. There is no capitalized interest for the year June 30, 2018.

Property, plant and equipment and infrastructure of the primary government, as well as the component units, are depreciated or amortized using the straight-line method over the following estimated useful lives.

| Assets | Years |
|---|---|
| Buildings | 20-40 |
| Improvements other than buildings | 5-50 |
| Motor vehicles and equipment | 3-15 |
| Intangibles | 5 |

### J. Compensated Absences

Vested or accumulated vacation leave is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

Compensated absences are accrued when incurred in proprietary funds and reported as a fund liability. The General Fund is responsible for paying the liability for compensated absences for general government employees and has been used in prior years to liquidate the governmental funds' liability.

### K. Use of Estimates

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

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### L. Net Position

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

### M. Net Position Flow Assumption

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

### N. Pensions

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

### O. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### O. Other Postemployment Benefits (OPEB) (Continued)

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Medical and Dental Pay-As-You Go

For purposes of measuring the medical and dental pay-as-you go liability, deferred outflows of resources and deferred inflows of resources related to the Plan's OPEB, and the related OPEB expenses, information about the fiduciary net position of the County's and School Board's Medical and Dental Pay-As-You go Plan and the additions to/deductions from the County and School Board's OPEB Plan's net fiduciary position have been determined in accordance with GASB 75 based on key assumptions to include: turnover and retirement rates, healthcare trend and claim costs, mortality and discount rate. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

### P. Long-term Obligations

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

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

### Q. Prepaid Items

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

Prepaid expenditures in governmental funds are offset by a nonspendable fund balance.

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### R. Fund Equity

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

**Nonspendable Fund Balance** – Amounts that cannot be expended as they are either: (a) in nonspendable form; or, (b) legally or contractually required to be maintained intact by the governmental entity. Items in a nonspendable form include inventories and prepaid items. The corpus of an endowment is an example of an amount that is legally or contractually required to be maintained intact and is not available for expenditure.

**Restricted Fund Balance** – Amounts that are legally constrained for a specific purpose by external parties, constitutional provisions, bond indenture, or enabling legislation. External parties include creditors, grantors, contributors or laws and regulations. Enabling legislation includes any act of law or regulation that authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the enabling legislation. An act of law can originate external to the government or be self-imposed through the enactment of an ordinance by the governmental body. The expenditure of resources restriction must originate within the enabling legislation; whereas funds restricted outside originating legislation will be considered committed or assigned.

**Committed Fund Balance** – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

**Assigned Fund Balance** – Amounts constrained for a specific purpose by the County Administrator. Assignments shall not create a deficit in any fund or segment of fund balance.

**Unassigned Fund Balance** – Amounts not classified as nonspendable, restricted, committed, or assigned as noted above. The General Fund is the only fund that would report a positive unassigned fund balance.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### R. Fund Equity (Continued)

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

| | General Fund | Major Debt Service Fund | Major County Capital Projects Fund | Major Special Revenue Funds: Proffers Fund | Major Special Revenue Funds: Virginia Public Assistance Fund | Other Governmental Funds | Total |
|---|---|---|---|---|---|---|---|
| **Restricted:** | | | | | | | |
| Capital projects | $ - | $ - | $ 670,415 | $ - | $ - | $ - | $ 670,415 |
| Debt service | 1,847,361 | - | - | - | - | - | 1,847,361 |
| Social services | - | - | - | - | 32,803 | - | 32,803 |
| Law enforcement | - | - | - | 1,000 | - | 193,566 | 194,566 |
| Public safety grants | - | - | - | - | - | 89,029 | 89,029 |
| Fire/rescue | - | - | - | 2,000 | - | - | 2,000 |
| Fire/rescue grants | - | - | - | - | - | 244,902 | 244,902 |
| Housing | - | - | - | - | - | 33,581 | 33,581 |
| Courthouse maintenance | - | - | - | - | - | 7,939 | 7,939 |
| Law library | - | - | - | - | - | 1,487 | 1,487 |
| Tourism | - | - | - | - | - | 96,769 | 96,769 |
| Ladysmith Commons and improvements | - | - | - | 37,499 | - | - | 37,499 |
| Ladysmith library | - | - | - | 365,327 | - | - | 365,327 |
| Ladysmith recreation | - | - | - | 163,606 | - | - | 163,606 |
| Dawn library | - | - | - | 5,412 | - | - | 5,412 |
| Route 639 construction | - | - | - | 275,000 | - | - | 275,000 |
| Children's services | - | - | - | - | - | 200,959 | 200,959 |
| **Total Restricted** | $ 1,847,361 | $ - | $ 670,415 | $ 849,844 | $ 32,803 | $ 868,232 | $ 4,268,655 |
| **Committed:** | | | | | | | |
| Capital projects | $ 2,265,483 | $ - | $ - | $ - | $ - | $ - | $ 2,265,483 |
| Education | 127,000 | | | | | | 127,000 |
| **Total Committed** | $ 2,392,483 | $ - | $ - | $ - | $ - | $ - | $ 2,392,483 |
| **Assigned:** | | | | | | | |
| Operations | $ 1,818,577 | $ - | $ - | $ - | $ - | $ - | $ 1,818,577 |
| Capital projects | 1,188,427 | - | - | - | - | - | 1,188,427 |
| Debt service | - | 208,392 | - | - | - | - | 208,392 |
| Social services | - | - | - | - | 48,757 | - | 48,757 |
| **Total Assigned** | $ 3,007,004 | $ 208,392 | $ - | $ - | $ 48,757 | $ - | $ 3,264,153 |
| **Unassigned** | $ 18,313,245 | $ - | $ - | $ (322,446) | $ - | $ - | $ 17,990,799 |
| **Total Fund Balances** | $ 25,560,093 | $ 208,392 | $ 670,415 | $ 527,398 | $ 81,560 | $ 868,232 | $ 27,916,090 |

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

### S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

## NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

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

1. Prior to March 1 of each year, the County Administrator submits to the Board of Supervisors a proposed operating capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

2. The Board of Supervisors conducts work sessions to review the budget and public hearings are required to be conducted to obtain citizen comments

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within the primary government's department; however, the Component Unit – School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds of the County and Component Unit – School Board.

## NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING: (CONTINUED)

6. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

7. Appropriations lapse on June 30.

8. The original budget presented in the accompanying financial statements is the budget as provided in the Appropriation Resolution adopted by the Board of Supervisors. The final amended budget presented in the financial statements is the budget, amended as indicated above, as of the June 30 year end.

Expenditures and Appropriations

Expenditures exceeded appropriations in the following funds at June 30, 2018.

| Fund | Amount |
|---|---|
| Debt Service Fund | $ 22,000,861 |
| Confiscated Asset Fund | 12,076 |
| Fire/Rescue Grant Fund | 23,644 |
| School Operating Fund | 42,450 |
| School Capital Projects Fund | 2,065 |

## NOTE 3—DEPOSITS AND INVESTMENTS:

### Deposits

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

### Investments

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

## NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

### Investments (Continued)

Local Government Investment Pool (LGIP)

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e. the LGIP maintains a stable net asset of $1 per share. The weighted average maturity of the LGIP is less than one year.

Virginia State Non-Arbitrage Program (SNAP)

Investment in the SNAP is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the *Code of Virginia*, the Government Non-Arbitrage Investment Act authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities or any combination of the foregoing ("Virginia governments") in the management of and accounting for their bond funds, including without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof. The Virginia SNAP has been assigned an "AAAm" rating by Standard & Poor's. The SNAP fund is managed to maintain a dollar-weighted average portfolio maturity of 90 days or less and seeks to maintain a constant net value (NAV) per share of $1. The Commonwealth of Virginia's Treasury Board has contracted with PFM Asset Management, LLC, Wells Fargo, N.A.., U. S. Bank, N.A., and the Bank of New York Mellon Corporation to provide professional services and regulating oversight to the SNAP program.

### Custodial Credit Risk (Deposits)

This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires all deposits to be insured under FDIC or comply with the Act. At year end, none of the County's deposits were exposed to custodial credit risk.

### Custodial Credit Risk (Investments)

The County's investment policy requires that all securities purchased for the County be held by the County or by the County's designated custodian. The County's investments at June 30, 2018 were held by the County or in the County's name by the County's custodial banks. The investments also should have a credit rating no less than AA rated by Standard and Poor or Aa by Moody's Investor Service.

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## NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

### Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The County's investment policy limits investments to those allowed by the Code of Virginia. The County may however restrict investments beyond the limits imposed by the Code of Virginia as such restrictions serve the purpose of further safeguarding County funds or are in the best interest of the County.

**County's Rated Debt Investments' Values**

| Rated Debt Investments | Fair Quality Ratings | |
|---|---|---|
| | AAAm | Unrated |
| Local Government Investment Pool | $ 23,565,294 | $ - |
| Virginia State Non-Arbitrage Pool | 4,592,613 | - |
| Money Market Funds | 2,069,170 | - |
| Repurchase Agreements - Underlying: | | |
| U.S. Agency Securities | - | 2,361,083 |
| Total | $ 30,227,077 | $ 2,361,083 |

### Interest Rate Risk

The County's investment policy does not specifically address interest rate risk.

### Fair Value Measurement

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of June 30, 2018:

- U. S. Agency Securities of $2,361,083 are valued using quoted market prices (Level 1 inputs).
- Money Market Funds of $2,069,170 are valued using quoted market prices (Level 1 inputs).

### External Investment Pools

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

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) are the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury.

## NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2018, the County has amounts due from other governments as follows:

| | Primary Government | Business-type Activities | Component Unit School Board |
|---|---|---|---|
| Other Local Governments: | | | |
| Town of Port Royal | $ - | $ 1,377 | $ - |
| Commonwealth of Virginia: | | | |
| State sales tax | - | - | 615,017 |
| Motor vehicle carrier tax | 8,924 | - | - |
| Personal property tax relief funds | 1,147,226 | - | - |
| Auto rental tax | 190 | - | - |
| Additional tax on deeds | 33,469 | - | - |
| Mobile home titling tax | 13,985 | - | - |
| E-911 wireless funds | 17,288 | - | - |
| Recordation tax | 29,567 | - | - |
| VA domestic violence victim grant | 41,299 | - | - |
| Welfare | 69,153 | - | - |
| Children's services | 298,729 | - | - |
| Communication sales tax | 115,202 | - | - |
| Constitutional officer reimbursements | 172,309 | - | - |
| Local sales tax | 349,490 | - | - |
| Soil conservationist reimbursement | 159,363 | - | - |
| Other state funds | 124,707 | - | 2,336 |
| Federal Government: | | | |
| School fund grants | - | - | 448,121 |
| DMV | 21,505 | - | - |
| Victim witness | 33,200 | - | - |
| Welfare | 129,241 | - | - |
| Total due from other governments | $ 2,764,847 | $ 1,377 | $ 1,065,474 |
| Other Local Governments: | | | |
| Caroline County School Board | $ - | $ - | $ - |

## NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

### Primary Government:

| | Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| General government: | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | $ 1,242,883 | $ - | $ - | $ 1,242,883 |
| Construction in progress | 18,663,170 | 912,274 | 286,464 | 19,288,980 |
| Total capital assets not subject to depreciation | $ 19,906,053 | $ 912,274 | $ 286,464 | $ 20,531,863 |
| Capital assets subject to depreciation: | | | | |
| Buildings | $ 66,846,606 | $ 242,074 | $ - | $ 67,088,680 |
| Machinery and equipment | 17,270,969 | 1,469,838 | 1,138,464 | 17,602,343 |
| Improvements other than buildings | 6,118,145 | 2,666,288 | 381,520 | 8,402,913 |
| Intangibles | 297,653 | 18,150 | - | 315,803 |
| Total capital assets being depreciated | $ 90,533,373 | $ 4,396,350 | $ 1,519,984 | $ 93,409,739 |
| Accumulated depreciation: | | | | |
| Buildings | $ 21,067,657 | $ 2,390,629 | $ - | $ 23,458,286 |
| Machinery and equipment | 8,204,903 | 1,513,377 | 1,067,841 | 8,650,439 |
| Improvements other than buildings | 3,513,033 | 304,854 | 379,471 | 3,438,416 |
| Intangibles | 217,069 | 23,248 | - | 240,317 |
| Total accumulated depreciation | $ 33,002,662 | $ 4,232,108 | $ 1,447,312 | $ 35,787,458 |
| Total capital assets being depreciated, net | $ 57,530,711 | $ 164,242 | $ 72,672 | $ 57,622,281 |
| General government activities capital assets, net | $ 77,436,764 | $ 1,076,516 | $ 359,136 | $ 78,154,144 |

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## NOTE 5—CAPITAL ASSETS: (CONTINUED)

### Primary Government: (Continued)

| | Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 |
|---|---|---|---|---|
| Internal Service Fund: | | | | |
| Capital assets subject to depreciation: | | | | |
| Buildings | $ 412,315 | $ - | $ - | $ 412,315 |
| Improvements other than buildings | 68,551 | - | - | 68,551 |
| Total capital assets being depreciated | $ 480,866 | $ - | $ - | $ 480,866 |
| Accumulated depreciation: | | | | |
| Buildings | $ 398,572 | $ 13,743 | $ - | $ 412,315 |
| Improvements other than buildings | 68,551 | - | - | 68,551 |
| Total accumulated depreciation | $ 467,123 | $ 13,743 | $ - | $ 480,866 |
| Total capital assets being depreciated, net | $ 13,743 | $ (13,743) | $ - | $ - |
| Internal Service Fund capital assets, net | $ 13,743 | $ (13,743) | $ - | $ - |
| **Total governmental activities:** | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | $ 1,242,883 | $ - | $ - | $ 1,242,883 |
| Construction in progress | 18,663,170 | 912,274 | 286,464 | 19,288,980 |
| Total capital assets not subject to depreciation | $ 19,906,053 | $ 912,274 | $ 286,464 | $ 20,531,863 |
| Capital assets subject to depreciation: | | | | |
| Buildings | $ 67,258,921 | $ 242,074 | $ - | $ 67,500,995 |
| Machinery and equipment | 17,270,969 | 1,469,838 | 1,138,464 | 17,602,343 |
| Improvements other than buildings | 6,186,696 | 2,666,288 | 381,520 | 8,471,464 |
| Intangibles | 297,653 | 18,150 | - | 315,803 |
| Total capital assets being depreciated | $ 91,014,239 | $ 4,396,350 | $ 1,519,984 | $ 93,890,605 |
| Accumulated depreciation: | | | | |
| Buildings | $ 21,466,229 | $ 2,404,372 | $ - | $ 23,870,601 |
| Machinery and equipment | 8,204,903 | 1,513,377 | 1,067,841 | 8,650,439 |
| Improvements other than buildings | 3,581,584 | 304,854 | 379,471 | 3,506,967 |
| Intangibles | 217,069 | 23,248 | - | 240,317 |
| Total accumulated depreciation | $ 33,469,785 | $ 4,245,851 | $ 1,447,312 | $ 36,268,324 |
| Total capital assets being depreciated, net | $ 57,544,454 | $ 150,499 | $ 72,672 | $ 57,622,281 |
| General government activities capital assets, net | $ 77,450,507 | $ 1,062,773 | $ 359,136 | $ 78,154,144 |

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## NOTE 5—CAPITAL ASSETS: (CONTINUED)

A summary of proprietary fund property, plant, and equipment at June 30, 2018 follows:

**Primary Government: (Continued)**

| | Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | $ 711,986 | $ - | $ - | $ 711,986 |
| Construction in progress | - | 180,214 | - | 180,214 |
| Total capital assets not subject to depreciation | $ 711,986 | $ 180,214 | $ - | $ 892,200 |
| Capital assets subject to depreciation: | | | | |
| Buildings | $ 1,380,723 | $ 8,813 | $ - | $ 1,389,536 |
| Improvements other than buildings | 56,100,311 | - | - | 56,100,311 |
| Equipment | 1,623,231 | 132,986 | - | 1,756,217 |
| Total capital assets being depreciated | $ 59,104,265 | $ 141,799 | $ - | $ 59,246,064 |
| Accumulated depreciation: | | | | |
| Buildings | $ 323,403 | $ 42,065 | $ | $ 365,468 |
| Improvements other than buildings | 12,586,578 | 1,306,609 | | 13,893,187 |
| Equipment | 1,150,572 | 84,458 | | 1,235,030 |
| Total accumulated depreciation | $ 14,060,553 | $ 1,433,132 | $ - | $ 15,493,685 |
| Total capital assets being depreciated, net | $ 45,043,712 | $ (1,291,333) | $ - | $ 43,752,379 |
| Business-type activities capital assets, net | $ 45,755,698 | $ (1,111,119) | $ - | $ 44,644,579 |

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## NOTE 5—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

### Component Unit—School Board:

| | Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 |
|---|---|---|---|---|
| Capital assets not subject to depreciation: | | | | |
| Land | $ 849,553 | $ - | $ - | $ 849,553 |
| Total capital assets not subject to depreciation | $ 849,553 | $ - | $ - | $ 849,553 |
| Capital assets subject to depreciation: | | | | |
| Buildings | $ 17,173,478 | $ - | $ - | $ 17,173,478 |
| Improvements other than buildings | 189,580 | 218,558 | - | 408,138 |
| Machinery and equipment | 8,575,549 | 800,299 | 152,686 | 9,223,162 |
| Total capital assets being depreciated | $ 25,938,607 | $ 1,018,857 | $ 152,686 | $ 26,804,778 |
| Accumulated depreciation: | | | | |
| Buildings | $ 13,105,847 | $ 282,527 | $ - | $ 13,388,374 |
| Improvements other than buildings | 61,477 | 36,173 | - | 97,650 |
| Machinery and equipment | 5,395,327 | 562,848 | 104,328 | 5,853,847 |
| Total accumulated depreciation | $ 18,562,651 | $ 881,548 | $ 104,328 | $ 19,339,871 |
| Total capital assets being depreciated, net | $ 7,375,956 | $ 137,309 | $ 48,358 | $ 7,464,907 |
| Capital assets, net | $ 8,225,509 | $ 137,309 | $ 48,358 | $ 8,314,460 |

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**NOTE 5—CAPITAL ASSETS: (CONTINUED)**

Depreciation expense was charged to functions/programs as follows:

| | |
|---|---|
| Governmental activities: | |
| General government administration | $ 576,140 |
| Judicial administration | 162,102 |
| Public safety | 1,290,702 |
| Public works | 278,489 |
| Education | 1,786,420 |
| Parks, recreation and cultural | 46,256 |
| Community development | 105,742 |
| Total Governmental activities | $ 4,245,851 |
| Component Unit School Board | $ 881,548 |
| Business-type Activities | $ 1,433,132 |

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the new law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Caroline, Virginia for the year ended June 30, 2018, is that school financed assets in the amount of $41,431,885 and related accumulated depreciation of $9,448,099 are reported in the Primary Government for financial reporting purposes.

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## NOTE 6—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2018, consisted of the following:

| Fund | Transfers In | Transfers Out |
|---|---|---|
| Governmental Funds: | | |
| General | $ - | $ 9,368,608 |
| Proffers | - | 750 |
| County Capital Projects | - | 2,242 |
| Debt Service | 6,504,149 | - |
| Virginia Public Assistance | 447,220 | - |
| Children's Services | 690,031 | - |
| Total Governmental Funds | $ 7,641,400 | $ 9,371,600 |
| Enterprise Funds: | | |
| Caroline County Utility | $ 1,579,053 | $ - |
| Dawn Wastewater System | 151,147 | - |
| Total Enterprise Funds | $ 1,730,200 | $ - |
| Total-All Funds | $ 9,371,600 | $ 9,371,600 |

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

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## NOTE 7—LONG-TERM OBLIGATIONS:

### Primary Government:

The following is a summary of long-term obligations of the County for the year ended June 30, 2018:

| | Restated Balance at July 1, 2017 | Issuances/ Increases | Retirements/ Decreases | Balance at June 30, 2018 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| Incurred by County: | | | | | |
| General obligation bonds | $ 47,368,687 | $ 20,120,000 | $ 24,135,954 | $ 43,352,733 | $ 3,031,684 |
| Lease revenue bonds | 29,183,238 | - | 2,195,624 | 26,987,614 | 1,763,719 |
| Lease revenue bond debt allocable from business-type activities | 861,584 | - | 113,629 | 747,955 | 117,375 |
| Capital leases | 6,758,504 | 1,568,250 | 1,052,766 | 7,273,988 | 1,035,726 |
| Unamortized premiums | 960,586 | 1,790,388 | 55,276 | 2,695,698 | - |
| Compensated absences | 743,962 | 168,351 | 74,396 | 837,917 | 83,792 |
| Net pension liability | 3,007,609 | 3,512,067 | 5,632,778 | 886,898 | - |
| Net OPEB liabilities | 1,960,787 | 110,359 | 205,959 | 1,865,187 | - |
| Landfill postclosure cost | 3,164,244 | 38,957 | - | 3,203,201 | - |
| Total Governmental Activities | $ 94,009,201 | $ 27,308,372 | $ 33,466,382 | $ 87,851,191 | $ 6,032,296 |
| Business-type Activities: | | | | | |
| General obligation bond | $ 150,000 | $ - | $ 150,000 | $ - | $ - |
| Revenue bonds | 39,156,745 | 7,580,000 | 8,939,674 | 37,797,071 | 1,452,299 |
| Lease revenue bond debt allocable from business-type activities | (861,584) | - | (113,629) | (747,955) | - |
| Unamortized premium | 1,345,789 | 814,036 | 577,585 | 1,582,240 | - |
| Compensated absences | 76,074 | 11,839 | 7,607 | 80,306 | 8,031 |
| Net pension liability | 191,975 | 224,174 | 359,539 | 56,610 | - |
| Net OPEB liabilities | 125,157 | 7,043 | 13,146 | 119,054 | - |
| Total Business-type Activities | $ 40,184,156 | $ 8,637,092 | $ 9,933,922 | $ 38,887,326 | $ 1,460,330 |

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## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

### Primary Government: (Continued)

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

| | Governmental Activities Obligations | | | |
|---|---|---|---|---|
| | General Obligation Bonds | | Lease Revenue Bonds | |
| Year Ending June 30 | Principal | Interest | Principal | Interest |
| 2019 | $ 3,031,684 | $ 1,734,256 | $ 1,881,094 | $ 863,323 |
| 2020 | 2,365,797 | 1,958,986 | 1,937,972 | 800,704 |
| 2021 | 2,436,150 | 1,870,793 | 1,920,896 | 735,281 |
| 2022 | 2,526,785 | 1,769,180 | 1,645,920 | 677,997 |
| 2023 | 2,616,412 | 1,664,574 | 1,697,953 | 627,458 |
| 2024 | 2,711,280 | 1,556,092 | 1,697,202 | 576,558 |
| 2025 | 2,812,704 | 1,442,113 | 1,649,786 | 527,645 |
| 2026 | 2,914,466 | 1,323,382 | 1,694,538 | 479,577 |
| 2027 | 3,021,583 | 1,200,227 | 1,691,270 | 429,992 |
| 2028 | 2,705,498 | 801,984 | 1,721,876 | 380,096 |
| 2029 | 2,449,338 | 677,341 | 1,773,820 | 329,036 |
| 2030 | 2,554,338 | 569,281 | 1,827,535 | 276,655 |
| 2031 | 2,654,338 | 455,301 | 1,880,129 | 222,753 |
| 2032 | 2,759,338 | 351,103 | 1,572,578 | 166,999 |
| 2033 | 2,869,338 | 240,441 | 770,000 | 126,654 |
| 2034 | 2,874,338 | 126,479 | 793,000 | 96,009 |
| 2035 | 49,346 | 20,833 | 265,000 | 72,371 |
| 2036 | - | - | 280,000 | 58,460 |
| 2037 | - | - | 240,000 | 45,294 |
| 2038 | - | - | 250,000 | 33,169 |
| 2039 | - | - | 265,000 | 20,422 |
| 2040 | - | - | 280,000 | 6,931 |
| Total | $ 43,352,733 | $ 17,762,366 | $ 27,735,569 | $ 7,553,384 |

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## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

### Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows: (Continued)

| Year Ending June 30 | Governmental Activities Obligations — Capital Leases Principal | Governmental Activities Obligations — Capital Leases Interest |
|---|---|---|
| 2019 | $ 1,035,726 | $ 183,844 |
| 2020 | 1,061,791 | 157,780 |
| 2021 | 961,307 | 131,039 |
| 2022 | 868,226 | 106,275 |
| 2023 | 791,473 | 83,897 |
| 2024 | 802,606 | 64,133 |
| 2025 | 822,695 | 44,042 |
| 2026 | 843,288 | 23,448 |
| 2027 | 86,876 | 2,339 |
| Total | $ 7,273,988 | $ 796,797 |

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**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Primary Government: (Continued)**

Annual requirements to amortize long-term obligations and related interest are as follows: (Continued)

| Year Ending June 30 | Business-type Activities Obligations | |
|---|---|---|
| | Revenue Bonds | |
| | Principal | Interest |
| 2019 | $ 1,452,299 | $ 1,850,035 |
| 2020 | 1,517,305 | 1,786,462 |
| 2021 | 1,386,061 | 1,723,421 |
| 2022 | 1,439,818 | 1,662,084 |
| 2023 | 1,487,326 | 1,599,018 |
| 2024 | 1,412,282 | 1,535,812 |
| 2025 | 1,574,675 | 1,468,448 |
| 2026 | 1,624,675 | 1,394,016 |
| 2027 | 1,704,675 | 1,313,398 |
| 2028 | 1,610,000 | 1,227,053 |
| 2029 | 1,685,000 | 1,137,133 |
| 2030 | 1,755,000 | 1,043,820 |
| 2031 | 1,835,000 | 946,512 |
| 2032 | 1,910,000 | 844,598 |
| 2033 | 1,370,000 | 752,977 |
| 2034 | 1,435,000 | 674,444 |
| 2035 | 1,500,000 | 594,556 |
| 2036 | 1,560,000 | 513,044 |
| 2037 | 1,625,000 | 429,671 |
| 2038 | 1,690,000 | 342,579 |
| 2039 | 1,750,000 | 250,427 |
| 2040 | 1,825,000 | 153,080 |
| 2041 | 1,900,000 | 51,719 |
| Total | $ 37,049,116 | $ 23,294,307 |

