

CAROLINE COUNTY

Virginia



*Annual Financial Report Fiscal Year
Ending June 30, 2025*



Charles M. Culley, Jr., County Administrator
Alan L. Partin, Deputy County Administrator

County of Caroline, Virginia

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Introductory Section



**COUNTY OF CAROLINE, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2025**

BOARD OF SUPERVISORS

Nancy Long, Chairperson

Clayton T. Forehand
Floyd W. Thomas

Jeffrey S. Black
Jeffery M. Sili

Reginald L. Underwood

CONSTITUTIONAL OFFICERS

Honorable Victoria A. B. Willis Judge of the Circuit Court
Susan W. Minarchi Clerk of the Circuit Court
Mark R. Bissoon Commissioner of the Revenue
Benjamin Heidt Commonwealth's Attorney
C. Scott Moser Sheriff
Brittany Eisenbrown Treasurer
Honorable Richard T. McGrath Judge of the General District Court
Honorable Frank G. Uvanni Judge of the Juvenile and Domestic Relations Court
Honorable Andrea M. Stewart Judge of the Juvenile and Domestic Relations Court

COUNTY ADMINISTRATIVE OFFICERS

Charles M. Culley, Jr. County Administrator
Alan L. Partin Deputy County Administrator
Marc Rene Finance Director
Christopher M. Mackenzie County Attorney
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
B. Leon Hughes Planning and Community Development Director
Megan Upshaw Library Director

SCHOOL BOARD

Calvin Taylor Jr, Chairperson

Allison Sears
Dr. Michael Hubbard

Dr. JoWanda Rollins-Fells
Lydell Fortune, J.D.

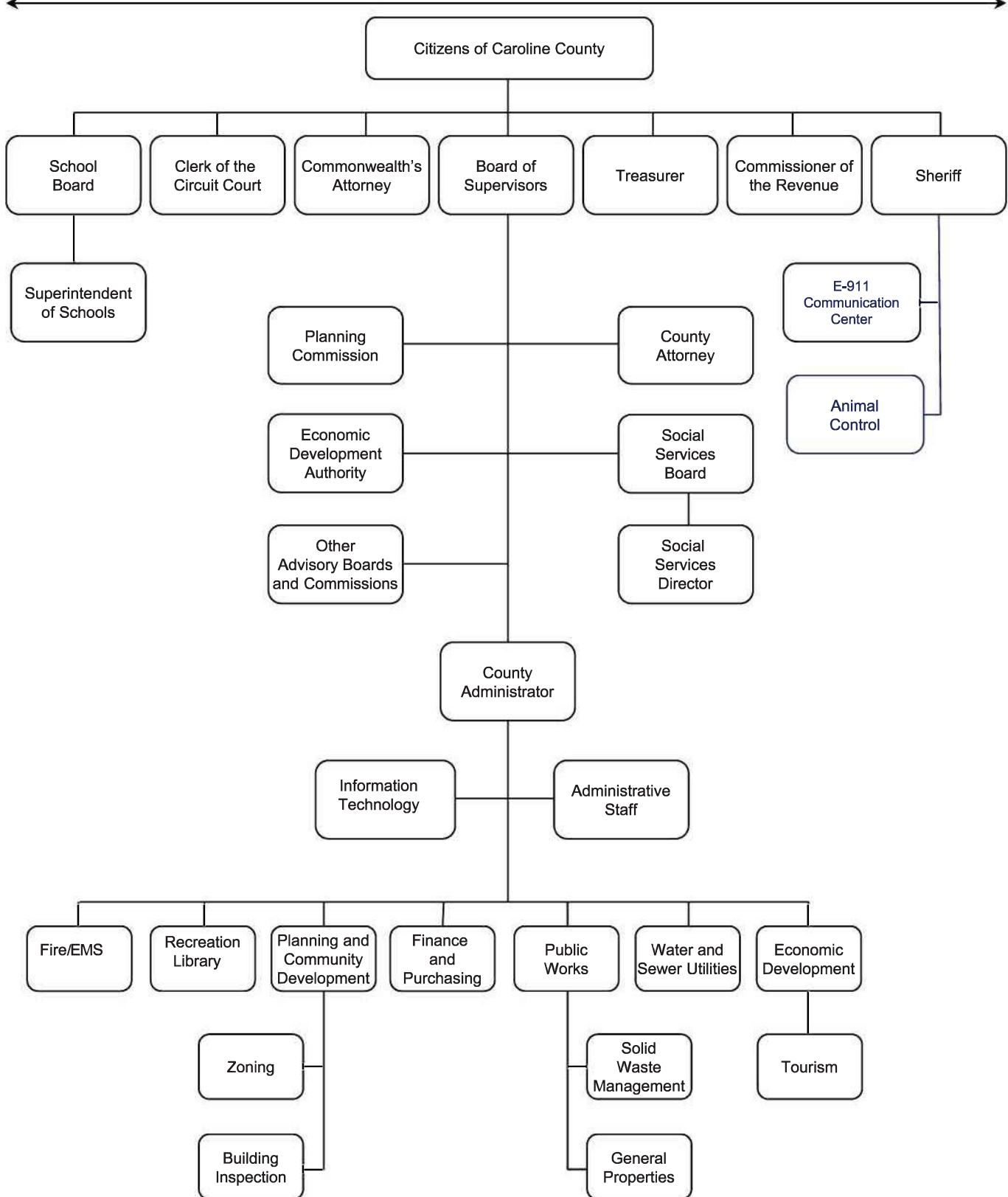
Shawn M. Kelley

SCHOOL BOARD ADMINISTRATIVE OFFICERS

Dr. Sarah B. Calveric Superintendent
Marcia Stevens Chief Operations Officer, Schools

COUNTY OF CAROLINE, VIRGINIA

ORGANIZATION CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Caroline County
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO



Financial Section

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Caroline, Virginia (the "County") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2025, 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.

Basis for Opinions

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 *Specifications for Audits of Counties, Cities, and Towns and Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2026, on our consideration of the County'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 the County'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 the County's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
September 22, 2026



Basic Financial Statements

County of Caroline, Virginia

Exhibit 1

Statement of Net Position

June 30, 2025

	Primary Government			Component Units	
	Governmental	Business-Type	Total	School Board	EDA
	Activities	Activities			
ASSETS					
Cash and cash equivalents (Note 3)	\$ 36,436,403	\$ 1,667,011	\$ 38,103,414	\$ 9,014,701	\$ 58,753
Cash and cash equivalents, restricted (Note 3)	20,926,640	29,197,136	50,123,776	4,864,454	-
Receivables, net:					
Taxes receivable	30,276,505	-	30,276,505	-	-
Accounts receivable	1,101,818	660,591	1,762,409	2,006	-
Due from other governmental units (Note 4)	4,381,269	18,639	4,399,908	2,619,472	-
Due from component unit	4,666,000	-	4,666,000	-	-
Net pension asset (Notes 14 and 18)	4,679,302	349,502	5,028,804	599,198	-
Capital assets: (Note 5)					
Nondepreciable	14,632,184	7,854,495	22,486,679	11,469,789	-
Depreciable, net	65,873,320	34,976,811	100,850,131	11,855,188	-
Total assets	182,973,441	74,724,185	257,697,626	40,424,808	58,753
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding of debt	68,679	877,360	946,039	-	-
Deferred outflows related to pensions (Notes 14 and 18)	4,306,325	321,644	4,627,969	9,481,280	-
Deferred outflows related to OPEB (Notes 15, 16, and 18)	443,342	32,500	475,842	1,553,950	-
Total deferred outflows of resources	4,818,346	1,231,504	6,049,850	11,035,230	-
LIABILITIES					
Accounts payable	10,457,970	796,805	11,254,775	3,289,764	-
Accrued payroll	976,969	54,995	1,031,964	2,657,034	-
Accrued liabilities	350,654	40,930	391,584	-	-
Customer deposits	-	461,618	461,618	-	-
Unearned revenue	-	-	-	1,866,669	-
Accrued interest payable	902,166	250,504	1,152,670	4,892	-
Insurance and benefits claims (Note 13)	317,000	-	317,000	-	-
Noncurrent liabilities due in more than one year:					
Due to primary government	-	-	-	4,666,000	-
Due within one year (Note 7)	6,725,358	2,246,878	8,972,236	471,793	-
Net OPEB liability (Notes 7, 15, 16, and 18)	28,308	3,131	31,439	416,804	-
Due in more than one year (Note 7)	68,071,062	50,660,507	118,731,569	1,607,938	-
Net pension liability (Notes 7, 14, and 18)	-	-	-	23,887,871	-
Net OPEB liability (Notes 7, 15, 16, and 18)	2,107,477	153,437	2,260,914	9,394,918	-
Total liabilities	89,936,964	54,668,805	144,605,769	48,263,683	-
DEFERRED INFLOWS OF RESOURCES					
Property taxes (Note 10)	24,146,300	-	24,146,300	-	-
Deferred gain on refunding of debt	-	270,362	270,362	-	-
Deferred inflows related to pensions (Notes 14 and 18)	2,019,041	150,804	2,169,845	4,556,069	-
Deferred inflows related to OPEB (Notes 15, 16, and 18)	707,632	51,874	759,506	4,166,890	-
Total deferred inflows of resources	26,872,973	473,040	27,346,013	8,722,959	-
NET POSITION					
Net investment in capital assets	35,267,680	17,789,007	53,056,687	22,405,537	-
Restricted:					
Revenue amounts not yet spent on specified purposes	1,966,947	-	1,966,947	357,015	-
Debt service reserve	1,847,361	-	1,847,361	-	-
Net pension asset	4,679,302	349,502	5,028,804	599,198	-
Capital projects	-	1,756,727	1,756,727	-	-
Unrestricted (deficit)	27,220,560	918,608	28,139,168	(28,888,354)	58,753
Total net position (deficit)	\$ 70,981,850	\$ 20,813,844	\$ 91,795,694	\$ (5,526,604)	\$ 58,753

County of Caroline, Virginia

Exhibit 2

Statement of Activities

Year Ended June 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	EDA
Primary Government:									
Governmental activities:									
General government administration	\$ 7,985,814	\$ -	\$ 3,367,089	\$ -	\$ (4,618,725)		\$ (4,618,725)		
Judicial administration	2,187,759	750,174	849,712	-	(587,873)		(587,873)		
Public safety	24,546,993	1,609,744	2,501,968	-	(20,435,281)		(20,435,281)		
Public works	7,386,969	63,509	40,914	-	(7,282,546)		(7,282,546)		
Health and welfare	7,661,814	553,531	5,132,969	-	(1,975,314)		(1,975,314)		
Education	23,405,728	-	-	-	(23,405,728)		(23,405,728)		
Parks, recreation, and cultural	1,490,541	154,382	214,340	-	(1,121,819)		(1,121,819)		
Community development	2,158,894	1,028,806	36,067	-	(1,094,021)		(1,094,021)		
Interest	3,571,499	-	-	-	(3,571,499)		(3,571,499)		
Total governmental activities	80,396,011	4,160,146	12,143,059	-	(64,092,806)		(64,092,806)		
Business-type activities									
Caroline County Utility	7,405,428	4,787,008	-	3,836,951		1,218,531	1,218,531		
Dawn Wastewater System	374,948	102,816	-	12,830		(259,302)	(259,302)		
Total business-type activities	7,780,376	4,889,824	-	3,849,781		959,229	959,229		
Total primary government	\$ 88,176,387	\$ 9,049,970	\$ 12,143,059	\$ 3,849,781	(64,092,806)	959,229	(63,133,577)		
Component Units:									
School Board	\$ 67,163,572	\$ 287,692	\$ 51,382,986	\$ -				(15,492,894)	
Economic Development Authority	4,215	-	-	-					(4,215)
Total component units	\$ 67,167,787	\$ 287,692	\$ 51,382,986	\$ -				(15,492,894)	(4,215)
General revenues:									
Taxes:									
General property taxes					\$ 48,712,927	\$ -	\$ 48,712,927	\$ -	\$ -
Local sales and use					4,321,817	-	4,321,817	-	-
Consumer utility					97,892	-	97,892	-	-
Motor vehicle licenses and registration fees					13,856	-	13,856	-	-
Business license tax					1,569,703	-	1,569,703	-	-
Meals tax					1,840,716	-	1,840,716	-	-
Other local taxes					2,533,739	-	2,533,739	-	-
Unrestricted revenues from use of money and property					2,425,633	1,207,101	3,632,734	148,913	91
Miscellaneous					1,344,548	385,426	1,729,974	1,543,798	1,163
Grants and contributions not restricted to specific programs					3,284,955	-	3,284,955	-	-
Payment from Caroline County					-	-	-	21,407,500	-
Transfers (Note 6)					(1,086,572)	1,086,572	-	-	-
Total general revenues and transfers					65,059,214	2,679,099	67,738,313	23,100,211	1,254
Change in net position					966,408	3,638,328	4,604,736	7,607,317	(2,961)
NET POSITION (DEFICIT) AT JULY 1					70,015,442	17,175,516	87,190,958	(13,133,921)	61,714
NET POSITION (DEFICIT) AT JUNE 30					\$ 70,981,850	\$ 20,813,844	\$ 91,795,694	\$ (5,526,604)	\$ 58,753

The Notes to Financial Statements are an integral part of this statement.

County of Caroline, Virginia

Exhibit 3

**Balance Sheet –
Governmental Funds
June 30, 2025**

	General	Debt Service	County Capital Improvements	Proffers	Virginia Public Assistance	CARES Act	Nonmajor Governmental Funds	Total
ASSETS								
Cash and cash equivalents	\$ 31,294,953	\$ 648,776	\$ -	\$ 2,594,084	\$ 187,669	\$ -	\$ 1,253,422	\$ 35,978,904
Receivables, net:								
Taxes receivable	30,276,505	-	-	-	-	-	-	30,276,505
Accounts receivable	642,040	253,960	-	-	-	-	205,818	1,101,818
Due from other governments	3,156,464	-	-	-	238,670	-	986,135	4,381,269
Due from other funds	7,553,255	-	-	-	-	-	-	7,553,255
Cash and cash equivalents, restricted	1,707,052	7,533,800	11,685,788	-	-	-	-	20,926,640
Total assets	\$ 74,630,269	\$ 8,436,536	\$ 11,685,788	\$ 2,594,084	\$ 426,339	\$ -	\$ 2,445,375	\$ 100,218,391
LIABILITIES								
Accounts payable	\$ 2,147,557	\$ 3,000	\$ 5,879,819	\$ -	\$ 5,215	\$ 1,507,384	\$ 837,408	\$ 10,380,383
Accrued payroll	830,206	-	-	-	77,843	-	68,920	976,969
Accrued liabilities	301,468	-	-	-	47,088	2,098	-	350,654
Due to other funds	-	-	7,543,173	-	-	-	-	7,543,173
Total liabilities	3,279,231	3,000	13,422,992	-	130,146	1,509,482	906,328	19,251,179
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - property taxes	31,433,579	-	-	-	-	-	-	31,433,579
Unavailable revenue - opioid settlement	553,531	-	-	-	-	-	-	553,531
Total deferred inflows of resources	31,987,110	-	-	-	-	-	-	31,987,110
FUND BALANCES (DEFICITS) (Note 1)								
Restricted	1,847,361	7,533,800	-	849,844	32,803	-	1,084,300	11,348,108
Committed	9,009,499	-	-	-	-	-	454,747	9,464,246
Assigned	3,007,004	899,736	-	1,744,240	263,390	-	-	5,914,370
Unassigned (Deficit)	25,500,064	-	(1,737,204)	-	-	(1,509,482)	-	22,253,378
Total fund balances (deficits)	39,363,928	8,433,536	(1,737,204)	2,594,084	296,193	(1,509,482)	1,539,047	48,980,102
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 74,630,269	\$ 8,436,536	\$ 11,685,788	\$ 2,594,084	\$ 426,339	\$ -	\$ 2,445,375	\$ 100,218,391

The Notes to Financial Statements are an integral part of this statement.

**Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2025**

Total Fund Balances - Governmental Funds		\$ 48,980,102
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Nondepreciable	14,632,184	
Depreciable, net	65,873,320	
		80,505,504
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Property taxes	7,287,279	
Opioid settlements	553,531	
		7,840,810
Deferred outflows and inflows of resources related to pensions and other post employment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	4,306,325	
Deferred inflows of resources related to pensions	(2,019,041)	
Deferred outflows of resources related to other postemployment benefits	443,342	
Deferred inflows of resources related to other postemployment benefits	(707,632)	
		2,022,994
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		52,830
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(56,351,726)	
Bond issuance premium, net of accumulated amortization	(5,078,275)	
Financed purchases and other long-term obligation	(5,301,505)	
Due from component unit	4,666,000	
Deferred charge on refundings, net of accumulated amortization	68,679	
Landfill postclosure cost	(3,825,059)	
Interest payable	(902,166)	
Arbitrage payable	(2,534,238)	
Net pension asset	4,679,302	
Net other postemployment benefit liability	(2,135,785)	
Compensated absences	(1,705,617)	
		(68,420,390)
Total Net Position – Governmental Activities		\$ 70,981,850

County of Caroline, Virginia

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2025

	General	Debt Service	County Capital Improvements	Proffers	Virginia Public Assistance	CARES Act	Nonmajor Governmental Funds	Total
REVENUES								
General property taxes	\$ 48,342,337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,342,337
Other local taxes	7,472,179	2,659,500	-	-	-	-	246,044	10,377,723
Permits, privilege fees, and regulatory licenses	1,053,845	-	-	-	-	-	-	1,053,845
Revenue from the use of money and property	1,534,556	465,462	391,528	10,175	-	-	23,912	2,425,633
Charges for services	2,491,355	-	-	-	-	-	61,415	2,552,770
Miscellaneous	379,658	-	-	930,100	20,585	-	14,205	1,344,548
Recovered costs	83,262	-	-	-	-	-	728,477	811,739
Intergovernmental:								
Commonwealth	7,809,633	-	-	-	1,013,345	-	2,327,674	11,150,652
Federal	239,211	460,090	-	-	2,016,406	34,516	715,400	3,465,623
Total revenues	69,406,036	3,585,052	391,528	940,275	3,050,336	34,516	4,117,127	81,524,870
EXPENDITURES								
Current:								
General government administration	6,511,822	-	-	-	-	1,325,960	-	7,837,782
Judicial administration	1,950,515	-	-	-	-	-	57,906	2,008,421
Public safety	22,950,664	-	-	-	-	16,511	208,362	23,175,537
Public works	5,902,035	-	-	-	-	30,866	728,749	6,661,650
Health and welfare	738,423	-	-	-	3,682,658	-	3,265,349	7,686,430
Education	19,752,409	-	-	1,377,300	-	-	285,000	21,414,709
Parks, recreation, and cultural	1,413,739	-	-	-	-	-	-	1,413,739
Community development	1,804,459	-	-	-	-	-	210,747	2,015,206
Capital projects	-	-	7,290,238	-	-	-	-	7,290,238
Debt service:								
Principal retirement	-	6,421,689	-	-	-	-	-	6,421,689
Interest	-	2,949,850	-	-	-	-	-	2,949,850
Total expenditures	61,024,066	9,371,539	7,290,238	1,377,300	3,682,658	1,373,337	4,756,113	88,875,251
Excess (deficiency) of revenues over (under) expenditures	8,381,970	(5,786,487)	(6,898,710)	(437,025)	(632,322)	(1,338,821)	(638,986)	(7,350,381)
OTHER FINANCING SOURCES (USES)								
Issuance of debt	-	-	1,636,000	-	-	-	-	1,636,000
Transfers in	500,000	5,786,487	1,760,824	-	830,612	-	1,241,768	10,119,691
Transfers out	(10,118,747)	-	-	-	-	(89,516)	(998,000)	(11,206,263)
Total other financing sources (uses)	(9,618,747)	5,786,487	3,396,824	-	830,612	(89,516)	243,768	549,428
Net change in fund balances	(1,236,777)	-	(3,501,886)	(437,025)	198,290	(1,428,337)	(395,218)	(6,800,953)
FUND BALANCES (DEFICITS) AT JULY 1	40,600,705	8,433,536	1,764,682	3,031,109	97,903	(81,145)	1,934,265	55,781,055
FUND BALANCES (DEFICITS) AT JUNE 30	\$ 39,363,928	\$ 8,433,536	\$ (1,737,204)	\$ 2,594,084	\$ 296,193	\$ (1,509,482)	\$ 1,539,047	\$ 48,980,102

The Notes to Financial Statements are an integral part of this statement.

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities**
Year Ended June 30, 2025

Net Change in Fund Balance - Governmental Funds \$ (6,800,953)

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

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.

Capital outlays	8,900,166	
Depreciation expense	(5,815,536)	
		3,084,630

Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Employer pension contributions	1,770,085	
Pension expense	(1,725,848)	
Other postemployment benefit contributions	89,476	
Other postemployment benefit expense	(97,810)	
		35,903

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

Property taxes	370,590	
Opioid settlements	553,531	
		924,121

The following transactions affecting long-term debt (provide) consume current financial resources of governmental funds. However, the transactions have no effect on net position:

Issuance of debt	(1,636,000)	
Payments of principal on long-term obligations	6,421,689	
		4,785,689

Some expenses reported in the Statement of Activities, such as compensated absences and other postemployment benefits do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(78,129)	
Change in interest payable	5,099	
Change in arbitrage payable	(1,104,487)	
Change in landfill postclosure liability	(232,952)	
Amortization of deferred amounts on refunding	(3,889)	
Amortization of premium on bonds payable	481,627	
		(932,731)

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.

		(130,251)
Changes in net position of governmental activities	\$	966,408

County of Caroline, Virginia

Exhibit 7

Statement of Net Position –
Proprietary Funds
June 30, 2025

	Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,667,011	\$ -	\$ 1,667,011	\$ 457,499
Cash and cash equivalents, restricted	29,197,136	-	29,197,136	-
Receivables, net:				
Accounts receivable	646,143	14,448	660,591	-
Due from other governmental units	18,639	-	18,639	-
Total current assets	31,528,929	14,448	31,543,377	457,499
Noncurrent assets:				
Net pension asset	349,502	-	349,502	-
Capital assets:				
Nondepreciable	7,704,495	150,000	7,854,495	-
Depreciable, net	31,504,787	3,472,024	34,976,811	-
Total noncurrent assets	39,558,784	3,622,024	43,180,808	-
Total assets	71,087,713	3,636,472	74,724,185	457,499
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	877,360	-	877,360	-
Deferred outflows related to pensions	321,644	-	321,644	-
Deferred outflows related to OPEB	32,500	-	32,500	-
Total deferred outflows of resources	1,231,504	-	1,231,504	-
LIABILITIES				
Current liabilities:				
Accounts payable	636,375	160,430	796,805	77,587
Accrued payroll	54,995	-	54,995	-
Accrued liabilities	40,930	-	40,930	-
Due to other funds	-	-	-	10,082
Insurance and benefit claims	-	-	-	317,000
Customer deposits	449,333	12,285	461,618	-
Accrued interest	250,504	-	250,504	-
Compensated absences - current portion	12,854	-	12,854	-
Bonds payable - current portion	2,064,350	169,674	2,234,024	-
Net other postemployment benefit liability - current portion	3,131	-	3,131	-
Total current liabilities	3,512,472	342,389	3,854,861	404,669
Noncurrent liabilities:				
Compensated absences - net of current portion	115,681	-	115,681	-
Bonds payable - net of current portion	50,375,151	169,675	50,544,826	-
Net other postemployment benefit liability	153,437	-	153,437	-
Total noncurrent liabilities	50,644,269	169,675	50,813,944	-
Total liabilities	54,156,741	512,064	54,668,805	404,669
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	270,362	-	270,362	-
Deferred inflows related to pensions	150,804	-	150,804	-
Deferred inflows related to OPEB	51,874	-	51,874	-
Total deferred inflows of resources	473,040	-	473,040	-
NET POSITION				
Net investment in capital assets	14,506,332	3,282,675	17,789,007	-
Restricted				
Net pension asset	349,502	-	349,502	-
Capital projects	1,756,727	-	1,756,727	-
Unrestricted (deficit)	1,076,875	(158,267)	918,608	52,830
Total net position	\$ 17,689,436	\$ 3,124,408	\$ 20,813,844	\$ 52,830

**Statement of Revenues, Expenses, and Changes in Fund Net Position –
Proprietary Funds
Year Ended June 30, 2025**

	Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Funds
OPERATING REVENUES				
Charges for services:				
Water and sewer revenues	\$ 4,787,008	\$ 102,816	\$ 4,889,824	\$ -
Risk management	-	-	-	6,608,527
Miscellaneous	385,426	-	385,426	-
Total operating revenues	<u>5,172,434</u>	<u>102,816</u>	<u>5,275,250</u>	<u>6,608,527</u>
OPERATING EXPENSES				
Personnel services	1,278,692	18,747	1,297,439	-
Fringe benefits	544,403	4,383	548,786	-
Contractual services	962,209	86,736	1,048,945	-
Risk financing and benefit payments	-	-	-	6,738,778
Other charges	1,852,628	123,569	1,976,197	-
Depreciation	1,343,421	141,513	1,484,934	-
Total operating expenses	<u>5,981,353</u>	<u>374,948</u>	<u>6,356,301</u>	<u>6,738,778</u>
Operating loss	<u>(808,919)</u>	<u>(272,132)</u>	<u>(1,081,051)</u>	<u>(130,251)</u>
NON-OPERATING REVENUES (EXPENSES)				
Connection and reconnection fees	3,836,951	12,830	3,849,781	-
Interest income	1,207,101	-	1,207,101	-
Bond issuance costs	(18,829)	-	(18,829)	-
Interest expense	(1,405,246)	-	(1,405,246)	-
Total non-operating revenues	<u>3,619,977</u>	<u>12,830</u>	<u>3,632,807</u>	<u>-</u>
Income (loss) before transfers	<u>2,811,058</u>	<u>(259,302)</u>	<u>2,551,756</u>	<u>(130,251)</u>
TRANSFER IN	892,213	194,614	1,086,827	-
TRANSFER OUT	(255)	-	(255)	-
Change in net position	<u>3,703,016</u>	<u>(64,688)</u>	<u>3,638,328</u>	<u>(130,251)</u>
NET POSITION AT JULY 1	<u>13,986,420</u>	<u>3,189,096</u>	<u>17,175,516</u>	<u>183,081</u>
NET POSITION AT JUNE 30	<u><u>\$ 17,689,436</u></u>	<u><u>\$ 3,124,408</u></u>	<u><u>\$ 20,813,844</u></u>	<u><u>\$ 52,830</u></u>

County of Caroline, Virginia

Exhibit 9

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2025

Enterprise Funds

	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Funds
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 5,294,127	\$ 103,072	\$ 5,397,199	\$ 6,610,361
Claims and benefits paid	-	-	-	(6,717,791)
Payments to suppliers	(2,820,350)	(140,842)	(2,961,192)	-
Payments to employees	(1,812,870)	-	(1,812,870)	-
Net cash provided by (used in) operating activities	660,907	(37,770)	623,137	(107,430)
NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(255)	-	(255)	-
Transfers from other funds	892,213	194,614	1,086,827	-
Net cash provided by noncapital financing activities	891,958	194,614	1,086,572	-
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(2,684,141)	-	(2,684,141)	-
Proceeds from bond issuance	1,315,000	-	1,315,000	-
Principal paid on bonds	(1,957,211)	(169,674)	(2,126,885)	-
Bond issuance costs	(18,829)	-	(18,829)	-
Connection and availability fees	3,836,951	12,830	3,849,781	-
Interest and other fiscal charges	(1,689,622)	-	(1,689,622)	-
Net cash used in capital and related financing activities	(1,197,852)	(156,844)	(1,354,696)	-
INVESTING ACTIVITIES				
Interest received on investment securities	1,207,101	-	1,207,101	-
Net cash provided by investing activities	1,207,101	-	1,207,101	-
Net increase (decrease) in cash and cash equivalents	1,562,114	-	1,562,114	(107,430)
CASH AND CASH EQUIVALENTS				
Beginning at July 1	29,302,033	-	29,302,033	564,929
Ending June 30	<u>\$ 30,864,147</u>	<u>\$ -</u>	<u>\$ 30,864,147</u>	<u>\$ 457,499</u>
RECONCILIATION TO EXHIBIT 7				
Cash and cash equivalents	\$ 1,667,011	\$ -	\$ 1,667,011	\$ 457,499
Cash and cash equivalents, restricted	29,197,136	-	29,197,136	-
	<u>\$ 30,864,147</u>	<u>\$ -</u>	<u>\$ 30,864,147</u>	<u>\$ 457,499</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating loss	\$ (808,919)	\$ (272,132)	\$ (1,081,051)	\$ (130,251)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	1,343,421	141,513	1,484,934	-
Pension expense (income) net of employer contributions	(3,305)	-	(3,305)	-
OPEB expense net of employer contributions	611	-	611	-
Change in assets and liabilities:				
(Increase) decrease in receivables, net	58,420	(743)	57,677	-
Increase (decrease) in accounts payable	(5,513)	92,593	87,080	(6,013)
Increase (decrease) in accrued payroll and accrued liabilities	1,058	-	1,058	-
Increase (decrease) in due to other funds	-	-	-	1,834
Increase (decrease) in insurance and benefit claims	-	-	-	27,000
Increase (decrease) in customer deposits	63,273	999	64,272	-
Increase (decrease) in compensated absences	11,861	-	11,861	-
Net cash provided by (used in) operating activities	<u>\$ 660,907</u>	<u>\$ (37,770)</u>	<u>\$ 623,137</u>	<u>\$ (107,430)</u>
Noncash investing, capital, and financing activities				
Capital assets financed with accounts payable	<u>\$ 310,856</u>	<u>\$ -</u>	<u>\$ 310,856</u>	<u>\$ -</u>

County of Caroline, Virginia
Statement of Fiduciary Net Position –
Custodial Funds
June 30, 2025

Exhibit 10

ASSETS

Cash and cash equivalents (Note 3)	\$ 2,016,850
Total assets	<u>\$ 2,016,850</u>

NET POSITION

Restricted for:

Individuals, organizations, and other governments	\$ 2,016,850
Total net position	<u>\$ 2,016,850</u>

County of Caroline, Virginia

Exhibit 11

Statement of Changes in Fiduciary Net Position – Custodial Funds Year Ended June 30, 2025

ADDITIONS

Funds received for benefit of other organizations	\$ 487,046
Total additions	<u>487,046</u>

DEDUCTIONS

Funds disbursed for benefit of other organizations	<u>363,591</u>
Total deductions	<u>363,591</u>
Change in fiduciary net position	123,455

NET POSITION AT JULY 1	<u>1,893,395</u>
NET POSITION AT JUNE 30	<u><u>\$ 2,016,850</u></u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

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 of America (GAAP) 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.

