

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT



Fiscal Year Ended

June 30, 2016

COUNTY OF CAROLINE, VIRGINIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2016

COUNTY OF CAROLINE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

Caroline County, Virginia

Board of Supervisors

Caroline County, VA



Jeffrey S. Black
Western Caroline District

Clayton T. Forehand
Madison District

Nancy L. Long
Port Royal District

Jeffery M. Sili
Bowling Green District

Floyd W. Thomas
Mattaponi District

Reginald L. Underwood
Reedy Church District

Charles M. Culley, Jr.
County Administrator

November 28, 2016

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

The Comprehensive Annual Financial Report of the County of Caroline, Virginia as of and for the fiscal year ended June 30, 2016 is herewith submitted. Section 15.2-2511 of the Code of Virginia essentially requires all localities to produce an independently audited financial report and this Comprehensive Annual Financial Report is provided to meet that requirement. It has been prepared by the County Department of Finance to conform with standards of financial reporting promulgated by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and the Commonwealth of Virginia Auditor of Public Accounts.

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

It would be irresponsible for any financial statement user to rely on management's representations in the financial statements without some objective review and confirmation. To provide that objective confirmation, Caroline County's financial statements have been audited by PBMares, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance the financial statements

"Committed To Service, Dedicated To The People"

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of the County for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

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

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

Local Economy

Caroline County is located in east central Virginia and encompasses approximately 549 square miles with an estimated July 1, 2016 population of 29,792. The County seat, the Town of Bowling Green, is located approximately 35 miles north of the State capitol of Richmond and approximately 20 miles south of the City of Fredericksburg.

Historically, Caroline County has remained relatively insulated from the dramatic growth seen in the nearby northern Virginia area and remained primarily rural and residential. Its economy has been agriculturally based with a handful of small to medium size industrial businesses and limited commercial development focused along major highway corridors. Fort A. P. Hill, a 77,000 acre undeveloped military training installation, entirely within the County's borders, also dominates the landscape. The County's population density of 54 persons per square mile compared to densities of well over 200 per square mile in counties just to the north and south and the Virginia average of 179 confirm this perspective.

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

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

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

Major Projects/Initiatives

Major renovations for two schools, Caroline High and Madison Elementary, continued in FY2016 with the investment of \$13,468,203 in County funds.

The expenditure of \$899,122 for continued construction of a new emergency radio system countywide to meet federal mandates for narrow banding radio service bringing the total to date to \$6,310,040.

The purchase of an ambulance and down payment of a fire engine to replace aging units at a cost of \$467,280.

Other Information

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

Risk Management: An active risk management program is essential for the County to protect itself from the many risks of loss it faces in providing services to the public. Risks of property damage, general and auto liability, and workers injury compensation are covered through premium contributions to an insurance pool operated by the Virginia Association of Counties (VACORP). The County works extensively with representatives of VACORP to identify loss trends and take corrective action to reduce claims. The County has also strengthened its emergency response planning to protect County resources and the public in the event of natural or man-made disasters.

Pension and Other Employment Benefits: Pension benefits for County employees are provided through participation in the Virginia Retirement System (VRS), a State-wide pension system for government employees. Bi-annually, VRS actuaries prepare contribution calculations for each local government participating in the system. The County fully funds its required contributions.

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

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

Respectfully submitted,



CHARLES M. CUILEY, JR.
County Administrator



FRANCES K. HATCHER
Finance Director

COUNTY OF CAROLINE, VIRGINIA

Directory of Principal Officials
June 30, 2016

Board of Supervisors

Jeffery M. Sili, Chairperson

Clayton T. Forehand
Jeffrey S. Black

Nancy L. Long
Floyd W. Thomas

Reginald L. Underwood

County Administrator

Charles M. Culley, Jr.