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## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

### Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows: (Continued)

### Governmental Activities:

| | | |
|---|---|---|
| General Obligation Bonds: | | |
| $1,179,008 Virginia Retirement System Obligation Refunding Bonds (Taxable Series 2003) issued July 2003, maturing annually from $96,625 to $106,003 through July 2018, with interest payable annually at 4.61%. | $ | 105,977 |
| $6,364,713 School Bonds (2007B) issued November 2007, maturing annually from $308,371 to $371,160 through July 2027, with interest payable semi-annually at 5.10%. | | 3,425,854 |
| $19,915,000 VPSA School Bonds issued December 2008, maturing annually from $775,000 to $1,220,000 through July 2033, with interest payable semi-annually at rates varying from 4.10% to 5.35%. | | 13,810,000 |
| $6,000,000 2011 VPSA Direct Payment Qualified School Construction Bonds issued June 2011, maturing annually at $428,571 through June 2027, with interest payable semi-annually at an average coupon rate of 7.60%. | | 3,857,148 |
| $1,085,447 2012 A series VPSA Qualified School Construction Bonds issued October 2012, maturing annually at $49,339 through December 2034, with interest payable semi-annually at 3.84%. | | 838,754 |
| $1,450,000 2012 B series VPSA School Bonds issued November 2012, maturing annually from $55,000 to $100,000 through July 2032, with interest due semi-annually at varying rates of 2.05% to 5.05%. | | 1,195,000 |
| $20,120,000 2018 series VPSA School Bonds issued June 2018, maturing annually from $920,000 to $1,605,000 through June 2034, with interest due semi-annually at varying rates of 3.00% to 5.00%. | | 20,120,000 |
| Total general obligation bonds | $ | 43,352,733 |

## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

### Primary Government: (Continued)

Details of long-term indebtedness are as follows:

| | | |
|---|---|---|
| Lease Revenue Bonds: | | |
| $9,240,000 lease revenue refunding bond, issued October 2010, maturing annually from $115,000 to $855,000 through October 2039, with interest payable semi-annually at varying rates from 4.79% to 5.13%. | $ | 4,740,000 |
| $795,000 lease revenue bond, issued October 2012, maturing annually from $25,000 to $50,000 through October 2035, with interest payable semi-annually at 4.10%. | | 665,000 |
| $8,487,000 EDA public facility lease revenue, issued April 2014, maturing annually from $346,000 to $543,000 through June 2034, with interest payable semi-annually at 2.70%. | | 7,163,000 |
| $5,328,275 lease revenue and refunding bond, issued December 2015, maturing annually from $321,909 to $405,999 through January 2031, with interest payable semi-annually at 2.67%. | | 4,576,907 |
| $7,273,400 lease revenue refunding bond, issued July 29, 2016, maturing annually from $404,981 to $573,901 through June 30, 2032, with interest semi-annually ay 2.49%. | | 6,868,419 |
| $3,142,769 lease revenue bond, issued, issued March 17, 2017, maturing annually from $168,481 to $247,677 through June 30, 2032, with interest semi-annually at 2.95%. | | 2,974,288 |
| $6,905,000 2009B VRA revenue bond debt allocable from the Caroline County Utility Fund. | | 747,955 |
| Total lease revenue bonds | $ | 27,735,569 |

## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

### Primary Government: (Continued)

Details of long-term indebtedness are as follows: (Continued)

| | | |
|---|---|---|
| Capital Leases: | | |
| $6,574,068 capital lease obligation (payable from the General Fund) issued July 2013, secured by equipment, annual maturity from $579,117 to $675,059 beginning January 2016 through January 2026, with interest payable semi-annually at 2.53%. | $ | 4,956,380 |
| $179,130 capital lease obligation issued March 8, 2017, secured by a vehicle, annual principal payments of $37,967 beginning March 20, 2017 through March 2021, with interest payable annnually at 2.99%. | | 107,415 |
| $493,450 capital lease obligation issued January 13, 2017, secured by two vehicles, annual principal payments of $127,225 beginning January 13, 2017 through January 13, 2020, with interest payable annnually at 2.01%. | | 246,672 |
| $779,000 capital lease obligation issued January 13, 2017, secured by public safety vehicles, annual principal payments of $85,384 beginning January 13, 2017 through January 13, 2026, with interest payable annnually at 1.86%. | | 622,796 |
| $57,000 capital lease obligation issued January 13, 2017, secured by a vehicle, annual principal payments of $8,634 beginning January 13, 2017 through January 13, 2023, with interest payable annnually at 1.86%. | | 40,698 |
| $308,500 capital lease obligation issued October 12, 2017, secured by vehicles, annual payments of $79,879 beginning October 2017 through October 2020, with interest payable annnually at 2.39%. | | 228,621 |
| $305,750 capital lease obligation issued October 12, 2017, secured by a vehicle, annual payments of $64,195 beginning October 2017 through October 2020, with interest payable annnually at 2.49%. | | 241,556 |
| $794,000 capital lease obligation issued October 12, 2017, secured by a vehicle, annual payments of $89,215 beginning October 2017 through October 2020, with interest payable annnually at 2.69%. | | 704,785 |
| $160,000 capital lease obligation issued May 8, 2018, secured by a vehicle, annual principal payments from $29,194 to $34,935 beginning May 2018 through May 2022, with interest payable annually at 4.59%. | | 125,065 |
| Total capital leases | $ | 7,273,988 |
| Unamortized premiums | $ | 2,695,698 |
| Net pension liability | $ | 886,898 |
| Net OPEB liabilities | $ | 1,865,187 |
| Compensated absences | $ | 837,917 |
| Landfill postclosure cost | $ | 3,203,201 |
| Total Governmental Activities | $ | 87,851,191 |

## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

### Primary Government: (Continued)

Details of long-term indebtedness are as follows: (Continued)

### Business-type Activities:

Revenue Bonds:

| | | |
|---|---|---|
| $3,310,000 refunding Virginia Pooled Financing Program bond issued November 2010, maturing annually from $480,000 to $620,000 beginning in 2026 through 2032, with interest payable semi-annually at varying rates of 4.83% through 4.85%. | $ | 3,310,000 |
| $3,366,314 revenue bond issued March 2006, maturing in equal annual installments of $169,674 through 2025. No interest is payable on the bond. | | 1,527,071 |
| $2,060,000 VRA revenue bond issued 2009, maturing annually from $150,000 to $560,000, with interest payable semi-annually at varying rates of 3.13% to 5.18% through October 2019. | | 1,090,000 |
| $6,905,000 2009B VRA revenue bond issued November 2009, maturing annually from $341,371 to $450,000 through October 2025 with interest payable semi-annually at varying rates of 3.83% to 5.13%. | | 3,875,000 |
| Less: Revenue bond debt allocable to general government | | (747,955) |
| $8,525,000 2010A pooled revenue bond issued May 2010, maturing annually from $65,000 to $625,000 through October 2040 with interest payable semi-annually at varying rates of 3.76% to 5.20%. | | 625,000 |
| $20,655,000 2010CB pooled revenue bond issued November 2010, maturing annually from $170,000 to $1,320,000 through October 2040, with interest payable semi-annually at varying rates of 4.5% to 6.14%. | | 19,790,000 |
| $7,580,000 2007 pooled revenue bond issued November 15, 2017, maturing annually from $5,000 to $580,000 through October 2040, with interest payable semi-annually at varying rates of 3.125% to 5.125%. | | 7,580,000 |
| Total lease revenue bonds | $ | 37,049,116 |
| Unamortized premium | $ | 1,582,240 |
| Compensated absences | $ | 80,306 |
| Net pension liability | $ | 56,610 |
| Net OPEB liabilities | $ | 119,054 |
| Total Business-type Activities | $ | 38,887,326 |

## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

### Primary Government: (Continued)

Capital Leases

The County has entered into lease agreements for financing the acquisition of trucks, vehicles and radio equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| | | Governmental Activities |
|---|---|---|
| Asset: | | |
| Trucks and vehicles | $ | 2,334,292 |
| Radio equipment | | 5,003,786 |
| Less: Accumulated depreciation | | (1,409,191) |
| | $ | 5,928,887 |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

| Year Ending June 30 | | Governmental Activities |
|---|---|---|
| 2019 | $ | 1,219,570 |
| 2020 | | 1,219,571 |
| 2021 | | 1,092,346 |
| 2022 | | 974,501 |
| 2023 | | 875,370 |
| 2024 | | 866,739 |
| 2025 | | 866,737 |
| 2026 | | 866,736 |
| 2027 | | 89,215 |
| Total minimum lease payments | $ | 8,070,785 |
| Less: amount respresenting interest | | (796,797) |
| Present value of minimum lease payments | $ | 7,273,988 |

## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

### Component Unit—School Board

The following is a summary of long-term obligations for the fiscal year ended June 30, 2018:

| | Restated Balance at July 1, 2017 | Increases | Decreases | Balance at June 30, 2018 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 632,574 | $ 40,084 | $ 63,257 | $ 609,401 | $ 60,940 |
| Capital leases | 1,540,540 | 259,699 | 192,030 | 1,608,209 | 219,644 |
| Net pension liability | 36,150,767 | 5,484,849 | 9,684,616 | 31,951,000 | - |
| Net OPEB liabilities | 12,546,900 | 1,179,422 | 1,246,568 | 12,479,754 | - |
| Total Component Unit School Board | $ 50,870,781 | $ 6,964,054 | $ 11,186,471 | $ 46,648,364 | $ 280,584 |

Capital Leases

The School Board has entered into lease agreements for financing the acquisition of school buses. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| | Governmental Activities |
|---|---|
| Asset: | |
| School buses | $ 2,249,017 |
| Less: Accumulated depreciation | (545,790) |
| | $ 1,703,227 |

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## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

### Component Unit—School Board (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

| Year Ending June 30 | | Governmental Activities |
|---|---|---|
| 2019 | $ | 263,281 |
| 2020 | | 263,282 |
| 2021 | | 263,281 |
| 2022 | | 197,012 |
| 2023 | | 197,012 |
| 2024 | | 145,899 |
| 2025 | | 145,898 |
| 2026 | | 145,898 |
| 2027 | | 145,898 |
| 2028 | | 31,429 |
| Total minimum lease payments | $ | 1,798,890 |
| Less: amount respresenting interest | | (190,681) |
| Present value of minimum lease payments | $ | 1,608,209 |

## NOTE 8—CURRENT REFUNDING:

On November 15, 2017, the County issued $7,580,000 in a Lease Revenue Refunding Bond to refund the Series 2010 Lease Revenue Bonds. The net proceeds were used to pay off the remaining balance of the County's outstanding Series 2010 Lease Revenue Bonds, as well as the costs of issuance associated with the Series 2017 bond. The current refunding will decrease its total debt service payments by $1,179,300 and resulted in an economic gain of $845,040.

On June 21, 2018, the County issued a $20,120,000 General Obligation School Refunding Bonds to refund the 2013 General Obligation School Bond. The net proceeds were used to pay off the remaining balance of the County's outstanding 2013 General Obligation School Bond, as well as the costs of issuance associated with the Series 2018 Bond. The current refunding will decrease its total debt service payments by $1,051,303 and resulted in an economic gain of $850,984.

## NOTE 9—LANDFILL POSTCLOSURE COSTS:

State and federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill operated by the County was certified by the Department of Environmental Quality was closed on December 8, 2003 and all obligations of the County with regard to the closure have been met. The $3,203,201 reported as landfill postclosure care liability at June 30, 2018 represents the remaining engineering estimate of 20 years of postclosure monitoring and care. These amounts are based on what it would cost to perform all postclosure care in 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The County intends to fund these costs from general tax revenues and from any special revenue source that may become available for this purpose.

## NOTE 10—DEFERRED/UNAVAILABLE REVENUE:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Deferred/unavailable revenue is comprised of the following:

Unavailable Property Tax Revenue: Revenue representing uncollected tax billings not available for funding of current expenditures totaled $21,576,096, of which $4,751,408 represents delinquent property taxes receivable at June 30, 2018.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2018, but paid in advance by the tax payers totaled $856,608 at June 30, 2018.

Unavailable revenue in the School Operating Fund consisted of:

Unavailable Insurance Refund Revenue: Unavailable revenue representing pending refunds requested by the School Board for self-insurance fund over-payments, realized when switching self-insurance plans, not available for funding of current expenditures totaled $958,056 at June 30, 2018.

## NOTE 11—COMMITMENTS AND CONTINGENCIES:

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

## NOTE 11—COMMITMENTS AND CONTINGENCIES: (Continued)

The following construction contracts were outstanding at June 30, 2018:

| Fund | Project | Contractor | Amount of Contract | Contract Outstanding At June 30, 2018 |
|---|---|---|---|---|
| County Capital Projects | Caroline County BES Upgrades | ABM Building Services | $ 3,017,060 | $ 1,216,330 |
| County Capital Projects | Madison Elementary School Additions and Renovations | Haley Builders | 3,517,734 | 52,000 |

## NOTE 12—LITIGATION:

At June 30, 2018, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

## NOTE 13—RISK MANAGEMENT:

The County and School Board Component Unit are exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets, errors and omissions; injuries to employees and others; and natural disasters. To reduce insurance costs and the need for self-insurance, the County and School Board joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities.

The County and School Board have coverage with the Virginia Association of Counties Group Self Insurance Risk Pool (the "Pool") for all insurable risks identified by the County. Each Pool member jointly and severally agrees to assume, pay and discharge any liability. The County and School Board pay the Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Pool and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County and School Board contribute to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

Health Insurance

County employees, retirees and employee dependents are eligible for medical benefits from a County-held self-insurance plan. Funding is provided by charges to County departments, employees, and retirees. The program is supplemented by stop loss protection, which limits the County's annual liability.

## NOTE 13—RISK MANAGEMENT:

Health Insurance (Continued)

Based on the requirements of GASB Statement No. 10, the County records an estimated liability for indemnity healthcare claims. Prior to fiscal year 2015, the liability was recorded in the respective fund; however, during fiscal year 2015, the County established a separate Self-Insurance Fund to account for this activity. The following represents the changes in the fund's claim liability for 2015 through 2018.

| Fiscal Year Ended | Beginning Liability | Claims and Changes in Estimates | Claim Payments | Ending Liability |
|---|---|---|---|---|
| June 30, 2015 | $ 137,587 | $ 542,776 | $ 532,388 | $ 147,975 |
| June 30, 2016 | 147,975 | 578,945 | 524,471 | 202,449 |
| June 30, 2017 | 202,449 | 520,157 | 503,652 | 218,954 |
| June 30, 2018 | 218,954 | 520,834 | 498,364 | 241,424 |

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## NOTE 14—PENSION PLAN:

*Plan Description*

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

| RETIREMENT PLAN PROVISIONS | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **About Plan 1**<br>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. | **About Plan 2**<br>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. | **About the Hybrid Retirement Plan**<br>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.<br>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.<br>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. |

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **About Plan 1 (Cont.)** | **About Plan 2 (Cont.)** | **About the Hybrid Retirement Plan (Cont.)**<br>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. |
| **Eligible Members**<br>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.<br><br>**Hybrid Opt-In Election**<br>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. | **Eligible Members**<br>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.<br><br>**Hybrid Opt-In Election**<br>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. | **Eligible Members**<br>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:<br>• Political subdivision employees*<br>• School division employees<br>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.<br><br>***Non-Eligible Members**<br>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:<br>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. |

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Hybrid Opt-In Election (Cont.)**<br>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP. | **Hybrid Opt-In Election (Cont.)**<br>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP. | ***Non-Eligible Members (Cont.)**<br>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP. |
| **Retirement Contributions**<br>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment. | **Retirement Contributions**<br>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. | **Retirement Contributions**<br>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages. |

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

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

## NOTE 14—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Vesting**<br>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.<br><br>Members are always 100% vested in the contributions that they make. | **Vesting**<br>Same as Plan 1. | **Vesting**<br>**Defined Benefit Component:**<br>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service.<br>Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.<br><br>**Defined Contribution Component:**<br>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.<br><br>Members are always 100% vested in the contributions that they make.<br><br>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.<br>• After two years, a member is 50% vested and may withdraw 50% of employer contributions. |

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Vesting (Cont.)** | **Vesting (Cont.)** | **Vesting (Cont.)**<br>**Defined Contribution Component: (Cont.)**<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br><br>Distribution is not required by law until age 70½. |
| **Calculating the Benefit**<br>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.<br><br>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit. | **Calculating the Benefit**<br>See definition under Plan 1. | **Calculating the Benefit**<br>**Defined Benefit Component:**<br>See definition under Plan 1.<br><br>**Defined Contribution Component:**<br>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| **Average Final Compensation**<br>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Service Retirement Multiplier**<br>**VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.<br><br>**Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.<br><br>**Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. | **Service Retirement Multiplier**<br>**VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.<br><br>**Sheriffs and regional jail superintendents:** Same as Plan 1.<br><br>**Political subdivision hazardous duty employees:** Same as Plan 1. | **Service Retirement Multiplier**<br>**Defined Benefit Component:**<br>**VRS:** The retirement multiplier for the defined benefit component is 1.00%.<br><br>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.<br><br>**Sheriffs and regional jail superintendents:** Not applicable.<br><br>**Political subdivision hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Not applicable. |
| **Normal Retirement Age**<br>**VRS:** Age 65.<br><br>**Political subdivisions hazardous duty employees:** Age 60. | **Normal Retirement Age**<br>**VRS:** Normal Social Security retirement age.<br><br>**Political subdivisions hazardous duty employees:** Same as Plan 1. | **Normal Retirement Age**<br>**Defined Benefit Component:**<br>**VRS:** Same as Plan 2.<br><br>**Political subdivisions hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Earliest Unreduced Retirement Eligibility**<br>**VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.<br><br>**Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service. | **Earliest Unreduced Retirement Eligibility**<br>**VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.<br><br>**Political subdivisions hazardous duty employees:** Same as Plan 1. | **Earliest Unreduced Retirement Eligibility**<br>**Defined Benefit Component:**<br>**VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.<br><br>**Political subdivisions hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Earliest Reduced Retirement Eligibility**<br>**VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.<br><br>**Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service. | **Earliest Reduced Retirement Eligibility**<br>**VRS:** Age 60 with at least five years (60 months) of creditable service.<br><br>**Political subdivisions hazardous duty employees:** Same as Plan 1. | **Earliest Reduced Retirement Eligibility**<br>**Defined Benefit Component:**<br>**VRS:** Age 60 with at least five years (60 months) of creditable service.<br><br>**Political subdivisions hazardous duty employees:** Not applicable.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Cost-of-Living Adjustment (COLA) in Retirement**<br>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.<br><br>**Eligibility:**<br>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.<br><br>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.<br><br>**Exceptions to COLA Effective Dates:**<br>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<br>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.<br>• The member retires on disability. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.<br><br>**Eligibility:**<br>Same as Plan 1.<br><br>**Exceptions to COLA Effective Dates:**<br>Same as Plan 1. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>**Defined Benefit Component:**<br>Same as Plan 2.<br><br>**Defined Contribution Component:**<br>Not applicable.<br><br>**Eligibility:**<br>Same as Plan 1 and Plan 2.<br><br>**Exceptions to COLA Effective Dates:**<br>Same as Plan 1 and Plan 2. |

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)<br><br><u>Exceptions to COLA Effective Dates: (Cont.)</u><br>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).<br>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.<br>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</td><td>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</td><td>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</td></tr>
<tr><td>Disability Coverage<br>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</td><td>Disability Coverage<br>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</td><td>Disability Coverage<br>Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</td></tr>
</table>

## NOTE 14—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **Disability Coverage (Cont.)** | **Disability Coverage (Cont.)** | **Disability Coverage (Cont.)**<br>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. |
| **Purchase of Prior Service**<br>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay. | **Purchase of Prior Service**<br>Same as Plan 1. | **Purchase of Prior Service**<br>**Defined Benefit Component:**<br>Same as Plan 1, with the following exceptions:<br>• Hybrid Retirement Plan members are ineligible for ported service.<br><br>**Defined Contribution Component:**<br>Not applicable. |

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Employees Covered by Benefit Terms*

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Primary Government | Component Unit School Board Nonprofessional |
|---|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 124 | 48 |
| Inactive members: | | |
| Vested inactive members | 45 | 3 |
| Non-vested inactive members | 70 | 9 |
| Inactive members active elsewhere in VRS | 117 | 12 |
| Total inactive members | 232 | 24 |
| Active members | 223 | 57 |
| Total covered employees | 579 | 129 |

*Contributions*

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

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 9.02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $1,071,076 and $958,117 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually employer required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 5.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Contributions (Continued)*

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were $67,671 and $75,652 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability (Asset)*

The County's and Component Unit School Board's (nonprofessional) net pension liability (asset) were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

*Actuarial Assumptions – General Employees*

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Contributions (Continued)*

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |

All Others (Non 10 Largest) – Non-Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits*

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)*

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Increased rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |

All Others (Non 10 Largest) – Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |

*The remainder of this page left blank intentionally.*

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Long-Term Expected Rate of Return*

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | 100.00% | | 4.80% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 7.30% |

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTE 14—PENSION PLAN: (CONTINUED)

*Changes in Net Pension Liability*

| | Primary Government Increase (Decrease) | | |
|---|---|---|---|
| | **Total Pension Liability (a)** | **Plan Fiduciary Net Position (b)** | **Net Pension Liability (a) - (b)** |
| Balances at June 30, 2016 | $ 34,809,501 | $ 31,609,917 | $ 3,199,584 |
| Changes for the year: | | | |
| Service cost | $ 1,322,358 | $ - | $ 1,322,358 |
| Interest | 2,388,469 | - | 2,388,469 |
| Assumption changes | (233,781) | - | (233,781) |
| Differences between expected and actual experience | (402,886) | - | (402,886) |
| Contributions - employer | - | 935,246 | (935,246) |
| Contributions - employee | - | 534,202 | (534,202) |
| Net investment income | - | 3,886,201 | (3,886,201) |
| Benefit payments, including refunds of employee contributions | (1,377,034) | (1,377,034) | - |
| Administrative expenses | - | (21,938) | 21,938 |
| Other changes | - | (3,475) | 3,475 |
| Net changes | $ 1,697,126 | $ 3,953,202 | $ (2,256,076) |
| Balances at June 30, 2017 | $ 36,506,627 | $ 35,563,119 | $ 943,508 |

**NOTE 14—PENSION PLAN: (CONTINUED)**

*Changes in Net Pension Liability (Asset)*

| | Component School Board (nonprofessional) | | |
|---|---|---|---|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2016 | $ 4,870,908 | $ 4,772,141 | $ 98,767 |
| Changes for the year: | | | |
| Service cost | $ 133,441 | $ - | $ 133,441 |
| Interest | 330,501 | - | 330,501 |
| Assumption changes | (43,484) | - | (43,484) |
| Differences between expected and actual experience | (47,939) | - | (47,939) |
| Contributions - employer | - | 71,009 | (71,009) |
| Contributions - employee | - | 69,626 | (69,626) |
| Net investment income | - | 573,732 | (573,732) |
| Benefit payments, including refunds of employee contributions | (298,923) | (298,923) | - |
| Administrative expenses | - | (3,400) | 3,400 |
| Other changes | - | (507) | 507 |
| Net changes | $ 73,596 | $ 411,537 | $ (337,941) |
| Balances at June 30, 2017 | $ 4,944,504 | $ 5,183,678 | $ (239,174) |

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

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

| | Rate | | |
|---|---|---|---|
| | (6.00%) | (7.00%) | (8.00%) |
| County's Net Pension Liability (Asset) | $ 6,109,950 | $ 943,508 | $ (3,308,810) |
| Component Unit School Board's (nonprofessional) Net Pension Liability (Asset) | $ 302,788 | $ (239,174) | $ (696,966) |

**NOTE 14—PENSION PLAN: (CONTINUED)**

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of $267,997 and ($52,845) respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | | Component Unit School Board (nonprofessional) | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 634,143 | $ 7,013 | $ 35,163 |
| Change of assumptions | - | 163,365 | - | 30,063 |
| Net difference between projected and actual earnings on pension plan investments | - | 526,572 | - | 69,698 |
| Employer contributions subsequent to the measurement date | 1,071,076 | - | 67,671 | - |
| Total | $ 1,071,076 | $ 1,324,080 | $ 74,684 | $ 134,924 |

$1,071,076 and $67,671 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | Primary Government | Component Unit School Board (nonprofessional) |
|---|---|---|
| 2019 | $ (713,181) | $ (74,240) |
| 2020 | (204,373) | (407) |
| 2021 | (72,292) | (4,193) |
| 2022 | (334,234) | (49,071) |
| Thereafter | - | - |

**NOTE 14—PENSION PLAN: (CONTINUED)**

**Component Unit School Board (professional)**

*Plan Description*

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

*Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $3,353,929 and $3,027,810 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2018, the school division reported a liability of $31,951,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.25981% as compared to 0.25725% at June 30, 2016.