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).

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.

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

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. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds. The budgetary comparison schedules were not presented in the financial statements for the fiscal year ended June 30, 2025.

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. 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

Discretely Presented Component Units

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 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, 2025.

The Caroline County Economic Development Authority (EDA or “Authority”) 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, 2025. 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

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

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. The County made per diem contributions totaling \$214,660 in fiscal year 2025. 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 (the “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 \$2,469,516 in fiscal year 2025. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

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. 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 custodial funds are recorded using the economic resources measurement focus.

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.

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

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 when they have been earned and 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 principal and interest expenditures on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County's fiduciary funds are presented in the fund financial statements by type. 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.

1. Governmental Funds – are those through which most governmental functions typically are financed. The County reports the General Fund, Debt Service Fund, County Capital Improvements 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 of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

County Capital Improvements Funds – The County Capital Improvements 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, Proffers Fund, and CARES Act 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, Fire/Rescue Grant, Detention Facility, and Hanover Soil and Water.

2. Proprietary Funds – account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is on 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 non-operating 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 non-operating 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 Custodial Funds) – account for assets held by the County in a trustee capacity or as a custodian for individuals, private organizations, other governmental units, or other funds. These funds include Custodial Funds. Custodial Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The County’s Custodial Funds include amounts held for others in a fiduciary capacity, which includes social services clients, technology education consortium program, and refundable escrow deposits.
4. Component Unit School Board

The Caroline County School Board has the following funds:

Governmental Fund:

School Operating Fund – This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Caroline School Board, and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

County of Caroline, Virginia

Notes to Financial Statements

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Special Revenue Funds:

School Grant Fund – This fund accounts for the revenues and expenditures for all federal grants of the School Board. The School Grant Fund is considered a major fund for financial reporting purposes.

School Cafeteria Fund – This fund is the operating fund of the school cafeteria and accounts for all revenues and expenditures applicable to the general operations of the school nutrition system. Revenues are derived primarily from charges for services and state and federal grants. The School Cafeteria Fund is considered a major fund of the School Board for financial reporting purposes.

School Textbook Fund – This fund accounts for the revenues and expenditures for the school textbook program. The School Textbook Fund is considered a major fund for financial reporting purposes.

School Activity Fund – School activity funds include all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from all activities of the school involving personnel, students, or property. The School Activity Fund is considered a nonmajor fund of the School Board for financial reporting purposes.

Capital Projects Funds:

Capital Projects Fund – This fund accounts for the revenues and expenditures for school capital projects. The Capital Projects Fund is considered a major fund of the School Board for financial reporting purposes.

E – Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F – Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments (external investment pools) are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year-end.

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

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 Custodial 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 amortized cost. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on average monthly balances.

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

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 \$1,205,665 at June 30, 2025, and is comprised primarily of property taxes totaling \$1,168,057.

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
	January 1	January 1
Levy	June 5/December 5	June 5/December 5
Due Date	(50% each date)	(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 2025.

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, infrastructure, and right-of-use assets derived from leases 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.

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

Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset. In leases where a purchase option is reasonably certain of being exercised, the asset is amortized over the useful life, unless the underlying asset is nondepreciable, in which the leased asset is not amortized.

County of Caroline, Virginia

Notes to Financial Statements

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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.

<u>Assets</u>	<u>Years of Service</u>
Buildings	20-40 years
Improvements other than buildings	5-50 years
Motor vehicles and equipment	3-15 years
Intangibles	5 years

J – Compensated Absences

County employees are granted a specified amount of leave with pay each year. The government-wide financial statements include an accrual for leave attributable to services already rendered that accumulates and is more likely than not to be used for time off or otherwise settled in the future. The governmental fund financial statements report a liability when leave is due for payment.

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.

L – Net Position

For government-wide reporting, as well as in proprietary funds, the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, including right-of-use assets arising from leases, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. It also consists of net pension assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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.

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

M – 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 fiduciary net 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.

N – Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC (nonprofessional), and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

O – 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.

P – 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.

Q – Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;

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- Assigned fund balance – amounts a government intends to use for a specific purpose, but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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.

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

	Major Special Revenue Funds							Total
	General Fund	Major Debt Services Fund	Major County Capital Project Fund	Proffers Fund	Virginia Public Assistance Fund	CARES Act Fund	Other Governmental Funds	
Restricted								
Capital projects	\$ -	\$ 7,533,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,533,800
Debt service	1,847,361	-	-	-	-	-	-	1,847,361
Social services	-	-	-	-	32,803	-	-	32,803
Law enforcement	-	-	-	1,000	-	-	-	1,000
Public safety grants	-	-	-	-	-	-	210,900	210,900
Fire/rescue	-	-	-	2,000	-	-	-	2,000
Fire/rescue grants	-	-	-	-	-	-	195,666	195,666
Housing	-	-	-	-	-	-	2,382	2,382
Courthouse maint.	-	-	-	-	-	-	23,459	23,459
Law library	-	-	-	-	-	-	10,908	10,908
Tourism	-	-	-	-	-	-	385,693	385,693
Soil and water	-	-	-	-	-	-	5,075	5,075
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	-	-	-	-	-	-	250,217	250,217
Total restricted	1,847,361	7,533,800	-	849,844	32,803	-	1,084,300	11,348,108
Committed								
Capital projects	8,909,499	-	-	-	-	-	454,747	9,364,246
Education	100,000	-	-	-	-	-	-	100,000
Total committed	9,009,499	-	-	-	-	-	454,747	9,464,246
Assigned								
Operations	1,818,577	-	-	-	-	-	-	1,818,577
Capital projects	1,188,427	-	-	-	-	-	-	1,188,427
Debt service	-	899,736	-	-	-	-	-	899,736
Proffers	-	-	-	1,744,240	-	-	-	1,744,240
Social services	-	-	-	-	263,390	-	-	263,390
Total assigned	3,007,004	899,736	-	1,744,240	263,390	-	-	5,914,370
Unassigned	25,500,064	-	(1,737,204)	-	-	(1,509,482)	-	22,253,378
Total fund balance (deficit)	<u>\$ 39,363,928</u>	<u>\$ 8,433,536</u>	<u>\$ (1,737,204)</u>	<u>\$ 2,594,084</u>	<u>\$ 296,193</u>	<u>\$ (1,509,482)</u>	<u>\$ 1,539,047</u>	<u>\$ 48,980,102</u>

County of Caroline, Virginia

Notes to Financial Statements

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R – 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 assets 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 asset/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 assets 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 of accounting, 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.

S – Unearned Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria can be satisfied. Grants and entitlements received before the eligibility requirements are met have been recorded as unearned revenue. Unearned revenues for the County consist of unspent Coronavirus Local Fiscal Recovery Funds received under the American Rescue Plan Act, and grants received before eligibility requirements for the School Board.

T – Change in Accounting Principle

During 2025, the County adopted GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 101 established new guidance by updating the recognition and measurement for compensated absences. A liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. As stated in GASB Statement No. 100, *Accounting Changes and Error Corrections*, a change in accounting principle should be reported retroactively by restating beginning net position for the cumulative effect of the change of the newly adopted accounting principle on prior periods. The County determined the cumulative effect on beginning net position was minimal and therefore, no restatement of the prior year net position was necessary.

County of Caroline, Virginia

Notes to Financial Statements

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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.
6. All budgets are adopted on a basis consistent with GAAP.
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.

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 local governments and other public bodies to invest in obligations of the United States of America 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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

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, 2025, 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.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2025, 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
Local Government Investment Pool	\$ 32,019,709
Virginia State Non-Arbitrage Pool	48,727,386
	<u>\$ 80,747,095</u>

County of Caroline, Virginia

Notes to Financial Statements

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Interest Rate Risk

The County's investment policies authorize the County to invest in Repurchase Agreements with a maturity no greater than thirty (30) days, unless the collateral is held by another banking institution, and deposits in banks not to exceed five years at the time of purchase.

Investment Type	Investment Maturities (in years)		
	Fair Value	Less than 1 Year	1-5 Years
Local Government Investment Pool	\$ 32,019,709	\$ 32,019,709	\$ -
Virginia State Non-Arbitrage Pool	48,727,386	48,727,386	-
Certificates of Deposit	637,833	-	637,833
	\$ 81,384,928	\$ 80,747,095	\$ 637,833

All deposits and investments are reflected in the statements as follows:

	Primary Government	Component Units	Custodial Funds	Total
Cash and cash equivalents	\$ 38,103,414	\$ 9,073,454	\$ -	\$ 47,176,868
Cash and cash equivalents, restricted	50,123,776	4,864,454	2,016,850	57,005,080
	\$ 88,227,190	\$ 13,937,908	\$ 2,016,850	\$ 104,181,948

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date

Level 2 – Directly or indirectly observable inputs for the asset or liability other than quoted prices

Level 3 – Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

External Investment Pools

LGIP and SNAP are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

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, 2025, the County has amounts due from other governments as follows:

	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	School Board
Other Local Governments			
Town of Port Royal	\$ -	\$ 18,639	\$ -
Commonwealth of Virginia			
State sales tax	-	-	1,247,553
Motor vehicle carrier tax	41,123	-	-
Personal property tax relief funds	1,147,226	-	-
Auto rental tax	3,637	-	-
Additional tax on deeds	13,545	-	-
Rolling stock tax	6,107	-	-
Mobile home titling tax	64,976	-	-
E-911 wireless funds	27,337	-	-
Rescue Squad Assist Fund	107,779	-	-
Victim witness grant	1,913	-	-
Soil conservationist reimbursement	396,833	-	-
VA domestic violence victim grant	21,923	-	-
Welfare	89,819	-	-
Children's services	557,694	-	-
Communication sales tax	45,968	-	-
Constitutional officer reimbursements	205,984	-	-
Local sales tax	739,181	-	-
Other state funds	710,572	-	32,923
Federal Government			
School fund grants	-	-	1,338,996
E-rate income	26,373	-	-
Victim witness	6,741	-	-
Domestic violence victim grant	3,553	-	-
Byrne justice assistance grant	2,574	-	-
SO Grant – Violence Against Women	11,875	-	-
Welfare	148,536	-	-
Total due from other governments	<u>\$ 4,381,269</u>	<u>\$ 18,639</u>	<u>\$ 2,619,472</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Note 5 – Capital Assets

Primary Government

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025, for Governmental Activities excluding Internal Service Fund:

Governmental Activities	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not depreciated or amortized				
Land	\$ 1,911,283	\$ 509,649	\$ 172,300	\$ 2,593,232
Construction in progress	5,045,064	7,051,874	(57,986)	12,038,952
	<u>6,956,347</u>	<u>7,561,523</u>	<u>114,314</u>	<u>14,632,184</u>
Capital assets, depreciated and amortized				
Buildings	94,047,444	27,486	-	94,074,930
Equipment	26,652,748	1,369,143	(133,840)	27,888,051
Improvements other than buildings	10,757,269	-	(172,300)	10,584,969
Intangibles	1,378,953	-	-	1,378,953
	<u>132,836,414</u>	<u>1,396,629</u>	<u>(306,140)</u>	<u>133,926,903</u>
Less accumulated depreciation and amortization for				
Buildings	(38,960,433)	(2,687,532)	-	(41,647,965)
Equipment	(16,730,807)	(2,483,194)	133,840	(19,080,161)
Improvements other than buildings	(6,249,413)	(512,288)	-	(6,761,701)
Intangibles	(431,234)	(132,522)	-	(563,756)
	<u>(62,371,887)</u>	<u>(5,815,536)</u>	<u>133,840</u>	<u>(68,053,583)</u>
Capital assets, depreciated and amortized, net	<u>70,464,527</u>	<u>(4,418,907)</u>	<u>(172,300)</u>	<u>65,873,320</u>
Governmental activities capital assets, net	<u>\$ 77,420,874</u>	<u>\$ 3,142,616</u>	<u>\$ (57,986)</u>	<u>\$ 80,505,504</u>
Internal Service Fund				
Capital assets, depreciated				
Buildings	\$ 412,315	\$ -	\$ -	\$ 412,315
Improvements other than buildings	68,551	-	-	68,551
	<u>480,866</u>	<u>-</u>	<u>-</u>	<u>480,866</u>
Less accumulated depreciation				
Buildings	(412,315)	-	-	(412,315)
Improvements other than buildings	(68,551)	-	-	(68,551)
	<u>(480,866)</u>	<u>-</u>	<u>-</u>	<u>(480,866)</u>
Internal Service Fund capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
General government activities				
Capital assets, not depreciated or amortized				
Land	\$ 1,911,283	\$ 681,949	\$ -	\$ 2,593,232
Construction in progress	5,045,064	7,051,874	(57,986)	12,038,952
	<u>6,956,347</u>	<u>7,733,823</u>	<u>(57,986)</u>	<u>14,632,184</u>
Capital assets, depreciated and amortized				
Buildings	94,459,759	27,486	-	94,487,245
Equipment	26,652,748	1,369,143	(133,840)	27,888,051
Improvements other than buildings	10,825,820	-	(172,300)	10,653,520
Intangibles	1,378,953	-	-	1,378,953
	<u>133,317,280</u>	<u>1,396,629</u>	<u>(306,140)</u>	<u>134,407,769</u>
Less accumulated depreciation and amortization for				
Buildings	(39,372,748)	(2,687,532)	-	(42,060,280)
Equipment	(16,730,807)	(2,483,194)	133,840	(19,080,161)
Improvements other than buildings	(6,317,964)	(512,288)	-	(6,830,252)
Intangibles	(431,234)	(132,522)	-	(563,756)
	<u>(62,852,753)</u>	<u>(5,815,536)</u>	<u>133,840</u>	<u>(68,534,449)</u>
Capital assets, depreciated and amortized, net	<u>70,464,527</u>	<u>(4,418,907)</u>	<u>(172,300)</u>	<u>65,873,320</u>
General governmental activities capital assets, net	<u>\$ 77,420,874</u>	<u>\$ 3,314,916</u>	<u>\$ (230,286)</u>	<u>\$ 80,505,504</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized				
Land	\$ 711,986	\$ -	\$ -	\$ 711,986
Construction in progress	4,491,513	2,650,996	-	7,142,509
	<u>5,203,499</u>	<u>2,650,996</u>	<u>-</u>	<u>7,854,495</u>
Capital assets depreciated and amortized				
Buildings	1,389,536	-	-	1,389,536
Equipment	2,556,042	290,052	-	2,846,094
Improvements other than buildings	56,385,895	-	-	56,385,895
	<u>60,331,473</u>	<u>290,052</u>	<u>-</u>	<u>60,621,525</u>
Less accumulated depreciation and amortization for				
Buildings	(580,590)	(35,856)	-	(616,446)
Equipment	(1,845,895)	(174,210)	-	(2,020,105)
Improvements other than buildings	(21,733,295)	(1,274,868)	-	(23,008,163)
	<u>(24,159,780)</u>	<u>(1,484,934)</u>	<u>-</u>	<u>(25,644,714)</u>
Capital assets, depreciated and amortized, net	36,171,693	(1,194,882)	-	34,976,811
Business-type activities capital assets, net	<u>\$ 41,375,192</u>	<u>\$ 1,456,114</u>	<u>\$ -</u>	<u>\$ 42,831,306</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Component Unit – School Board