School Board

George L. Spaulding, Jr., Chairperson

Dr. JoWanda Rollins-Fells
Nancy G. Carson

Tinka B. Harris
Shawn M. Kelley

John I. Copeland

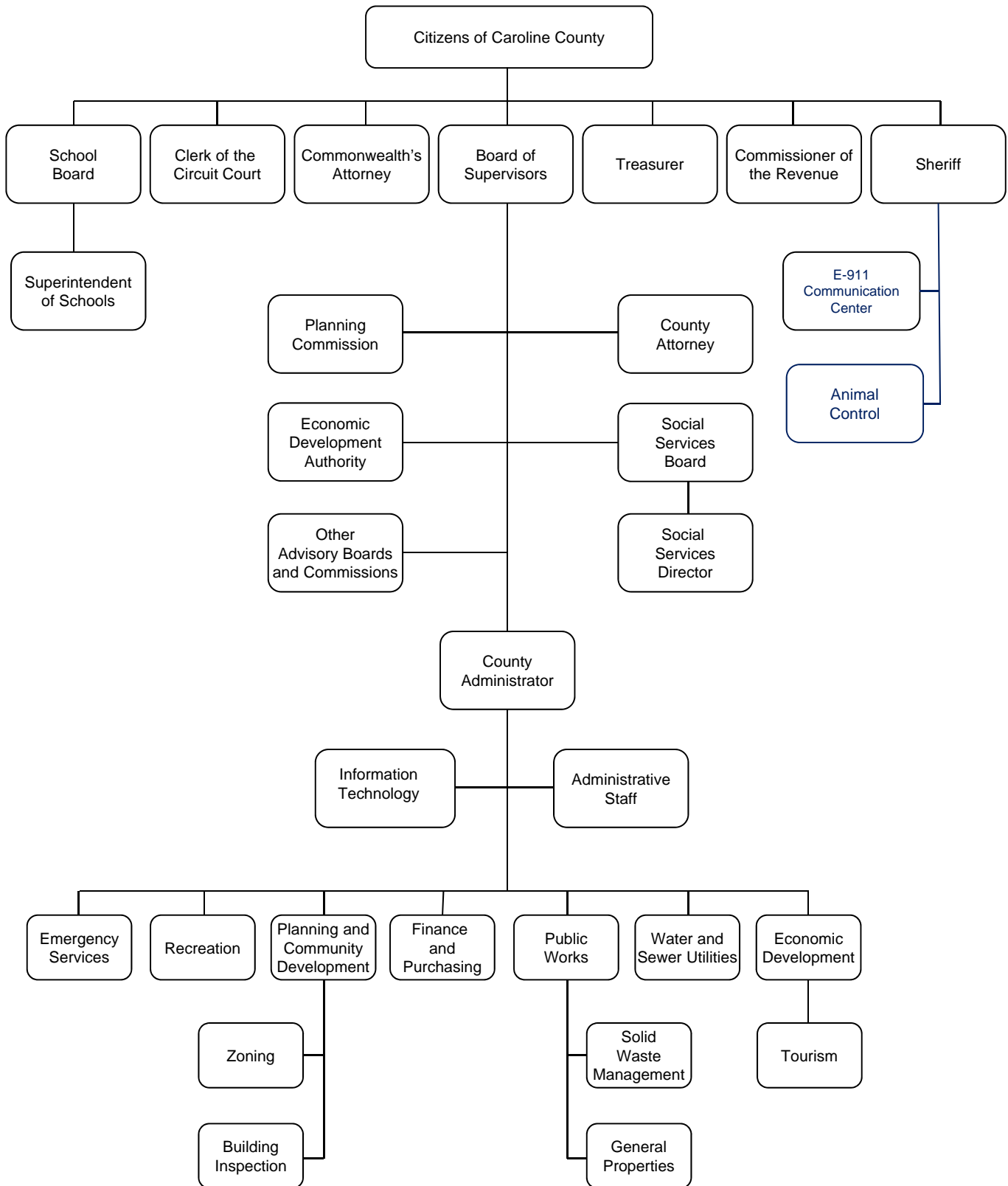
Other Officials

Assistant County Administrator
Judge of the Circuit Court
Clerk of the Circuit Court
Commonwealth's Attorney
Commissioner of the Revenue
Treasurer
Judge of the General District Court
Judge of the Juvenile and Domestic Relations Court
Sheriff
Superintendent of Schools
Director of Social Services
County Attorney
Finance Director
Finance Manager, Schools
Director of Public Utilities/Public Works
Director of Economic Development and Tourism
Fire – EMS Chief
Director of Recreation
Director of Planning and Community Development
Director of Library

Alan L. Partin
Honorable Patricia Kelly
Susan W. Minarchi
John L. Mahoney
Mark R. Bissoon
Elizabeth B. Curran
Honorable John R. Stevens
Honorable Shannon O. Hoehl
Anthony "Tony" Lippa
Dr. George Parker
Wendy Sneed
Benjamin Emerson
Frances Hatcher
J. D. Martin
Joseph C. Schiebel
Gary R. Wilson
Jason Loftus
Donnell Howard
Michael Finchum
Amy E. Lilly

COUNTY OF CAROLINE, VIRGINIA

ORGANIZATION CHART



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison of the County of Caroline, Virginia (County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison of the County, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-11 and 85-91, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, and is not a required part of the basic financials. The accompanying schedules listed in the table of contents as other supplementary information, supplemental schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Caroline, Virginia (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2016 by \$25,854,985 (Total Net Position). The County is reporting a deficit in the net investment in capital assets of \$10,758,038. A deficit in the net investment in capital assets of \$16,413,860 is in Governmental Activities.
- The County's total net position increased by \$5,545,920, or 27.3%, in the fiscal year ended June 30, 2016.
- The County's total outstanding long-term debt reflects a net decrease of \$6,608,726 to \$134,727,906 during the fiscal year ended June 30, 2016. The County issued \$5,328,275 lease revenue and refunding bond in the current year, resulting in \$811,474 of additional debt.