## NOTE 14—PENSION PLAN: (CONTINUED)

### Component Unit School Board (professional) (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

For the year ended June 30, 2018, the school division recognized pension expense of $2,348,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 2,262,000 |
| Change of assumptions | 466,000 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,161,000 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 584,000 | 272,000 |
| Employer contributions subsequent to the measurement date | 3,353,929 | - |
| Total | $ 4,403,929 | $ 3,695,000 |

$3,353,929 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | |
|---|---|
| 2019 | $ (1,264,000) |
| 2020 | (14,000) |
| 2021 | (284,000) |
| 2022 | (1,005,000) |
| 2023 | (78,000) |

**NOTE 14—PENSION PLAN: (CONTINUED)**

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

*Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

## NOTE 14—PENSION PLAN: (CONTINUED)

### Component Unit School Board (professional) (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | | Teacher Employee Retirement Plan |
|---|---|---|
| Total Pension Liability | $ | 45,417,520 |
| Plan Fiduciary Net Position | | 33,119,545 |
| Employers' Net Pension Liability (Asset) | $ | 12,297,975 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 72.92% |

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

## NOTE 14—PENSION PLAN: (CONTINUED)

### Component Unit School Board (professional) (Continued)

*Long-Term Expected Rate of Return*

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Asests | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | 100.00% | | 4.80% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 7.30% |

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**NOTE 14—PENSION PLAN: (CONTINUED)**

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

| | Rate | | |
|---|---|---|---|
| | **(6.00%)** | **(7.00%)** | **(8.00%)** |
| School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) | $ 47,714,000 | $ 31,951,000 | $ 18,912,000 |

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

*Plan Description*

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS |
|---|
| **Eligible Employees**<br><br>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:<br>• City of Richmond<br>• City of Portsmouth<br>• City of Roanoke<br>• City of Norfolk<br>• Roanoke City School Board<br><br>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest. |

**NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

*Plan Description (Continued)*

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED) |
|---|
| **Benefit Amounts**<br><br>The benefits payable under the Group Life Insurance Program have several components.<br>• **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.<br>• **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.<br>• **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<br>o Accidental dismemberment benefit<br>o Safety belt benefit<br>o Repatriation benefit<br>o Felonious assault benefit<br>o Accelerated death benefit option |
| **Reduction in Benefit Amounts**<br><br>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. |
| **Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**<br><br>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111. |

*Contributions*

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were $63,574 and $55,265 for the years ended June 30, 2018 and June 30, 2017, respectively.

## NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*Contributions (Continued)*

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were $109,986 and $107,398 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were $7,193 and $7,493 for the years ended June 30, 2018 and June 30, 2017, respectively.

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB*

At June 30, 2018, the County reported a liability of $867,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of $1,685,000 and $118,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was 0.05762% as compared to 0.05634% at June 30, 2016. At June 30, 2017, the Component Unit School Board professional and nonprofessional groups' proportion was 0.11197% and 0.00781%, respectively as compared to 0.10958% and 0.00742% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of $13,000. For the year ended June 30, 2018, the Component Unit School Board professional group recognized GLI OPEB expense of $26,000. For the year ended June 30, 2018, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of $2,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Primary Government | | Component School Board (professional) | | Component School Board (nonprofessional) | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 19,000 | $ - | $ 38,000 | $ - | $ 3,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 33,000 | - | 63,000 | - | 4,000 |
| Change of assumptions | - | 45,000 | - | 87,000 | - | 6,000 |
| Changes in proportionate share | 19,000 | - | 35,000 | - | 6,000 | - |
| Employer contributions subsequent to the measurement date | 63,574 | - | 109,986 | - | 7,193 | - |
| Total | $ 82,574 | $ 97,000 | $ 144,986 | $ 188,000 | $ 13,193 | $ 13,000 |

**NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)*

$63,574, $109,986 and $7,193, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ended June 30 | Primary Government | Component Unit School Board (professional) | Component Unit School Board (nonprofessional) |
|---|---|---|---|
| 2019 | $ (17,000) | $ (32,000) | $ (2,000) |
| 2020 | (17,000) | (32,000) | (2,000) |
| 2021 | (17,000) | (32,000) | (2,000) |
| 2022 | (17,000) | (32,000) | (1,000) |
| 2023 | (9,000) | (16,000) | - |
| Thereafter | (1,000) | (9,000) | - |

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| General state employees | 3.5% – 5.35% |
| Teachers | 3.5%-5.95% |
| SPORS employees | 3.5%-4.75% |
| VaLORS employees | 3.5%-4.75% |
| JRS employees | 4.5% |
| Locality - General employees | 3.5%-5.35% |
| Locality - Hazardous Duty employees | 3.5%-4.75% |
| Investment rate of return | 7.0%, net of investment expenses, including inflation* |

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

**NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates – General State Employees**

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 25% |

**NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates – Teachers**

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

## NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)*

**Mortality Rates – SPORS Employees**

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 85% |

## NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)*

**Mortality Rates – VaLORS Employees**

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 50% to 35% |

**NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates – JRS Employees**

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Decreased rates at first retirement eligibility |
| Withdrawal Rates | No change |
| Disability Rates | Removed disability rates |
| Salary Scale | No change |

**NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates – Largest Ten Locality Employers – General Employees**

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |

**NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates – Non-Largest Ten Locality Employers – General Employees**

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

**Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

## NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)*

**Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Increased disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |

**Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |

*NET GLI OPEB Liability*

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

| | Group Life Insurance OPEB Program |
|---|---|
| Total GLI OPEB Liability | $ 2,942,426 |
| Plan Fiduciary Net Position | 1,437,586 |
| Employers' Net GLI OPEB Liability (Asset) | $ 1,504,840 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 48.86% |

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

**NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

*Long-Term Expected Rate of Return*

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | 100.00% | | 4.80% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 7.30% |

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

*Discount Rate*

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**NOTE 15—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

*Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate*

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| County's proportionate share of the Group Life Insurance Program Net OPEB Liability | $ 1,122,000 | $ 867,000 | $ 661,000 |
| Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability | $ 2,179,000 | $ 1,685,000 | $ 1,284,000 |
| Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability | $ 152,000 | $ 118,000 | $ 90,000 |

*Group Life Insurance Program Fiduciary Net Position*

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

*Plan Description*

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

**TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS**

**Eligible Employees**

The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:
- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

**Benefit Amounts**

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:
- **At Retirement** – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
  - $4.00 per month, multiplied by twice the amount of service credit, or
  - $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

**Health Insurance Credit Program Notes:**

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

**NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)**

*Contributions*

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were $259,792 and $229,254 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB*

At June 30, 2018, the school division reported a liability of $3,320,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.26170% as compared to 0.25725% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of $277,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

**NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)**

*Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)*

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | $ - | $ 6,000 |
| Change of assumptions | - | 34,000 |
| Change in proportionate share | 49,000 | - |
| Employer contributions subsequent to the measurement date | 259,792 | - |
| Total | $ 308,792 | $ 40,000 |

$259,792 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

| Year Ended June 30 | |
|---|---|
| 2019 | $ 9,000 |
| 2020 | - |
| 2021 | - |
| 2022 | - |
| 2023 | - |
| Thereafter | - |

**NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)**

*Actuarial Assumptions*

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| Teacher employees | 3.5%-5.95% |
| Investment rate of return | 7.0%, net of investment expenses, including inflation* |

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

**Mortality Rates – Teachers**

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

## NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

*Actuarial Assumptions: (Continued)*

**Mortality Rates – Teachers: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

*Net Teacher Employee HIC OPEB Liability*

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

| | | Teacher Employee HIC OPEB Plan |
|---|---|---|
| Total Teacher Employee HIC OPEB Liability | $ | 1,364,702 |
| Plan Fiduciary Net Position | | 96,091 |
| Teacher Employee net HIC OPEB Liability (Asset) | $ | 1,268,611 |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | | 7.04% |

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

**NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)**

*Long-Term Expected Rate of Return*

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 40.00% | 4.54% | 1.82% |
| Fixed Income | 15.00% | 0.69% | 0.10% |
| Credit Strategies | 15.00% | 3.96% | 0.59% |
| Real Assets | 15.00% | 5.76% | 0.86% |
| Private Equity | 15.00% | 9.53% | 1.43% |
| Total | 100.00% | | 4.80% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 7.30% |

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

*Discount Rate*

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

**NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)**

*Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate*

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability | $ 3,706,000 | $ 3,320,000 | $ 2,993,000 |

*Teacher Employee HIC OPEB Fiduciary Net Position*

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## NOTE 17—MEDICAL AND DENTAL INSURANCE – PAY-AS-YOU-GO (OPEB PLAN):

### County and School Board

*Plan Description*

In addition to the pension benefits described in Note 14, the County administers a single-employer defined benefit healthcare plan, The County of Caroline Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

In addition to the pension benefits described in Note 14, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The Caroline County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

*Benefits Provided*

Postemployment benefits that are provided to eligible County retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Postemployment benefits that are provided to eligible School Board retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

*Plan Membership*

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms:

| | Primary Government | Component Unit School Board |
|---|---|---|
| Total active employees with coverage | 237 | 508 |
| Total retirees and spouses with coverage | 5 | 39 |
| Total | 242 | 547 |

*Contributions*

The County nor the School Board pre-funds benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or School Board. The amount paid by the County and the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was $17,029 and $455,710.

## NOTE 17—MEDICAL AND DENTAL INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

### County and School Board: (Continued)

*Total OPEB Liability*

The County and School Board's total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

*Actuarial Assumptions*

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.50% per year |
| Salary Increases | 2.50% per year |
| Discount Rate | 3.50% per year as of June 30, 2017<br>3.87% per year as of June 30, 2018 |
| Mortality Rate | The mortality rates for pre-retirement were calculated using RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for post-retirement were calculated using RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back 1 year. The mortality rates for post-disablement were calculated using RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement. |

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

*Discount Rate*

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer 20-Year Go Index as of their respective measurement dates.

## NOTE 17—MEDICAL AND DENTAL INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

### County and School Board: (Continued)

*Changes in Total OPEB Liability*

| | Primary Government Total OPEB Liability | Component Unit School Board Total OPEB Liability |
|---|---|---|
| Balances at June 30, 2017 | $ 1,099,944 | $ 7,236,900 |
| Changes for the year: | | |
| Service cost | 45,603 | 520,808 |
| Interest | 39,799 | 263,614 |
| Changes of assumptions | (51,076) | (208,858) |
| Benefit payments | (17,029) | (455,710) |
| Net changes | $ 17,297 | $ 119,854 |
| Balances at June 30, 2018 | $ 1,117,241 | $ 7,356,754 |

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (2.87%) | Current Discount Rate (3.87%) | 1% Increase (4.87%) |
| **Primary Government:** | | | |
| Total OPEB liability | $ 1,262,071 | $ 1,117,241 | $ 992,546 |
| **Component Unit School Board:** | | | |
| Total OPEB liability | $ 7,930,173 | $ 7,356,754 | $ 6,815,428 |

## NOTE 17—MEDICAL AND DENTAL INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

### County and School Board: (Continued)

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

| | Rates | | |
|---|---|---|---|
| | 1% Decrease (6.50%) | Healthcare Cost Trend (7.50%) | 1% Increase (8.50%) |
| **Primary Government:** | | | |
| Total OPEB liability | $ 965,698 | $ 1,117,241 | $ 1,299,951 |

| | Rates | | |
|---|---|---|---|
| | 1% Decrease (6.70%) | Healthcare Cost Trend (7.70%) | 1% Increase (8.70%) |
| **Component Unit School Board:** | | | |
| Total OPEB liability | $ 6,434,028 | $ 7,356,754 | $ 8,457,537 |

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2018, the County and the School Board recognized OPEB expense in the amount of $74,052 and $749,022. At June 30, 2018, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Primary Government | | Component Unit School Board | |
|---|---|---|---|---|
| | Deferred Outflows of Resouces | Deferred Inflows of Resources | Deferred Outflows of Resouces | Deferred Inflows of Resources |
| Changes in assumptions | $ - | $ 39,726 | $ - | $ 173,458 |
| Total | $ - | $ 39,726 | $ - | $ 173,458 |

## NOTE 17—MEDICAL AND DENTAL INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

### County and School Board: (Continued)

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

| Year Ended June 30 | Primary Government | Component Unit School Board |
|---|---|---|
| 2019 | $ (11,350) | $ (35,400) |
| 2020 | (11,350) | (35,400) |
| 2021 | (11,350) | (35,400) |
| 2022 | (5,676) | (35,400) |
| 2023 | - | (31,858) |
| Thereafter | - | - |

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

## NOTE 18—LINE OF DUTY ACT (LODA) (OPEB BENEFITS):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2018 was $70,523.

## NOTE 19—UPCOMING PRONOUNCEMENTS:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**NOTE 19—UPCOMING PRONOUNCEMENTS: (CONTINUED)**

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

**NOTE 20—ADOPTION OF ACCOUNTING PRINCIPLES:**

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these statements resulted in a restatement of net position (see Note 21).

## NOTE 21—RESTATEMENT OF NET POSITION AND FUND BALANCE:

The following adjustments were made to beginning net position:

| | Net Position | | |
|---|---|---|---|
| | | Business-type Activities | |
| | Governmental Activities | Caroline County Utility Fund | Component-Unit School Board |
| Net position, July 1, 2017, as previously stated | $ 21,323,214 | $ 4,218,443 | $ (26,546,436) |
| Implementation of GASB 75: | | | |
| Deferred outflows of resources GLI | 50,760 | 3,240 | 112,000 |
| Deferred outflows of resources HIC | - | - | 229,000 |
| Net OPEB liability GLI | (926,840) | (59,160) | (2,047,000) |
| Net OPEB liability HIC | - | - | (3,263,000) |
| Adjustment to remove OPEB Pay-As-You-Go plan liability as reported under GASB 45 | 426,486 | 37,086 | 2,742,954 |
| Net OPEB liability Pay-As-You-Go plan | (1,033,947) | (65,997) | (7,236,900) |
| Net position, July 1, 2017, as restated | $ 19,839,673 | $ 4,133,612 | $ (36,009,382) |

The following adjustments were made to beginning fund balance:

| | Fund Balance | | |
|---|---|---|---|
| | School Operating Fund | School Grant Fund | School Textbook Fund |
| Fund Balance, July 1, 2017, as previously stated | $ 165,265 | $ 380,246 | $ - |
| Adjustment to restate School Grant Fund for prior years expenditures classified to the School Operating Fund | 58,932 | (58,932) | - |
| Creation of School Textbook Fund | (357,659) | - | 357,659 |
| Fund Balance, July 1, 2017, as restated | $ (133,462) | $ 321,314 | $ 357,659 |

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | |
| **REVENUES** | | | | |
| General property taxes | $ 34,797,532 | $ 34,797,532 | $ 35,894,593 | $ 1,097,061 |
| Other local taxes | 4,363,118 | 4,363,118 | 4,720,423 | 357,305 |
| Permits, privilege fees, and regulatory licenses | 383,870 | 383,870 | 468,716 | 84,846 |
| Fines and forfeitures | 522,636 | 522,636 | 586,242 | 63,606 |
| Revenue from the use of money and property | 99,909 | 99,909 | 323,124 | 223,215 |
| Charges for services | 1,015,580 | 1,015,580 | 1,177,395 | 161,815 |
| Miscellaneous | 146,200 | 200,675 | 302,190 | 101,515 |
| Recovered costs | 317,400 | 317,400 | 354,782 | 37,382 |
| Intergovernmental: | | | | |
| Commonwealth | 5,368,443 | 5,368,443 | 5,455,852 | 87,409 |
| Federal | 57,709 | 57,709 | 116,858 | 59,149 |
| Total revenues | $ 47,072,397 | $ 47,126,872 | $ 49,400,175 | $ 2,273,303 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government administration | $ 3,427,633 | $ 3,563,579 | $ 3,553,879 | $ 9,700 |
| Judicial administration | 1,388,191 | 1,392,891 | 1,269,425 | 123,466 |
| Public safety | 13,089,815 | 13,453,228 | 13,543,104 | (89,876) |
| Public works | 3,449,949 | 3,662,602 | 3,428,930 | 233,672 |
| Health and welfare | 616,371 | 636,232 | 650,229 | (13,997) |
| Education | 14,146,133 | 14,164,327 | 14,479,789 | (315,462) |
| Parks, recreation, and cultural | 765,737 | 799,651 | 758,817 | 40,834 |
| Community development | 1,495,635 | 1,644,458 | 1,405,961 | 238,497 |
| Nondepartmental | 500,000 | 500,000 | - | 500,000 |
| Total expenditures | $ 38,879,464 | $ 39,816,968 | $ 39,090,134 | $ 726,834 |
| Excess (deficiency) of revenues over (under) expenditures | $ 8,192,933 | $ 7,309,904 | $ 10,310,041 | $ 3,000,137 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | $ (10,199,737) | $ (10,362,446) | $ (9,368,608) | $ 993,838 |
| Total other financing sources (uses) | $ (10,199,737) | $ (10,362,446) | $ (9,368,608) | $ 993,838 |
| Net change in fund balances | $ (2,006,804) | $ (3,052,542) | $ 941,433 | $ 3,993,975 |
| Fund balances - beginning | 2,006,804 | 3,052,542 | 24,618,660 | 21,566,118 |
| Fund balances - ending | $ - | $ - | $ 25,560,093 | $ 25,560,093 |

Virginia Public Assistance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | |
| **REVENUES** | | | | |
| Miscellaneous | $ 3,000 | $ 3,000 | $ 1,192 | $ (1,808) |
| Intergovernmental: | | | | |
| Commonwealth | 971,335 | 971,335 | 792,398 | (178,937) |
| Federal | 1,527,366 | 1,527,366 | 1,612,052 | 84,686 |
| Total revenues | $ 2,501,701 | $ 2,501,701 | $ 2,405,642 | $ (96,059) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Health and welfare | $ 3,160,347 | $ 3,160,347 | $ 2,851,793 | $ 308,554 |
| Total expenditures | $ 3,160,347 | $ 3,160,347 | $ 2,851,793 | $ 308,554 |
| Excess (deficiency) of revenues over (under) expenditures | $ (658,646) | $ (658,646) | $ (446,151) | $ 212,495 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ 658,646 | $ 658,646 | $ 447,220 | $ (211,426) |
| Total other financing sources (uses) | $ 658,646 | $ 658,646 | $ 447,220 | $ (211,426) |
| Net change in fund balances | $ - | $ - | $ 1,069 | $ 1,069 |
| Fund balances - beginning | - | - | 80,491 | 80,491 |
| Fund balances - ending | $ - | $ - | $ 81,560 | $ 81,560 |

Proffers Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Revenue from the use of money and property | $ 750 | $ 750 | $ 765 | $ 15 |
| Miscellaneous | 62,353 | 62,353 | 98,309 | 35,956 |
| Total revenues | $ 63,103 | $ 63,103 | $ 99,074 | $ 35,971 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | $ (63,103) | $ (63,103) | $ (750) | $ 62,353 |
| Total other financing sources (uses) | $ (63,103) | $ (63,103) | $ (750) | $ 62,353 |
| Net change in fund balances | $ - | $ - | $ 98,324 | $ 98,324 |
| Fund balances - beginning | - | - | 429,074 | 429,074 |
| Fund balances - ending | $ - | $ - | $ 527,398 | $ 527,398 |

**COUNTY OF CAROLINE, VIRGINIA**

Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2018

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Total pension liability** | | | | |
| Service cost | $ | 1,322,358 | $ | 1,315,617 |
| Interest | | 2,388,469 | | 2,280,789 |
| Changes of assumptions | | (233,781) | | - |
| Differences between expected and actual experience | | (402,886) | | (710,814) |
| Benefit payments, including refunds of employee contributions | | (1,377,034) | | (1,317,577) |
| **Net change in total pension liability** | $ | 1,697,126 | $ | 1,568,015 |
| **Total pension liability - beginning** | | 34,809,501 | | 33,241,486 |
| **Total pension liability - ending (a)** | $ | 36,506,627 | $ | 34,809,501 |
| | | | | |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | $ | 935,246 | $ | 1,054,497 |
| Contributions - employee | | 534,202 | | 513,189 |
| Net investment income | | 3,886,201 | | 549,598 |
| Benefit payments, including refunds of employee contributions | | (1,377,034) | | (1,317,577) |
| Administrative expense | | (21,938) | | (18,864) |
| Other | | (3,475) | | (231) |
| **Net change in plan fiduciary net position** | $ | 3,953,202 | $ | 780,612 |
| **Plan fiduciary net position - beginning** | | 31,609,917 | | 30,829,305 |
| **Plan fiduciary net position - ending (b)** | $ | 35,563,119 | $ | 31,609,917 |
| | | | | |
| **County's net pension liability - ending (a) - (b)** | $ | 943,508 | $ | 3,199,584 |
| | | | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | | 97.42% | | 90.81% |
| | | | | |
| **Covered payroll** | $ | 10,622,138 | $ | 10,121,380 |
| | | | | |
| **County's net pension liability as a percentage of covered payroll** | | 8.88% | | 31.61% |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

**Exhibit 14**

| 2015 | 2014 |
|---|---|
| $ 1,268,316 | $ 1,235,508 |
| 2,133,282 | 1,988,555 |
| - | - |
| (105,098) | - |
| (1,060,932) | (1,252,134) |
| $ 2,235,568 | $ 1,971,929 |
| 31,005,918 | 29,033,989 |
| $ 33,241,486 | $ 31,005,918 |
| | |
| $ 1,035,823 | $ 1,130,296 |
| 490,688 | 529,552 |
| 1,352,878 | 3,930,748 |
| (1,060,932) | (1,252,134) |
| (17,793) | (20,616) |
| (289) | 207 |
| $ 1,800,375 | $ 4,318,053 |
| 29,028,930 | 24,710,877 |
| $ 30,829,305 | $ 29,028,930 |
| | |
| $ 2,412,181 | $ 1,976,988 |
| | |
| 92.74% | 93.62% |
| | |
| $ 9,873,655 | $ 9,776,909 |
| | |
| 24.43% | 20.22% |

**COUNTY OF CAROLINE, VIRGINIA**

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2018

| | 2017 | 2016 |
|---|---|---|
| **Total pension liability** | | |
| Service cost | $ 133,441 | $ 153,443 |
| Interest | 330,501 | 320,673 |
| Changes of assumptions | (43,484) | - |
| Differences between expected and actual experience | (47,939) | 18,143 |
| Benefit payments, including refunds of employee contributions | (298,923) | (404,793) |
| **Net change in total pension liability** | $ 73,596 | $ 87,466 |
| **Total pension liability - beginning** | 4,870,908 | 4,783,442 |
| **Total pension liability - ending (a)** | $ 4,944,504 | $ 4,870,908 |
| | | |
| **Plan fiduciary net position** | | |
| Contributions - employer | $ 71,009 | $ 60,039 |
| Contributions - employee | 69,626 | 46,198 |
| Net investment income | 573,732 | 80,716 |
| Benefit payments, including refunds of employee contributions | (298,923) | (404,793) |
| Administrative expense | (3,400) | (3,193) |
| Other | (507) | (35) |
| **Net change in plan fiduciary net position** | $ 411,537 | $ (221,068) |
| **Plan fiduciary net position - beginning** | 4,772,141 | 4,993,209 |
| **Plan fiduciary net position - ending (b)** | $ 5,183,678 | $ 4,772,141 |
| | | |
| **School Division's net pension liability (asset) - ending (a) - (b)** | $ (239,174) | $ 98,767 |
| | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 104.84% | 97.97% |
| | | |
| **Covered payroll** | $ 1,440,998 | $ 1,332,950 |
| | | |
| **School Division's net pension liability (asset) as a percentage of covered payroll** | -16.60% | 7.41% |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

**Exhibit 15**

| 2015 | 2014 |
|---|---|
| $ 149,404 | $ 150,905 |
| 324,711 | 314,768 |
| - | - |
| (153,442) | - |
| (351,906) | (295,363) |
| $ (31,233) | $ 170,310 |
| 4,814,675 | 4,644,365 |
| $ 4,783,442 | $ 4,814,675 |
| | |
| $ 98,179 | $ 128,159 |
| 68,865 | 66,968 |
| 221,665 | 682,678 |
| (351,906) | (295,363) |
| (3,169) | (3,726) |
| (45) | 36 |
| $ 33,589 | $ 578,752 |
| 4,959,620 | 4,380,868 |
| $ 4,993,209 | $ 4,959,620 |
| $ (209,767) | $ (144,945) |
| 104.39% | 103.01% |
| $ 1,393,169 | $ 1,342,563 |
| -15.06% | -10.80% |

**COUNTY OF CAROLINE, VIRGINIA**

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2018

| | 2017 | 2016 |
|---|---|---|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.25981% | 0.25725% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | $ 31,951,000 | $ 36,052,000 |
| Employer's Covered Payroll | 20,703,961 | 19,594,595 |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 154.32% | 183.99% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 72.92% | 68.28% |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

**Exhibit 16**

| | 2015 | 2014 |
|---|---|---|
| | 0.25632% | 0.25288% |
| | $ 32,261,000 | $ 30,560,000 |
| | 14,871,331 | 20,468,405 |
| | 216.93% | 149.30% |
| | 70.68% | 70.88% |

Schedule of Employer Contributions - Pension Plans
For the Years Ended June 30, 2009 through June 30, 2018

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| 2018 | $ 1,071,076 | $ 1,071,076 | $ - | $ 12,223,133 | 8.76% |
| 2017 | 958,117 | 958,117 | - | 10,622,138 | 9.02% |
| 2016 | 1,066,793 | 1,066,793 | - | 10,121,380 | 10.54% |
| 2015 | 1,040,683 | 1,040,683 | - | 9,873,655 | 10.54% |
| 2014 | 1,130,211 | 1,130,211 | - | 9,776,909 | 11.56% |
| 2013 | 1,075,027 | 1,075,027 | - | 9,299,541 | 11.56% |
| 2012 | 746,934 | 746,934 | - | 8,839,458 | 8.45% |
| 2011 | 728,402 | 728,402 | - | 8,620,146 | 8.45% |
| 2010 | 610,029 | 610,029 | - | 8,892,551 | 6.86% |
| 2009 | 621,234 | 621,234 | - | 9,055,888 | 6.86% |
| **Component Unit School Board (nonprofessional)** | | | | | |
| 2018 | $ 67,671 | $ 67,671 | $ - | $ 1,383,281 | 4.89% |
| 2017 | 75,652 | 75,652 | - | 1,440,998 | 5.25% |
| 2016 | 94,140 | 94,140 | - | 1,332,950 | 7.06% |
| 2015 | 98,497 | 98,497 | - | 1,393,169 | 7.07% |
| 2014 | 128,349 | 128,349 | - | 1,342,563 | 9.56% |
| 2013 | 127,812 | 127,812 | - | 1,336,951 | 9.56% |
| 2012 | 77,773 | 77,773 | - | 1,248,360 | 6.23% |
| 2011 | 76,933 | 76,933 | - | 1,234,877 | 6.23% |
| 2010 | 71,138 | 71,138 | - | 1,243,678 | 5.72% |
| 2009 | 66,432 | 66,432 | - | 1,161,397 | 5.72% |
| **Component Unit School Board (professional)** | | | | | |
| 2018 | $ 3,353,929 | $ 3,353,929 | $ - | $ 21,373,776 | 15.69% |
| 2017 | 3,027,810 | 3,027,810 | - | 20,703,961 | 14.62% |
| 2016 | 2,755,000 | 2,755,000 | - | 19,594,595 | 14.06% |
| 2015 | 2,156,343 | 2,156,343 | - | 14,871,331 | 14.50% |
| 2014 | 2,386,616 | 2,386,616 | - | 20,468,405 | 11.66% |
| 2013 | 1,776,015 | 1,776,015 | - | 15,231,690 | 11.66% |
| 2012 | 1,812,374 | 1,812,374 | - | 15,543,516 | 11.66% |
| 2011 | 1,584,258 | 1,584,258 | - | 17,982,497 | 8.81% |
| 2010 | 1,143,529 | 1,143,529 | - | 12,979,898 | 8.81% |
| 2009 | 1,632,462 | 1,632,462 | - | 18,529,648 | 8.81% |

Current year contributions are from internal records and prior year contributions are from the VRS actuarial valuation performed each year.