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025:

Component Unit – School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized				
Land	\$ 849,553	\$ -	\$ -	\$ 849,553
Construction in progress	3,666,797	6,953,439	-	10,620,236
	<u>4,516,350</u>	<u>6,953,439</u>	<u>-</u>	<u>11,469,789</u>
Capital assets, depreciated and amortized				
Buildings	17,151,155	-	-	17,151,155
Equipment	15,906,313	1,206,894	(331,569)	16,781,638
Improvements other than buildings	3,278,434	131,825	-	3,410,259
	<u>36,335,902</u>	<u>1,338,719</u>	<u>(331,569)</u>	<u>37,343,052</u>
Less accumulated depreciation and amortization for				
Buildings	(15,019,337)	(269,930)	-	(15,289,267)
Equipment	(8,160,051)	(1,294,629)	331,569	(9,123,111)
Improvements other than buildings	(928,913)	(329,539)	-	(1,258,452)
	<u>(24,108,301)</u>	<u>(1,894,098)</u>	<u>331,569</u>	<u>(25,670,830)</u>
Capital assets, depreciated and amortized, net	<u>12,227,601</u>	<u>(555,379)</u>	<u>-</u>	<u>11,672,222</u>
Intangible right-to-use assets				
Leased assets – equipment	268,390	-	(268,390)	-
Subscription software	430,720	59,089	-	489,809
Intangible right-to-use assets	<u>699,110</u>	<u>59,089</u>	<u>(268,390)</u>	<u>489,809</u>
Less accumulated amortization				
Leased assets – equipment	(268,390)	-	268,390	-
Subscription software	(143,573)	(163,270)	-	(306,843)
Accumulated amortization	<u>(411,963)</u>	<u>(163,270)</u>	<u>268,390</u>	<u>(306,843)</u>
Intangible right-to-use assets, net	<u>287,147</u>	<u>(104,181)</u>	<u>-</u>	<u>182,966</u>
School Board capital assets, net	<u>\$ 17,031,098</u>	<u>\$ 6,293,879</u>	<u>\$ -</u>	<u>\$ 23,324,977</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Depreciation and amortization expense was charged to functions/programs as follows:

	Depreciation Expense
Governmental Activities	
General Government administration	\$ 490,953
Judicial administration	203,352
Public safety	2,287,660
Public works	610,179
Health and welfare	2,209
Education	1,991,019
Parks, recreation, and cultural	107,405
Community development	122,759
Total Governmental activities	\$ 5,815,536
Business-Type Activities	
Caroline County utility fund	\$ 1,343,421
Dawn wastewater system fund	141,513
	\$ 1,484,934
Component Unit School Board	\$ 1,894,098

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, 2025, is that school financed assets in the amount of \$65,032,762 and related accumulated depreciation of \$26,395,897 are reported in the Primary Government for financial reporting purposes.

Construction Commitments

As of June 30, 2025, the School Board has outstanding construction commitments totaling \$1,950,605, consisting of \$1,461,670 related to the energy performance contract for facility upgrades at multiple schools and \$488,935 for an elementary classroom and facility expansion project.

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Note 6 – Interfund Transfers and Obligations

Interfund transfers for the year ended June 30, 2025, consisted of the following below. Amounts may differ slightly from financial statements due to rounding.

Fund	Transfers In	Transfers Out
General Funds		
General	\$ 500,000	\$ 10,118,747
Debt Service	5,786,487	-
County Capital Projects	1,760,824	-
Virginia Public Assistance	830,612	-
CARES Act	-	89,516
Children's Services	1,152,252	-
Detention Facility	-	998,000
Tourism	89,516	-
Proprietary Funds		
County Utilities	892,213	255
Dawn Wastewater System	194,614	-
Total	11,206,518	11,206,518
Component Unit – School Board		
School Capital Projects	994,607	-
School Operating	-	994,607
Total Component Unit – School Board Funds	994,607	994,607
Total – All Funds	<u>\$ 12,201,125</u>	<u>\$ 12,201,125</u>

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.

- \$194,614 transferred from the General Fund to Dawn Wastewater to cover revenue shortfall and depreciation expense.
- \$89,516 was transferred from Cares Act Fund to Tourism fund related to a Tourism ARPA Grant for revenue recovery.
- \$830,612 was transferred from General Fund to Virginia Public Assistance and \$1,152,252 transferred from General Fund to Children's Services to cover local match.
- \$178,000 transferred from Detention Facility to County Capital Projects to cover equipment and truck expenditures included in the approved budget
- \$320,000 transferred from Detention Facility to County Utilities to cover Caroline High School System Well Building Project for \$200,000 and Port Royal System Water Project for \$120,000.
- \$500,000 transferred from Detention Facility to General Fund to cover general government expenditures.
- \$5,786,487 transferred from General to Debt Service for debt service payment designated to be paid from a portion of real property taxes.
- \$994,607 transferred from School Operating to the School Capital Project for the purchase of Bowling Green Elementary School Modular Learning Villas.
- \$1,760,824 transferred from General Fund to County Capital Projects Funds to cover various capital projects.
- \$572,213 transferred from General Fund to County Utilities to cover debt retirement and capital projects.

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Details of the Primary Government's interfund receivables and payables as of June 30, 2025, are as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental Funds		
General	\$ 7,553,255	\$ -
County Capital Projects	-	7,543,173
Internal Service	-	10,082
Total Governmental Funds	<u>\$ 7,553,255</u>	<u>\$ 7,553,255</u>

Cash is spent from the General Fund to cover County Capital Projects where debt has been borrowed, then once debt is reimbursed, it is received back in the General Fund. This creates the interfund receivable/payable between General and County Capital Projects Fund.

At the government-wide level, the County and School Board have a due to/from in the amount of \$4,666,000 as of June 30, 2025. This represents a long-term liability that is not due and payable in the current period and therefore is not reported at the fund level.

Note 7 – Long-Term Liabilities

Primary Government

The following is a summary of long-term obligations of the County for the year ended June 30, 2025:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 1,627,488	\$ 78,129	\$ -	\$ 1,705,617	\$ 170,562
Arbitrage payable	1,429,751	1,104,487	-	2,534,238	-
Net OPEB liabilities	2,260,698	-	(124,913)	2,135,785	28,308
Landfill postclosure cost	3,592,107	232,952	-	3,825,059	-
Financed purchases	4,544,467	1,636,000	(878,962)	5,301,505	783,293
Direct borrowings and direct placements					
General obligation bonds	35,674,625	4,666,000	(3,537,704)	36,802,921	3,674,466
Lease revenue bonds	21,553,828	-	(2,005,023)	19,548,805	2,097,037
Unamortized premiums	5,559,902	-	(481,627)	5,078,275	-
	<u>\$ 76,242,866</u>	<u>\$ 7,717,568</u>	<u>\$ (7,028,229)</u>	<u>\$ 76,932,205</u>	<u>\$ 6,753,666</u>
Business-Type Activities					
Compensated absences	\$ 116,674	\$ 11,861	\$ -	\$ 128,535	\$ 12,854
Net OPEB liabilities	165,725	-	(9,157)	156,568	3,131
Direct borrowings and direct placements					
Revenue bonds	50,104,023	1,315,000	(2,126,885)	49,292,138	2,234,024
Unamortized premium	3,737,669	-	(250,957)	3,486,712	-
	<u>\$ 54,124,091</u>	<u>\$ 1,326,861</u>	<u>\$ (2,386,999)</u>	<u>\$ 53,063,953</u>	<u>\$ 2,250,009</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

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

Year Ending June 30,	Governmental Activities Obligations			
	Bonds from Direct Borrowings and Direct Placements			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2026	\$ 3,674,466	\$ 1,799,070	\$ 2,097,037	\$ 752,636
2027	3,826,583	1,635,812	1,480,262	653,390
2028	3,555,498	1,195,160	1,526,398	585,055
2029	3,339,338	1,025,929	1,601,343	514,012
2030	8,165,338	784,059	1,666,532	439,694
2031	3,644,338	533,707	1,745,975	362,467
2032	3,789,338	388,047	1,131,258	281,872
2033	3,374,338	255,841	952,000	246,686
2034	3,384,338	131,454	969,000	218,437
2035	49,346	20,841	823,000	189,701
2036	-	-	852,000	163,475
2037	-	-	824,000	137,005
2038	-	-	849,000	111,248
2039	-	-	879,000	85,309
2040	-	-	903,000	59,256
2041	-	-	689,000	36,503
2042	-	-	274,000	16,793
2043	-	-	286,000	5,677
	<u>\$ 36,802,921</u>	<u>\$ 7,769,920</u>	<u>\$ 19,548,805</u>	<u>\$ 4,859,216</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Year Ending June 30,	Governmental Activities Obligations	
	Financed Purchases	
	Principal	Interest
2026	\$ 783,293	\$ 146,549
2027	982,630	124,133
2028	846,078	96,987
2029	657,181	73,704
2030	678,602	52,889
2031	294,489	38,510
2032	210,970	30,296
2033	128,491	27,395
2034	97,491	22,862
2035	101,455	20,033
2036	104,455	17,078
2037	107,370	14,017
2038	67,000	11,133
2039	45,000	8,890
2040	47,000	7,027
2041	48,000	5,103
2042	50,000	3,118
2043	52,000	1,053
	\$ 5,301,505	\$ 700,777

Year Ending June 30,	Business-type Obligations	
	Revenue Bonds from Direct Borrowings and Direct Placements	
	Principal	Interest
2026	\$ 2,234,024	\$ 1,651,554
2027	2,312,500	1,547,526
2028	2,205,199	1,438,176
2029	2,220,601	1,326,107
2030	3,582,002	1,190,340
2031-2035	11,534,812	4,296,584
2036-2040	11,005,000	2,511,111
2041-2045	9,133,000	1,094,515
2046-2050	4,720,000	285,570
2051	345,000	7,763
	\$ 49,292,138	\$ 15,349,246

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Outstanding long-term liabilities at June 30, are as follows:

	Year Issued	Interest Rate	Amount Outstanding
Governmental Activities			
General Obligation Bonds			
Series 2007B VPSA	2007	5.10%	\$ 1,091,388
Series 2008B VPSA	2008	4.10-5.35%	8,955,000
Series 2011 VPSA	2011	7.60%	857,144
Series 2012A VPSA	2012	3.84%	493,380
Series 2012B VPSA	2012	2.05-5.05%	705,000
Series 2018 BPSA	2018	3.00-5.00%	12,750,000
Series 2020 VPFP	2020	1.951-5.125%	3,875,355
Series 2020 VPFP	2020	3.125-5.125%	3,409,654
Series 2024 BAN	2024	3.72%	4,666,000
Total general obligation bonds			<u>36,802,921</u>
Lease Revenue Bonds			
Series 2017	2017	2.95%	1,563,805
Series 2019A	2019	2.973%	450,000
Series 2019B	2019	3.125-5.125%	2,645,000
Series 2021	2021	2.00-5.00%	11,145,000
Series 2022	2022	3.97%	3,745,000
Total lease revenue bonds			<u>19,548,805</u>
Financed Purchases			
	2020	1.403%	784,024
	2019	1.919%	220,000
	2020	1.835%	324,000
	2021	1.250%	782,481
	2022	3.84-4.05%	1,555,000
	2024	3.75%	1,636,000
Total financed purchases			<u>5,301,505</u>
Unamortized premiums			<u>5,078,275</u>
Net OPEB liabilities			<u>2,135,785</u>
Compensated absences			<u>1,705,617</u>
Arbitrage			<u>2,534,238</u>
Landfill post-closure cost			<u>3,825,059</u>
Total Governmental Activities			<u><u>\$ 76,932,205</u></u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

	<u>Year Issued</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Business-type Activities			
Lease Revenue Bonds			
	2006	N/A	\$ 339,349
	2019	5.125%	410,000
	2021	2.00-5.00%	20,088,351
	2020	3.125-5.125%	2,635,000
	2017	3.125-5.125%	6,645,000
	2019	2.862-5.125%	15,460,000
	2022	3.88-3.97%	2,399,438
	2024	3.72%	1,270,000
Total lease revenue bonds			<u>49,247,138</u>
Financed Purchases			
	2024	3.75%	<u>45,000</u>
Total financed purchases			<u>45,000</u>
Unamortized premium			<u>3,486,712</u>
Compensated absences			<u>128,535</u>
Net OPEB liabilities			<u>156,568</u>
Total Business-type Activities			<u>\$ 53,063,953</u>

Direct Borrowings and Direct Placements

- (a) In the event of default for any general obligation bond, the Commonwealth of Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2- 2659 of the Code of Virginia, 1950 as amended.
- (b) Lease revenue bonds totaling \$19,548,805 contain a provision that, in the event of default, the Lender may declare the entire unpaid principal and interest on the issue as due and payable. In addition, the lease revenue bonds issued through the EDA of Caroline County have prepayment penalties of 1% of outstanding principal if the bond is redeemed in advance of specific dates.
- (c) Lease revenue bonds totaling \$49,247,138 contain a provision that, in the event of default, the Lender may declare the entire unpaid principal and interest on the issue as due and payable.

Financed Purchases

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

The assets acquired through financed purchases are as follows:

	<u>Governmental Activities</u>
Trucks and vehicles	\$ 6,499,380
Radio equipment	86,700
HVAC and other energy performance equipment	5,372,054
Less accumulated depreciation	<u>(9,318,922)</u>
	<u>\$ 2,639,212</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

The future minimum financed purchases and the net present value of these minimum payments as of June 30, 2025, were as follows:

	Year Ending June 30,
2026	\$ 929,842
2027	1,106,763
2028	943,065
2029	730,885
2030	731,491
2031-2035	971,992
2036-2040	428,968
2041-2043	159,276
Total minimum payments	6,002,282
Less amount representing interest	(700,777)
Present value of minimum payments	<u><u>\$ 5,301,505</u></u>

Component Unit – School Board

The following is a summary of long-term obligations for the fiscal year ended June 30, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 1,383,726	\$ 111,447	\$ -	\$ 1,495,173	\$ 149,517
Net pension liability	26,160,478	-	(2,272,607)	23,887,871	-
Net OPEB liabilities	10,385,396	-	(573,674)	9,811,722	416,804
Financed purchases	567,669	-	(165,122)	402,547	159,949
Subscription liability	280,756	59,089	(157,834)	182,011	162,327
Total	<u><u>\$ 38,778,025</u></u>	<u><u>\$ 170,536</u></u>	<u><u>\$ (3,169,237)</u></u>	<u><u>\$ 35,779,324</u></u>	<u><u>\$ 888,597</u></u>

Financed Purchases

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

The assets acquired through financed purchases are as follows:

	School Board
School buses and vehicles	\$ 1,817,547
Less accumulated depreciation	(1,207,098)
	<u><u>\$ 610,449</u></u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Financed Purchases and Lease Liabilities

The future minimum financed purchases and lease liabilities and the net present value of these minimum payments as of June 30, 2025, were as follows:

Year Ending June 30,	School Board Financed Purchases	School Board Subscription Liability
2026	\$ 168,665	\$ 170,522
2027	161,256	20,558
2028	46,764	-
2029	9,664	-
2030	9,715	-
2031-2035	20,234	-
2036-2037	3,216	-
Total minimum payments	419,514	191,080
Less amount representing interest	(16,967)	(9,069)
Present value of minimum payments	<u><u>\$ 402,547</u></u>	<u><u>\$ 182,011</u></u>

Note 8 – Leases and Subscription-Based Information Technology Arrangements

For the year ended June 30, 2022, the County and School Board adopted GASB Statement No. 87, *Leases*, which requires reporting an intangible right-to-use asset and a lease liability for leases the County and School Board had previously reported as operating leases. In instances where the County and School Board are the lessee, the right-to-use asset information can be found in Note 5, and the corresponding liabilities and maturity schedules are provided in Note 7.