Fund Financial Statements

- Total fund balance of the County's Governmental Funds, reporting on a current financial resources basis, amounted to \$34,883,795 at June 30, 2016. This was a net decrease of \$12,651,427 over the prior year. The General Fund increased 8.6% (\$1,813,120) and the Capital Projects Fund decreased 57.9% (\$14,652,495). The decrease for the Capital Projects Fund is due to the expenditure for the radio system project and renovations of two schools with funds received in the prior fiscal year. The increase in the General Fund is due to the increase in real estate, public service and personal property tax collections. No governmental funds have a negative fund balance.
- During the fiscal year ended June 30, 2016, the unassigned fund balance in the General Fund increased by \$367,451 to \$16,346,543. This fund balance represents 36.2% of total General Fund expenditures and operating transfers, an increase of 0.6% over the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the County's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or declining.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

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

Proprietary Funds

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position is a useful indicator of the County's overall financial condition at the time of measurement. In total, the County's net position for all governmental and business-type activities amounted to \$25,854,985 at June 30, 2016. The following table summarizes the County's Statements of Net Position:

SUMMARY STATEMENTS OF NET POSITION As of June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 64,599,991	\$ 74,681,848	\$ 2,535,360	\$ 2,731,056	\$ 67,135,351	\$ 77,412,904
Capital assets, net	70,244,374	58,573,267	46,878,351	47,775,801	117,122,725	106,349,068
Total assets	134,844,365	133,255,115	49,413,711	50,506,857	184,258,076	183,761,972
Deferred outflows of resources	1,090,307	1,069,309	97,337	95,375	1,187,644	1,164,684
Liabilities:						
Current liabilities	8,830,072	13,048,687	837,469	2,215,974	9,667,541	15,264,661
Long-term liabilities outstanding	93,235,170	91,913,402	41,492,736	41,545,451	134,727,906	133,458,853
Total liabilities	102,065,242	104,962,089	42,330,205	43,761,425	144,395,447	148,723,514
Deferred inflows of resources	15,145,249	15,791,880	50,039	102,197	15,195,288	15,894,077
Net Position:						
Net investment in capital assets	(16,413,860)	(33,804,885)	5,655,822	5,132,270	(10,758,038)	(28,672,615)
Restricted	13,637,372	28,077,009	1,833,241	2,180,302	15,470,613	30,257,311
Unrestricted	21,500,669	19,298,331	(358,259)	(573,962)	21,142,410	18,724,369
Total net position	\$ 18,724,181	\$ 13,570,455	\$ 7,130,804	\$ 6,738,610	\$ 25,854,985	\$ 20,309,065

The County is reporting an increase in the balance of unrestricted net position primarily due to the reduction in debt. A portion of the County's assets, \$15,470,613, are subject to external restrictions on their use. These assets are primarily cash held for the payment of debt service or ongoing construction projects. Restricted cash and investments held for the construction of capital assets are offset by related long-term debt liabilities in calculating the County's net position.

The County's total balance of working capital, current and other assets minus current liabilities, decreased from \$62,148,243 at June 30, 2015 to \$57,467,810 at June 30, 2016. The County's net investment in capital assets increased by \$17,914,577 at June 30, 2016 and its long-term liabilities increased by \$1,269,053 over the same period.

As previously indicated, at June 30, 2016 the County's net position increased by \$5,545,920. Net position of governmental activities increased by \$5,153,726 and those of business-type activities, the County's water and sewer utility operations, increased by \$392,194. The following table summarizes the change in the County's net position as shown in the Statement of Activities:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