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |

Largest 10 – Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Increased rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |

All Others (Non 10 Largest) – Non-Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

All Others (Non 10 Largest) – Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |

Notes to Required Supplementary Information - Pension Plans
For the Year Ended June 30, 2018 (Continued)

Component Unit School Board - Professional Employees

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

Schedule of County's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|---|---|---|---|---|---|
| Primary Government: | | | | | |
| 2017 | 0.05762% | $ 867,000 | $ 10,627,798 | 8.16% | 48.86% |
| Component Unit School Board (nonprofessional): | | | | | |
| 2017 | 0.00781% | $ 118,000 | $ 1,440,998 | 8.19% | 48.86% |
| Component Unit School Board (professional): | | | | | |
| 2017 | 0.11197% | $ 1,685,000 | $ 20,653,533 | 8.16% | 48.86% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| Primary Government: | | | | | |
| 2018 | $ 63,574 | $ 63,574 | $ - | $ 12,225,710 | 0.52% |
| 2017 | 55,265 | 55,265 | - | 10,627,798 | 0.52% |
| 2016 | 48,599 | 48,599 | - | 10,124,824 | 0.48% |
| 2015 | 47,429 | 47,429 | - | 9,881,046 | 0.48% |
| 2014 | 46,958 | 46,958 | - | 9,782,957 | 0.48% |
| 2013 | 44,753 | 44,753 | - | 9,323,518 | 0.48% |
| 2012 | 24,795 | 24,795 | - | 8,855,425 | 0.28% |
| 2011 | 24,152 | 24,152 | - | 8,625,567 | 0.28% |
| 2010 | 17,967 | 17,967 | - | 6,654,258 | 0.27% |
| 2009 | 24,422 | 24,422 | - | 9,045,186 | 0.27% |
| Component Unit School Board (nonprofessional): | | | | | |
| 2018 | $ 7,193 | $ 7,193 | $ - | $ 1,383,281 | 0.52% |
| 2017 | 7,493 | 7,493 | - | 1,440,998 | 0.52% |
| 2016 | 6,398 | 6,398 | - | 1,332,950 | 0.48% |
| 2015 | 6,687 | 6,687 | - | 1,393,169 | 0.48% |
| 2014 | 6,444 | 6,444 | - | 1,342,563 | 0.48% |
| 2013 | 6,450 | 6,450 | - | 1,343,763 | 0.48% |
| 2012 | 3,530 | 3,530 | - | 1,260,877 | 0.28% |
| 2011 | 3,458 | 3,458 | - | 1,234,877 | 0.28% |
| 2010 | 2,547 | 2,547 | - | 943,456 | 0.27% |
| 2009 | 3,136 | 3,136 | - | 1,161,397 | 0.27% |
| Component Unit School Board (professional): | | | | | |
| 2018 | $ 109,986 | $ 109,986 | $ - | $ 21,151,187 | 0.52% |
| 2017 | 107,398 | 107,398 | - | 20,653,533 | 0.52% |
| 2016 | 94,520 | 94,520 | - | 19,691,658 | 0.48% |
| 2015 | 91,753 | 91,753 | - | 19,115,185 | 0.48% |
| 2014 | 89,081 | 89,081 | - | 18,558,634 | 0.48% |
| 2013 | 89,650 | 89,650 | - | 18,677,168 | 0.48% |
| 2012 | 49,658 | 49,658 | - | 17,734,888 | 0.28% |
| 2011 | 49,679 | 49,679 | - | 17,742,352 | 0.28% |
| 2010 | 35,115 | 35,115 | - | 13,005,735 | 0.27% |
| 2009 | 50,275 | 50,275 | - | 18,620,224 | 0.27% |

Notes to Required Supplementary Information

Group Life Insurance Program

For the Year Ended June 30, 2018

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**General State Employees**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 25% |

**Teachers**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

**SPORS Employees**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 85% |

**VaLORS Employees**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 50% to 35% |

**Notes to Required Supplementary Information**

**Group Life Insurance Program**

**For the Year Ended June 30, 2018**

**JRS Employees**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Decreased rates at first retirement eligibility |
| Withdrawal Rates | No change |
| Disability Rates | Removed disability rates |
| Salary Scale | No change |

**Largest Ten Locality Employers - General Employees**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 20% |

**Non-Largest Ten Locality Employers - General Employees**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |

**Largest Ten Locality Employers - Hazardous Duty Employees**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Increased disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60% to 70% |

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |

Schedule of School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

| Date (1) | Employer's Proportion of the Net HIC OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6) |
|---|---|---|---|---|---|
| 2017 | 0.26170% | $ 3,320,000 | $ 20,653,533 | 16.07% | 7.04% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| 2018 | $ 259,792 | $ 259,792 | $ - | $ 21,121,292 | 1.23% |
| 2017 | 229,254 | 229,254 | - | 20,653,533 | 1.11% |
| 2016 | 207,922 | 207,922 | - | 19,615,237 | 1.06% |
| 2015 | 202,005 | 202,005 | - | 19,057,060 | 1.06% |
| 2014 | 205,278 | 205,278 | - | 18,493,509 | 1.11% |
| 2013 | 206,880 | 206,880 | - | 18,637,878 | 1.11% |
| 2012 | 106,318 | 106,318 | - | 17,719,619 | 0.60% |
| 2011 | 106,254 | 106,254 | - | 17,709,081 | 0.60% |
| 2010 | 134,991 | 134,991 | - | 12,979,901 | 1.04% |
| 2009 | 200,093 | 200,093 | - | 18,527,147 | 1.08% |

Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit since the prior actuarial valuation.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, based on the most recent experience study of the System for the four-year period ending June 30, 2016:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Year Ended June 30, 2018

| | | 2018 |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ | 45,603 |
| Interest | | 39,799 |
| Changes of assumptions | | (51,076) |
| Benefit payments | | (17,029) |
| **Net change in total OPEB liability** | $ | 17,297 |
| **Total OPEB liability - beginning** | | 1,099,944 |
| **Total OPEB liability - ending** | $ | 1,117,241 |
| **Covered payroll** | $ | 10,892,500 |
| **County's total OPEB liability (asset) as a percentage of covered payroll** | | 10.26% |

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Component Unit School Board
For the Year Ended June 30, 2018

| | | 2018 |
|---|---|---|
| **Total OPEB liability** | | |
| Service cost | $ | 520,808 |
| Interest | | 263,614 |
| Changes of assumptions | | (208,858) |
| Benefit payments | | (455,710) |
| **Net change in total OPEB liability** | $ | 119,854 |
| **Total OPEB liability - beginning** | | 7,236,900 |
| **Total OPEB liability - ending** | $ | 7,356,754 |
| **Covered payroll** | $ | 24,975,600 |
| **School Board's total OPEB liability (asset) as a percentage of covered payroll** | | 29.46% |

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

**County of Caroline, Virginia**

Notes to Required Supplementary Information - Primary Government OPEB

For the Year Ended June 30, 2018

Valuation Date: 6/30/2017

Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

| | |
|---|---|
| Actuarial Cost Method | Entry age normal level % of salary |
| Discount Rate | 3.87% based on the Bond Buyer 20-Year Bond GO Index as of their respective measurement dates. |
| Inflation | 2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018 |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 7.50% graded down to 4.30% over 57 years |
| Mortality Rate | The mortality rates for pre-retirement were calculated using RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for post-retirement were calculated using RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back 1 year. The mortality rates for post-disablement were calculated using RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement. |

**County of Caroline, Virginia**

Notes to Required Supplementary Information - Component Unit School Board OPEB

For the Year Ended June 30, 2018

Valuation Date: 6/30/2017

Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

| | |
|---|---|
| Actuarial Cost Method | Entry age normal level % of salary |
| Discount Rate | 3.87% based on the Bond Buyer 20-Year Bond GO Index as of their respective measurement dates. |
| Inflation | 2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018 |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 7.70% graded down to 4.30% over 57 years |

Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | |
| **REVENUES** | | | | |
| Other local taxes | $ 1,809,355 | $ 1,809,355 | $ 1,825,297 | $ 15,942 |
| Revenue from the use of money and property | 76,675 | 76,675 | 111,600 | 34,925 |
| Intergovernmental: | | | | |
| Commonwealth | 329,643 | 329,643 | 311,489 | (18,154) |
| Federal | 460,196 | 460,196 | 499,262 | 39,066 |
| Total revenues | $ 2,675,869 | $ 2,675,869 | $ 2,747,648 | $ 71,779 |
| **EXPENDITURES** | | | | |
| Debt service: | | | | |
| Principal retirement | $ 6,001,034 | $ 6,001,034 | $ 27,497,973 | $ (21,496,939) |
| Interest and other fiscal charges | 3,186,542 | 3,186,542 | 3,690,464 | (503,922) |
| Total expenditures | $ 9,187,576 | $ 9,187,576 | $ 31,188,437 | $ (22,000,861) |
| Excess (deficiency) of revenues over (under) expenditures | $ (6,511,707) | $ (6,511,707) | $ (28,440,789) | $ (21,929,082) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ 6,511,707 | $ 6,511,707 | $ 6,504,149 | $ (7,558) |
| Issuance of bond | - | - | 20,120,000 | 20,120,000 |
| Bond issuance premium | - | - | 1,790,388 | 1,790,388 |
| Total other financing sources (uses) | $ 6,511,707 | $ 6,511,707 | $ 28,414,537 | $ 21,902,830 |
| Net change in fund balances | $ - | $ - | $ (26,252) | $ (26,252) |
| Fund balances - beginning | - | - | 234,644 | 234,644 |
| Fund balances - ending | $ - | $ - | $ 208,392 | $ 208,392 |

County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | |
| **REVENUES** | | | | |
| Revenue from the use of money and property | $ 30,000 | $ 35,000 | $ 33,714 | $ (1,286) |
| Intergovernmental: | | | | |
| Local government | - | 550,000 | 387,775 | (162,225) |
| Total revenues | $ 30,000 | $ 585,000 | $ 421,489 | $ (163,511) |
| **EXPENDITURES** | | | | |
| Capital outlay | $ 5,166,558 | $ 7,290,891 | $ 5,310,476 | $ 1,980,415 |
| Total expenditures | $ 5,166,558 | $ 7,290,891 | $ 5,310,476 | $ 1,980,415 |
| Excess (deficiency) of revenues over (under) expenditures | $ (5,136,558) | $ (6,705,891) | $ (4,888,987) | $ 1,816,904 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ 338,000 | $ 430,709 | $ - | $ (430,709) |
| Transfers out | - | - | (2,242) | (2,242) |
| Issuance of capital lease | 4,798,558 | 4,798,558 | 1,568,250 | (3,230,308) |
| Total other financing sources (uses) | $ 5,136,558 | $ 5,229,267 | $ 1,566,008 | $ (3,663,259) |
| Net change in fund balances | $ - | $ (1,476,624) | $ (3,322,979) | $ (1,846,355) |
| Fund balances - beginning | - | 1,476,624 | 3,993,394 | 2,516,770 |
| Fund balances - ending | $ - | $ - | $ 670,415 | $ 670,415 |

**COUNTY OF CAROLINE, VIRGINIA**

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

| | Special Revenue Funds | | |
|---|---|---|---|
| | **Children's Services** | **Law Library** | **Courthouse Maintenance** |
| **ASSETS** | | | |
| Cash and cash equivalents | $ - | $ 1,419 | $ 5,486 |
| Receivables, net | - | 503 | 2,453 |
| Due from other governmental units | 298,729 | - | - |
| Total assets | $ 298,729 | $ 1,922 | $ 7,939 |
| **LIABILITIES** | | | |
| Accounts payable | $ 97,770 | $ 435 | $ - |
| Accrued payroll | - | - | - |
| Other accrued liabilities | - | - | - |
| Total liabilities | $ 97,770 | $ 435 | $ - |
| **FUND BALANCES** | | | |
| Restricted | $ 200,959 | $ 1,487 | $ 7,939 |
| Total fund balances | $ 200,959 | $ 1,487 | $ 7,939 |
| Total liabilities and fund balances | $ 298,729 | $ 1,922 | $ 7,939 |

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

| Special Revenue Funds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Confiscated Asset** | | **Fire/Rescue Grant** | | **Housing** | | **Sheriff** | | **Total Nonmajor Governmental Funds** |
| $ | 89,029 | $ | 262,293 | $ | 34,859 | $ | 187,686 | $ | 655,860 |
| | - | | - | | - | | 5,880 | | 36,034 |
| | - | | - | | - | | - | | 298,729 |
| $ | 89,029 | $ | 262,293 | $ | 34,859 | $ | 193,566 | $ | 990,623 |
| | | | | | | | | | |
| $ | - | $ | 17,391 | $ | 1,278 | $ | - | $ | 120,217 |
| | - | | - | | - | | - | | 2,019 |
| | - | | - | | - | | - | | 155 |
| $ | - | $ | 17,391 | $ | 1,278 | $ | - | $ | 122,391 |
| | | | | | | | | | |
| $ | 89,029 | $ | 244,902 | $ | 33,581 | $ | 193,566 | $ | 868,232 |
| $ | 89,029 | $ | 244,902 | $ | 33,581 | $ | 193,566 | $ | 868,232 |
| | | | | | | | | | |
| $ | 89,029 | $ | 262,293 | $ | 34,859 | $ | 193,566 | $ | 990,623 |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Special Revenue Funds | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Children's Services | Law Library | Courthouse Maintenance | Tourism | Confiscated Asset | Fire/ Rescue Grant | Housing | Sheriff | Total Nonmajor Governmental Funds |
| **REVENUES** | | | | | | | | | |
| Other local taxes | $ - | $ - | $ - | $ 165,653 | $ - | $ - | $ - | $ - | $ 165,653 |
| Revenue from the use of money and property | - | - | - | - | - | - | 15,233 | - | 15,233 |
| Charges for services | - | 6,156 | 27,697 | - | - | - | - | 63,579 | 97,432 |
| Miscellaneous | 8,314 | - | - | 9,790 | - | - | - | - | 18,104 |
| Intergovernmental: | | | | | | | | | |
| Commonwealth | 1,095,689 | - | - | - | 44,512 | 158,212 | - | - | 1,298,413 |
| Federal | 70,933 | - | - | - | - | - | - | - | 70,933 |
| Total revenues | $ 1,174,936 | $ 6,156 | $ 27,697 | $ 175,443 | $ 44,512 | $ 158,212 | $ 15,233 | $ 63,579 | $ 1,665,768 |
| **EXPENDITURES** | | | | | | | | | |
| Current: | | | | | | | | | |
| Judicial administration | $ - | $ 5,205 | $ 97,471 | $ - | $ - | $ - | $ - | $ - | $ 102,676 |
| Public safety | - | - | - | - | 19,408 | 168,979 | - | - | 188,387 |
| Health and welfare | 1,797,256 | - | - | - | - | - | - | - | 1,797,256 |
| Community development | - | - | - | 147,185 | - | - | 11,472 | - | 158,657 |
| Total expenditures | $ 1,797,256 | $ 5,205 | $ 97,471 | $ 147,185 | $ 19,408 | $ 168,979 | $ 11,472 | $ - | $ 2,246,976 |
| Excess (deficiency) of revenues over (under) expenditures | $ (622,320) | $ 951 | $ (69,774) | $ 28,258 | $ 25,104 | $ (10,767) | $ 3,761 | $ 63,579 | $ (581,208) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | | |
| Transfers in | $ 690,031 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 690,031 |
| Total other financing sources (uses) | $ 690,031 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 690,031 |
| Net change in fund balances | $ 67,711 | $ 951 | $ (69,774) | $ 28,258 | $ 25,104 | $ (10,767) | $ 3,761 | $ 63,579 | $ 108,823 |
| Fund balances - beginning | 133,248 | 536 | 77,713 | 68,511 | 63,925 | 255,669 | 29,820 | 129,987 | 759,409 |
| Fund balances - ending | $ 200,959 | $ 1,487 | $ 7,939 | $ 96,769 | $ 89,029 | $ 244,902 | $ 33,581 | $ 193,566 | $ 868,232 |

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

**COUNTY OF CAROLINE, VIRGINIA** **Exhibit 33**
**Page 1**

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

| | Children's Services Fund | | | | Law Library Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | | Budgeted Amounts | | | |
| | Original | Final | Actual Amounts | Variance with Final Budget - Positive (Negative) | Original | Final | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| **REVENUES** | | | | | | | | |
| Charges for services | $ - | $ - | $ - | $ - | $ 5,348 | $ 5,348 | $ 6,156 | $ 808 |
| Miscellaneous | 20,000 | 20,000 | 8,314 | (11,686) | - | - | - | - |
| Intergovernmental: | | | | | | | | |
| Commonwealth | 1,614,445 | 1,614,445 | 1,095,689 | (518,756) | - | - | - | - |
| Federal | - | - | 70,933 | 70,933 | - | - | - | - |
| Total revenues | $ 1,634,445 | $ 1,634,445 | $ 1,174,936 | $ (459,509) | $ 5,348 | $ 5,348 | $ 6,156 | $ 808 |
| **EXPENDITURES** | | | | | | | | |
| Current: | | | | | | | | |
| Judicial administration | $ - | $ - | $ - | $ - | $ 5,348 | $ 5,348 | $ 5,205 | $ 143 |
| Health and welfare | 2,400,000 | 2,400,000 | 1,797,256 | 602,744 | - | - | - | - |
| Total expenditures | $ 2,400,000 | $ 2,400,000 | $ 1,797,256 | $ 602,744 | $ 5,348 | $ 5,348 | $ 5,205 | $ 143 |
| Excess (deficiency) of revenues over (under) expenditures | $ (765,555) | $ (765,555) | $ (622,320) | $ 143,235 | $ - | $ - | $ 951 | $ 951 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | |
| Transfers in | $ 765,555 | $ 765,555 | $ 690,031 | $ (75,524) | $ - | $ - | $ - | $ - |
| Total other financing sources (uses) | $ 765,555 | $ 765,555 | $ 690,031 | $ (75,524) | $ - | $ - | $ - | $ - |
| Net change in fund balances | $ - | $ - | $ 67,711 | $ 67,711 | $ - | $ - | $ 951 | $ 951 |
| Fund balances - beginning | - | - | 133,248 | 133,248 | - | - | 536 | 536 |
| Fund balances - ending | $ - | $ - | $ 200,959 | $ 200,959 | $ - | $ - | $ 1,487 | $ 1,487 |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

| | Courthouse Maintenance Fund | | | | Tourism Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget - | Budgeted Amounts | | | Variance with Final Budget - |
| | Original | Final | Actual Amounts | Positive (Negative) | Original | Final | Actual Amounts | Positive (Negative) |
| **REVENUES** | | | | | | | | |
| Other local taxes | $ - | $ - | $ - | $ - | $ 158,000 | $ 158,000 | $ 165,653 | $ 7,653 |
| Charges for services | 26,574 | 26,574 | 27,697 | 1,123 | - | - | - | - |
| Miscellaneous | - | - | - | - | 12,728 | 12,728 | 9,790 | (2,938) |
| Total revenues | $ 26,574 | $ 26,574 | $ 27,697 | $ 1,123 | $ 170,728 | $ 170,728 | $ 175,443 | $ 4,715 |
| **EXPENDITURES** | | | | | | | | |
| Current: | | | | | | | | |
| Judicial administration | $ 66,574 | $ 134,574 | $ 97,471 | $ 37,103 | $ - | $ - | $ - | $ - |
| Community development | - | - | - | - | 170,728 | 170,728 | 147,185 | 23,543 |
| Total expenditures | $ 66,574 | $ 134,574 | $ 97,471 | $ 37,103 | $ 170,728 | $ 170,728 | $ 147,185 | $ 23,543 |
| Excess (deficiency) of revenues over (under) expenditures | $ (40,000) | $ (108,000) | $ (69,774) | $ 38,226 | $ - | $ - | $ 28,258 | $ 28,258 |
| Net change in fund balances | $ (40,000) | $ (108,000) | $ (69,774) | $ 38,226 | $ - | $ - | $ 28,258 | $ 28,258 |
| Fund balances - beginning | 40,000 | 108,000 | 77,713 | (30,287) | - | - | 68,511 | 68,511 |
| Fund balances - ending | $ - | $ - | $ 7,939 | $ 7,939 | $ - | $ - | $ 96,769 | $ 96,769 |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

| | Confiscated Asset Fund | | | | Fire/Rescue Grant Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | | Budgeted Amounts | | | |
| | Original | Final | Actual Amounts | Variance with Final Budget - Positive (Negative) | Original | Final | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| **REVENUES** | | | | | | | | |
| Intergovernmental: | | | | | | | | |
| Commonwealth | $ - | $ - | $ 44,512 | $ 44,512 | $ 145,335 | $ 145,335 | $ 158,212 | $ 12,877 |
| Total revenues | $ - | $ - | $ 44,512 | $ 44,512 | $ 145,335 | $ 145,335 | $ 158,212 | $ 12,877 |
| **EXPENDITURES** | | | | | | | | |
| Current: | | | | | | | | |
| Public safety | $ - | $ 7,332 | $ 19,408 | $ (12,076) | $ 145,335 | $ 145,335 | $ 168,979 | $ (23,644) |
| Total expenditures | $ - | $ 7,332 | $ 19,408 | $ (12,076) | $ 145,335 | $ 145,335 | $ 168,979 | $ (23,644) |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ (7,332) | $ 25,104 | $ 32,436 | $ - | $ - | $ (10,767) | $ (10,767) |
| Net change in fund balances | $ - | $ (7,332) | $ 25,104 | $ 32,436 | $ - | $ - | $ (10,767) | $ (10,767) |
| Fund balances - beginning | - | 7,332 | 63,925 | 56,593 | - | - | 255,669 | 255,669 |
| Fund balances - ending | $ - | $ - | $ 89,029 | $ 89,029 | $ - | $ - | $ 244,902 | $ 244,902 |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

| | Housing Fund | | | | Sheriff Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget - | Budgeted Amounts | | | Variance with Final Budget - |
| | Original | Final | Actual Amounts | Positive (Negative) | Original | Final | Actual Amounts | Positive (Negative) |
| **REVENUES** | | | | | | | | |
| Revenue from the use of money and property | $ 14,570 | $ 14,570 | $ 15,233 | $ 663 | $ - | $ - | $ - | $ - |
| Charges for services | - | - | - | - | 51,000 | 51,000 | 63,579 | 12,579 |
| Total revenues | $ 14,570 | $ 14,570 | $ 15,233 | $ 663 | $ 51,000 | $ 51,000 | $ 63,579 | $ 12,579 |
| **EXPENDITURES** | | | | | | | | |
| Current: | | | | | | | | |
| Community development | $ 14,570 | $ 14,570 | $ 11,472 | $ 3,098 | $ - | $ - | $ - | $ - |
| Total expenditures | $ 14,570 | $ 14,570 | $ 11,472 | $ 3,098 | $ - | $ - | $ - | $ - |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ - | $ 3,761 | $ 3,761 | $ 51,000 | $ 51,000 | $ 63,579 | $ 12,579 |
| Net change in fund balances | $ - | $ - | $ 3,761 | $ 3,761 | $ 51,000 | $ 51,000 | $ 63,579 | $ 12,579 |
| Fund balances - beginning | - | - | 29,820 | 29,820 | (51,000) | (51,000) | 129,987 | 180,987 |
| Fund balances - ending | $ - | $ - | $ 33,581 | $ 33,581 | $ - | $ - | $ 193,566 | $ 193,566 |

Combining Statement of Net Position
Internal Service Funds
June 30, 2018

| | Vehicle Maintenance | Self-Insurance | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 4,143 | $ 1,194,053 | $ 1,198,196 |
| Total current assets | $ 4,143 | $ 1,194,053 | $ 1,198,196 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Buildings | $ 412,315 | $ - | $ 412,315 |
| Improvements other than buildings | 68,551 | - | 68,551 |
| Less accumulated depreciation | (480,866) | - | (480,866) |
| Total noncurrent assets | $ - | $ - | $ - |
| Total assets | $ 4,143 | $ 1,194,053 | $ 1,198,196 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable | $ - | $ 256,940 | $ 256,940 |
| Insurance and benefit claims | - | 241,424 | 241,424 |
| Total liabilities | $ - | $ 498,364 | $ 498,364 |
| **NET POSITION** | | | |
| Unrestricted | $ 4,143 | $ 695,689 | $ 699,832 |
| Total net position | $ 4,143 | $ 695,689 | $ 699,832 |