For the year ended June 30, 2023, the County and School Board adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires reporting an intangible right-to-use asset and a subscription liability for software the County and School Board had previously reported as operating expenditures. The right-to-use asset information can be found in Note 5, and the corresponding liabilities and maturity schedules are provided in Note 7.

Note 9 – Landfill Post-Closure 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 \$3,825,059 reported as landfill post-closure care liability at June 30, 2025, represents the remaining engineering estimate of 20 years of post-closure monitoring and care. These amounts are based on what it would cost to perform all post-closure care in 2025. 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

County of Caroline, Virginia

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measurable, but not available. Under the accrual basis of accounting, assessments for future periods are deferred. Deferred/unavailable revenue is comprised of the following:

- **Property Tax Revenue** – Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$29,149,713, of which \$7,287,279 represents delinquent property taxes receivable at June 30, 2025.
- **Prepaid Property Taxes** – Property taxes due subsequent to June 30, 2025, but paid in advance by the tax- payers totaled \$2,283,866 at June 30, 2025.
- **Opioid Settlement** – Revenue representing uncollected settlement amounts not available for funding of current expenditures totaled \$553,531.

	Unearned	Unavailable	Total
Property Taxes	\$ 21,862,434	\$ 7,287,279	\$ 29,149,713
Prepaid Taxes	2,283,866	-	2,283,866
Opioid Settlement	-	553,531	553,531
Total	<u>\$ 24,146,300</u>	<u>\$ 7,840,810</u>	<u>\$ 31,987,110</u>

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.

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 12 – Litigation

At June 30, 2025, 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 destruction 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 on 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.

County of Caroline, Virginia

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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.

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 2023 through 2025.

Fiscal Year Ended June 30,	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2025	\$ 290,000	\$ 5,301,944	\$ (5,274,944)	\$ 317,000
2024	345,000	4,785,529	(4,840,529)	290,000
2023	416,734	4,011,358	(4,083,092)	345,000

Note 14 – Defined Benefit Pension Plan

Primary Government – County

Plan Description

All full-time, salaried permanent employees of the County of Caroline, Virginia, (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer cost-sharing is 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

County of Caroline, Virginia

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Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	248
Inactive members	
Vested inactive members	80
Non-vested inactive members	171
Inactive members active elsewhere in VRS	233
Total inactive members	484
Active members	283
Total covered employees	1,015

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.

The Political Subdivision's contractually required contribution rate for the year ended June 30, 2025, was 9.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 Political Subdivision were \$1,902,294 and \$1,452,472 for the years ended June 30, 2025, and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$614,248 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$263,626 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$6,662,434 for the year ended June 30, 2025.

Net Pension Liability (Asset)

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability (asset) determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Political Subdivisions, the net pension liability (asset) was measured as of June 30, 2024. The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

County of Caroline, Virginia

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Actuarial Assumptions

The total pension liability (asset) for General Employees and Public Safety employees with Hazardous Duty Benefits in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table and a Modified MP-2020 Improvement Scale with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better-fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better-fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

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

County of Caroline, Virginia

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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	32.00%	6.70%	2.14%
Fixed Income	16.00	5.40	0.86
Credit Strategies	16.00	8.10	1.30
Real Assets	15.00	7.20	1.08
Private Equity	15.00	8.70	1.31
PIP – Private Investment Partnership	1.00	8.00	0.08
Diversifying Strategies	6.00	5.80	0.35
Cash	2.00	3.00	0.06
Leverage	(3.00)	3.50	(0.11)
Total	100.00%		7.07%
*Expected arithmetic nominal return			7.07%

- * The above allocation provides for a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of 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 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. For the year ended June 30, 2024, the employer contribution was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rate. 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.

County of Caroline, Virginia

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Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 66,746,088	\$ 74,423,959	\$ (7,677,871)
Changes for the year:			
Service cost	2,309,877	-	2,309,877
Interest	4,543,892	-	4,543,892
Change in benefit terms	743,246	-	743,246
Differences between expected and actual experience	4,542,792	-	4,542,792
Contributions – employer	-	1,452,472	(1,452,472)
Contributions – employee	-	877,282	(877,282)
Net investment income	-	7,207,103	(7,207,103)
Benefit payments, including refunds of employee contributions	(3,478,101)	(3,478,101)	-
Administrative expenses	-	(47,604)	47,604
Other changes	-	1,487	(1,487)
Net changes	8,661,706	6,012,639	2,649,067
Balance as of June 30, 2024	\$ 75,407,794	\$ 80,436,598	\$ (5,028,804)

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

The following presents the net pension liability (asset) of the Political Subdivision using the discount rate of 6.75%, as well as what the Political Subdivision's net pension liability (asset) would be if it was calculated using a discount rate that is one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	\$ 4,787,595	\$ (5,028,804)	\$ (13,072,267)

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

For the year ended June 30, 2025, the Political Subdivision recognized pension expense of \$1,854,754. At June 30, 2025, the Political Subdivision 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	\$ 2,725,675	\$ 100,282
Net difference between projected and actual earnings on pension plan investments	-	2,069,563
Employer contributions subsequent to the measurement date	1,902,294	-
	\$ 4,627,969	\$ 2,169,845

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The \$1,902,294 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2026	\$ (70,850)
2027	1,480,267
2028	(408,828)
2029	(444,759)
2030	-
Thereafter	-
Total	\$ 555,830

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

School Nonprofessionals

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of Caroline County Public Schools, (the "School Division") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is 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. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those referenced for the Primary Government.

County of Caroline, Virginia

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Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	54
Inactive members	
Vested inactive members	11
Non-vested inactive members	26
Inactive members active elsewhere in VRS	9
Total inactive members	46
Active members	58
Total covered employees	158

Contributions

The School Division's contractually required contribution rate for the year ended June 30, 2025, was 3.77% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

Contributions to the pension plan from the school division were \$116,814 and \$61,356 for the years ended June 30, 2025, and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$22,065 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$16,558 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$2,226,678 for the year ended June 30, 2025.

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Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 6,221,881	\$ 6,683,758	\$ (461,877)
Changes for the year			
Service cost	170,418	-	170,418
Interest	418,124	-	418,124
Differences between expected and actual experience	62,898	-	62,898
Contributions – employer	-	61,356	(61,356)
Contributions – employee	-	92,023	(92,023)
Net investment income	-	639,673	(639,673)
Benefit payments, including refunds of employee contributions	(395,749)	(395,749)	-
Administrative expenses	-	(4,417)	4,417
Other changes	-	126	(126)
Net changes	255,691	393,012	(137,321)
Balance as of June 30, 2024	<u>\$ 6,477,572</u>	<u>\$ 7,076,770</u>	<u>\$ (599,198)</u>

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

The following presents the net pension liability (asset) of the School Division using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Division's net pension liability (asset)	<u>\$ 110,844</u>	<u>\$ (599,198)</u>	<u>\$ (1,191,028)</u>

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

For the year ended June 30, 2025, the School Division recognized pension income of \$12,115. At June 30, 2025, 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	\$ 50,404	\$ -
Net difference between projected and actual earnings on pension plan investments	-	187,480
Employer contributions subsequent to the measurement date	116,814	-
	<u>\$ 167,218</u>	<u>\$ 187,480</u>

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The \$116,814 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 (asset) in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2026	\$ (128,574)
2027	66,765
2028	(35,899)
2029	(39,368)
2030	-
Thereafter	-
Total	\$ (137,076)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Teacher Cost Sharing Plan

General Information about the Teacher Cost-Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia public school divisions, including County of Caroline, Virginia, (the "School Division"), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple-employer, cost-sharing plan is 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 in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions and long-term expected rate of return, are substantially the same as those referenced for the Primary Government.

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 contribution rate for the year ended June 30, 2025 was 14.21% of covered employee compensation. This was the General Assembly approved rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs

County of Caroline, Virginia

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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 \$4,071,633 and \$4,305,657 for the years ended June 30, 2025, and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$138,209 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$105,309 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$13,947,715 for the year ended June 30, 2025.

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

At June 30, 2025, the School Division reported a liability of \$23,887,871 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the School Division's proportion was 0.25448% as compared to 0.25883% at June 30, 2023.

For the year ended June 30, 2025, the School Division recognized pension expense of \$2,361,124. 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. Beginning with the June 30, 2022 measurement date, the difference between the expected and actual contributions is included with the pension expense calculation.

At June 30, 2025, 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	\$ 4,144,209	\$ 491,868
Change in assumptions	433,597	-
Net difference between projected and actual earnings on pension plan investments	-	3,288,180
Changes in proportion and differences between employer contributions and proportionate share of contributions	664,623	588,541
Employer contributions subsequent to the measurement date	4,071,633	-
	\$ 9,314,062	\$ 4,368,589

The \$4,071,633 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

County of Caroline, Virginia

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Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2026	\$ (1,277,146)
2027	2,017,032
2028	485,147
2029	(351,193)
2030	-
Thereafter	-
Total	<u><u>\$ 873,840</u></u>

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, 2024, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total pension liability	\$ 60,622,260
Plan fiduciary net position	51,235,326
Employers' net pension liability	<u><u>\$ 9,386,934</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>84.52%</u></u>

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.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2024, 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, which was 112% of the actuarially determined contribution rate. From July 1, 2024, on, school divisions are assumed to continue 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.

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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 of the School Division using the discount rate of 6.75%, as well as what the School Division's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 44,378,983	\$ 23,887,871	\$ 7,106,303

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15 – Other Postemployment Benefits Liability – Virginia Retirement System Plans

Primary Government – County

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the County also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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 GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/benefits-and-programs/benefits/life-insurance/>.

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple-employer, cost-sharing plans.

County of Caroline, Virginia

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Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2023. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability, with the exception of GLI which was also combined with employee contributions. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2025 Contribution	\$96,035
June 30, 2024 Contribution	\$99,369

OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2024 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2025 proportionate share of liability	\$799,781
June 30, 2024 proportion	0.07167%
June 30, 2023 proportion	0.06616%
June 30, 2025 expense	\$22,577

At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 126,144	\$ 19,536
Change in assumptions	4,559	39,636
Net difference between projected and actual earnings on OPEB plan investments	-	67,413
Changes in proportion	99,552	56,876
Employer contributions subsequent to the measurement date	96,035	-
	<u>\$ 326,290</u>	<u>\$ 183,461</u>

County of Caroline, Virginia

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The deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2026	\$ (45,742)
2027	22,016
2028	21,735
2029	26,390
2030	22,395
Thereafter	-
Total	\$ 46,794

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2023, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Locality – hazardous duty employees	3.50 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.25%
• Ages 65 and older	6.50 – 4.25%
Investment rate of return, net of expenses, including inflation	GLI: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 14.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	\$ 4,196,055
Plan fiduciary net position	3,080,133
Employers' net OPEB liability	1,115,922
Plan fiduciary net position as a percentage of total OPEB liability	73.41%

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

Long-Term Expected Rate of Return

Group Life Insurance Program

The long-term expected rate of return on VRS 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 OPEB 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	32.00%	6.70%	2.14%
Fixed Income	16.00	5.40	0.86
Credit Strategies	16.00	8.10	1.30
Real Assets	15.00	7.20	1.08
Private Equity	15.00	8.70	1.31
PIP – Private Investment Partnership	1.00	8.00	0.08
Diversifying Strategies	6.00	5.80	0.35
Cash	2.00	3.00	0.06
Leverage	(3.00)	3.50	(0.11)
Total	100.00%		7.07%
*Expected arithmetic nominal return			7.07%

- * The above allocation provides for a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of 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 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including inflation of 2.50%.

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75. The projection of cash flows used to determine the discount rate assumed that System 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, 2024, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined

County of Caroline, Virginia
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contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2024 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans’ 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 OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities of the County, as well as what the County’s net OPEB liabilities would be if it was calculated using a discount rate that is one-percentage-point lower (5.75% GLI) or one-percentage-point higher (7.75% GLI) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 1,243,764	\$ 799,781	\$ 441,102

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Component Unit – School Board

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the School Board also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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 GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/benefits-and-programs/benefits/life-insurance/>.

Teacher Employee Health Insurance Credit Program

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed, for which their employer pays contributions to VRS. The health insurance credit is a

County of Caroline, Virginia

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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.

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.html>.

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple-employer, cost-sharing plans.

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full-time, salaried employees of local government entities other than teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer, agent defined benefit plan.

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	Number
Inactive members or their beneficiaries currently receiving benefits	12
Inactive members	
Active elsewhere in VRS	9
Vested inactive members	2
Total inactive members	
Active members	58
Total covered employees	81

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability, with the exception of GLI which was also combined with employee contributions. Specific details related to the contributions for the VRS OPEB programs are as follows:

Teacher Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2025 Contribution	\$134,870
June 30, 2024 Contribution	\$147,016

County of Caroline, Virginia

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General Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2025 Contribution	\$14,563
June 30, 2024 Contribution	\$11,305

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.21% of covered employee compensation.
June 30, 2025 Contribution	\$346,705
June 30, 2024 Contribution	\$329,302

General Employee Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.91% of covered employee compensation.
June 30, 2025 Contribution	\$28,196
June 30, 2024 Contribution	\$19,051

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2024, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers.

General Group Life Insurance Program

June 30, 2025 proportionate share of liability	\$90,948
June 30, 2024 proportion	0.00815%
June 30, 2023 proportion	0.00836%
June 30, 2025 expense	\$3,644

County of Caroline, Virginia

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Teacher Group Life Insurance Program

June 30, 2025 proportionate share of liability	\$1,183,212
June 30, 2024 proportion	0.10603%
June 30, 2023 proportion	0.10965%
June 30, 2025 expense	\$17,173

Teacher Health Insurance Credit Program

June 30, 2025 proportionate share of liability	\$2,935,577
June 30, 2024 proportion	0.25400%
June 30, 2023 proportion	0.25890%
June 30, 2025 expense	\$215,362

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

General Employee Health Insurance Credit Program

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023	\$ 85,562	\$ 35,357	\$ 50,205
Changes for the year			
Service cost	1,512	-	1,512
Interest	5,706	-	5,706
Differences between expected and actual experience	(387)	-	(387)
Contributions – employer	-	19,051	(19,051)
Benefit payments	(5,069)	(5,069)	-
Net investment income	-	4,207	(4,207)
Administrative expenses	-	(64)	64
Administrative expenses	-	-	-
Net changes	1,762	18,125	(16,363)
Balance as of June 30, 2024	<u>\$ 87,324</u>	<u>\$ 53,482</u>	<u>\$ 33,842</u>

In addition, for the year ended June 30, 2024, the School Board recognized OPEB income of \$19,182 related to the General Employee Health Insurance Credit Program.