SUMMARY STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for Services	\$ 2,416,940	\$ 2,323,562	\$ 2,633,815	\$ 2,920,869	\$ 5,050,755	\$ 5,244,431
Operating Grants and Contributions	5,969,693	5,863,274	350,877	349,083	6,320,570	6,212,357
Capital Grants and Contributions	78,074	607,776	1,326,260	1,170,762	1,404,334	1,778,538
Total Program Revenues	8,464,707	8,794,612	4,310,952	4,440,714	12,775,659	13,235,326
General Revenues:						
General Property Taxes	34,439,462	34,297,569	-	-	34,439,462	34,297,569
Local Sales and Use Taxes	1,990,779	1,779,229	-	-	1,990,779	1,779,229
Consumers Utility Taxes	83,253	90,536	-	-	83,253	90,536
Motor Vehicle Licenses and Registration Fees	1,031,986	1,038,375	-	-	1,031,986	1,038,375
Other Local Taxes	2,926,626	3,066,954	-	-	2,926,626	3,066,954
Intergovernmental Revenues						
Non-categorical Aid	3,808,968	3,706,504	-	-	3,808,968	3,706,504
Use of Money and Property	284,644	255,286	2,244	926	286,888	256,212
Miscellaneous	477,514	304,418	188,018	71,867	665,532	376,285
Transfers	(1,611,181)	(1,145,321)	1,611,181	1,145,321	-	-
Total General Revenues	43,432,051	43,393,550	1,801,443	1,218,114	45,233,494	44,611,664
Expenses:						
General government						
Administration	3,978,965	3,883,714	-	-	3,978,965	3,883,714
Judicial Administration	1,402,447	1,396,050	-	-	1,402,447	1,396,050
Public Safety	12,426,927	11,880,667	-	-	12,426,927	11,880,667
Public Works	3,051,951	2,908,638	-	-	3,051,951	2,908,638
Health and Welfare	5,099,553	4,961,442	-	-	5,099,553	4,961,442
Education	15,040,013	13,388,679	-	-	15,040,013	13,388,679
Parks, Recreation, and Cultural	607,087	834,612	-	-	607,087	834,612
Community Development	1,515,175	1,575,697	-	-	1,515,175	1,575,697
Interest	3,620,914	3,788,183	-	-	3,620,914	3,788,183
Public Utilities	-	-	5,720,201	5,703,220	5,720,201	5,703,220
Total Expenses	46,743,032	44,617,682	5,720,201	5,703,220	52,463,233	50,320,902
Change in Net Position	5,153,726	7,570,480	392,194	(44,392)	5,545,920	7,526,088
Net Position, beginning	13,570,455	5,999,975	6,738,610	6,783,002	20,309,065	12,782,977
Net Position, ending	\$ 18,724,181	\$ 13,570,455	\$ 7,130,804	\$ 6,738,610	\$ 25,854,985	\$ 20,309,065

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Expenditures in the County's governmental activities increased 4.8% over the prior year with expenditures decreasing in most functions except general government administration, community development, education, and interest and other fiscal charges. Education again consumed the largest share of the total expenditures of the primary government during the fiscal year ended June 30, 2016 at 43.6% of the total. Public safety spending represents 13.2% of the total. Program revenues, which include fees, charges and special purpose grants and contributions, funded 24.4% of total functional expenditures in fiscal year 2016, a slightly decreased level as compared to fiscal year 2015. General property tax revenues rose 0.4% over the prior year and total general revenues for the County's governmental activities increased less than 1.0%. In the County's business-type activities, expenditures increased 0.3% and program revenues increased 2.9% from the prior year. The County's water and sewer utility operations realized a small gain in fiscal year 2016 and is continuing to prepare for a period of moderate growth sometime in the future. It should again be noted that these expenses are on a full accrual basis and, therefore, include depreciation expense on capital assets.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds

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

In total, governmental funds reported fund balances of \$34,883,795 at June 30, 2016, \$13,637,372 of that balance is reserved by external restrictions, \$5,039,040 is committed or assigned, and the remaining \$16,207,383 is unassigned. Fund balances in the governmental funds decreased \$12,651,427 during the fiscal year ended June 30, 2016. Fund balance in the General Fund increased by \$1,813,120. Continued expenditures for the new emergency radio system and major renovations for two schools resulted in a decrease of \$14,652,495 in the fund balance of the Capital Projects Fund.

In the General Fund, fund balance increased to \$22,967,066, a 8.6% increase over the prior year. General property taxes remain the primary revenue source in the General Fund contributing 73.6% of the total revenues during fiscal year 2016, slightly less than in the prior year. Intergovernmental revenue from the Commonwealth of Virginia decreased slightly to 11.6%, and the share added by other local taxes remained the same at 9.0% compared to the past three years. Education consumed the bulk of the General Fund's expenditures (35.7%). Public Safety (34.4%) and Public Works (8.9%) also accounted for substantial shares of the expenditures in the General Fund.

Proprietary Funds

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

The largest of the County's enterprise operations, the Caroline County Utility Fund had a net position of \$4,111,262 at June 30, 2016, an increase over the previous year. The County has made significant investments in the utility system over the last ten plus years that have not yet been fully recovered through revenues in the fund. The County's main utility fund reported a net operating loss for the fiscal year ended June 30, 2016 of \$790,068, a 92% decrease from last fiscal year due to the increase in expenses. The Dawn Wastewater System reported a net operating loss of \$140,356, a 15.1% decrease from last fiscal year. Fiscal year 2016 was the eighth full year of operation for the Dawn system and the seventh full year of depreciation of \$141,513.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted budget of the General Fund was increased by 3.2% or \$1,495,333. Following is a partial summary of these increases/reductions by function:

- \$244,126 for General Government Administration
- \$4,700 for Judicial Administration
- \$314,879 for Public Safety
- \$248,731 for Public Works
- \$18,000 for Parks, Recreation and Cultural
- \$53,400 for Community Development
- \$611,497 for Transfers to Other Funds

Actual revenue collections were \$1,683,677 greater than the final budget estimates. Revenue from fines and forfeitures, charges for services, and recovered costs were below revenue projections. Increased collection efforts contributed to the increase in general property taxes.