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

| | Vehicle Maintenance | Self-Insurance | Total |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Charges for services | $ - | $ 2,635,959 | $ 2,635,959 |
| Total operating revenues | $ - | $ 2,635,959 | $ 2,635,959 |
| **OPERATING EXPENSES** | | | |
| Risk financing and benefit payments | $ - | $ 3,135,982 | $ 3,135,982 |
| Depreciation and amortization | 13,743 | - | 13,743 |
| Total operating expenses | $ 13,743 | $ 3,135,982 | $ 3,149,725 |
| Change in net position | $ (13,743) | $ (500,023) | $ (513,766) |
| Total net position - beginning | $ 17,886 | $ 1,195,712 | $ 1,213,598 |
| Total net position - ending | $ 4,143 | $ 695,689 | $ 699,832 |

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

| | Vehicle Maintenance | Self-Insurance | Total |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from interfund services provided | $ - | $ 2,823,959 | $ 2,823,959 |
| Claims and benefits paid | - | (3,113,512) | (3,113,512) |
| Payments to suppliers for goods and services | - | (27,758) | (27,758) |
| Net cash provided by (used for) operating activities | $ - | $ (317,311) | $ (317,311) |
| Net increase (decrease) in cash and cash equivalents | $ - | $ (317,311) | $ (317,311) |
| Cash and cash equivalents - beginning | 4,143 | 1,511,364 | 1,515,507 |
| Cash and cash equivalents - ending | $ 4,143 | $ 1,194,053 | $ 1,198,196 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:** | | | |
| Operating income (loss) | $ (13,743) | $ (500,023) | $ (513,766) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization | $ 13,743 | $ - | $ 13,743 |
| (Increase) decrease in accounts receivable | - | 188,000 | 188,000 |
| Increase (decrease) in accounts payable | - | (27,758) | (27,758) |
| Increase (decrease) in insurance and benefit claims | - | 22,470 | 22,470 |
| Total adjustments | $ 13,743 | $ 182,712 | $ 196,455 |
| Net cash provided by (used for) operating activities | $ - | $ (317,311) | $ (317,311) |

Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

| | Agency Funds | | | |
|---|---|---|---|---|
| | Special Welfare | Four Rivers Technology in Education Consortium | Deposit Escrow | Total |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 28,521 | $ 38,704 | $ 1,045,833 | $ 1,113,058 |
| Total assets | $ 28,521 | $ 38,704 | $ 1,045,833 | $ 1,113,058 |
| **LIABILITIES** | | | | |
| Amounts held for social services clients | $ 28,521 | $ - | $ - | $ 28,521 |
| Amounts held for consortium | - | 38,704 | - | 38,704 |
| Refundable escrow deposits payable | - | - | 1,045,833 | 1,045,833 |
| Total liabilities | $ 28,521 | $ 38,704 | $ 1,045,833 | $ 1,113,058 |

Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities - Agency Funds
Year Ended June 30, 2018

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|---|---|---|---|---|
| **Special Welfare Fund:** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 12,720 | $ 38,762 | $ 22,961 | $ 28,521 |
| Total assets | $ 12,720 | $ 38,762 | $ 22,961 | $ 28,521 |
| Liabilities: | | | | |
| Amounts held for social services clients | $ 12,720 | $ 38,762 | $ 22,961 | $ 28,521 |
| Total liabilities | $ 12,720 | $ 38,762 | $ 22,961 | $ 28,521 |
| **Four Rivers Technology in Education Consortium:** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 38,704 | $ - | $ - | $ 38,704 |
| Total assets | $ 38,704 | $ - | $ - | $ 38,704 |
| Liabilities: | | | | |
| Amounts held for consortium | $ 38,704 | $ - | $ - | $ 38,704 |
| Total liabilities | $ 38,704 | $ - | $ - | $ 38,704 |
| **Deposit Escrow:** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 951,457 | $ 206,847 | $ 112,471 | $ 1,045,833 |
| Total assets | $ 951,457 | $ 206,847 | $ 112,471 | $ 1,045,833 |
| Liabilities: | | | | |
| Refundable escrow deposits payable | $ 951,457 | $ 206,847 | $ 112,471 | $ 1,045,833 |
| Total liabilities | $ 951,457 | $ 206,847 | $ 112,471 | $ 1,045,833 |
| **Totals -- All Agency Funds:** | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 1,002,881 | $ 245,609 | $ 135,432 | $ 1,113,058 |
| Total assets | $ 1,002,881 | $ 245,609 | $ 135,432 | $ 1,113,058 |
| Liabilities: | | | | |
| Amounts held for social services clients | $ 12,720 | $ 38,762 | $ 22,961 | $ 28,521 |
| Amounts held for consortium | 38,704 | - | - | 38,704 |
| Refundable escrow deposits payable | 951,457 | 206,847 | 112,471 | 1,045,833 |
| Total liabilities | $ 1,002,881 | $ 245,609 | $ 135,432 | $ 1,113,058 |

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

| | School Operating Fund | School Cafeteria Fund | School Grant Fund | School Textbook Fund | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 2,157,011 | $ 426,542 | $ 151,260 | $ 627,066 | $ 3,361,879 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Accounts receivable | 64,622 | - | 603 | - | 65,225 |
| Due from other governmental units | 814,069 | 18,975 | 232,430 | - | 1,065,474 |
| Total assets | $ 3,035,702 | $ 445,517 | $ 384,293 | $ 627,066 | $ 4,492,578 |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 193,520 | $ 4,522 | $ 11,644 | $ 152,277 | $ 361,963 |
| Accrued payroll | 1,849,000 | 53,951 | 51,335 | - | 1,954,286 |
| Total liabilities | $ 2,042,520 | $ 58,473 | $ 62,979 | $ 152,277 | $ 2,316,249 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable revenue - insurance refunds | $ 958,056 | $ - | $ - | $ - | $ 958,056 |
| Total deferred inflows of resources | $ 958,056 | $ - | $ - | $ - | $ 958,056 |
| **FUND BALANCES** | | | | | |
| Assigned: | | | | | |
| Cafeteria | $ - | $ 387,044 | $ - | $ - | $ 387,044 |
| School grants | - | - | 321,314 | - | 321,314 |
| Textbooks | - | - | - | 474,789 | 474,789 |
| Unassigned | 35,126 | - | - | - | 35,126 |
| Total fund balances | $ 35,126 | $ 387,044 | $ 321,314 | $ 474,789 | $ 1,218,273 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 3,035,702 | $ 445,517 | $ 384,293 | $ 627,066 | $ 4,492,578 |

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

| | | |
|---|---|---|
| Total fund balances per above | | $ 1,218,273 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Capital assets cost | $ 27,654,331 | |
| Less: accumulated depreciation | (19,339,871) | 8,314,460 |
| The net pension asset is not an available resource and, therefore, is not reported in the funds. | | 239,174 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | |
| Pension related items | $ 4,478,613 | |
| OPEB related items | 466,971 | 4,945,584 |
| Unavailable revenue to fund current expenditures and, therefore, is not reported as revenue in the governmenta funds. | | 958,056 |
| Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Compensated absences | $ (609,401) | |
| Accrued interest payable | (34,352) | |
| Capital leases | (1,608,209) | |
| Net pension liability | (31,951,000) | |
| Net OPEB liabilities | (12,479,754) | (46,682,716) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Pension related items | $ (3,829,924) | |
| OPEB related items | (414,458) | (4,244,382) |
| Net position of governmental activities | | $ (35,251,551) |

**COUNTY OF CAROLINE, VIRGINIA** **Exhibit 40**



Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

| | School Operating Fund | School Cafeteria Fund | School Capital Projects Fund | School Grant Fund | School Textbook Fund | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Revenue from the use of money and property | $ 49,311 | $ - | $ 24 | $ - | $ - | $ 49,335 |
| Charges for services | - | 714,908 | - | - | - | 714,908 |
| Miscellaneous | 1,222,819 | 48,409 | - | - | - | 1,271,228 |
| Intergovernmental: | | | | | | |
| Local government | 14,270,836 | - | 10,749 | - | 148,967 | 14,430,552 |
| Commonwealth | 25,234,919 | 30,622 | - | 10,092 | 304,423 | 25,580,056 |
| Federal | 1,047,306 | 1,246,730 | - | 1,282,731 | - | 3,576,767 |
| Total revenues | $ 41,825,191 | $ 2,040,669 | $ 10,773 | $ 1,292,823 | $ 453,390 | $ 45,622,846 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| Education | $ 41,296,676 | $ 2,121,148 | $ - | $ 1,292,823 | $ 336,260 | $ 45,046,907 |
| Capital outlay | 387,775 | - | 2,065 | - | - | 389,840 |
| Debt service: | | | | | | |
| Principal retirement | 192,030 | - | - | - | - | 192,030 |
| Interest and other fiscal charges | 39,821 | - | - | - | - | 39,821 |
| Total expenditures | $ 41,916,302 | $ 2,121,148 | $ 2,065 | $ 1,292,823 | $ 336,260 | $ 45,668,598 |
| Excess (deficiency) of revenues over (under) expenditures | $ (91,111) | $ (80,479) | $ 8,708 | $ - | $ 117,130 | $ (45,752) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Issuance of capital leases | $ 259,699 | $ - | $ - | $ - | $ | $ 259,699 |
| Total other financing sources (uses) | $ 259,699 | $ - | $ - | $ - | $ - | $ 259,699 |
| Net change in fund balances | $ 168,588 | $ (80,479) | $ 8,708 | $ - | $ 117,130 | $ 213,947 |
| Fund balances - beginning, as restated | (133,462) | 467,523 | (8,708) | 321,314 | 357,659 | 1,004,326 |
| Fund balances - ending | $ 35,126 | $ 387,044 | $ - | $ 321,314 | $ 474,789 | $ 1,218,273 |

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are differe

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds - per above | | $ 213,947 |
| 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 capital outlays exceeded depreciation in the current period. | | |
| Capital asset additions | $ 1,018,857 | |
| Depreciation expense | (881,548) | 137,309 |
| The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to increase net position. | | (48,358) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Increase (decrease) in unavailable revenue - insurance refunds | | (331,667) |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Issuance of capital leases | $ (259,699) | |
| Principal payments | 192,030 | (67,669) |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

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 accrued interest payable | $ 2,445 | |
| Change in compensated absences | 23,173 | |
| Pension expense | 1,049,992 | |
| OPEB expense | (221,341) | 854,269 |
| Change in net position of governmental activities | | $ 757,831 |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

| | School Operating Fund | | | | School Cafeteria Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | | | | | |
| Revenue from the use of money and property | $ - | $ - | $ 49,311 | $ 49,311 | $ - | $ - | $ - | $ - |
| Charges for services | 5,000 | 5,000 | - | (5,000) | 1,020,044 | 1,020,044 | 714,908 | (305,136) |
| Miscellaneous | 367,925 | 1,068,925 | 1,222,819 | 153,894 | - | - | 48,409 | 48,409 |
| Intergovernmental: | | | | | | | | |
| Local government | 13,778,445 | 13,966,123 | 14,270,836 | 304,713 | - | - | - | - |
| Commonwealth | 25,701,837 | 25,716,017 | 25,234,919 | (481,098) | 31,770 | 31,770 | 30,622 | (1,148) |
| Federal | 1,117,787 | 1,117,787 | 1,047,306 | (70,481) | 1,100,000 | 1,100,000 | 1,246,730 | 146,730 |
| Total revenues | $ 40,970,994 | $ 41,873,852 | $ 41,825,191 | $ (48,661) | $ 2,151,814 | $ 2,151,814 | $ 2,040,669 | $ (111,145) |
| **EXPENDITURES** | | | | | | | | |
| Current: | | | | | | | | |
| Education | $ 40,970,994 | $ 41,323,852 | $ 41,296,676 | $ 27,176 | $ 2,151,814 | $ 2,151,814 | $ 2,121,148 | $ 30,666 |
| Capital projects | - | 550,000 | 387,775 | 162,225 | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | 192,030 | (192,030) | - | - | - | - |
| Interest and other fiscal charges | - | - | 39,821 | (39,821) | - | - | - | - |
| Total expenditures | $ 40,970,994 | $ 41,873,852 | $ 41,916,302 | $ (42,450) | $ 2,151,814 | $ 2,151,814 | $ 2,121,148 | $ 30,666 |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ - | $ (91,111) | $ (91,111) | $ - | $ - | $ (80,479) | $ (80,479) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | |
| Issuance of capital leases | $ - | $ - | $ 259,699 | $ 259,699 | $ - | $ - | $ - | $ - |
| Total other financing sources (uses) | $ - | $ - | $ 259,699 | $ 259,699 | $ - | $ - | $ - | $ - |
| Net change in fund balances | $ - | $ - | $ 168,588 | $ 168,588 | $ - | $ - | $ (80,479) | $ (80,479) |
| Fund balances - beginning, as restated | - | - | (133,462) | (133,462) | - | - | 467,523 | 467,523 |
| Fund balances - ending | $ - | $ - | $ 35,126 | $ 35,126 | $ - | $ - | $ 387,044 | $ 387,044 |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

| | School Capital Projects Fund | | | | School Grant Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | | | | | |
| Revenue from the use of money and property | $ - | $ - | $ 24 | $ 24 | $ - | $ - | $ - | $ - |
| Miscellaneous | | | | | 31,699 | 31,699 | - | (31,699) |
| Intergovernmental: | | | | | | | | |
| Local government | 169,484 | - | 10,749 | 10,749 | - | - | - | - |
| Commonwealth | - | - | - | - | - | - | 10,092 | 10,092 |
| Federal | - | - | - | - | 1,890,792 | 1,915,505 | 1,282,731 | (632,774) |
| Total revenues | $ 169,484 | $ - | $ 10,773 | $ 10,773 | $ 1,922,491 | $ 1,947,204 | $ 1,292,823 | $ (654,381) |
| **EXPENDITURES** | | | | | | | | |
| Current: | | | | | | | | |
| Education | $ - | $ - | $ - | $ - | $ 1,922,491 | $ 1,947,204 | $ 1,292,823 | $ 654,381 |
| Capital projects | 169,484 | - | 2,065 | (2,065) | - | - | - | - |
| Total expenditures | $ 169,484 | $ - | $ 2,065 | $ (2,065) | $ 1,922,491 | $ 1,947,204 | $ 1,292,823 | $ 654,381 |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ - | $ 8,708 | $ 8,708 | $ - | $ - | $ - | $ - |
| Net change in fund balances | $ - | $ - | $ 8,708 | $ 8,708 | $ - | $ - | $ - | $ - |
| Fund balances - beginning, as restated | - | - | (8,708) | (8,708) | - | - | 321,314 | 321,314 |
| Fund balances - ending | $ - | $ - | $ - | $ - | $ - | $ - | $ 321,314 | $ 321,314 |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

| | School Textbook Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Intergovernmental: | | | | |
| Local government | $ 148,967 | $ 148,967 | $ 148,967 | $ - |
| Commonwealth | 308,267 | 308,267 | 304,423 | (3,844) |
| Total revenues | $ 457,234 | $ 457,234 | $ 453,390 | $ (3,844) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Education | $ 457,234 | $ 457,234 | $ 336,260 | $ 120,974 |
| Total expenditures | $ 457,234 | $ 457,234 | $ 336,260 | $ 120,974 |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ - | $ 117,130 | $ 117,130 |
| Net change in fund balances | $ - | $ - | $ 117,130 | $ 117,130 |
| Fund balances - beginning, as restated | - | - | 357,659 | 357,659 |
| Fund balances - ending | $ - | $ - | $ 474,789 | $ 474,789 |

Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2018

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ | 78,636 |
| Total assets | $ | 78,636 |
| **NET POSITION** | | |
| Unrestricted | $ | 78,636 |
| Total net position | $ | 78,636 |

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2018

| | | |
|---|---|---|
| **OPERATING REVENUES** | | |
| Contributions from local governments | $ | 6,026 |
| Miscellaneous | | 59 |
| Total operating revenues | $ | 6,085 |
| **OPERATING EXPENSES** | | |
| Economic development | $ | 7,140 |
| Total operating expenses | $ | 7,140 |
| Operating income (loss) | $ | (1,055) |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Interest income | $ | 108 |
| Total nonoperating revenues (expenses) | $ | 108 |
| Change in net position | $ | (947) |
| Total net position - beginning | | 79,583 |
| Total net position - ending | $ | 78,636 |

Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2018

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | $ | 59 |
| Receipts for local government contributions | | 6,026 |
| Payments for operating activities | | (7,140) |
| Net cash provided by (used for) operating activities | $ | (1,055) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest income | $ | 108 |
| Net cash provided by (used for) investing activities | $ | 108 |
| Net increase (decrease) in cash and cash equivalents | $ | (947) |
| Cash and cash equivalents - beginning | | 79,583 |
| Cash and cash equivalents - ending | $ | 78,636 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:** | | |
| Operating income (loss) | $ | (1,055) |
| Net cash provided by (used for) operating activities | $ | (1,055) |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund:** | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | $ 21,117,568 | $ 21,117,568 | $ 21,618,281 | $ 500,713 |
| Real and personal public service corporation taxes | 3,820,213 | 3,820,213 | 3,571,213 | (249,000) |
| Personal property taxes | 8,568,237 | 8,568,237 | 9,346,823 | 778,586 |
| Machinery and tools taxes | 426,936 | 426,936 | 428,646 | 1,710 |
| Penalties | 447,676 | 447,676 | 503,790 | 56,114 |
| Interest | 416,902 | 416,902 | 425,840 | 8,938 |
| Total general property taxes | $ 34,797,532 | $ 34,797,532 | $ 35,894,593 | $ 1,097,061 |
| Other local taxes: | | | | |
| Local sales and use taxes | $ 1,990,779 | $ 1,990,779 | $ 2,294,305 | $ 303,526 |
| Consumer utility taxes | 83,253 | 83,253 | 91,368 | 8,115 |
| Business license taxes | 880,000 | 880,000 | 858,769 | (21,231) |
| Bank stock taxes | 68,509 | 68,509 | 80,361 | 11,852 |
| Motor vehicle licenses and registration fees | 1,038,470 | 1,038,470 | 1,106,599 | 68,129 |
| Taxes on recordation and wills | 302,107 | 302,107 | 289,021 | (13,086) |
| Total other local taxes | $ 4,363,118 | $ 4,363,118 | $ 4,720,423 | $ 357,305 |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | $ 39,170 | $ 39,170 | $ 32,615 | $ (6,555) |
| Permits and other licenses | 344,700 | 344,700 | 436,101 | 91,401 |
| Total permits, privilege fees, and regulatory licenses | $ 383,870 | $ 383,870 | $ 468,716 | $ 84,846 |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | $ 522,636 | $ 522,636 | $ 586,242 | $ 63,606 |
| Total fines and forfeitures | $ 522,636 | $ 522,636 | $ 586,242 | $ 63,606 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | $ 61,500 | $ 61,500 | $ 293,391 | $ 231,891 |
| Revenue from use of property | 38,409 | 38,409 | 29,733 | (8,676) |
| Total revenue from use of money and property | $ 99,909 | $ 99,909 | $ 323,124 | $ 223,215 |
| Charges for services: | | | | |
| Charges for court costs | $ 10,010 | $ 10,010 | $ 12,959 | $ 2,949 |
| Commonwealth attorney's fees | 2,500 | 2,500 | 3,632 | 1,132 |
| Courthouse security and protective services | 173,748 | 173,748 | 172,617 | (1,131) |
| Data processing | 1,250 | 1,250 | 793 | (457) |
| Parks and recreation | 82,311 | 82,311 | 83,992 | 1,681 |
| Sanitation and waste removal | 33,000 | 33,000 | 48,253 | 15,253 |
| Sale of publications and commemorative material | 500 | 500 | - | (500) |
| Ambulance recover services | 703,161 | 703,161 | 847,765 | 144,604 |
| Other | 9,100 | 9,100 | 7,384 | (1,716) |
| Total charges for services | $ 1,015,580 | $ 1,015,580 | $ 1,177,395 | $ 161,815 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Revenue from local sources: (Continued) | | | | |
| Miscellaneous: | | | | |
| Miscellaneous | $ 146,200 | $ 200,675 | $ 302,190 | $ 101,515 |
| Total miscellaneous | $ 146,200 | $ 200,675 | $ 302,190 | $ 101,515 |
| Recovered costs: | | | | |
| Soil conservationist | $ 300,052 | $ 300,052 | $ 315,997 | $ 15,945 |
| Postage reimbursement general district court | 4,500 | 4,500 | 7,367 | 2,867 |
| Other | 12,848 | 12,848 | 31,418 | 18,570 |
| Total recovered costs | $ 317,400 | $ 317,400 | $ 354,782 | $ 37,382 |
| Total revenue from local sources | $ 41,646,245 | $ 41,700,720 | $ 43,827,465 | $ 2,126,745 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Rolling stock tax | $ 84,000 | $ 84,000 | $ 16,806 | $ (67,194) |
| Communications sales and use taxes | 429,560 | 429,560 | 405,897 | (23,663) |
| Mobile home titling taxes | 20,000 | 20,000 | 41,145 | 21,145 |
| Rental vehicles taxes | 3,574 | 3,574 | 2,931 | (643) |
| Personal property tax relief | 2,371,897 | 2,371,897 | 2,371,897 | - |
| Recordation taxes | 152,000 | 152,000 | 181,180 | 29,180 |
| Total noncategorical aid | $ 3,061,031 | $ 3,061,031 | $ 3,019,856 | $ (41,175) |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth attorney | $ 226,207 | $ 226,207 | $ 284,424 | $ 58,217 |
| Sheriff | 1,189,819 | 1,189,819 | 1,214,208 | 24,389 |
| Commissioner of revenue | 119,928 | 119,928 | 123,885 | 3,957 |
| Treasurer | 101,734 | 101,734 | 98,259 | (3,475) |
| Registrar/electoral board | 41,389 | 41,389 | 42,321 | 932 |
| Clerk of the Circuit Court | 284,045 | 284,045 | 278,889 | (5,156) |
| Total shared expenses | $ 1,963,122 | $ 1,963,122 | $ 2,041,986 | $ 78,864 |
| Other categorical aid: | | | | |
| Litter control | $ 8,900 | $ 8,900 | $ 28,058 | $ 19,158 |
| DMV license agent | 36,000 | 36,000 | 46,600 | 10,600 |
| Wireless E911 PSAP funding | 97,239 | 97,239 | 103,390 | 6,151 |
| CHINS | 14,869 | 14,869 | 3,864 | (11,005) |
| Victim witness | 58,507 | 58,507 | 20,671 | (37,836) |
| Social services quality initiative | 10,775 | 10,775 | - | (10,775) |
| Domestic violence | 94,000 | 94,000 | 73,489 | (20,511) |
| Other state grants | 24,000 | 24,000 | 117,938 | 93,938 |
| Total other categorical aid | $ 344,290 | $ 344,290 | $ 394,010 | $ 49,720 |
| Total categorical aid | $ 2,307,412 | $ 2,307,412 | $ 2,435,996 | $ 128,584 |
| Total revenue from the Commonwealth | $ 5,368,443 | $ 5,368,443 | $ 5,455,852 | $ 87,409 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| Payments in lieu of taxes | $ 1,763 | $ 1,763 | $ 1,800 | $ 37 |
| Total noncategorical aid | $ 1,763 | $ 1,763 | $ 1,800 | $ 37 |
| Categorical aid: | | | | |
| DMV ground transportation | $ 16,000 | $ 16,000 | $ 36,234 | $ 20,234 |
| FEMA | 12,120 | 12,120 | - | (12,120) |
| Bulletproof vest partnership | 1,328 | 1,328 | 2,775 | 1,447 |
| Victim witness | 26,498 | 26,498 | 76,049 | 49,551 |
| Total categorical aid | $ 55,946 | $ 55,946 | $ 115,058 | $ 59,112 |
| Total revenue from the federal government | $ 57,709 | $ 57,709 | $ 116,858 | $ 59,149 |
| Total General Fund | $ 47,072,397 | $ 47,126,872 | $ 49,400,175 | $ 2,273,303 |
| **Special Revenue Funds:** | | | | |
| **Virginia Public Assistance Fund:** | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous: | | | | |
| Miscellaneous | $ 3,000 | $ 3,000 | $ 1,192 | $ (1,808) |
| Total miscellaneous | $ 3,000 | $ 3,000 | $ 1,192 | $ (1,808) |
| Total revenue from local sources | $ 3,000 | $ 3,000 | $ 1,192 | $ (1,808) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | $ 971,335 | $ 971,335 | $ 792,398 | $ (178,937) |
| Total categorical aid | $ 971,335 | $ 971,335 | $ 792,398 | $ (178,937) |
| Total revenue from the Commonwealth | $ 971,335 | $ 971,335 | $ 792,398 | $ (178,937) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | $ 1,527,366 | $ 1,527,366 | $ 1,612,052 | $ 84,686 |
| Total categorical aid | $ 1,527,366 | $ 1,527,366 | $ 1,612,052 | $ 84,686 |
| Total revenue from the federal government | $ 1,527,366 | $ 1,527,366 | $ 1,612,052 | $ 84,686 |
| Total Virginia Public Assistance Fund | $ 2,501,701 | $ 2,501,701 | $ 2,405,642 | $ (96,059) |
| **Proffers Fund:** | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | $ 750 | $ 750 | $ 765 | $ 15 |
| Total revenue from use of money and property | $ 750 | $ 750 | $ 765 | $ 15 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Special Revenue Funds: (Continued)** | | | | |
| **Proffers Fund: (Continued)** | | | | |
| Revenue from local sources: (Continued) | | | | |
| Miscellaneous: | | | | |
| Proffers | $ 62,353 | $ 62,353 | $ 98,309 | $ 35,956 |
| Total miscellaneous | $ 62,353 | $ 62,353 | $ 98,309 | $ 35,956 |
| Total Proffers Fund | $ 63,103 | $ 63,103 | $ 99,074 | $ 35,971 |
| **Children's Services Fund:** | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous: | | | | |
| Miscellaneous | $ 20,000 | $ 20,000 | $ 8,314 | $ (11,686) |
| Total miscellaneous | $ 20,000 | $ 20,000 | $ 8,314 | $ (11,686) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Children's services act | $ 1,614,445 | $ 1,614,445 | $ 1,095,689 | $ (518,756) |
| Total categorical aid | $ 1,614,445 | $ 1,614,445 | $ 1,095,689 | $ (518,756) |
| Total revenue from the Commonwealth | $ 1,614,445 | $ 1,614,445 | $ 1,095,689 | $ (518,756) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Children's services act | $ - | $ - | $ 70,933 | $ 70,933 |
| Total categorical aid | $ - | $ - | $ 70,933 | $ 70,933 |
| Total revenue from the federal government | $ - | $ - | $ 70,933 | $ 70,933 |
| Total Children's Services Fund | $ 1,634,445 | $ 1,634,445 | $ 1,174,936 | $ (459,509) |
| **Law Library Fund:** | | | | |
| Charges for services: | | | | |
| Law library fees | $ 5,348 | $ 5,348 | $ 6,156 | $ 808 |
| Total charges for services | $ 5,348 | $ 5,348 | $ 6,156 | $ 808 |
| Total Law Library Fund | $ 5,348 | $ 5,348 | $ 6,156 | $ 808 |
| **Courthouse Maintenance Fund:** | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Courthouse maintenance fees | $ 26,574 | $ 26,574 | $ 27,697 | $ 1,123 |
| Total charges for services | $ 26,574 | $ 26,574 | $ 27,697 | $ 1,123 |
| Total Courthouse Maintenance Fund | $ 26,574 | $ 26,574 | $ 27,697 | $ 1,123 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Special Revenue Funds: (Continued)** | | | | |
| **Tourism Fund:** | | | | |
| Revenue from local sources: | | | | |
| Other local taxes: | | | | |
| Hotel and motel room taxes | $ 158,000 | $ 158,000 | $ 165,653 | $ 7,653 |
| Total other local taxes | $ 158,000 | $ 158,000 | $ 165,653 | $ 7,653 |
| Miscellaneous: | | | | |
| Miscellaneous | $ 12,728 | $ 12,728 | $ 9,790 | $ (2,938) |
| Total miscellaneous | $ 12,728 | $ 12,728 | $ 9,790 | $ (2,938) |
| Total Tourism Fund | $ 170,728 | $ 170,728 | $ 175,443 | $ 4,715 |
| **Confiscated Asset Fund:** | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Confiscated assets | $ - | $ - | $ 44,512 | $ 44,512 |
| Total categorical aid | $ - | $ - | $ 44,512 | $ 44,512 |
| Total Confiscated Asset Fund | $ - | $ - | $ 44,512 | $ 44,512 |
| **Fire/Rescue Fund:** | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Fire program fund | $ 88,618 | $ 88,618 | $ 91,295 | $ 2,677 |
| EMS vehicle registration grant | 26,717 | 26,717 | - | (26,717) |
| Rescue squad assistance grant | - | - | 6,917 | 6,917 |
| Radiological preparedness grant | 30,000 | 30,000 | 60,000 | 30,000 |
| Total categorical aid | $ 145,335 | $ 145,335 | $ 158,212 | $ 12,877 |
| Total revenue from the Commonwealth | $ 145,335 | $ 145,335 | $ 158,212 | $ 12,877 |
| Total Fire/Rescue Fund | $ 145,335 | $ 145,335 | $ 158,212 | $ 12,877 |
| **Housing Fund:** | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of property | $ 14,570 | $ 14,570 | $ 15,233 | $ 663 |
| Total revenue from use of money and property | $ 14,570 | $ 14,570 | $ 15,233 | $ 663 |
| Total Housing Fund | $ 14,570 | $ 14,570 | $ 15,233 | $ 663 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Special Revenue Funds: (Continued)** | | | | |
| **Sheriff Fund:** | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Sheriff fees | $ 51,000 | $ 51,000 | $ 63,579 | $ 12,579 |
| Total charges for services | $ 51,000 | $ 51,000 | $ 63,579 | $ 12,579 |
| Total Sheriff Fund | $ 51,000 | $ 51,000 | $ 63,579 | $ 12,579 |
| Total Special Revenue Funds | $ 4,612,804 | $ 4,612,804 | $ 4,170,484 | $ (442,320) |
| **Debt Service Fund:** | | | | |
| Revenue from local sources: | | | | |
| Other local taxes: | | | | |
| Consumer utility | $ 524,035 | $ 524,035 | $ 574,941 | $ 50,906 |
| Meals tax | 1,285,320 | 1,285,320 | 1,250,356 | (34,964) |
| Total other local taxes | $ 1,809,355 | $ 1,809,355 | $ 1,825,297 | $ 15,942 |
| Revenue from use of money and property: | | | | |
| Revenue from the use of property | $ 76,675 | $ 76,675 | $ 111,600 | $ 34,925 |
| Total revenue from use of money and property | $ 76,675 | $ 76,675 | $ 111,600 | $ 34,925 |
| Total revenue from local sources | $ 1,886,030 | $ 1,886,030 | $ 1,936,897 | $ 50,867 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Communication tax | $ 329,643 | $ 329,643 | $ 311,489 | $ (18,154) |
| Total categorical aid | $ 329,643 | $ 329,643 | $ 311,489 | $ (18,154) |
| Total revenue from the Commonwealth | $ 329,643 | $ 329,643 | $ 311,489 | $ (18,154) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Federal tax credit | $ 288,928 | $ 288,928 | $ 376,716 | $ 87,788 |
| Refunding credit | 51,950 | 51,950 | 111,688 | 59,738 |
| BABs interest subsidy | 119,318 | 119,318 | 10,858 | (108,460) |
| Total categorical aid | $ 460,196 | $ 460,196 | $ 499,262 | $ 39,066 |
| Total revenue from the federal government | $ 460,196 | $ 460,196 | $ 499,262 | $ 39,066 |
| Total Debt Service Fund | $ 2,675,869 | $ 2,675,869 | $ 2,747,648 | $ 71,779 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Capital Projects Fund:** | | | | |
| **County Capital Projects Fund:** | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | $ 30,000 | $ 35,000 | $ 33,714 | $ (1,286) |
| Total revenue from use of money and property | $ 30,000 | $ 35,000 | $ 33,714 | $ (1,286) |
| Intergovernmental: | | | | |
| Revenue from local governments: | | | | |
| Caroline County School Board | $ - | $ 550,000 | $ 387,775 | $ (162,225) |
| Total revenue from local governments | $ - | $ 550,000 | $ 387,775 | $ (162,225) |
| Total County Capital Projects Fund | $ 30,000 | $ 585,000 | $ 421,489 | $ (163,511) |
| Total Primary Government | $ 54,391,070 | $ 55,000,545 | $ 56,739,796 | $ 1,739,251 |
| **Discretely Presented Component Unit-School Board:** | | | | |
| **School Operating Fund:** | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of property | $ - | $ - | $ 49,311 | $ 49,311 |
| Total revenue from use of money and property | $ - | $ - | $ 49,311 | $ 49,311 |
| Charges for services: | | | | |
| Tuition and payments from other divisions | $ 5,000 | $ 5,000 | $ - | $ (5,000) |
| Total charges for services | $ 5,000 | $ 5,000 | $ - | $ (5,000) |
| Miscellaneous: | | | | |
| Other miscellaneous | $ 367,925 | $ 1,068,925 | $ 1,222,819 | $ 153,894 |
| Total miscellaneous | $ 367,925 | $ 1,068,925 | $ 1,222,819 | $ 153,894 |
| Total revenue from local sources | $ 372,925 | $ 1,073,925 | $ 1,272,130 | $ 198,205 |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Caroline, Virginia | $ 13,778,445 | $ 13,966,123 | $ 14,270,836 | $ 304,713 |
| Total revenues from local governments | $ 13,778,445 | $ 13,966,123 | $ 14,270,836 | $ 304,713 |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| State sales tax receipts | $ 5,035,477 | $ 5,035,477 | $ 4,767,007 | $ (268,470) |
| Basic school aid | 12,754,136 | 12,754,136 | 12,531,047 | (223,089) |
| Other state funds | 7,912,224 | 7,926,404 | 7,936,865 | 10,461 |
| Total categorical aid | $ 25,701,837 | $ 25,716,017 | $ 25,234,919 | $ (481,098) |
| Total revenue from the Commonwealth | $ 25,701,837 | $ 25,716,017 | $ 25,234,919 | $ (481,098) |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Discretely Presented Component Unit-School Board: (Continued)** | | | | |
| **School Operating Fund: (Continued)** | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title VI-B, special education flow-through | $ 880,604 | $ 880,604 | $ 906,174 | $ 25,570 |
| Other federal funds | 237,183 | 237,183 | 141,132 | (96,051) |
| Total categorical aid | $ 1,117,787 | $ 1,117,787 | $ 1,047,306 | $ (70,481) |
| Total revenue from the federal government | $ 1,117,787 | $ 1,117,787 | $ 1,047,306 | $ (70,481) |
| Total School Operating Fund | $ 40,970,994 | $ 41,873,852 | $ 41,825,191 | $ (48,661) |
| **School Cafeteria Fund:** | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Cafeteria sales | $ 1,020,044 | $ 1,020,044 | $ 714,908 | $ (305,136) |
| Total charges for services | $ 1,020,044 | $ 1,020,044 | $ 714,908 | $ (305,136) |
| Miscellaneous: | | | | |
| Other miscellaneous | $ - | $ - | $ 48,409 | $ 48,409 |
| Total miscellaneous | $ - | $ - | $ 48,409 | $ 48,409 |
| Total revenue from local sources | $ 1,020,044 | $ 1,020,044 | $ 763,317 | $ (256,727) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food program grant | $ 31,770 | $ 31,770 | $ 30,622 | $ (1,148) |
| Total categorical aid | $ 31,770 | $ 31,770 | $ 30,622 | $ (1,148) |
| Total revenue from the Commonwealth | $ 31,770 | $ 31,770 | $ 30,622 | $ (1,148) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| School food program grant | $ 1,100,000 | $ 1,100,000 | $ 1,246,730 | $ 146,730 |
| Total categorical aid | $ 1,100,000 | $ 1,100,000 | $ 1,246,730 | $ 146,730 |
| Total revenue from the federal government | $ 1,100,000 | $ 1,100,000 | $ 1,246,730 | $ 146,730 |
| Total School Cafeteria Fund | $ 2,151,814 | $ 2,151,814 | $ 2,040,669 | $ (111,145) |
| **School Capital Projects Fund:** | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | $ - | $ - | $ 24 | $ 24 |
| Total revenue from use of money and property | $ - | $ - | $ 24 | $ 24 |
| Total revenue from local sources | $ - | $ - | $ 24 | $ 24 |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Caroline, Virginia | $ 169,484 | $ - | $ 10,749 | $ 10,749 |
| Total revenues from local governments | $ 169,484 | $ - | $ 10,749 | $ 10,749 |
| Total School Capital Projects Fund | $ 169,484 | $ - | $ 10,773 | $ 10,773 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Discretely Presented Component Unit-School Board: (Continued)** | | | | |
| **School Grant Fund:** | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous: | | | | |
| Other miscellaneous | $ 31,699 | $ 31,699 | $ - | $ (31,699) |
| Total miscellaneous | $ 31,699 | $ 31,699 | $ - | $ (31,699) |
| Total revenue from local sources | $ 31,699 | $ 31,699 | $ - | $ (31,699) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Project graduation | $ - | $ - | $ 3,309 | $ 3,309 |
| Mentor teacher project | - | - | 6,783 | 6,783 |
| Total categorical aid | $ - | $ - | $ 10,092 | $ 10,092 |
| Total revenue from the Commonwealth | $ - | $ - | $ 10,092 | $ 10,092 |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title I | $ 1,269,060 | $ 1,269,060 | $ 1,114,374 | $ (154,686) |
| Other federal funds | 621,732 | 646,445 | 168,357 | (478,088) |
| Total categorical aid | $ 1,890,792 | $ 1,915,505 | $ 1,282,731 | $ (632,774) |
| Total revenue from the federal government | $ 1,890,792 | $ 1,915,505 | $ 1,282,731 | $ (632,774) |
| Total School Grant Fund | $ 1,922,491 | $ 1,947,204 | $ 1,292,823 | $ (654,381) |
| **School Textbook Fund:** | | | | |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Caroline, Virginia | $ 148,967 | $ 148,967 | $ 148,967 | $ - |
| Total revenues from local governments | $ 148,967 | $ 148,967 | $ 148,967 | $ - |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Textbook payments | $ 308,267 | $ 308,267 | $ 304,423 | $ (3,844) |
| Total categorical aid | $ 308,267 | $ 308,267 | $ 304,423 | $ (3,844) |
| Total School Textbook Fund | $ 457,234 | $ 457,234 | $ 453,390 | $ (3,844) |
| Total Discretely Presented Component Unit - School Board | $ 45,672,017 | $ 46,430,104 | $ 45,622,846 | $ (807,258) |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund:** | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | $ 204,496 | $ 209,496 | $ 197,383 | $ 12,113 |
| Total legislative | $ 204,496 | $ 209,496 | $ 197,383 | $ 12,113 |
| General and financial administration: | | | | |
| County administrator | $ 515,732 | $ 515,732 | $ 562,393 | $ (46,661) |
| Legal services | 214,000 | 291,000 | 400,921 | (109,921) |
| Commissioner of revenue | 809,515 | 839,709 | 786,078 | 53,631 |
| Professional services | 51,644 | 51,644 | 49,699 | 1,945 |
| Treasurer | 599,815 | 602,415 | 601,528 | 887 |
| Finance | 414,203 | 415,703 | 408,194 | 7,509 |
| Information technology | 287,592 | 307,244 | 263,205 | 44,039 |
| Other general and financial administration | 104,318 | 104,318 | 71,993 | 32,325 |
| Total general and financial administration | $ 2,996,819 | $ 3,127,765 | $ 3,144,011 | $ (16,246) |
| Board of elections: | | | | |
| Electoral board and officials | $ 226,318 | $ 226,318 | $ 212,485 | $ 13,833 |
| Total board of elections | $ 226,318 | $ 226,318 | $ 212,485 | $ 13,833 |
| Total general government administration | $ 3,427,633 | $ 3,563,579 | $ 3,553,879 | $ 9,700 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | $ 102,090 | $ 102,090 | $ 98,906 | $ 3,184 |
| General district court | 21,155 | 21,155 | 17,715 | 3,440 |
| Magistrate | 1,700 | 1,700 | 2,367 | (667) |
| Juvenile and domestic relations court | 18,775 | 18,775 | 18,997 | (222) |
| Clerk of the circuit court | 604,023 | 608,723 | 554,743 | 53,980 |
| Juvenile crime control | 49,189 | 49,189 | 20,100 | 29,089 |
| Victim witness program | 106,884 | 106,884 | 100,309 | 6,575 |
| Total courts | $ 903,816 | $ 908,516 | $ 813,137 | $ 95,379 |
| Commonwealth attorney: | | | | |
| Commonwealth attorney | $ 484,375 | $ 484,375 | $ 456,288 | $ 28,087 |
| Total commonwealth attorney | $ 484,375 | $ 484,375 | $ 456,288 | $ 28,087 |
| Total judicial administration | $ 1,388,191 | $ 1,392,891 | $ 1,269,425 | $ 123,466 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | $ 4,442,471 | $ 4,540,851 | $ 4,730,868 | $ (190,017) |
| E911 dispatch | 1,092,874 | 1,097,975 | 1,043,586 | 54,389 |
| Other protection services | 131,481 | 131,481 | 140,362 | (8,881) |
| Total law enforcement and traffic control | $ 5,666,826 | $ 5,770,307 | $ 5,914,816 | $ (144,509) |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Public safety: (Continued) | | | | |
| Fire and rescue services: | | | | |
| Other fire and rescue | $ 17,536 | $ 17,536 | $ 17,536 | $ - |
| Emergency services | 4,715,936 | 4,949,328 | 4,744,021 | 205,307 |
| Total fire and rescue services | $ 4,733,472 | $ 4,966,864 | $ 4,761,557 | $ 205,307 |
| Correction and detention: | | | | |
| Regional jail contributions | $ 1,805,215 | $ 1,805,215 | $ 1,996,669 | $ (191,454) |
| Juvenile probation and detention | 223,176 | 223,176 | 206,164 | 17,012 |
| Total correction and detention | $ 2,028,391 | $ 2,028,391 | $ 2,202,833 | $ (174,442) |
| Building inspections: | | | | |
| Inspections | $ 285,291 | $ 285,291 | $ 290,614 | $ (5,323) |
| Total building inspections | $ 285,291 | $ 285,291 | $ 290,614 | $ (5,323) |
| Other protection: | | | | |
| Animal control | $ 375,535 | $ 402,075 | $ 372,924 | $ 29,151 |
| Medical examiner | 300 | 300 | 360 | (60) |
| Total other protection | $ 375,835 | $ 402,375 | $ 373,284 | $ 29,091 |
| Total public safety | $ 13,089,815 | $ 13,453,228 | $ 13,543,104 | $ (89,876) |
| Public works: | | | | |
| Maintenance of infrastructure: | | | | |
| Public works administration | $ 173,084 | $ 173,084 | $ 192,657 | $ (19,573) |
| Streetlights | 3,500 | 3,500 | 3,257 | 243 |
| Total maintenance of infrastructure | $ 176,584 | $ 176,584 | $ 195,914 | $ (19,330) |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | $ 1,535,271 | $ 1,590,371 | $ 1,586,433 | $ 3,938 |
| Total sanitation and waste removal | $ 1,535,271 | $ 1,590,371 | $ 1,586,433 | $ 3,938 |
| Maintenance of general buildings and grounds: | | | | |
| General properties | $ 1,738,094 | $ 1,895,647 | $ 1,646,583 | $ 249,064 |
| Total maintenance of general buildings and grounds | $ 1,738,094 | $ 1,895,647 | $ 1,646,583 | $ 249,064 |
| Total public works | $ 3,449,949 | $ 3,662,602 | $ 3,428,930 | $ 233,672 |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | $ 275,404 | $ 275,404 | $ 275,404 | $ - |
| Total health | $ 275,404 | $ 275,404 | $ 275,404 | $ - |
| Mental health and mental retardation: | | | | |
| Community services board | $ 107,961 | $ 107,961 | $ 107,691 | $ 270 |
| Total mental health and mental retardation | $ 107,961 | $ 107,961 | $ 107,691 | $ 270 |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **General Fund: (Continued)** | | | | |
| Health and welfare: (Continued) | | | | |
| Welfare: | | | | |
| Contributions to outside welfare agencies | $ 233,006 | $ 252,867 | $ 267,134 | $ (14,267) |
| Total welfare | $ 233,006 | $ 252,867 | $ 267,134 | $ (14,267) |
| Total health and welfare | $ 616,371 | $ 636,232 | $ 650,229 | $ (13,997) |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contribution to community colleges | $ 49,237 | $ 49,237 | $ 49,237 | $ - |
| Contribution to County School Board | 14,096,896 | 14,115,090 | 14,430,552 | (315,462) |
| Total other instructional costs | $ 14,146,133 | $ 14,164,327 | $ 14,479,789 | $ (315,462) |
| Total education | $ 14,146,133 | $ 14,164,327 | $ 14,479,789 | $ (315,462) |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Recreation centers and playgrounds | $ 448,908 | $ 482,822 | $ 452,432 | $ 30,390 |
| Total parks and recreation | $ 448,908 | $ 482,822 | $ 452,432 | $ 30,390 |
| Cultural: | | | | |
| Contribution to County Library | $ 316,829 | $ 316,829 | $ 306,385 | $ 10,444 |
| Total cultural | $ 316,829 | $ 316,829 | $ 306,385 | $ 10,444 |
| Total parks, recreation, and cultural | $ 765,737 | $ 799,651 | $ 758,817 | $ 40,834 |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning development | $ 701,830 | $ 830,251 | $ 642,937 | $ 187,314 |
| Planning commission | 31,409 | 31,410 | 23,541 | 7,869 |
| Economic development | 274,181 | 294,581 | 263,150 | 31,431 |
| Planning regional | 53,856 | 53,856 | 53,856 | - |
| Industrial development authority | 1,000 | 1,000 | 1,000 | - |
| Board of zoning appeals | 3,248 | 3,248 | 2,180 | 1,068 |
| Total planning and community development | $ 1,065,524 | $ 1,214,346 | $ 986,664 | $ 227,682 |
| Environmental management: | | | | |
| Contribution to soil and water conservation district | $ 62,051 | $ 62,051 | $ 62,051 | $ - |
| Environmental management | 293,581 | 293,582 | 309,528 | (15,946) |
| Total environmental management | $ 355,632 | $ 355,633 | $ 371,579 | $ (15,946) |
| Cooperative extension program: | | | | |
| Extension office | $ 74,479 | $ 74,479 | $ 47,718 | $ 26,761 |
| Total cooperative extension program | $ 74,479 | $ 74,479 | $ 47,718 | $ 26,761 |
| Total community development | $ 1,495,635 | $ 1,644,458 | $ 1,405,961 | $ 238,497 |
| Nondepartmental: | | | | |
| Classification/Compensation study | $ 500,000 | $ 500,000 | $ - | $ 500,000 |
| Total nondepartmental | $ 500,000 | $ 500,000 | $ - | $ 500,000 |
| Total General Fund | $ 38,879,464 | $ 39,816,968 | $ 39,090,134 | $ 726,834 |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Special Revenue Funds:** | | | | |
| **Virginia Public Assistance Fund:** | | | | |
| Health and welfare: | | | | |
| Welfare and social services: | | | | |
| Welfare administration | $ 2,145,809 | $ 2,145,809 | $ 2,012,134 | $ 133,675 |
| Public assistance | 794,559 | 794,559 | 715,701 | 78,858 |
| Purchased services | 203,587 | 203,587 | 121,562 | 82,025 |
| Local only | 4,017 | 4,017 | 2,396 | 1,621 |
| Grants | 12,375 | 12,375 | - | 12,375 |
| Total welfare and social services | $ 3,160,347 | $ 3,160,347 | $ 2,851,793 | $ 308,554 |
| Total health and welfare | $ 3,160,347 | $ 3,160,347 | $ 2,851,793 | $ 308,554 |
| Total Virginia Public Assistance Fund | $ 3,160,347 | $ 3,160,347 | $ 2,851,793 | $ 308,554 |
| **Children's Services Fund:** | | | | |
| Health and welfare: | | | | |
| Welfare and social services: | | | | |
| Comprehensive services act | $ 2,400,000 | $ 2,400,000 | $ 1,797,256 | $ 602,744 |
| Total health and welfare | $ 2,400,000 | $ 2,400,000 | $ 1,797,256 | $ 602,744 |
| Total Children's Services Fund | $ 2,400,000 | $ 2,400,000 | $ 1,797,256 | $ 602,744 |
| **Law Library Fund:** | | | | |
| Judicial administration: | | | | |
| Law library | $ 5,348 | $ 5,348 | $ 5,205 | $ 143 |
| Total judicial administration | $ 5,348 | $ 5,348 | $ 5,205 | $ 143 |
| Total Law Library Fund | $ 5,348 | $ 5,348 | $ 5,205 | $ 143 |
| **Courthouse Maintenance Fund:** | | | | |
| Judicial administration: | | | | |
| Courthouse maintenance | $ 66,574 | $ 134,574 | $ 97,471 | $ 37,103 |
| Total judicial administration | $ 66,574 | $ 134,574 | $ 97,471 | $ 37,103 |
| Total Courthouse Maintenance Fund | $ 66,574 | $ 134,574 | $ 97,471 | $ 37,103 |
| **Tourism Fund:** | | | | |
| Community development: | | | | |
| Planning and community development | $ 170,728 | $ 170,728 | $ 147,185 | $ 23,543 |
| Total community development | $ 170,728 | $ 170,728 | $ 147,185 | $ 23,543 |
| Total Tourism Fund | $ 170,728 | $ 170,728 | $ 147,185 | $ 23,543 |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Special Revenue Funds: (Continued)** | | | | |
| **Confiscated Asset Fund:** | | | | |
| Public safety: | | | | |
| Confiscated assets | $ - | $ 7,332 | $ 19,408 | $ (12,076) |
| Total public safety | $ - | $ 7,332 | $ 19,408 | $ (12,076) |
| Total Confiscated Asset Fund | $ - | $ 7,332 | $ 19,408 | $ (12,076) |
| **Fire/Rescue Fund:** | | | | |
| Public safety: | | | | |
| Fire and rescue services | $ 145,335 | $ 145,335 | $ 168,979 | $ (23,644) |
| Total public safety | $ 145,335 | $ 145,335 | $ 168,979 | $ (23,644) |
| Total Fire/Rescue Fund | $ 145,335 | $ 145,335 | $ 168,979 | $ (23,644) |
| **Housing Fund:** | | | | |
| Community development: | | | | |
| Housing rehabilitation | $ 14,570 | $ 14,570 | $ 11,472 | $ 3,098 |
| Total community development | $ 14,570 | $ 14,570 | $ 11,472 | $ 3,098 |
| Total Housing Fund | $ 14,570 | $ 14,570 | $ 11,472 | $ 3,098 |
| Total Special Revenue Funds | $ 5,962,902 | $ 6,038,234 | $ 5,098,769 | $ 939,465 |
| **Debt Service Fund:** | | | | |
| Debt service: | | | | |
| Principal retirement | $ 6,001,034 | $ 6,001,034 | $ 27,497,973 | $ (21,496,939) |
| Interest and other fiscal charges | 3,186,542 | 3,186,542 | 3,690,464 | (503,922) |
| Total debt servce | $ 9,187,576 | $ 9,187,576 | $ 31,188,437 | $ (22,000,861) |
| Total Debt Service Fund | $ 9,187,576 | $ 9,187,576 | $ 31,188,437 | $ (22,000,861) |
| **Capital Projects Funds:** | | | | |
| **County Capital Projects Fund:** | | | | |
| Capital outlay: | | | | |
| Capital projects | $ 5,166,558 | $ 7,290,891 | $ 5,310,476 | $ 1,980,415 |
| Total capital outlay | $ 5,166,558 | $ 7,290,891 | $ 5,310,476 | $ 1,980,415 |
| Total County Capital Projects Fund | $ 5,166,558 | $ 7,290,891 | $ 5,310,476 | $ 1,980,415 |
| Total Primary Government | $ 59,196,500 | $ 62,333,669 | $ 80,687,816 | $ (18,354,147) |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (Continued)

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Discretely Presented Component Unit-School Board** | | | | |
| **School Operating Fund:** | | | | |
| Education: | | | | |
| Instruction | $ 32,316,055 | $ 32,670,805 | $ 32,131,711 | $ 539,094 |
| Administration, attendance and health | 1,520,035 | 1,635,035 | 1,705,991 | (70,956) |
| Pupil trasportation services | 3,564,088 | 3,532,282 | 3,880,390 | (348,108) |
| Operation and maintenance services | 3,513,316 | 3,483,316 | 3,576,170 | (92,854) |
| Facilities | 57,500 | 2,414 | 2,414 | - |
| Total education | $ 40,970,994 | $ 41,323,852 | $ 41,296,676 | $ 27,176 |
| Capital outlay: | | | | |
| Contribution to County of Caroline, Virginia | $ - | $ 550,000 | $ 387,775 | $ 162,225 |
| Total capital projects | $ - | $ 550,000 | $ 387,775 | $ 162,225 |
| Debt service: | | | | |
| Principal retirement | $ - | $ - | $ 192,030 | $ (192,030) |
| Interest and other fiscal charges | - | - | 39,821 | (39,821) |
| Total debt service | $ - | $ - | $ 231,851 | $ (231,851) |
| Total School Operating Fund | $ 40,970,994 | $ 41,873,852 | $ 41,916,302 | $ (42,450) |
| **School Cafeteria Fund:** | | | | |
| Education: | | | | |
| School food services | $ 2,151,814 | $ 2,151,814 | $ 2,121,148 | $ 30,666 |
| Total education | $ 2,151,814 | $ 2,151,814 | $ 2,121,148 | $ 30,666 |
| Total School Cafeteria Fund | $ 2,151,814 | $ 2,151,814 | $ 2,121,148 | $ 30,666 |
| **School Capital Projects Fund:** | | | | |
| Capital outlay: | | | | |
| Capital projects | $ 169,484 | $ - | $ 2,065 | $ (2,065) |
| Total capital outlay | $ 169,484 | $ - | $ 2,065 | $ (2,065) |
| Total School Capital Projects Fund | $ 169,484 | $ - | $ 2,065 | $ (2,065) |
| **School Grant Fund:** | | | | |
| Education: | | | | |
| Instruction | $ 1,922,491 | $ 1,947,204 | $ 1,292,823 | $ 654,381 |
| Total education | $ 1,922,491 | $ 1,947,204 | $ 1,292,823 | $ 654,381 |
| Total School Grant Fund | $ 1,922,491 | $ 1,947,204 | $ 1,292,823 | $ 654,381 |
| **School Textbook Fund:** | | | | |
| Education: | | | | |
| Instruction | $ 457,234 | $ 457,234 | $ 336,260 | $ 120,974 |
| Total education | $ 457,234 | $ 457,234 | $ 336,260 | $ 120,974 |
| Total School Textbook Fund | $ 457,234 | $ 457,234 | $ 336,260 | $ 120,974 |
| Total Discretely Presented Component Unit - School Board | $ 45,672,017 | $ 46,430,104 | $ 45,668,598 | $ 761,506 |

**Statistical Section**
**Comments Relative to Statistical Section**

The following statistical table recommended by the National Council on Governmental Accounting is not included for the reason stated below:

The table showing legal debt margin is omitted because counties in the State of Virginia are not subject to the 10% legal debt margin as cities and towns are.