At June 30, 2025, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

County of Caroline, Virginia

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General Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,345	\$ 2,222
Change in assumptions	518	4,507
Net difference between projected and actual earnings on OPEB plan investments	-	7,666
Changes in proportion	15,246	5,579
Employer contributions subsequent to the measurement date	14,563	-
	\$ 44,672	\$ 19,974

Teacher Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 186,620	\$ 28,902
Change in assumptions	6,744	58,638
Net difference between projected and actual earnings on OPEB plan investments	-	99,732
Changes in proportion	35,916	65,273
Employer contributions subsequent to the measurement date	134,870	-
	\$ 364,150	\$ 252,545

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 53,222
Change in assumptions	-	1,136
Net difference between projected and actual earnings on OPEB plan investments	-	765
Employer contributions subsequent to the measurement date	28,196	-
	\$ 28,196	\$ 55,123

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 139,081
Change in assumptions	50,572	-
Net difference between projected and actual earnings on OPEB plan investments	-	10,442
Changes in proportion	118,957	141,615
Employer contributions subsequent to the measurement date	346,705	-
	\$ 516,234	\$ 291,138

County of Caroline, Virginia

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The deferred outflows of resources related to OPEB resulting from School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

General Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2026	\$ (1,645)
2027	5,528
2028	2,125
2029	3,093
2030	1,034
Thereafter	-
Total	\$ 10,135

Teacher Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2026	\$ (60,780)
2027	22,626
2028	(5,386)
2029	8,451
2030	11,824
Thereafter	-
Total	\$ (23,265)

General Employee Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2026	\$ (24,682)
2027	(21,009)
2028	(9,095)
2029	(337)
2030	-
Thereafter	-
Total	\$ (55,123)

County of Caroline, Virginia

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Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2026	\$ (34,855)
2027	(20,471)
2028	(16,201)
2029	(25,951)
2030	(11,735)
Thereafter	(12,396)
Total	<u><u>\$ (121,609)</u></u>

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2023, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Teachers	3.50 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.25%
• Ages 65 and older	6.50 – 4.25%
Investment rate of return, net of expenses, including inflation	GLI & HIC: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 14.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan
Total OPEB liability	\$ 4,196,055	\$ 1,478,105
Plan fiduciary net position	3,080,133	322,457
Employers' net OPEB liability	1,115,922	1,155,648
Plan fiduciary net position as a percentage of total OPEB liability	73.41%	21.82%

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

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Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS 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 OPEB 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	32.00%	6.70%	2.14%
Fixed Income	16.00	5.40	0.86
Credit Strategies	16.00	8.10	1.30
Real Assets	15.00	7.20	1.08
Private Equity	15.00	8.70	1.31
PIP – Private Investment Partnership	1.00	8.00	0.08
Diversifying Strategies	6.00	5.80	0.35
Cash	2.00	3.00	0.06
Leverage	(3.00)	3.50	(0.11)
Total	100.00%		7.07%
*Expected arithmetic nominal return			7.07%

- * The above allocation provides for a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of 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 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including inflation of 2.50%.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System 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, 2024, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2024 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all

County of Caroline, Virginia

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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 OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities of the School Board, as well as what the School Board's net OPEB liabilities would be if it was calculated using a discount rate that is one-percentage-point lower (5.75% HIC; GLI) or one-percentage-point higher (7.75% HIC; GLI) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
General GLI Net OPEB liability	\$ 141,435	\$ 90,948	\$ 50,160
Teacher GLI Net OPEB liability	1,840,049	1,183,212	652,575
General Employee HIC Net OPEB liability	42,872	33,842	26,148
Teacher HIC Net OPEB liability	3,338,483	2,935,577	2,594,077

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16 – 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 and Component Unit School Board administers a single-employer defined benefit healthcare plan, The County of Caroline Post-retirement Benefits Plan and the Caroline County Public Schools Post-retirement Benefits Plan, respectively. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's and 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.

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Plan Membership

At June 30, 2024 (measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	266	600
Total retirees and spouses with coverage	6	24
	272	624

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 for OPEB as the benefits came due during the year were \$30,383 and \$41,606 for the years ended June 30, 2025 and June 30, 2024, respectively. The amount paid by the School Board for OPEB as the benefits came due were \$416,804 and \$361,642 for the years ended June 30, 2025, and June 30, 2024, respectively.

Total OPEB Liability

The County and School Board's total OPEB liability was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2023.

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Discount Rate	5.20%
Actuarial Cost Method	Entry Age Normal
Medical Trent Rate – County	2.00% for fiscal 2020, 4.80% for fiscal 2021, 5.20% for fiscal 2022, then grading to an ultimate rate of 4.00% for fiscal 2074.
Medical Trent Rate – School Board	10.80% for fiscal 2020, 4.80% for fiscal 2021, 5.20% for fiscal 2022, then grading to an ultimate rate of 4.00% for fiscal 2074.
Salary Increases	Granted Scale

In setting the assumed rates of retirement, mortality, withdrawal, and disability, actuaries relied on the most recent experience study performed for VRS. This study examined actual VRS experience over the four-year period ending June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 20, 2021.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer General Obligation 20-Bond Municipal Index.

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balance at June 30, 2024	\$ 1,632,957	\$ 5,783,521
Changes for the year		
Service cost	66,168	416,904
Interest	66,185	235,566
Changes of assumptions	(242,355)	(451,044)
Benefit payments	(30,383)	(416,804)
Net Changes	(140,385)	(215,378)
Balance at June 30, 2025	<u>\$ 1,492,572</u>	<u>\$ 5,568,143</u>

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 was calculated using a discount rate that is one-percentage-point lower (2.93%) or one-percentage-point higher (4.93%) than the current discount rate:

	1.00% Decrease (4.20%)	Current Discount Rate (5.20%)	1.00% Increase (6.20%)
Primary Government			
Tota OPEB liability	<u>\$ 1,679,530</u>	<u>\$ 1,492,572</u>	<u>\$ 1,331,078</u>
Component Unit School Board			
Total OPEB liability	<u>\$ 5,920,841</u>	<u>\$ 5,568,143</u>	<u>\$ 5,235,285</u>

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 was calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	1.00% Decrease	Current Trent Rate	1.00% Increase
Primary Government			
Tota OPEB liability	<u>\$ 1,282,065</u>	<u>\$ 1,492,572</u>	<u>\$ 1,745,983</u>
Component Unit School Board			
Total OPEB liability	<u>\$ 4,980,222</u>	<u>\$ 5,568,143</u>	<u>\$ 6,246,246</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

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

For the year ended June 30, 2025, the County recognized OPEB expense in the amount of \$112,786 and the School Board recognized OPEB income in the amount of \$123,183. At June 30, 2025, 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 Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 120,086	\$ 170,552	\$ 294,208	\$ 1,944,574
Changes in assumptions	29,466	405,493	306,490	1,603,536
Total	<u>\$ 149,552</u>	<u>\$ 576,045</u>	<u>\$ 600,698</u>	<u>\$ 3,548,110</u>

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
2026	\$ (65,771)	\$ (775,653)
2027	(70,903)	(775,653)
2028	(70,903)	(1,076,002)
2029	(70,903)	(320,104)
2030	(70,903)	-
Thereafter	(77,110)	-
Total	<u>\$ (426,493)</u>	<u>\$ (2,947,412)</u>

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

Note 17 – 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, 2025, was \$81,024.

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Note 18 – Summary of Pension and OPEB Elements

A summary of the pension and other post-employment benefits-related financial statements elements are as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units Schools
Deferred outflows of resources – pensions				
Difference between expected and actual experience				
VRS	\$ 2,536,240	\$ 189,435	\$ 2,725,675	\$ -
VRS (Nonprofessionals)	-	-	-	50,404
VRS (Teachers)	-	-	-	4,144,209
Changes in assumptions				
VRS (Teachers)	-	-	-	433,597
Change in proportionate share				
VRS (Teachers)	-	-	-	664,623
Employer contributions subsequent to the measurement date				
VRS	1,770,085	132,209	1,902,294	-
VRS (Teachers)	-	-	-	4,071,633
VRS (Nonprofessionals)	-	-	-	116,814
Total deferred outflow of resources – pensions	\$ 4,306,325	\$ 321,644	\$ 4,627,969	\$ 9,481,280

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units Schools</u>
Deferred outflows of resources – OPEB				
Difference between expected and actual experience				
Local Plan	\$ 111,884	\$ 8,202	\$ 120,086	\$ 294,208
VRS GLI	117,528	8,616	126,144	-
VRS GLI (Teachers)	-	-	-	186,620
VRS GLI (Nonprofessionals)	-	-	-	14,345
Change in assumptions				
Local Plan	27,453	2,013	29,466	306,490
VRS GLI	4,248	311	4,559	-
VRS GLI (Teachers)	-	-	-	6,744
VRS GLI (Nonprofessionals)	-	-	-	518
VRS HIC (Teachers)	-	-	-	50,572
Change in proportionate share				
VRS GLI	92,753	6,799	99,552	-
VRS GLI (Teachers)	-	-	-	35,916
VRS GLI (Nonprofessionals)	-	-	-	15,246
VRS HIC (Teachers)	-	-	-	118,957
Employer contributions subsequent to the measurement date				
VRS GLI	89,476	6,559	96,035	-
VRS GLI (Teachers)	-	-	-	134,870
VRS GLI (Nonprofessionals)	-	-	-	14,563
VRS HIC (Teachers)	-	-	-	346,705
VRS HIC (Nonprofessionals)	-	-	-	28,196
Total deferred outflow of resources – OPEB	<u>\$ 443,342</u>	<u>\$ 32,500</u>	<u>\$ 475,842</u>	<u>\$ 1,553,950</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units Schools</u>
Deferred inflows of resources – pensions				
Difference between expected and actual experience				
VRS	\$ (93,312)	\$ (6,970)	\$ (100,282)	\$ -
VRS (Teachers)	-	-	-	(491,868)
Net difference between projected and actual investment earning on OPEB plan investments				
VRS	(1,925,729)	(143,834)	(2,069,563)	-
VRS (Teachers)	-	-	-	(3,288,180)
VRS (Nonprofessionals)	-	-	-	(187,480)
Change in proportionate share VRS (Teachers)	-	-	-	(588,541)
Total deferred inflow of resources – pensions	<u>\$ (2,019,041)</u>	<u>\$ (150,804)</u>	<u>\$ (2,169,845)</u>	<u>\$ (4,556,069)</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units Schools
Deferred inflows of resources – OPEB				
Difference between expected and actual experience				
Local Plan	\$ (158,904)	\$ (11,648)	\$ (170,552)	\$ (1,944,574)
VRS GLI	(18,202)	(1,334)	(19,536)	-
VRS GLI (Teachers)	-	-	-	(28,902)
VRS GLI (Nonprofessionals)	-	-	-	(2,222)
VRS HIC (Teachers)	-	-	-	(139,081)
VRS HIC (Nonprofessionals)	-	-	-	(53,222)
Change in assumptions				
Local Plan	(377,797)	(27,696)	(405,493)	(1,603,536)
VRS GLI	(36,929)	(2,707)	(39,636)	-
VRS GLI (Teachers)	-	-	-	(58,638)
VRS GLI (Nonprofessionals)	-	-	-	(4,507)
VRS HIC (Nonprofessionals)	-	-	-	(1,136)
Net difference between projected and actual investment earnings on OPEB plan investments				
VRS GLI	(62,809)	(4,604)	(67,413)	-
VRS GLI (Teachers)	-	-	-	(99,732)
VRS GLI (Nonprofessionals)	-	-	-	(7,666)
VRS HIC (Teachers)	-	-	-	(10,442)
VRS HIC (Nonprofessionals)	-	-	-	(765)
Change in proportionate share				
VRS GLI	(52,991)	(3,885)	(56,876)	-
VRS GLI (Teachers)	-	-	-	(65,273)
VRS GLI (Nonprofessionals)	-	-	-	(5,579)
VRS HIC (Teachers)	-	-	-	(141,615)
Total deferred inflow of resources – OPEB	<u>\$ (707,632)</u>	<u>\$ (51,874)</u>	<u>\$ (759,506)</u>	<u>\$ (4,166,890)</u>

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Pension expense (benefit)				
VRS	\$ 1,725,849	\$ 128,905	\$ 1,854,754	\$ -
VRS (Teachers)	-	-	-	2,361,124
VRS (Nonprofessionals)	-	-	-	(12,115)
Total pension expense (benefit)	<u>\$ 1,725,849</u>	<u>\$ 128,905</u>	<u>\$ 1,854,754</u>	<u>\$ 2,349,009</u>
OPEB expense (benefit)				
Local plan	\$ 105,083	\$ 7,703	\$ 112,786	\$ (123,183)
VRS GLI	21,044	1,533	22,577	-
VRS GLI (Teachers)	-	-	-	17,173
VRS GLI (Nonprofessionals)	-	-	-	3,644
VRS HIC (Teachers)	-	-	-	215,362
VRS HIC (Nonprofessionals)	-	-	-	(19,182)
Total OPEB expense	<u>\$ 126,127</u>	<u>\$ 9,236</u>	<u>\$ 135,363</u>	<u>\$ 93,814</u>
Net pension (liability) asset				
VRS	\$ 4,679,302	\$ 349,502	\$ 5,028,804	\$ -
VRS (Teachers)	-	-	-	(23,887,871)
VRS (Nonprofessionals)	-	-	-	599,198
Total net pension (liability) asset	<u>\$ 4,679,302</u>	<u>\$ 349,502</u>	<u>\$ 5,028,804</u>	<u>\$ (23,288,673)</u>
Net OPEB liability				
Local plan	\$ (1,390,629)	\$ (101,943)	\$ (1,492,572)	\$ (5,568,143)
VRS GLI	(745,156)	(54,625)	(799,781)	-
VRS GLI (Teachers)	-	-	-	(1,183,212)
VRS GLI (Nonprofessionals)	-	-	-	(90,948)
VRS HIC (Teachers)	-	-	-	(2,935,577)
VRS HIC (Nonprofessionals)	-	-	-	(33,842)
Total net OPEB liability	<u>\$ (2,135,785)</u>	<u>\$ (156,568)</u>	<u>\$ (2,292,353)</u>	<u>\$ (9,811,722)</u>

Note 19 – New Accounting Standards

In April 2024, the GASB issued **Statement No. 103**, Financial Reporting Model Improvements. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

In September 2024, the GASB issued **Statement No. 104**, *Disclosure of Certain Capital Assets*. This statement requires certain information regarding capital assets to be presented by major class. Certain types of capital assets are to be disclosed separately in the capital assets note disclosures required by Statement No. 34. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

County of Caroline, Virginia

Notes to Financial Statements

June 30, 2025

Note 20 – Subsequent Events

Subsequent to June 30, 2025, the Board of Supervisors approved an Equipment Lease Purchase Agreement to finance the acquisition of various capital assets, including public safety vehicles, communications equipment, and other governmental equipment. On October 14, 2025, the County authorized lease financing in an aggregate principal amount not to exceed \$2,850,000 with a final maturity extending through December 31, 2036. The financing will be used for the acquisition of sheriff's office vehicles and equipment, an ambulance, radio system improvements, and other capital assets included in the County's capital improvement program.