Actual expenditures totaled \$2,494,257 less than the amended budget appropriations, a variance of 6.8%. Transfers out to other funds were \$639,282 under budget, a variance of 5.5%. Actual expenditures fell under amended appropriations in all functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's total net investment in capital assets for governmental and business-type activities amounted to \$117,122,725 as of June 30, 2016. This net investment in capital assets includes land, buildings, property improvements, machinery and equipment, vehicles, and utility improvements. It should be noted that this net investment value is based on historical cost and is not reflective of the current market value of these assets.

Major capital improvement projects for the year included:

- \$796,495 for emergency services equipment.
- \$13,883,985 to continue renovations to Caroline High and Madison Elementary Schools.
- \$899,122 for continued construction of a new emergency radio system.
- \$93,844 for courthouse security upgrades.
- \$305,216 for fire station renovations.

Long-Term Debt

At June 30, 2016, the County's total long-term debt amounted to \$134,727,906. This total is comprised of:

- \$29,539,710 in lease revenue bonds issued through the County's Economic Development Authority for a variety of general government, school and business-type activity improvements and equipment acquisitions.
- \$39,514,984 in utility system revenue bonds for the improvement and expansion of the County's utility enterprise operations and landfill closure.
- \$50,385,815 in general obligation bonds issued for the construction and improvement of County public schools and utility projects.
- \$6,683,718 in capital lease obligations for general government radio and motor vehicle equipment.
- \$3,136,470 as the County's liability for closure and post-closure care of the former County Sanitary Landfill.
- \$773,760 in accrued liabilities for leave benefits earned by County employees; \$653,697 in accrued liabilities for leave benefits for school employees.
- \$404,372 for OPEB liabilities for retired County employees; \$2,336,006 for retired school employees.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-Term Debt (continued)

Payments made to retire County long-term debt totaled \$12,266,667 during the fiscal year ended June 30, 2016. New debt was incurred during the year in the amount of \$811,474 for public safety equipment and old debt was refunded in the amount of \$4,516,801

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES

- The population of the County, based on the 2010 census, has grown 5.4% since the April 2010 census to an estimated 29,792.
- The County completed a real property reassessment effective January 2016 to be sure its values for tax purposes are in line with market values. Growth had pushed assessed values up for the January 2008 reassessment to almost \$3 billion, but the housing market crash had dropped values for 2011 by an estimated 18%. Growth in the County continues to be low.
- The unemployment rate for the County decreased from 5.5% to 4.2% and revenues began to increase.
- The burst of population growth the County had experienced several years ago has slowed dramatically as the nation-wide turnaround in real estate markets and recession has had an impact. After issuing a total of 318 residential building permits in the fiscal year ended June 30, 2007, the County building inspection division issued 123 in the fiscal year ended June 30, 2016 which is an increase of 45 permits over the fiscal year ended June 30, 2015. Commercial development has declined from 25 new commercial structures in fiscal year 2007 to 2 in fiscal year 2016, a decrease of 2 over the prior year.
- The County issued new debt in the amount of \$811,474 for public safety equipment, and refinanced old debt in the amount of \$4,516,801 for the fiscal year ended June 30, 2016.

These and many other factors were considered in preparing the County's budget for fiscal year 2017. The fiscal year 2017 General Fund budget (excluding capital investments) increased by 2.2%. Fiscal year 2017 budget includes a 5.7% increase in funding for schools and a decrease of \$782,873 in debt service payments; four new full time positions, one part time position and a 2.0% salary increase for County employees. The FY 2017 General Fund budget also includes increased funding for mandated services for the Children's Services Act for At-Risk Youth and Families and increased transfers to Caroline Utility Fund. Capital investments reflect several small projects and the lease purchase of sheriff's vehicles and a fire truck in the amount of \$1,319,450. The adopted real estate rate for calendar year 2017 remained the same at \$0.83 per hundred dollars of assessed value. Personal property tax rates remained at \$3.80.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

COUNTY OF CAROLINE, VIRGINIA

Exhibit 1

STATEMENT OF NET POSITION
June 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	EDA
ASSETS					
Cash, cash equivalents and temporary cash investments	\$ 23,029,371	\$ -	\$ 23,029,371	\$ 773,624	\$ 82,747
Receivables, net:					
Property taxes	21,030,725	-	21,030,725	-	-
Other accounts	1,216,032	607,976	1,824,008	1,541,009	-
Due from other governments	2,743,980	94,143	2,838,123	2,913,060	-
Restricted cash and temporary cash investments	16,579,883	1,833,241	18,413,124	-	-
Capital assets, net of accumulated depreciation and amortization:					
Land	1,242,883	711,986	1,954,869	849,553	-
Buildings	62,825,190	1,167,992	63,993,182	17,173,478	-
Improvements other than buildings	5,746,503	56,263,628	62,010,131	115,817	-
Equipment	16,084,762	1,408,219	17,492,981	7,878,828	-
Intangibles	269,724	-	269,724	-	-
Construction in progress	15,431,542	24,212	15,455,754	-	-
Less: accumulated depreciation and amortization	(31,356,230)	(12,697,686)	(44,053,916)	(17,869,708)	-
Total assets	134,844,365	49,413,711	184,258,076	13,375,661	82,747
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	87,300	33,060	120,360	-	-
Pension plan	1,003,007	64,277	1,067,284	3,244,046	-
Total deferred outflows of resources	1,090,307	97,337	1,187,644	3,244,046	-