COUNTY OF CAROLINE, VIRGINIA

**Net Position by Component**
**Last Ten Fiscal Years**
**(accrual basis of accounting)**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| Governmental activities | | | | |
| Net investment in capital assets | $ (1,913,976) | $ (1,516,215) | $ (7,898,401) | $ (2,885,427) |
| Restricted | - | - | - | 16,479,118 |
| Unrestricted | 7,492,936 | 8,035,867 | 16,648,965 | (2,158,308) |
| Total governmental activities net position | $ 5,578,960 | $ 6,519,652 | $ 8,750,564 | $ 11,435,383 |
| Business-type activities | | | | |
| Net investment in capital assets | $ 4,995,360 | $ 1,798,327 | $ 3,409,348 | $ 5,078,025 |
| Restricted | 1,527,115 | 494,152 | - | - |
| Unrestricted | (4,590,859) | (1,792,297) | (4,238,484) | (5,373,848) |
| Total business-type activities net position | $ 1,931,616 | $ 500,182 | $ (829,136) | $ (295,823) |
| Primary government | | | | |
| Net investment in capital assets | $ 3,081,384 | $ 282,112 | $ (4,489,053) | $ 2,192,598 |
| Restricted | 1,527,115 | 494,152 | - | 16,479,118 |
| Unrestricted | 2,902,077 | 6,243,570 | 12,410,481 | (7,532,156) |
| Total primary government net position | $ 7,510,576 | $ 7,019,834 | $ 7,921,428 | $ 11,139,560 |

(1) June 30, 2014 net position was restated for the implementation of GASB Statement No. 68 and June 30, 2017 net position was restated for the implementation of GASB Statement No. 75.

**Table 2**

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| $ (15,106,264) | $ (39,754,963) | $ (33,804,885) | $ (16,413,860) | $ (7,599,642) | $ (2,826,244) |
| 8,348,530 | 30,368,696 | 28,077,009 | 13,637,372 | 7,482,811 | 4,268,655 |
| 13,248,670 | 18,392,597 | 19,298,331 | 21,500,669 | 21,440,045 | 21,317,545 |
| $ 6,490,936 | $ 9,006,330 | $ 13,570,455 | $ 18,724,181 | $ 21,323,214 | $ 22,759,956 |
| $ 2,505,703 | $ 5,160,081 | $ 5,132,270 | $ 5,655,822 | $ 5,996,430 | $ 6,715,462 |
| 4,712,149 | 2,646,388 | 2,180,302 | 1,833,241 | 1,841,238 | 1,646,702 |
| 217,706 | (837,006) | (573,962) | (358,259) | (579,857) | (735,707) |
| $ 7,435,558 | $ 6,969,463 | $ 6,738,610 | $ 7,130,804 | $ 7,257,811 | $ 7,626,457 |
| $ (12,600,561) | $ (34,594,882) | $ (28,672,615) | $ (10,758,038) | $ (1,603,212) | $ 3,889,218 |
| 13,060,679 | 33,015,084 | 30,257,311 | 15,470,613 | 9,324,049 | 5,915,357 |
| 13,466,376 | 17,555,591 | 18,724,369 | 21,142,410 | 20,860,188 | 20,581,838 |
| $ 13,926,494 | $ 15,975,793 | $ 20,309,065 | $ 25,854,985 | $ 28,581,025 | $ 30,386,413 |

COUNTY OF CAROLINE, VIRGINIA

**Changes in Net Position**
**Last Ten Fiscal Years**
**(accrual basis of accounting)**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| **Expenses:** | | | | |
| Governmental activities: | | | | |
| General Government Administration | $ 3,709,879 | $ 4,078,076 | $ 3,834,523 | $ 3,373,633 |
| Judicial Administration | 1,157,463 | 1,259,831 | 1,305,420 | 1,321,551 |
| Public Safety | 10,097,879 | 10,062,297 | 10,851,996 | 12,399,082 |
| Public Works | 3,303,085 | 3,096,165 | 3,224,196 | 2,488,278 |
| Health and Welfare | 4,522,642 | 4,477,646 | 4,486,438 | 4,678,442 |
| Education | 13,585,341 | 12,155,229 | 12,473,709 | 12,688,448 |
| Parks, Recreation and Cultural | 960,018 | 631,053 | 593,795 | 1,014,718 |
| Community Development | 1,946,999 | 1,683,340 | 1,357,445 | 1,466,009 |
| Interest and Fiscal Charges | 3,495,641 | 3,271,332 | 2,770,309 | 3,379,550 |
| Total governmental activities | $ 42,778,947 | $ 40,714,969 | $ 40,897,831 | $ 42,809,711 |
| Business-type activities: | | | | |
| Water and Sewer Utilities | $ 3,818,858 | $ 4,643,674 | $ 4,833,897 | $ 4,600,849 |
| Total primary government expenses | $ 46,597,805 | $ 45,358,643 | $ 45,731,728 | $ 47,410,560 |
| **Program Revenues** | | | | |
| Governmental Activities: | | | | |
| Charges for services: | | | | |
| Public Safety | $ 669,213 | $ 360,507 | $ 354,880 | $ 1,931,399 |
| Community Development | 1,299 | 289 | 209 | 259,936 |
| All other activities | 800,038 | 794,600 | 1,013,489 | 337,717 |
| Operating grants and contributions | 5,941,198 | 5,730,192 | 5,864,302 | 5,931,154 |
| Capital grants and contributions | - | 389,982 | - | 83,646 |
| Total governmental activities | $ 7,411,748 | $ 7,275,570 | $ 7,232,880 | $ 8,543,852 |
| Business-type activities: | | | | |
| Charges for services | $ 2,021,930 | $ 3,050,269 | $ 3,091,297 | $ 2,879,029 |
| Operating grants and contributions | 210,100 | - | 259,417 | 380,573 |
| Capital grants and contributions | 109,610 | 139,397 | 118,716 | - |
| Total business-type activities | $ 2,341,640 | $ 3,189,666 | $ 3,469,430 | $ 3,259,602 |
| Total primary government program revenues | $ 9,753,388 | $ 10,465,236 | $ 10,702,310 | $ 11,803,454 |
| **Net (Expense)Revenue** | | | | |
| Governmental activities | $ (35,367,199) | $ (33,439,399) | $ (33,664,951) | $ (34,265,859) |
| Business-type activities | (1,477,218) | (1,454,008) | (1,364,467) | (1,341,247) |
| Total primary government net expense | $ (36,844,417) | $ (34,893,407) | $ (35,029,418) | $ (35,607,106) |
| **General Revenues and Transfers** | | | | |
| Governmental Activities: | | | | |
| Taxes: | | | | |
| General property taxes | $ 23,380,063 | $ 25,617,843 | $ 26,968,633 | $ 30,377,123 |
| Local sales and use taxes | 1,401,831 | 1,357,380 | 1,540,189 | 1,527,122 |
| Other local taxes | 4,400,956 | 3,313,411 | 3,510,347 | 3,749,268 |
| State personal property tax reimbursement | 2,371,897 | 2,371,897 | 2,371,897 | 2,371,897 |
| Other state non-categorical shared revenues | 234,421 | 115,890 | 250,235 | 694,417 |
| Proffers from new development | 84,347 | 260,996 | 208,409 | 111,314 |
| Other unrestricted revenue | 574,917 | 1,362,299 | 1,135,248 | 965,188 |
| Transfers | (180,403) | (19,625) | - | (1,079,642) |
| Total governmental activities | $ 32,268,029 | $ 34,380,091 | $ 35,984,958 | $ 38,716,687 |
| Business-type activities: | | | | |
| Revenue from use of money and property | $ 22,894 | $ 2,949 | $ 35,149 | $ 44,154 |
| Miscellaneous | - | - | - | 151,939 |
| Transfers | 180,403 | 19,625 | - | 1,079,642 |
| Total business-type activities | $ 203,297 | $ 22,574 | $ 35,149 | $ 1,275,735 |
| Total primary government | $ 32,471,326 | $ 34,402,665 | $ 36,020,107 | $ 39,992,422 |
| **Change in Net Position** | | | | |
| Governmental activities | $ (3,099,170) | $ 940,692 | $ 2,320,007 | $ 4,450,828 |
| Business-type activities | (1,273,921) | (1,431,434) | (1,329,318) | (65,512) |
| Primary government | $ (4,373,091) | $ (490,742) | $ 990,689 | $ 4,385,316 |

Table 3

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| $ 3,504,203 | $ 3,609,988 | $ 3,883,714 | $ 3,978,965 | $ 3,789,710 | $ 4,047,104 |
| 1,559,830 | 1,407,147 | 1,396,050 | 1,402,447 | 1,497,332 | 1,518,859 |
| 12,005,540 | 12,143,942 | 11,880,667 | 12,426,927 | 13,510,255 | 14,205,256 |
| 3,066,768 | 3,640,540 | 2,908,638 | 3,051,951 | 3,428,499 | 4,232,947 |
| 4,569,627 | 5,357,822 | 4,961,442 | 5,099,553 | 5,208,004 | 5,297,241 |
| 16,789,588 | 12,874,519 | 13,388,679 | 15,040,013 | 15,859,165 | 16,899,064 |
| 2,682,085 | 3,201,043 | 834,612 | 607,087 | 797,543 | 804,264 |
| 1,545,447 | 1,521,500 | 1,575,697 | 1,515,175 | 1,254,830 | 1,343,428 |
| 3,311,236 | 3,775,429 | 3,788,183 | 3,620,914 | 3,424,233 | 3,303,659 |
| $ 49,034,324 | $ 47,531,930 | $ 44,617,682 | $ 46,743,032 | $ 48,769,571 | $ 51,651,822 |
| $ 4,708,177 | $ 5,277,623 | $ 5,703,220 | $ 5,720,201 | $ 5,558,380 | $ 5,386,681 |
| $ 53,742,501 | $ 52,809,553 | $ 50,320,902 | $ 52,463,233 | $ 54,327,951 | $ 57,038,503 |
| | | | | | |
| $ 1,812,613 | $ 1,923,375 | $ 1,858,195 | $ 1,963,237 | $ 1,279,401 | $ 1,388,237 |
| 274,372 | 269,786 | 282,212 | 285,233 | - | - |
| 345,711 | 195,341 | 183,155 | 168,470 | 855,923 | 941,548 |
| 5,435,809 | 6,437,297 | 5,863,274 | 5,969,693 | 6,976,522 | 7,516,459 |
| 158,272 | - | 607,776 | 78,074 | 215,241 | - |
| $ 8,026,777 | $ 8,825,799 | $ 8,794,612 | $ 8,464,707 | $ 9,327,087 | $ 9,846,244 |
| $ 3,891,144 | $ 2,626,288 | $ 2,920,869 | $ 2,633,815 | $ 2,482,265 | $ 2,636,964 |
| 638,344 | 579,689 | 349,083 | 350,877 | 350,877 | 256,922 |
| - | 1,115,502 | 1,170,762 | 1,326,260 | 979,279 | 937,671 |
| $ 4,529,488 | $ 4,321,479 | $ 4,440,714 | $ 4,310,952 | $ 3,812,421 | $ 3,831,557 |
| $ 12,556,265 | $ 13,147,278 | $ 13,235,326 | $ 12,775,659 | $ 13,139,508 | $ 13,677,801 |
| $ (41,007,547) | $ (38,706,131) | $ (35,823,070) | $ (38,278,325) | $ (39,442,484) | $ (41,805,578) |
| (178,689) | (956,144) | (1,262,506) | (1,409,249) | (1,745,959) | (1,555,124) |
| $ (41,186,236) | $ (39,662,275) | $ (37,085,576) | $ (39,687,574) | $ (41,188,443) | $ (43,360,702) |
| | | | | | |
| $ 30,700,165 | $ 32,695,438 | $ 34,297,569 | $ 34,439,462 | $ 33,404,396 | $ 35,811,884 |
| 1,521,998 | 1,672,694 | 1,779,229 | 1,990,779 | 1,997,309 | 2,294,305 |
| 3,661,418 | 4,088,990 | 4,195,865 | 4,041,865 | 4,318,766 | 4,417,068 |
| 2,371,897 | 2,371,897 | 2,371,897 | 2,371,897 | 2,371,897 | 2,371,897 |
| 749,001 | 808,543 | 693,511 | 1,378,963 | 740,820 | 656,676 |
| 294,776 | 145,881 | 123,245 | 127,026 | 151,871 | 98,309 |
| 1,263,776 | 1,184,640 | 1,077,555 | 693,240 | 719,206 | 805,922 |
| (4,630,231) | (959,896) | (1,145,321) | (1,611,181) | (1,662,748) | (1,730,200) |
| $ 35,932,800 | $ 42,008,187 | $ 43,393,550 | $ 43,432,051 | $ 42,041,517 | $ 44,725,861 |
| $ 22,127 | $ 3,238 | $ 926 | $ 2,244 | $ 12,553 | $ 23,287 |
| 97,605 | 209,050 | 71,867 | 188,018 | 197,665 | 255,114 |
| 4,630,231 | 959,896 | 1,145,321 | 1,611,181 | 1,662,748 | 1,730,200 |
| $ 4,749,963 | $ 1,172,184 | $ 1,218,114 | $ 1,801,443 | $ 1,872,966 | $ 2,008,601 |
| $ 40,682,763 | $ 43,180,371 | $ 44,611,664 | $ 45,233,494 | $ 43,914,483 | $ 46,734,462 |
| $ (5,074,747) | $ 3,302,056 | $ 7,570,480 | $ 5,153,726 | $ 2,599,033 | $ 2,920,283 |
| 4,571,274 | 216,040 | (44,392) | 392,194 | 127,007 | 453,477 |
| $ (503,473) | $ 3,518,096 | $ 7,526,088 | $ 5,545,920 | $ 2,726,040 | $ 3,373,760 |

## COUNTY OF CAROLINE, VIRGINIA

### Fund Balances - Governmental Funds
### Last Ten Fiscal Years
### (modified accrual basis of accounting)

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| General Fund | | | | |
| Reserved | $ 366,000 | $ 472,800 | $ - | $ - |
| Unreserved | 3,578,749 | 5,631,691 | - | - |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | 1,176,599 |
| Committed | - | - | 444,987 | 366,000 |
| Assigned | - | - | - | 7,420 |
| Unassigned | - | - | 9,107,120 | 11,597,688 |
| Total General Fund | $ 3,944,749 | $ 6,104,491 | $ 9,552,107 | $ 13,147,707 |
| All Other Governmental Funds | | | | |
| Reserved | $ 4,818,961 | $ 1,967,647 | $ - | $ - |
| Unreserved, reported in: | | | | |
| Special revenue funds | 1,006,694 | 1,806,036 | - | - |
| Capital projects funds | - | - | - | - |
| Debt service funds | (107,903) | 181,625 | - | - |
| Restricted | - | - | 6,924,638 | 15,302,519 |
| Committed | - | - | 1,496,793 | - |
| Assigned | - | - | 518,586 | 577,240 |
| Unassigned | - | - | - | (304) |
| Total all other governmental funds | $ 5,717,752 | $ 3,955,308 | $ 8,940,017 | $ 15,879,455 |

Note: In fiscal year ended June 30, 2011, The County implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, which effectively changed the classifications used to report fund balances. The terms reserved and unreserved are no longer used to describe fund balance. Fund balance is now classified as nonspendable, restricted, committed, assigned, or unassigned.

**Table 4**

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - | - |
| - | 30,000 | - | - | - | - |
| 1,827,272 | 1,846,264 | 1,846,264 | 1,847,361 | 1,847,361 | 1,847,361 |
| 366,000 | 366,000 | 366,000 | 175,000 | 3,553,910 | 2,392,483 |
| 421,395 | 1,420,225 | 2,962,590 | 4,598,162 | 1,818,577 | 3,007,004 |
| 10,901,101 | 14,297,822 | 15,979,092 | 16,346,543 | 17,398,812 | 18,313,245 |
| $ 13,515,768 | $ 17,960,311 | $ 21,153,946 | $ 22,967,066 | $ 24,618,660 | $ 25,560,093 |
| $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 6,521,258 | 28,522,432 | 26,230,745 | 11,790,011 | 5,635,450 | 2,421,294 |
| - | - | - | - | - | - |
| 619,386 | 209,073 | 277,781 | 265,878 | 282,332 | 257,149 |
| (43,865) | (50,154) | (127,250) | (139,160) | (420,770) | (322,446) |
| $ 7,096,779 | $ 28,681,351 | $ 26,381,276 | $ 11,916,729 | $ 5,497,012 | $ 2,355,997 |

**COUNTY OF CAROLINE, VIRGINIA**

**Changes in Fund Balances - Governmental Funds**
**Last Ten Fiscal Years**
**(modified accrual basis of accounting)**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| **Revenues** | | | | |
| General property taxes | $ 22,927,993 | $ 25,663,790 | $ 26,749,352 | $ 28,661,523 |
| Other local taxes | 5,802,787 | 4,670,791 | 5,050,536 | 5,264,625 |
| Permits, fees and regulatory licenses | 456,535 | 393,905 | 343,737 | 311,443 |
| Fines and forfeitures | 648,731 | 447,048 | 599,320 | 702,704 |
| Revenue from use of money/property | 246,362 | 181,995 | 196,662 | 218,274 |
| Charges for services | 365,284 | 314,443 | 425,521 | 369,300 |
| Other local revenue | 1,391,767 | 1,794,807 | 1,770,522 | 1,404,880 |
| Intergovernmental | 8,547,516 | 10,377,324 | 9,196,070 | 9,691,832 |
| Total revenues | $ 40,386,975 | $ 43,844,103 | $ 44,331,720 | $ 46,624,581 |
| **Expenditures** | | | | |
| General government administration | $ 2,881,704 | $ 3,279,185 | $ 2,942,718 | $ 2,742,445 |
| Judicial administration | 1,092,853 | 1,155,276 | 1,216,950 | 1,196,313 |
| Public safety | 9,776,859 | 9,869,467 | 11,072,836 | 11,147,753 |
| Public works | 2,998,159 | 2,870,377 | 2,837,204 | 2,822,731 |
| Health and welfare | 4,511,382 | 4,476,028 | 4,479,507 | 4,683,615 |
| Education[a] | 12,008,417 | 11,904,385 | 11,000,000 | 11,096,989 |
| Parks, recreation and cultural | 695,232 | 604,610 | 616,506 | 655,308 |
| Community development | 2,104,952 | 1,828,518 | 1,181,333 | 1,299,804 |
| Capital projects | 6,416,052 | 2,170,949 | 2,600,429 | 2,009,291 |
| Debt service[b]: | | | | |
| Principal retirement | 2,267,766 | 2,848,100 | 1,897,834 | 2,459,712 |
| Interest and fiscal charges | 3,767,405 | 3,092,117 | 2,882,858 | 3,542,841 |
| Total expenditures | $ 48,520,781 | $ 44,099,012 | $ 42,728,175 | $ 43,656,802 |
| Excess of revenues over(under) expenditures | $ (8,133,806) | $ (254,909) | $ 1,603,545 | $ 2,967,779 |
| **Other Financing Sources (Uses):** | | | | |
| Transfers in | $ 4,159,249 | $ 5,713,435 | $ 4,106,070 | $ 4,759,372 |
| Transfers out | (4,339,652) | (5,733,060) | (4,106,070) | (5,839,014) |
| Issuance of debt | 30,067,107 | 5,407,593 | 6,828,780 | 8,400,000 |
| Early debt retirement | (23,243,199) | (4,735,761) | - | - |
| Premium in issuance of debt | - | - | - | 114,912 |
| Lease revenue and refunding bond issuance | - | - | - | - |
| Refunding bonds issued | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - |
| Issuance of capital leases | - | - | - | 625,126 |
| Total other financing sources (uses) | $ 6,643,505 | $ 652,207 | $ 6,828,780 | $ 8,060,396 |
| Net change in fund balances | $ (1,490,301) | $ 397,298 | $ 8,432,325 | $ 11,028,175 |
| Debt service as a percentage of noncapital expenditures | 14.3% | 14.2% | 11.9% | 14.4% |

**Table 5**

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| $ 29,981,769 | $ 31,936,888 | $ 34,435,880 | $ 34,510,102 | $ 35,056,977 | $ 35,894,593 |
| 5,183,416 | 5,761,684 | 5,975,094 | 6,032,644 | 6,316,075 | 6,711,373 |
| 480,770 | 529,470 | 392,539 | 502,416 | 417,770 | 468,716 |
| 463,215 | 560,756 | 522,562 | 484,591 | 522,735 | 586,242 |
| 273,027 | 251,372 | 255,286 | 284,644 | 348,824 | 484,436 |
| 1,017,772 | 997,859 | 1,092,983 | 1,129,021 | 1,194,819 | 1,274,827 |
| 1,114,255 | 1,228,772 | 619,896 | 778,426 | 858,606 | 774,577 |
| 9,280,763 | 10,262,274 | 10,057,363 | 9,856,735 | 10,304,480 | 10,545,032 |
| $ 47,794,987 | $ 51,529,075 | $ 53,351,603 | $ 53,578,579 | $ 55,020,286 | $ 56,739,796 |
| | | | | | |
| $ 2,974,843 | $ 3,151,105 | $ 3,391,184 | $ 3,424,540 | $ 3,265,212 | $ 3,553,879 |
| 1,271,504 | 1,301,043 | 1,330,592 | 1,324,354 | 1,309,884 | 1,372,101 |
| 11,311,969 | 12,382,980 | 11,801,540 | 11,958,767 | 12,545,663 | 13,731,491 |
| 2,661,656 | 2,713,043 | 2,801,214 | 3,034,572 | 3,263,001 | 3,428,930 |
| 4,596,258 | 5,551,495 | 5,068,757 | 5,140,027 | 5,206,983 | 5,299,278 |
| 11,055,989 | 11,748,926 | 11,986,533 | 12,211,095 | 13,513,761 | 14,479,789 |
| 662,455 | 678,432 | 676,680 | 677,341 | 807,428 | 758,817 |
| 1,343,020 | 1,381,345 | 1,435,597 | 1,396,369 | 1,458,096 | 1,564,618 |
| 10,279,612 | 9,597,593 | 2,958,062 | 16,036,771 | 11,595,557 | 5,310,476 |
| | | | | | |
| 4,779,582 | 4,399,722 | 5,794,072 | 6,479,052 | 6,284,425 | 27,497,973 |
| 3,430,830 | 3,580,048 | 4,068,491 | 3,798,912 | 3,625,400 | 3,690,464 |
| $ 54,367,718 | $ 56,485,732 | $ 51,312,722 | $ 65,481,800 | $ 62,875,410 | $ 80,687,816 |
| | | | | | |
| $ (6,572,731) | $ (4,956,657) | $ 2,038,881 | $ (11,903,221) | $ (7,855,124) | $ (23,948,020) |
| | | | | | |
| $ 6,051,030 | $ 6,915,440 | $ 9,155,668 | $ 9,529,968 | $ 8,430,878 | $ 7,641,400 |
| (10,681,261) | (7,733,736) | (10,300,989) | (11,141,149) | (10,093,626) | (9,371,600) |
| 2,535,447 | 25,133,000 | - | - | 10,416,169 | - |
| - | - | - | - | - | - |
| 119,060 | - | - | - | - | 1,790,388 |
| - | - | - | 5,328,275 | - | - |
| - | 8,487,000 | - | - | - | 20,120,000 |
| - | (8,390,000) | - | (4,465,300) | (7,175,000) | - |
| 133,840 | 6,574,068 | - | - | 1,508,580 | 1,568,250 |
| $ (1,841,884) | $ 30,985,772 | $ (1,145,321) | $ (748,206) | $ 3,087,001 | $ 21,748,438 |
| $ (8,414,615) | $ 26,029,115 | $ 893,560 | $ (12,651,427) | $ (4,768,123) | $ (2,199,582) |
| | | | | | |
| 18.6% | 17.0% | 20.4% | 20.8% | 19.3% | 41.4% |