Supplementary Information

County of Caroline, Virginia

Exhibit 12

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

Special Revenue Funds

	Children's Services	Law Library	Courthouse Maintenance	Tourism	Confiscated Asset	Fire/Rescue Grant	Housing	Sheriff	Detention Facility	Hanover Soil and Water	Total Nonmajor Governmental Funds
ASSETS											
Cash and cash equivalents	\$ 148,377	\$ 9,796	\$ 21,391	\$ 384,153	\$ 91,954	\$ 202,568	\$ 3,659	\$ 115,627	\$ 275,897	\$ -	\$ 1,253,422
Receivables, net	-	1,112	2,068	20,469	-	-	-	3,319	178,850	-	205,818
Due from other governmental units	589,303	-	-	-	-	-	-	-	-	396,832	986,135
Total assets	<u>\$ 737,680</u>	<u>\$ 10,908</u>	<u>\$ 23,459</u>	<u>\$ 404,622</u>	<u>\$ 91,954</u>	<u>\$ 202,568</u>	<u>\$ 3,659</u>	<u>\$ 118,946</u>	<u>\$ 454,747</u>	<u>\$ 396,832</u>	<u>\$ 2,445,375</u>
LIABILITIES											
Accounts payable	\$ 487,463	\$ -	\$ -	\$ 11,285	\$ -	\$ 6,902	\$ 1,277	\$ -	\$ -	\$ 330,481	\$ 837,408
Accrued payroll	-	-	-	7,644	-	-	-	-	-	61,276	68,920
Total liabilities	<u>487,463</u>	<u>-</u>	<u>-</u>	<u>18,929</u>	<u>-</u>	<u>6,902</u>	<u>1,277</u>	<u>-</u>	<u>-</u>	<u>391,757</u>	<u>906,328</u>
FUND BALANCES											
Restricted	250,217	10,908	23,459	385,693	91,954	195,666	2,382	118,946	-	5,075	1,084,300
Committed	-	-	-	-	-	-	-	-	454,747	-	454,747
Total fund balances	<u>250,217</u>	<u>10,908</u>	<u>23,459</u>	<u>385,693</u>	<u>91,954</u>	<u>195,666</u>	<u>2,382</u>	<u>118,946</u>	<u>454,747</u>	<u>5,075</u>	<u>1,539,047</u>
Total liabilities and fund balances	<u>\$ 737,680</u>	<u>\$ 10,908</u>	<u>\$ 23,459</u>	<u>\$ 404,622</u>	<u>\$ 91,954</u>	<u>\$ 202,568</u>	<u>\$ 3,659</u>	<u>\$ 118,946</u>	<u>\$ 454,747</u>	<u>\$ 396,832</u>	<u>\$ 2,445,375</u>

County of Caroline, Virginia

Exhibit 13

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Children's Services	Law Library	Courthouse Maintenance	Tourism	Confiscated Asset	Fire/Rescue Grant	Housing	Sheriff	Detention Facility	Hanover Soil and Water	Total Nonmajor Governmental Funds
REVENUES											
Other local taxes	\$ -	\$ -	\$ -	\$ 246,044	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 246,044
Revenue from the use of money and property	-	-	-	-	-	-	-	-	23,912	-	23,912
Charges for services	-	10,841	19,608	-	-	-	-	30,966	-	-	61,415
Miscellaneous	9,879	-	-	4,326	-	-	-	-	-	-	14,205
Recovered costs	-	-	-	-	-	-	-	-	-	728,477	728,477
Intergovernmental revenues:											
Commonwealth	2,103,218	-	-	-	7,525	216,931	-	-	-	-	2,327,674
Federal	-	-	-	-	-	-	-	-	715,400	-	715,400
Total revenues	2,113,097	10,841	19,608	250,370	7,525	216,931	-	30,966	739,312	728,477	4,117,127
EXPENDITURES											
Current:											
Judicial administration	-	-	57,906	-	-	-	-	-	-	-	57,906
Public safety	-	-	-	-	13,771	176,692	-	17,899	-	-	208,362
Public works	-	-	-	-	-	-	-	-	-	728,749	728,749
Health and welfare	3,265,349	-	-	-	-	-	-	-	-	-	3,265,349
Education	-	-	-	-	-	-	-	-	285,000	-	285,000
Community development	-	-	-	204,497	-	-	6,250	-	-	-	210,747
Total expenditures	3,265,349	-	57,906	204,497	13,771	176,692	6,250	17,899	285,000	728,749	4,756,113
Excess (deficiency) of revenues over (under) expenditures	(1,152,252)	10,841	(38,298)	45,873	(6,246)	40,239	(6,250)	13,067	454,312	(272)	(638,986)
OTHER FINANCING SOURCES (USES)											
Transfers in	1,152,252	-	-	89,516	-	-	-	-	-	-	1,241,768
Transfers out	-	-	-	-	-	-	-	-	(998,000)	-	(998,000)
Total other financing sources (uses)	1,152,252	-	-	89,516	-	-	-	-	(998,000)	-	243,768
Net changes in fund balances	-	10,841	(38,298)	135,389	(6,246)	40,239	(6,250)	13,067	(543,688)	(272)	(395,218)
FUND BALANCES AT JULY 1	250,217	67	61,757	250,304	98,200	155,427	8,632	105,879	998,435	5,347	1,934,265
FUND BALANCES AT JUNE 30	<u>\$ 250,217</u>	<u>\$ 10,908</u>	<u>\$ 23,459</u>	<u>\$ 385,693</u>	<u>\$ 91,954</u>	<u>\$ 195,666</u>	<u>\$ 2,382</u>	<u>\$ 118,946</u>	<u>\$ 454,747</u>	<u>\$ 5,075</u>	<u>\$ 1,539,047</u>

County of Caroline, Virginia

Exhibit 14

Combining Statement of Net Position – Internal Service Funds June 30, 2025

	Vehicle Maintenance	Self-Insurance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,143	\$ 453,356	\$ 457,499
Total current assets	<u>4,143</u>	<u>453,356</u>	<u>457,499</u>
Noncurrent assets:			
Capital assets:			
Depreciable	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>4,143</u>	<u>453,356</u>	<u>457,499</u>
LIABILITIES			
Current liabilities			
Accounts payable	-	77,587	77,587
Due to other funds	-	10,082	10,082
Insurance and benefit claims	-	317,000	317,000
Total liabilities	<u>-</u>	<u>404,669</u>	<u>404,669</u>
NET POSITION			
Unrestricted	4,143	48,687	52,830
Total net position	<u>\$ 4,143</u>	<u>\$ 48,687</u>	<u>\$ 52,830</u>

County of Caroline, Virginia

Exhibit 15

Combining Statement of Revenues, Expenses, and Change in Net Position – Internal Service Funds Year Ended June 30, 2025

	Vehicle Maintenance	Self-Insurance	Total
OPERATING REVENUES			
Charges for services	\$ -	\$ 6,608,527	\$ 6,608,527
Total operating revenues	-	6,608,527	6,608,527
OPERATING EXPENSES			
Risk financing and benefit payments	-	6,738,778	6,738,778
Total operating expenses	-	6,738,778	6,738,778
Operating loss	-	(130,251)	(130,251)
Change in net position	-	(130,251)	(130,251)
NET POSITION AT JULY 1	4,143	178,938	183,081
NET POSITION AT JUNE 30	\$ 4,143	\$ 48,687	\$ 52,830

County of Caroline, Virginia

Exhibit 16

Combining Statement of Cash Flows – Internal Service Funds Year Ended June 30, 2025

	Vehicle Maintenance	Self-Insurance	Total
OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ -	\$ 6,610,361	\$ 6,610,361
Claims and benefits paid	-	(6,717,791)	(6,717,791)
Net cash used in operating activities	-	(107,430)	(107,430)
Net decrease in cash and cash equivalents	-	(107,430)	(107,430)
CASH AND CASH EQUIVALENTS			
Beginning at July 1	4,143	560,786	564,929
Ending at June 30	<u>\$ 4,143</u>	<u>\$ 453,356</u>	<u>\$ 457,499</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating loss	\$ -	\$ (130,251)	\$ (130,251)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Increase (decrease) in accounts payable	-	(6,013)	(6,013)
Increase (decrease) in due to other funds	-	1,834	1,834
Increase (decrease) in insurance and benefit claims	-	27,000	27,000
Net cash used in operating activities	<u>\$ -</u>	<u>\$ (107,430)</u>	<u>\$ (107,430)</u>

Combining Statement of Fiduciary Net Position –
Custodial Funds
June 30, 2025

	Custodial Funds			
	Special Welfare	Four Rivers Technology in Education Consortium	Deposit Escrow	Total
ASSETS				
Cash and cash equivalents	\$ 58,498	\$ 38,704	\$ 1,919,648	\$ 2,016,850
Total assets	<u>\$ 58,498</u>	<u>\$ 38,704</u>	<u>\$ 1,919,648</u>	<u>\$ 2,016,850</u>
NET POSITION				
Restricted for:				
Individuals, organizations, and other governments	\$ 58,498	\$ 38,704	\$ 1,919,648	\$ 2,016,850
Total net position	<u>\$ 58,498</u>	<u>\$ 38,704</u>	<u>\$ 1,919,648</u>	<u>\$ 2,016,850</u>

**Combining Statement of Changes in
Fiduciary Net Position –
Custodial Funds
Year Ended June 30, 2025**

	Custodial Funds			
	Special Welfare	Four Rivers Technology in Education Consortium	Deposit Escrow	Total
ADDITIONS				
Funds received for benefit of other organizations	\$ 51,231	\$ -	\$ 435,815	\$ 487,046
Total additions	51,231	-	435,815	487,046
DEDUCTIONS				
Funds disbursed for benefit of other organizations	47,090	-	316,501	363,591
Total deductions	47,090	-	316,501	363,591
Change in fiduciary net position	4,141	-	119,314	123,455
NET POSITION AT JULY 1	54,357	38,704	1,800,334	1,893,395
NET POSITION AT JUNE 30	\$ 58,498	\$ 38,704	\$ 1,919,648	\$ 2,016,850

County of Caroline, Virginia

Exhibit 19

Combining Balance Sheet
Discretely Presented Component Unit – School Board
June 30, 2025

	School Operating Fund	School Cafeteria Fund	Capital Projects Fund	School Grant Fund	School Textbook Fund	School Activity Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 6,229,030	\$ 1,189,596	\$ (290,045)	\$ 93,555	\$ 1,607,348	\$ 641,664	\$ 9,471,148
Receivables (net of allowance for uncollectibles):							
Accounts receivable	2,006	-	-	-	-	-	2,006
Due from other governmental units	1,781,671	311,222	-	526,579	-	-	2,619,472
Restricted assets:							
Cash and cash equivalents	-	-	4,864,454	-	-	-	4,864,454
Total assets	<u>\$ 8,012,707</u>	<u>\$ 1,500,818</u>	<u>\$ 4,574,409</u>	<u>\$ 620,134</u>	<u>\$ 1,607,348</u>	<u>\$ 641,664</u>	<u>\$ 16,957,080</u>
LIABILITIES AND FUND BALANCES							
Accounts payable	\$ 2,704,245	\$ 18,652	\$ 533,375	\$ 33,492	\$ -	\$ -	\$ 3,289,764
Accrued payroll	2,461,089	86,286	-	109,659	-	-	2,657,034
Reconciled overdraft payable	-	-	338,777	117,670	-	-	456,447
Unearned revenue	1,864,371	-	-	2,298	-	-	1,866,669
Total liabilities	<u>7,029,705</u>	<u>104,938</u>	<u>872,152</u>	<u>263,119</u>	<u>-</u>	<u>-</u>	<u>8,269,914</u>
Fund balances:							
Restricted	-	-	4,040,628	357,015	-	-	4,397,643
Assigned:							
General	983,002	-	-	-	-	-	983,002
Cafeteria	-	1,395,880	-	-	-	-	1,395,880
Textbooks	-	-	-	-	1,607,348	-	1,607,348
Activity	-	-	-	-	-	641,664	641,664
Total fund balances	<u>983,002</u>	<u>1,395,880</u>	<u>3,702,257</u>	<u>357,015</u>	<u>1,607,348</u>	<u>641,664</u>	<u>8,687,166</u>
Total liabilities and fund balances	<u>\$ 8,012,707</u>	<u>\$ 1,500,818</u>	<u>\$ 4,574,409</u>	<u>\$ 620,134</u>	<u>\$ 1,607,348</u>	<u>\$ 641,664</u>	<u>\$ 16,957,080</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:							
Total fund balances per above							\$ 8,687,166
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.							
Nondepreciable						11,469,789	
Depreciable, net						<u>11,855,188</u>	23,324,977
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.							
Deferred outflows related to:							
Pensions						9,481,280	
OPEB						<u>1,553,950</u>	
Deferred inflows related to:							
Pensions						(4,556,069)	
OPEB						<u>(4,166,890)</u>	
Net pension asset						599,198	
Net pension liability						<u>(23,887,871)</u>	
Net OPEB liabilities						<u>(9,811,722)</u>	(30,788,124)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the							
Compensated absences						(1,495,173)	
Accrued interest payable						<u>(4,892)</u>	
Due to primary government						<u>(4,666,000)</u>	
Financed purchases						<u>(402,547)</u>	
Subscription liability						<u>(182,011)</u>	(6,750,623)
Net position of governmental activities							<u>\$ (5,526,604)</u>

County of Caroline, Virginia

Exhibit 20

Combining Statement of Revenues, Expenditures, and
Changes in fund Balances
Discretely Presented Component Unit – School Board
Year Ended June 30, 2025