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	EDA
LIABILITIES					
Accounts payable	\$ 4,929,283	\$ 159,950	\$ 5,089,233	\$ 659,634	\$ -
Accrued payroll	574,191	33,769	607,960	1,960,732	-
Other accrued liabilities	138,027	424	138,451	-	-
Insurance and benefit claims	202,449	-	202,449	-	-
Accrued interest	1,161,737	512,861	1,674,598	46,139	-
Customer deposits	-	130,465	130,465	-	-
Unearned revenue	784,644	-	784,644	-	-
Due to other governments	1,039,741	-	1,039,741	-	-
Noncurrent liabilities:					
Due within one year:					
Bonds payable	10,613,164	1,364,823	11,977,987	-	-
Capital leases	567,026	-	567,026	94,643	-
Compensated absences	70,919	6,457	77,376	65,370	-
Due in more than one year:					
Bonds payable, net	70,056,206	39,890,766	109,946,972	-	-
Capital leases	5,509,138	-	5,509,138	512,911	-
Landfill obligation	3,136,470	-	3,136,470	-	-
Compensated absences	638,273	58,111	696,384	588,327	-
Other postemployment benefits	376,524	27,848	404,372	2,336,006	-
Net pension liability	2,267,450	144,731	2,412,181	32,051,233	-
Total liabilities	102,065,242	42,330,205	144,395,447	38,314,995	-
DEFERRED INFLOWS OF RESOURCES					
Property taxes	14,361,308	-	14,361,308	-	-
Pension plan	783,941	50,039	833,980	3,285,620	-
Total deferred inflows of resources	15,145,249	50,039	15,195,288	3,285,620	-

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	EDA
NET POSITION					
Net investment in capital assets	\$ (16,413,860)	\$ 5,655,822	\$ (10,758,038)	\$ 7,540,414	\$ -
Restricted:					
Capital projects	10,635,591	1,833,241	12,468,832	-	-
Debt service	1,847,361	-	1,847,361	-	-
Social services	32,803	-	32,803	-	-
Law enforcement	1,000	-	1,000	-	-
Public safety grants	137,499	-	137,499	-	-
Fire/rescue	2,000	-	2,000	-	-
Fire/rescue grants	254,987	-	254,987	-	-
Housing	27,426	-	27,426	-	-
Courthouse maintenance	53,017	-	53,017	-	-
Tourism	48,963	-	48,963	-	-
Ladysmith Commons road improvements	37,499	-	37,499	-	-
Ladysmith library	224,698	-	224,698	-	-
Ladysmith recreation	148,946	-	148,946	-	-
Law library	514	-	514	-	-
YMCA construction	1,500	-	1,500	-	-
Dawn library	5,412	-	5,412	-	-
Children's services	178,156	-	178,156	-	-
Unrestricted (deficit)	21,500,669	(358,259)	21,142,410	(32,521,322)	82,747
Total net position	\$ 18,724,181	\$ 7,130,804	\$ 25,854,985	\$ (24,980,908)	\$ 82,747

COUNTY OF CAROLINE, VIRGINIA

Exhibit 2

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

						Net (Expense) Revenue and Changes in Net Position				
Program Revenues						Primary Government			Component Units	
						Governmental	Business-type	Totals	School	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Activities	Activities		Board	EDA
Primary Government:										
Governmental activities:										
General government administration	\$ 3,978,965	\$ 1,777	\$ 281,187	\$ -		\$ (3,696,001)	\$ -	\$ (3,696,001)	\$ -	\$ -
Judicial administration	1,402,447	55,625	703,943	-		(642,879)	-	(642,879)	-	-
Public safety	12,426,927	1,963,237	1,546,873	78,074		(8,838,743)	-	(8,838,743)	-	-
Public works	3,051,951	29,119	4,350	-		(3,018,482)	-	(3,018,482)	-	-
Health and welfare	5,099,553	-	3,433,340	-		(1,666,213)	-	(1,666,213)	-	-
Education	15,040,013	-	-	-		(15,040,013)	-	(15,040,013)	-	-
Parks, recreation and cultural	607,087	81,949	-	-		(525,138)	-	(525,138)	-	-
Community development	1,515,175	285,233	-	-		(1,229,942)	-	(1,229,942)	-	-
Interest	3,620,914	-	-	-		(3,620,914)	-	(3,620,914)	-	-
Total governmental activities	46,743,032	2,416,940	5,969,693	78,074		(38,278,325)	-	(38,278,325)	-	-
Business-type activities:										
Public utilities	5,720,201	2,633,815	350,877	1,326,260		-	(1,409,249)	(1,409,249)	-	-
Total business-type activities	5,720,201	2,633,815	350,877	1,326,260		-	(1,409,249)	(1,409,249)	-	-
Total primary government	\$ 52,463,233	\$ 5,050,755	\$ 6,320,570	\$ 1,404,334		(38,278,325)	(1,409,249)	(39,687,574)	-	-
Component Units:										
Caroline County School Board	\$ 41,126,016	\$ 706,381	\$ 28,495,886	\$ -		-	-	-	(11,923,749)	-
Economic Development Authority	656,012	299	3,507	650,000		-	-	-	-	(2,206)
Total component units	\$ 41,782,028	\$ 706,680	\$ 28,499,393	\$ 650,000		-	-	-	(11,923,749)	(2,206)