**Tax Revenues by Source - Governmental Funds**
**Last Ten Fiscal Years**

| Fiscal Year Ended Ended | Property (1) | Local Sales And Use | Business License | Motor Vehicle Licenses | Recordation and Wills | Other | Total |
|---|---|---|---|---|---|---|---|
| 2009 | $22,347,916 | $ 1,401,831 | $1,090,071 | $ 578,311 | $ 296,348 | $ 703,577 | $ 26,418,054 |
| 2010 | 25,031,295 | 1,357,380 | 803,165 | 552,923 | 242,212 | 773,060 | 28,760,035 |
| 2011 | 26,013,620 | 1,540,189 | 905,568 | 667,779 | 217,128 | 881,244 | 30,225,528 |
| 2012 | 27,892,748 | 1,527,122 | 969,103 | 823,632 | 214,204 | 905,990 | 32,332,799 |
| 2013 | 29,247,485 | 1,521,998 | 1,065,597 | 596,577 | 330,602 | 875,773 | 33,638,032 |
| 2014 | 31,121,030 | 1,672,694 | 1,080,256 | 951,114 | 241,404 | 964,162 | 36,030,660 |
| 2015 | 33,554,227 | 1,779,229 | 998,994 | 1,038,375 | 229,367 | 1,929,129 | 39,529,321 |
| 2016 | 33,649,865 | 1,990,779 | 793,703 | 1,031,986 | 262,702 | 1,953,474 | 39,682,509 |
| 2017 | 34,180,894 | 1,997,309 | 850,591 | 1,067,923 | 337,059 | 2,063,193 | 40,496,969 |
| 2018 | 34,964,963 | 2,294,305 | 858,769 | 1,106,599 | 289,021 | 2,162,679 | 41,676,336 |
| Change 2008-2017 | 56.46% | 63.66% | -21.22% | 91.35% | -2.47% | 207.38% | 57.76% |

(1) Property tax revenue does not include penalties and interest collected on delinquent tax collections

**COUNTY OF CAROLINE, VIRGINIA** **Table 7**

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

| Fiscal Year | Real Estate (1) | Personal Property (3) | Machinery and Tools | Public Utility (2) | Total Taxable Assessed Value |
|---|---|---|---|---|---|
| 2009 | $ 2,921,646,044 | $ 146,037,606 | $ 5,999,560 | $ 210,375,646 | $ 3,284,058,856 |
| 2010 | 2,957,819,726 | 158,154,031 | 6,651,920 | 388,613,995 | 3,511,239,672 |
| 2011 | 2,438,863,853 | 150,301,120 | 7,303,910 | 434,199,114 | 3,030,667,997 |
| 2012 | 2,675,828,900 | 316,976,453 | 7,034,730 | 436,895,835 | 3,436,735,918 |
| 2013 | 2,690,621,100 | 254,081,388 | 7,045,530 | 447,027,197 | 3,398,775,215 |
| 2014 | 2,721,992,100 | 277,283,818 | 7,742,330 | 444,342,422 | 3,451,360,670 |
| 2015 | 2,739,975,000 | 282,284,550 | 7,383,110 | 457,707,814 | 3,487,350,474 |
| 2016 | 2,790,067,200 | 294,097,398 | 7,842,570 | 454,694,067 | 3,546,701,235 |
| 2017 | 3,209,399,962 | 303,805,730 | 7,962,840 | 450,539,996 | 3,971,708,528 |
| 2018 | 2,834,220,800 | 321,700,510 | 7,807,340 | 430,354,563 | 3,594,083,213 |

(1) Assessed at 100% of market value using an assessed value to sales price factor computed annually by the State Department of Taxation.
(2) Assessed values are established by the State Corporation Commission
(3) Assessed at 40% of market value through 2008. Vehicles assessed at 50% of market value in 2009, assessed at 100% market value in 2012 and 100% trade-in value for 2013.

Direct Property Tax Rates
Last Ten Fiscal Years

| Fiscal Year | Real Estate | Personal Property (1)(2) | Machinery and Tools | Public Service Corporations Real Estate | Public Service Corporations Personal Property |
|---|---|---|---|---|---|
| 2009 | $ 0.53 | $ 6.25 | $ 3.50 | $ 0.53 | $ 6.25 |
| 2010 | 0.53 | 6.25 | 3.50 | 0.53 | 6.25 |
| 2011 | 0.68 | 6.25 | 3.50 | 0.07 | 6.25 |
| 2012 | 0.72 | 3.50 | 3.50 | 0.72 | 3.50 |
| 2013 | 0.72 | 3.80 | 3.50 | 0.72 | 3.80 |
| 2014 | 0.83 | 3.80 | 3.50 | 0.83 | 3.80 |
| 2015 | 0.83 | 3.80 | 3.50 | 0.83 | 3.80 |
| 2016 | 0.82 | 3.80 | 3.50 | 0.82 | 3.80 |
| 2017 | 0.83 | 3.80 | 3.50 | 0.83 | 3.80 |
| 2018 | 0.83 | 3.80 | 3.50 | 0.83 | 3.80 |

(1) Assessed value for vehicles increased to 100% of market value in 2012.
(2) Assessed value for vehicles changed to 100% trade-in value in 2013.

Principal Property Taxpayers
Current Year and Seven Years Ago

| Taxpayer/Type of Business | 2018 Assessed Valuation | 2018 Rank | 2018 Percentage of Total Assessed Valuation | 2011 Assessed Valuation | 2011 Rank | 2011 Percentage of Total Assessed Valuation |
|---|---|---|---|---|---|---|
| Dominion Virginia Power/Electric Utility | $ 265,708,282 | 1 | 6.83% | $282,125,743 | 1 | 8.69% |
| Rappahannock Electric Cooperative/Electric Utility | 63,842,237 | 2 | 1.64% | 64,291,488 | 2 | 1.98% |
| Virginia Natural Gas, Inc/Gas Utility | 27,696,338 | 3 | 0.71% | 17,515,198 | 4 | 0.54% |
| CSX Transportation/Railroad | 21,705,557 | 4 | 0.56% | | | |
| Verizon South/Telephone Utility | 9,708,997 | 5 | 0.25% | 18,704,143 | 3 | 0.58% |
| Aqua Virginia, Inc/Water Utility | 8,656,969 | 6 | 0.22% | | | |
| Columbia Gas of Va Inc/Gas Utility | 7,405,146 | 7 | 0.19% | | | |
| Cellco Partnership | 4,766,155 | 8 | 0.12% | | | |
| New Cingular Wireless PCS LLC/Telephone Utility | 4,388,568 | 9 | 0.11% | | | |
| Plantation Pipeline CO | 4,007,632 | 10 | 0.10% | | | |
| McKesson Corporation/Pharmaceutical Distributor | | | | | | |
| Richmond, Fredericksburg and Potomac Railroad/Railroad | | | | 17,498,832 | 5 | 0.54% |
| Carmel Church Properties/Bank | | | | 15,736,800 | 6 | 0.48% |
| JLB Ruther Glen LLC/Furniture Distribution | | | | 13,908,500 | 7 | 0.43% |
| Atlantic Rural Exposition & State Fair/Public Entertainment | | | | 13,163,675 | 8 | 0.41% |
| Highway Service Ventures, Inc/Highway Service Commercial | | | | 10,632,550 | 9 | 0.33% |
| NNP IV-Ladysmith/Property Development | | | | 10,493,700 | 10 | 0.32% |
| Totals | $ 417,885,881 | | 10.73% | $464,070,629 | | 14.30% |

Source:
Caroline County Commissioner of The Revenue

**COUNTY OF CAROLINE, VIRGINIA** **Table 10**

**Property Tax Levies and Collections**
**Last Ten Fiscal Years**
**(Unaudited)**

| Fiscal Year | Taxes Levied for the Fiscal Year (1,3) | Collected Within the Fiscal Year of the Levy: Amount (1,3) | Collected Within the Fiscal Year of the Levy: Percentage of Levy | Delinquent Tax Collections | Total Collections to Date: Amount | Total Collections to Date: Percentage of Levy | Outstanding Delinquent Taxes (1,2) | Percentage of Delinquent Taxes to Tax Levy |
|---|---|---|---|---|---|---|---|---|
| 2009 | $ 24,851,549 | $ 23,668,549 | 95.24% | $ 659,143 | $ 24,327,692 | 97.89% | $ 3,369,927 | 13.56% |
| 2010 | 27,443,283 | 26,455,233 | 96.40% | 947,959 | 27,403,192 | 99.85% | 3,565,280 | 12.99% |
| 2011 | 28,430,141 | 27,337,561 | 96.16% | 1,047,956 | 28,385,517 | 99.84% | 3,659,723 | 12.87% |
| 2012 | 30,790,303 | 29,222,222 | 94.91% | 955,058 | 30,177,280 | 98.01% | 4,021,078 | 13.06% |
| 2013 | 31,992,621 | 30,609,324 | 95.68% | 963,110 | 31,572,434 | 98.69% | 4,478,787 | 14.00% |
| 2014 | 33,707,074 | 31,483,184 | 93.40% | 1,132,536 | 32,615,720 | 96.76% | 4,799,184 | 14.24% |
| 2015 | 36,315,452 | 34,636,181 | 95.38% | 1,016,627 | 35,652,808 | 98.18% | 4,677,178 | 12.88% |
| 2016 | 36,339,139 | 34,852,070 | 95.91% | 995,043 | 35,847,113 | 98.65% | 4,729,311 | 13.01% |
| 2017 | 36,999,802 | 35,374,665 | 95.61% | 992,230 | 36,366,895 | 98.29% | 4,909,900 | 13.27% |
| 2018 | 37,602,914 | 35,994,290 | 95.72% | 1,073,343 | 37,067,633 | 98.58% | 4,999,558 | 13.30% |

Source:
Caroline County Treasurer

Notes:

(1) Exclusive of penalties and interest. Includes Commonwealth of Virginia's reimbursement for personal property taxes and balances outstanding.

(2) Includes three most current delinquent tax years and first half of current year.

(3) Does not include land redemptions.

**Ratios of Gross General Bonded Debt to Assessed Value**
**and Gross Bonded Debt per Capita**
**Last Ten Fiscal Years**

| Fiscal Year | Population | Assessed Value (1) | Gross Bonded Debt (2) | Ratio of Gross Bonded Debt to Assessed Value | Gross Bonded Debt per Capita |
|---|---|---|---|---|---|
| 2009 | 28,245 | $ 3,284,058,856 | $ 60,745,642 | 1.85% | $ 2,151 |
| 2010 | 28,245 | 3,511,239,672 | 58,740,612 | 1.67% | 2,080 |
| 2011 | 28,545 | 3,030,667,997 | 64,946,686 | 2.14% | 2,275 |
| 2012 | 28,972 | 3,436,735,918 | 70,082,850 | 2.04% | 2,419 |
| 2013 | 29,298 | 3,398,775,215 | 68,185,970 | 2.01% | 2,327 |
| 2014 | 29,481 | 3,451,360,670 | 89,289,968 | 2.59% | 3,029 |
| 2015 | 29,727 | 3,487,350,474 | 84,171,514 | 2.41% | 2,831 |
| 2016 | 29,792 | 3,546,701,235 | 79,630,525 | 2.25% | 2,673 |
| 2017 | 30,178 | 3,971,708,528 | 77,413,509 | 1.95% | 2,565 |
| 2018 | 30,292 | 3,594,083,213 | 71,088,302 | 1.98% | 2,347 |

(1) See table 7 for property value data

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

Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year | (1) Population | (2) Personal Income (in 000s) | (2) Per Capita Personal Income | (3) School Enrollment- September 30 Membership | (4) Unemployment Rate |
|---|---|---|---|---|---|
| 2009 | 28,245 | $ 939,641 | $ 33,923 | 4,244 | 8.5% |
| 2010 | 28,245 | 940,026 | 33,729 | 4,277 | 8.6% |
| 2011 | 28,545 | 989,854 | 34,574 | 4,257 | 7.7% |
| 2012 | 28,972 | 1,086,741 | 37,510 | 4,317 | 6.7% |
| 2013 | 29,298 | 1,110,966 | 37,920 | 4,340 | 6.9% |
| 2014 | 29,481 | 1,119,643 | 37,978 | 4,386 | 5.9% |
| 2015 | 29,727 | 1,140,455 | 38,035 | 4,357 | 5.5% |
| 2016 | 29,792 | N/A | N/A | 4,330 | 4.2% |
| 2017 | 30,178 | N/A | N/A | 4,299 | 4.3% |
| 2018 | 30,292 | N/A | N/A | 4,076 | 3.6% |

Sources:
(1) Estimated by Weldon Cooper Center for Public Service, University of Virginia, on a calendar basis for all years.
(2) US Department of Commerce, Bureau of Economic Analysis
(3) Virginia Department of Education as of September 30 each year
(4) Virginia Employment Commission fiscal year-end
N/A - Information unavailable at fiscal year-end

**COUNTY OF CAROLINE, VIRGINIA** **Table 13**

Full-Time Equivalent County Government Employees by Function
Last Ten Fiscal Years

| Function | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| County Administrator | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Finance | 6 | 6 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 |
| Information Technology | | | | | 1 | 1 | 1 | 1 | 1 | 1 |
| Emergency Services | 26 | 26 | 26 | 26 | 30 | 30 | 30 | 30 | 33 | 40 |
| Public Works | 16 | 15 | 13 | 13 | 13 | 13 | 13 | 14 | 16 | 17 |
| Social Services | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 31 | 31 | 32 |
| Recreation | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Planning and Community Development | 19 | 13 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 11 |
| Economic Development | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Utilities | 16 | 16 | 15 | 15 | 15 | 15 | 15 | 16 | 16 | 17 |
| Constitutional Officers: | | | | | | | | | | |
| Commissioner of the Revenue | 11 | 11 | 11 | 12 | 13 | 13 | 13 | 13 | 13 | 13 |
| Treasurer | 7 | 7 | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 8 |
| Clerk of the Circuit Court | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Commonwealth's Attorney | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Sheriff: | | | | | | | | | | |
| Sworn | 51 | 51 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 |
| Non sworn | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 20 | 20 |
| Total full time employees | 221 | 215 | 207 | 208 | 215 | 215 | 215 | 219 | 225 | 236 |

Source: Caroline County Budgets

## 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 Honorable Members of the Board of Supervisors**
**County of Caroline**
**Caroline, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Caroline Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise County of Caroline, Virginia's basic financial statements and have issued our report thereon dated February 15, 2019.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Caroline, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Caroline, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Caroline, 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness as item 2018-001.

### Compliance and Other Matters

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

County of Caroline, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Caroline, 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

Richmond, Virginia
February 15, 2019

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 Honorable Members of the Board of Supervisors**
**County of Caroline**
**Caroline, Virginia**

### Report on Compliance for Each Major Federal Program

We have audited County of Caroline, 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 County of Caroline, Virginia's major federal programs for the year ended June 30, 2018. County of Caroline, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the 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 County of Caroline, 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 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 County of Caroline, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

*Opinion on Each Major Federal Program*

In our opinion, County of Caroline, 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, 2018.

**Report on Internal Control over Compliance**

Management of County of Caroline, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Caroline, 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 County of Caroline, 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

Richmond, Virginia
February 15, 2019

**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2018**

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal CFDA Number | Entity Identifying Pass-through Number | | FY2018 Federal Expenditures |
|---|---|---|---|---|
| **Department of Agriculture:** | | | | |
| Pass Through Payments: | | | | |
| Virginia Department of Social Services: | | | | |
| State Administrative Matching Grants for Supplemental Nutrition Assistance Program | 10.561 | 10111 | | $ 317,405 |
| Pass Through Payments: | | | | |
| Child Nutrition Cluster: | | | | |
| Department of Health: | | | | |
| Summer Food Service Program for Children | 10.559 | 17901 | $ 18,975 | |
| Department of Education: | | | | |
| School Breakfast Program | 10.553 | 17901-40591 | 321,758 | |
| National School Lunch Program | 10.555 | 17901-40623 | 905,735 | |
| Department of Agriculture: | | | | |
| Food Distribution - School Nutrition Program | 10.555 | 17901-45707 | 131,830 | |
| | | | $ 1,037,565 | 1,378,298 |
| State Administrative Expenses for Child Nutrition | 10.560 | Not Available | | 262 |
| Total Department of Agriculture | | | | $ 1,695,965 |
| **Department of Justice:** | | | | |
| Direct Payments: | | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | | $ 2,775 |
| Pass Through Payments: | | | | |
| Department of Criminal Justice Services: | | | | |
| Crime Victim Assistance | 16.575 | 39001-102200 | | 27,941 |
| Violence Against Women Formula Grants | 16.588 | 39001-99001 | | 48,107 |
| Total Department of Justice | | | | $ 78,823 |
| **Department of Health and Human Services:** | | | | |
| Pass Through Payments: | | | | |
| Virginia Department of Social Services: | | | | |
| Promoting Safe and Stable Families | 93.556 | 0950115/0950116 | | $ 10,311 |
| Temporary Assistance for Needy Families | 93.558 | 0400115/0400116 | | 255,125 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500115/0500116 | | 336 |
| Low-Income Home Energy Assistance | 93.568 | 0600415/0600416 | | 29,520 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760115/0760116 | | 35,237 |
| Chafee Education and Training Vouchers Program | 93.599 | not available | | 1,669 |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | 76500-469003 | | 1,161 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900115/090116 | | 657 |
| Foster Care - Title IV-E | 93.658 | 1100115/1100116 | | 407,620 |
| Adoption Assistance | 93.659 | 1120115/1120116 | | 81,785 |
| Social Services Block Grant | 93.667 | 1000115/1000116 | | 205,234 |
| Chafee Foster Care Independence Program | 93.674 | 9150115/9150116 | | 2,633 |
| Children's Health Insurance Program | 93.767 | 0540115/0540116 | | 12,451 |
| Medical Assistance Program | 93.778 | 1200115/1200116 | | 321,841 |
| Total Department of Health and Human Services | | | | $ 1,365,580 |

**COUNTY OF CAROLINE, VIRGINIA**

**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2018**

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal CFDA Number | Entity Identifying Pass-through Number | | FY2018 Federal Expenditures |
|---|---|---|---|---|
| **Department of Education:** | | | | |
| Pass Through Payments: | | | | |
| Department of Education: | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 179001-42901 | | $ 1,114,374 |
| Career and Technical Education - Basic Grants to States | 84.048 | 179001-61095 | | 74,392 |
| Mathematics and Science Partnerships | 84.366 | 179001-19700 | | 7,874 |
| Supporting Effective Instruction State Grant | 84.367 | 179001-61480 | | 85,976 |
| English Language Acquisition state Grant | 84.365 | 179001 | | 13,993 |
| Student Support and Academic Enrichment Program | 84.424 | S424A170048 | | 9,344 |
| Special Education Cluster: | | | | |
| Special Education - Preschool Grants | 84.173 | 179001-62521 | $ 51,171 | |
| Special Education - Grants to States | 84.027 | 179001-43071 | 906,174 | 957,345 |
| Total Department of Education | | | | $ 2,263,298 |
| **Department of Defense:** | | | | |
| Direct Payments: | | | | |
| ROTC Instruction | 12.U01 | N/A | | $ 60,988 |
| Sale of Federal Forest Products | 12.U02 | N/A | | 5,752 |
| Total Department of Defense | | | | $ 66,740 |
| **Department of Transportation:** | | | | |
| Pass Through Payments: | | | | |
| Department of Motor Vehicles: | | | | |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | 60507-53000 | | $ 36,234 |
| Total Expenditures of Federal Awards | | | | $ 5,506,640 |

See the accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Caroline, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Caroline, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Caroline, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Food Donation

The value of federal awards expended in the form of noncash assistance for food commodities is reported in the schedule.

Note 4 - Relationship to Financial Statements

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

| | | |
|---|---|---|
| Intergovernmental federal revenues per the basic financial statements: | | |
| Primary government: | | |
| General Fund | $ | 116,858 |
| Less: Payment in lieu of taxes | | (1,800) |
| Special Revenue Funds: | | |
| Virginia Public Assistance Fund | | 1,612,052 |
| CSA Fund | | 70,933 |
| Debt Service Funds: | | |
| Debt Service Fund | | 499,262 |
| Less: BaBs federal interest rate subsidy and other federal credits | | (499,262) |
| Total primary government | $ | 1,798,043 |
| Component Unit - School Board: | | |
| School Operating Fund | $ | 1,047,306 |
| School Cafeteria Fund | | 1,246,730 |
| School Grant Fund | | 1,282,731 |
| Add: USDA Commodities | | 131,830 |
| Total component unit school board | $ | 3,708,597 |
| Total federal expenditures per basic financial statements | $ | 5,506,640 |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | $ | 5,506,640 |

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 7 - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

**Section I–Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

| | | | |
|---|---|---|---|
| a. | Material weakness(es) identified? | ✓ yes | ___ no |
| b. | Significant deficiency(ies) identified? | ___ yes | ✓ none reported |

Noncompliance material to financial statements noted? ___ yes ✓ no

Federal Awards

Internal control over major programs

| | | | |
|---|---|---|---|
| a. | Material weakness(es) identified? | ___ yes | ✓ no |
| b. | Significant deficiency(ies) identified? | ___ yes | ✓ none reported |

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

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

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|---|---|
| 84.027/84.173 | Special Education Cluster |
| 10.553/10.555/10.559 | Child Nutrition Cluster |

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ___ yes ✓ no

## Section II-Financial Statement Findings

### Finding 2018-001:

Financial Reporting

*Criteria:*

Per Statement of Auditing Standards 115, identification of material adjustments to the financial statements that were not detected by the entity's internal controls indicates that a material weakness exists.

*Condition:*

The County's financial statements required material adjustments after final audit fieldwork to ensure that such statements complied with Generally Accepted Accounting Principles (GAAP). Material adjustments were proposed to record and correct accounts payable in the capital projects and self insurance funds, to correct the transfers to the School Board and adjustments were proposed to correct for the capital asset balances at June 30th. In addition, supplemental appropriations to the School Fund were not fully reconciled and recorded in the accounting system on a timely basis.

*Effect of Condition:*

There is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented by the entity's internal controls over financial reporting.

*Cause of Condition:*

County management failed to properly identify all year end accounting adjustments and supplemental appropriations in a timely manner necessary for the County's financial statements to be prepared in accordance with current reporting standards. County management does not have proper controls in place to detect all adjustments in closing their year end financial statements and to reconcile financial activity to ensure timely reporting to the Board of Supervisors and various state agencies, etc.

*Recommendation:*

County management should have procedures in place to properly identify and record year end closing entries to the accounting system in a timely manner.

*Management's Recommendation:*

The County office is considering corrective action for FY19.

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Identifying Number
**Finding 2017-001:**

*Finding:*

The School Board's financial statements required material adjustments after audit fieldwork date to ensure that such statements complied with Generally Accepted Accounting Principles (GAAP).

*Corrective Action Taken or Planned:*

The School Board hired a new Director of Finance and implemented procedures to properly identify and record year end closing entries to the accounting system in a timely manner.

**Finding 2017-002:**

*Finding:*

School federal program reimbursement requests were not filed in a timely manner. There were several reimbursement requests filed for the Title I and Title VI-B programs for FY17 in September and October 2017.

*Corrective Action Taken or Planned:*

The School Board implemented procedures ensuring that federal program reimbursement requests are being filed in a timely manner each month.

**Finding 2017-003:**

*Finding:*

The School Board maintains its own accounting system in RDA Systems, Inc. (RDA), for recording revenues and expenditures outside of the accounting system maintained by the County Treasurer in BAI Municipal Software (BAI). There were no formal reconciliations prepared between the two accounting systems for any month in FY17 or at year end.

*Corrective Action Taken or Planned:*

The School Board implemented procedures requiring a formal reconciliation of revenues and expenditures each month between amounts reported in RDA and amounts reported by the County Treasurer in BAI.

**Finding 2017-004:**

*Finding:*

Section 22.1-92 of the *Code of Virginia* requires that before any School Board gives final approval to its budget for submission to the governing body, the school board must hold at least one public hearing to receive the view of citizens within the school division. The School Board shall cause public notice to be given at least 10 days prior to the public hearing by publication in a newspaper of general circulation in the School Division. The School Board did not provide 10 days of public noticeto the citizens within the school division relative to the date of their public hearing.

*Corrective Action Taken or Planned:*

The School Board implemented internal procedures to ensure that the public hearing on the annual school budget is properly advertised in accordance with the requirements of the *Code of Virginia* .

Identifying Number
**Finding 2017-005:**

Finding:

The Annual School Report should be properly prepared and filed in a timely manner with the Virginia Department of Education.

Recommendation:

The School Board implemented procedures to properly identify and record year end closing entries to the accounting system in a timely manner to ensure that the Annual School Report is filed with the Department of Education by the statutory deadline.