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	School Textbook Fund	School Activity Fund	Total Governmental Funds
REVENUES							
Revenue from the use of money and property	\$ 32,618	\$ -	\$ 116,295	\$ -	\$ -	\$ -	\$ 148,913
Charges for services	1,488	286,204	-	-	-	-	287,692
Miscellaneous	491,629	37,451	-	-	-	1,014,718	1,543,798
Intergovernmental revenues:							
Local Government	18,569,555	-	2,601,911	-	236,034	-	21,407,500
Commonwealth	42,159,085	56,845	-	-	445,044	-	42,660,974
Federal	1,178,241	3,285,145	-	4,258,626	-	-	8,722,012
Total revenues	<u>62,432,616</u>	<u>3,665,645</u>	<u>2,718,206</u>	<u>4,258,626</u>	<u>681,078</u>	<u>1,014,718</u>	<u>74,770,889</u>
EXPENDITURES							
Current:							
Education	61,101,745	3,484,625	-	4,256,997	197,781	909,303	69,950,451
Capital Outlay	59,089	-	5,916,304	-	-	-	5,975,393
Debt service:							
Principal retirement	322,956	-	-	-	-	-	322,956
Interest and other fiscal charges	24,913	-	71,472	-	-	-	96,385
Total expenditures	<u>61,508,703</u>	<u>3,484,625</u>	<u>5,987,776</u>	<u>4,256,997</u>	<u>197,781</u>	<u>909,303</u>	<u>76,345,185</u>
Excess (deficiency) of revenues over (under) expenditures	<u>923,913</u>	<u>181,020</u>	<u>(3,269,570)</u>	<u>1,629</u>	<u>483,297</u>	<u>105,415</u>	<u>(1,574,296)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	994,607	-	-	-	994,607
Transfers out	(994,607)	-	-	-	-	-	(994,607)
Loan from primary government	-	-	4,666,000	-	-	-	4,666,000
Issuance of subscription liability	59,089	-	-	-	-	-	59,089
Total other financing sources (uses)	<u>(935,518)</u>	<u>-</u>	<u>5,660,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,725,089</u>
Net change in fund balances	<u>(11,605)</u>	<u>181,020</u>	<u>2,391,037</u>	<u>1,629</u>	<u>483,297</u>	<u>105,415</u>	<u>3,150,793</u>
FUND BALANCES AT JULY 1	<u>994,607</u>	<u>1,214,860</u>	<u>1,311,220</u>	<u>355,386</u>	<u>1,124,051</u>	<u>536,249</u>	<u>5,536,373</u>
FUND BALANCES AT JUNE 30	<u>\$ 983,002</u>	<u>\$ 1,395,880</u>	<u>\$ 3,702,257</u>	<u>\$ 357,015</u>	<u>\$ 1,607,348</u>	<u>\$ 641,664</u>	<u>\$ 8,687,166</u>

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net change in fund balances – total governmental funds - per above		\$ 3,150,793
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	8,351,247	
Depreciation and amortization expense	(2,057,368)	6,293,879
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions	4,188,447	
Non-employer pension contributions	13,497	
Pension expense	(2,376,003)	1,825,941
Governmental funds report OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.		
Employer OPEB contributions	524,334	
OPEB expense	322,989	847,323
The issuance of long-term debt 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 has any effect on net position.		
Loan from primary government	(4,666,000)	
Issuance of subscription liability	(59,089)	
Principal payments	322,956	(4,402,133)
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 the funds.		
Change in accrued interest payable	2,961	
Change in compensated absences	(111,447)	(108,486)
Change in net position of governmental activities		<u>\$ 7,607,317</u>

County of Caroline, Virginia

Exhibit 21

Statement of Net Position Discretely Presented Component Unit – Economic Development Authority June 30, 2025

ASSETS

Current assets:

Cash and cash equivalents

\$ 58,753

Total assets

58,753

NET POSITION

Unrestricted

58,753

Total net position

\$ 58,753

County of Caroline, Virginia

Exhibit 22

Statement of Revenues, Expenses, and Changes in Fund Net Position Discretely Presented Component Unit – Economic Development Authority Year Ended June 30, 2025

OPERATING REVENUES

Miscellaneous	\$ 1,163
Total revenues	<u>1,163</u>

OPERATING EXPENSES

Economic development	2,271
Industry Incentives	<u>1,944</u>
Total expenses	<u>4,215</u>
Operating loss	<u>(3,052)</u>

NONOPERATING REVENUES

Interest income	<u>91</u>
Total non-operating revenue	<u>91</u>
Change in net position	<u>(2,961)</u>

NET POSITION AT JULY 1	<u>61,714</u>
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NET POSITION AT JUNE 30	<u><u>\$ 58,753</u></u>
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County of Caroline, Virginia

Exhibit 23

Statement of Cash Flows Discretely Presented Component Unit – Economic Development Authority Year Ended June 30, 2025

OPERATING ACTIVITIES

Payments for operating activities	\$ (4,215)
Receipts from other sources	<u>1,163</u>
Net cash used in operating activities	<u>(3,052)</u>

INVESTING ACTIVITIES

Interest income	<u>91</u>
Net cash provided by investing activities	<u>91</u>
Net decrease in cash and cash equivalents	<u>(2,961)</u>

CASH AND CASH EQUIVALENTS

Beginning at July 1	<u>61,714</u>
Ending at June 30	<u><u>\$ 58,753</u></u>

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED IN OPERATING ACTIVITIES:

Operating loss	<u>\$ (3,052)</u>
Net cash used in operating activities	<u><u>\$ (3,052)</u></u>



Compliance Section

Independent Auditor's 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 Board of Supervisors
County of Caroline, Virginia

We have audited, 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 and the Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Caroline, Virginia, (the "County") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 22, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 financial statements. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs, as item 2025-001.**

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
September 22, 2026

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited the County of Caroline, Virginia's (the "County") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2025. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to report in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Item 2025-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
September 22, 2026

County of Caroline, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor Program Title or Cluster Title	Federal Assistance Listing Number	Entity Identifying Pass-Through Number	Cluster Amounts	Federal Expenditures
<u>Department of Agriculture</u>				
<u>Pass-Through Payments</u>				
<u>Department of Social Services</u>				
SNAP Cluster - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	040120/040121	\$ 551,115	\$ 551,115
<u>Department of Agriculture</u>				
Child Nutrition Cluster - Food Distribution - National School Lunch Program	10.555	N/A	304,626	
<u>Department of Education</u>				
School Nutrition Program (SAE)	10.560	N/A		9,600
Child Nutrition Cluster - School Breakfast Program	10.553	202323N11994 1 202424N10994 1	921,204	
Child Nutrition Cluster - National School Lunch Program	10.555	202323N11994 1 202323N89034 1 202424N10994 1	2,049,714	
Total Child Nutrition Cluster				3,275,544
Total Department of Agriculture				3,836,259
<u>Department of Justice</u>				
<u>Pass-Through Payments</u>				
<u>Department of Criminal Justice Services</u>				
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738			19,470
Crime Victim Assistance	16.575	39001-102200		78,304
Violence Against Women	16.588	N/A		45,686
Total Department of Justice				143,460
<u>Department of Transportation</u>				
<u>Pass-Through Payments</u>				
<u>Department of Motor Vehicles</u>				
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	60507-53000		1,109
Total Department of Transportation				1,109
<u>Department of Treasury</u>				
<u>Pass-Through Payments</u>				
<u>Department of Education</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds				
ARPA Virginia Tourism	21.027	10110-729431		34,516
Total Department of Treasury				34,516
<u>Department of Education</u>				
<u>Pass-Through Payments</u>				
<u>Department of Education</u>				
Title I Grants to Local Educational Agencies	84.010	S010A220046 S010A210046		1,057,286
Title I Part E, Comprehensive Literacy State Development	84.371C	S371C240031		72,204
Career and Technical Education - Basic Grants to States	84.048	V048A220046 V048A230046		87,288
English Language Acquisition State Grants	84.365	S365A220046		13,054
Supporting Effective Instruction State Grants	84.367	S367A210044		118,326
Student Support and Academic Enrichment Program	84.424	S424A210048		49,063
COVID-19 - American Rescue Plan Elementary and Secondary				
School Emergency Relief (ARP ESSER) Fund	84.425U	S425U210008		1,556,182
SLFRF School Security Grant (ARP)	21.027	SLFRP1026		74,720

County of Caroline, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor Program Title or Cluster Title	Federal Assistance Listing Number	Entity Identifying Pass-Through Number	Cluster Amounts	Federal Expenditures
<u>Special Education Cluster (IDEA)</u>				
Special Education - Preschool Grants	84.173	H173X210112	21,358	
Special Education - Grants to States	84.027	H027A200107		
		H027A210107	<u>1,002,043</u>	
Total Special Education Cluster (IDEA)				1,023,401
<u>Passed through College of William and Mary:</u>				
Education for Homeless Children and Youth	84.196	N/A		19,983
Total Department of Education				<u>4,071,507</u>
<u>Department of Health and Human Services</u>				
<u>Direct Payments</u>				
Head Start Cluster				
Head Start	93.600	N/A	<u>1,296,179</u>	
Total Administration for Children and Family				<u>1,296,179</u>
<u>Pass-Through Payments</u>				
<u>Department of Social Services</u>				
Guardianship Assistance	93.090	Not available		375
Title IV-E Prevention Program	93.472	Not available		8,745
MaryLee Allen Promoting Safe and Stable Families Program	93.556	950119/950120		31,609
Temporary Assistance for Needy Families Program	93.558	400120/400121		243,354
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	500120/500121		450
Low-Income Home Energy Assistance	93.568	600420/600421		57,748
CCDF Cluster - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	760120/760121	<u>46,703</u>	46,703
Chafee Education and Training Vouchers Program	93.599	Not available		10,190
Adoption and Legal Guardianship Incentive Payments	93.603	1130118		4,504
Stephanie Tubbs Jones Child Welfare Services Program	93.645	11001120/1100121		816
Foster Care - Title IV-E	93.658	1110121		186,708
Adoption Assistance	93.659	1120120/1120121		273,662
Social Services Block Grant	93.667	1000120/1000121		207,436
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150119/9150120		6,331
Elder Abuse Prevention Interventions Program	93.747	Not available		3,613
Children's Health Insurance Program	93.767	540120/540121		5,376
Medicaid Cluster - Medical Assistance Program	93.778	1200120/1200121	<u>431,286</u>	431,286
Total Department of Health and Human Services				<u>2,815,085</u>
<u>Department of Homeland Security</u>				
<u>Pass-Through Payments</u>				
<u>Department of Emergency Management</u>				
Emergency Management Performance Grants	97.042	77501-114363		24,240
Department of Homeland Security				<u>24,240</u>
<u>Department of Defense</u>				
<u>Direct Payments:</u>				
Army ROTC				<u>67,552</u>
Department of Defense				<u>67,552</u>
Total Expenditures of Federal Awards				<u><u>\$ 10,993,728</u></u>

County of Caroline, Virginia

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2025

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

The information presented in this Schedule is presented in accordance with the Requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the County's ACFR.

Note 2 – Non-Cash Assistance

The County of Caroline participated in the National School Lunch Program, Assistance Listing Number 10.555, which provides non-cash benefits. The accompanying Schedule of Expenditures of Federal Awards includes commodity distributions of \$304,626 from the National School Lunch Program.

Note 3 – DeMinimis Indirect Cost Rate

The entity did not elect to use the 10% de minimis indirect cost rate.

Note 4 – Outstanding Loan Balances

At June 30, 2025, the County had no outstanding loan balances requiring continuing disclosure.

County of Caroline, Virginia

Summary of Compliance Matters

June 30, 2025

As more fully described in the Independent Auditor's 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, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia:

- Budget and Appropriation Laws
- Cash and Investment Laws
- Comprehensive Services Act
- Conflict of Interest Act
- Local Retirement Systems
- Debt Provisions
- Procurement Laws
- Sheriff Internal Controls
- Uniform Disposition of Unclaimed Property Act

State Agency Requirements:

- Education
- Social Services
- Fire Programs Aid to Localities
- Opioid Abatement Program

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

County of Caroline, Virginia
Schedule of Findings and Questioned Costs
June 30, 2025

A – Summary of Auditor’s Results

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies and no material weaknesses** relating to the audit of the financial statements were reported in the Independent Auditor’s 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding relating to major programs**.
7. The programs tested as major were:

Name of Program	Assistance Listing Number
COVID-19 – American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U
Special Education Cluster: Grants to States	84.027
Special Education Cluster: Preschool Grants	84.173

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The County was determined to be a **low-risk auditee**.

B – Findings – Financial Statement Audit

No findings in current year.

C – Findings – Commonwealth of Virginia

2025-001: Budget Appropriation

Condition Expenditures exceeded budget appropriations for certain departments in the following funds: General, Debt Service, County Capital Projects, Virginia Public Assistance, Cares Act, Courthouse Maintenance, Housing, and Hanover Soil and Water.

Criteria The County is required to keep expenditures within budgeted amounts.

Cause Budgets were overspent due to timing differences, as well as year-end accruals related to the audit.

Effect Actual expenditures exceeded amounts approved by the Board of Supervisors.

Recommendation Steps be taken to ensure that excess expenditures over budgeted appropriations be approved by the Board of Supervisors and budget amended accordingly.

Management’s Response The County Finance Department will work closer with departments to avoid future budget (Unaudited) variances.

County of Caroline, Virginia
Schedule of Findings and Questioned Costs
June 30, 2025

D – Findings and Questioned Costs – Major Federal Award Programs Audit

2025-002: Procurement Policies and Procedures – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – AL# 21.027

Condition The County adheres to and follows Virginia Public Procurement Act “VPPA” for procurement; however, under the requirements of Uniform Guidance, the County did not have complete, written procurement policies that were in compliance with the additional standards required by the Uniform Guidance (2 CFR Part 200) for most of the year ended June 30, 2025.

Criteria Under the requirements in the Uniform Guidance, all entities are required to have written procurement policies that conform to applicable Federal laws and regulations and standards. The complete procurement standards are located at 2 CFR Part 200, Sections 317 through 326.

Cause The County does not have its own written procurement policies that conform to applicable Federal laws and regulations and standards.

Effect The lack of the County’s own written policies under the specific requirements of Uniform Guidance could result in potential improper procurement using Federal funds.

Questioned Cost Not applicable.

Perspective Information Not applicable.

Repeat Finding Yes, finding 2024-003. However, the County adopted a policy in June 2025 in compliance with Uniform Guidance (2 CFR Part 200). While the County has adopted a policy, it is still considered necessary to include in the Schedule of Findings and Questioned Costs for current year as the condition was present for the majority of the year.

Recommendation Management should update existing written procurement procedures to align with Uniform Guidance requirements for all purchases to be made with Federal funds.

View of Responsible Officials and Planned Corrective Management concurs and has adopted a formal policy meeting Uniform Guidance Requirements.

Action

County of Caroline, Virginia
Summary Schedule of Prior Audit Findings
June 30, 2025

A – Findings – Financial Statement Audit

2024-001: Board Meeting Minutes (Significant Deficiency)

Condition Minutes from the County’s Board of Supervisors meetings have not been recorded since January 2024.

Criteria The County is required to keep minutes of Board of Supervisors meetings.

Current Status Condition is no longer present.

B – Findings – Commonwealth of Virginia

2024-002: Budget Appropriation

Condition Expenditures exceeded budget appropriations for certain departments in the following funds: General, Debt Service, CARES Act, Law Library, Fire/Rescue Grant, and Hanover Soil and Water.

Criteria The County is required to keep expenditures within budgeted amounts.

Current Status Similar instances were noted in the current year.

C – Findings and Questioned Costs – Major Federal Award Programs Audit

2024-003: Procurement Policies and Procedures – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – AL# 21.027

Condition The County adheres to and follows Virginia Public Procurement Act “VPPA” for procurement, however, under the requirements of Uniform Guidance, the County does not have complete, written procurement policies that are in compliance with the additional standards required by the Uniform Guidance (2 CFR Part 200).

Criteria Under the requirements in the Uniform Guidance, all entities are required to have written procurement policies that conform to applicable Federal laws and regulations and standards. The complete procurement standards are located at 2 CFR Part 200, Sections 317 through 326.

Current Status Condition still present. However, the County adopted a policy in June 2025 in compliance with Uniform Guidance (2 CFR Part 200). While the County has adopted a policy, it is still considered necessary to include in the Schedule of Findings and Questioned Costs for current year as the condition was present for the majority of the year.