General Revenues:					
Taxes:					
General property taxes	34,439,462	-	34,439,462	-	-
Other local taxes:					
Local sales and use	1,990,779	-	1,990,779	-	-
Consumer utility	83,253	-	83,253	-	-
Motor vehicle licenses and registration fees	1,031,986	-	1,031,986	-	-
Other	2,926,626	-	2,926,626	-	-
Grants and contributions not restricted to specific programs	-	-	-	12,211,095	-
Intergovernmental, non-categorical aid	3,808,968	-	3,808,968	-	-
Use of money and property	284,644	2,244	286,888	46,811	157
Miscellaneous	477,514	188,018	665,532	2,528,939	-
Capital contributions	-	-	-	23,011	-
Transfers	(1,611,181)	1,611,181	-	-	-
Total general revenues	43,432,051	1,801,443	45,233,494	14,809,856	157
Change in net position	5,153,726	392,194	5,545,920	2,886,107	(2,049)
Net position, beginning	13,570,455	6,738,610	20,309,065	(27,867,015)	84,796
Net position, ending	<u>\$ 18,724,181</u>	<u>\$ 7,130,804</u>	<u>\$ 25,854,985</u>	<u>\$ (24,980,908)</u>	<u>\$ 82,747</u>

COUNTY OF CAROLINE, VIRGINIA

Exhibit 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General	Debt Service	County Capital Projects	Proffers	Virginia Public Assistance	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash, cash equivalents and temporary cash investments	\$ 20,992,897	\$ -	\$ -	\$ 281,895	\$ -	\$ 520,814	\$ 21,795,606
Receivables, net:							
Property taxes	21,030,725	-	-	-	-	-	21,030,725
Other accounts	814,099	205,209	-	-	-	29,724	1,049,032
Due from other governments	2,236,984	-	-	-	195,995	311,001	2,743,980
Due from other funds	877	-	-	-	-	-	877
Restricted cash and temporary cash investments	1,680,235	-	14,899,648	-	-	-	16,579,883
Total assets	\$ 46,755,817	\$ 205,209	\$ 14,899,648	\$ 281,895	\$ 195,995	\$ 861,539	\$ 63,200,103
LIABILITIES							
Accounts payable	\$ 460,989	\$ -	\$ 4,264,057	\$ -	\$ 49,408	\$ 154,457	\$ 4,928,911
Accrued payroll	526,702	-	-	-	47,489	-	574,191
Other accrued liabilities	126,180	-	-	-	5,626	6,221	138,027
Due to other governments	1,039,741	-	-	-	-	-	1,039,741
Unearned revenue	784,345	-	-	-	-	299	784,644
Total liabilities	2,937,957	-	4,264,057	-	102,523	160,977	7,465,514
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	20,850,794	-	-	-	-	-	20,850,794
Total deferred inflows of resources	20,850,794	-	-	-	-	-	20,850,794
FUND BALANCES							
Restricted for:							
Capital projects	-	-	10,635,591	-	-	-	10,635,591
Debt service	1,847,361	-	-	-	-	-	1,847,361
Social services	-	-	-	-	32,803	-	32,803
Law enforcement	-	-	-	1,000	-	-	1,000
Public safety grants	-	-	-	-	-	137,499	137,499
Fire/rescue	-	-	-	2,000	-	-	2,000
Fire/rescue grants	-	-	-	-	-	254,987	254,987
Housing	-	-	-	-	-	27,426	27,426
Courthouse maintenance	-	-	-	-	-	53,017	53,017
Law library	-	-	-	-	-	514	514
Tourism	-	-	-	-	-	48,963	48,963
Ladysmith Commons road improvements	-	-	-	37,499	-	-	37,499
Ladysmith library	-	-	-	224,698	-	-	224,698
Ladysmith recreation	-	-	-	148,946	-	-	148,946
Dawn library	-	-	-	5,412	-	-	5,412
YMCA construction	-	-	-	1,500	-	-	1,500
Children's services	-	-	-	-	-	178,156	178,156
Committed to:							
Capital projects	175,000	-	-	-	-	-	175,000
Assigned to:							
Operations	1,622,842	-	-	-	-	-	1,622,842
Capital projects	2,975,320	-	-	-	-	-	2,975,320
Debt service	-	205,209	-	-	-	-	205,209
Social services	-	-	-	-	60,669	-	60,669
Unassigned:							
General fund	16,346,543	-	-	-	-	-	16,346,543
Proffers	-	-	-	(139,160)	-	-	(139,160)
Total fund balances	22,967,066	205,209	10,635,591	281,895	93,472	700,562	34,883,795
Total liabilities, deferred inflows of resources and fund balances	\$ 46,755,817	\$ 205,209	\$ 14,899,648	\$ 281,895	\$ 195,995	\$ 861,539	\$ 63,200,103

See Notes to Financial Statements.

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016**

	Governmental Funds
Total fund balances - total governmental funds	\$ 34,883,795
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital assets	\$ 101,119,738
Less accumulated depreciation and amortization	<u>(30,902,851)</u>
Net capital assets	70,216,887
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds until then.	1,003,007
Unearned revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.	6,489,486
Internal service funds are used by management to charge the costs 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.	1,224,554
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds payable, including unamortized premiums	(80,669,370)
Capital leases	(6,076,164)
Landfill obligation	(3,136,470)
Compensated absences	(709,192)
Interest payable	(1,161,737)
Deferred charge on refunding	87,300
Net pension liability	(2,267,450)
Other postemployment benefits	<u>(376,524)</u>
	(94,309,607)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds until then.	<u>(783,941)</u>
Net position of governmental activities	<u>\$ 18,724,181</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Debt Service	County Capital Projects	Proffers	Virginia Public Assistance	Other Governmental Funds	Total Governmental Funds
Revenues:							
General property taxes	\$ 34,510,102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,510,102
Other local taxes	4,227,670	1,660,065	-	-	-	144,909	6,032,644
Permits, privilege fees and regulatory licenses	502,416	-	-	-	-	-	502,416
Fines and forfeitures	484,591	-	-	-	-	-	484,591
Use of money and property	82,892	111,603	72,483	941	-	16,725	284,644
Charges for services	1,038,442	-	-	-	-	90,579	1,129,021
Miscellaneous	322,446	-	-	127,026	2,242	25,800	477,514
Recovered costs	300,912	-	-	-	-	-	300,912
Intergovernmental	5,441,689	682,932	136,182	-	2,219,184	1,376,748	9,856,735
Total revenues	46,911,160	2,454,600	208,665	127,967	2,221,426	1,654,761	53,578,579
Expenditures:							
Current:							
General government administration	3,424,540	-	-	-	-	-	3,424,540
Judicial administration	1,252,987	-	-	-	-	71,367	1,324,354
Public safety	11,784,868	-	-	-	-	173,899	11,958,767
Public works	3,034,572	-	-	-	-	-	3,034,572
Health and welfare	614,140	-	-	-	2,753,700	1,772,187	5,140,027
Education	12,211,095	-	-	-	-	-	12,211,095
Parks, recreation and cultural	677,341	-	-	-	-	-	677,341
Community development	1,236,213	-	-	-	-	160,156	1,396,369
Capital outlay	-	-	16,036,771	-	-	-	16,036,771
Debt service:							
Principal	-	6,479,052	-	-	-	-	6,479,052
Interest and fiscal charges	-	3,798,912	-	-	-	-	3,798,912
Total expenditures	34,235,756	10,277,964	16,036,771	-	2,753,700	2,177,609	65,481,800
Revenues over (under) expenditures	12,675,404	(7,823,364)	(15,828,106)	127,967	(532,274)	(522,848)	(11,903,221)
Other financing sources (uses):							
Lease revenue and refunding bond issuance	-	4,528,275	800,000	-	-	-	5,328,275
Payment to refunded bond escrow agent	-	(4,465,300)	-	-	-	-	(4,465,300)
Transfers in	-	7,755,928	387,349	-	524,832	861,859	9,529,968
Transfers out	(10,862,284)	-	(11,738)	(267,127)	-	-	(11,141,149)
Other financing sources (uses), net	(10,862,284)	7,818,903	1,175,611	(267,127)	524,832	861,859	(748,206)
Net change in fund balances	1,813,120	(4,461)	(14,652,495)	(139,160)	(7,442)	339,011	(12,651,427)
Fund balance, beginning	21,153,946	209,670	25,288,086	421,055	100,914	361,551	47,535,222
Fund balance, ending	\$ 22,967,066	\$ 205,209	\$ 10,635,591	\$ 281,895	\$ 93,472	\$ 700,562	\$ 34,883,795

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	(12,651,427)
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		
Expenditures for capital assets	\$	16,340,559
Less depreciation and amortization expense		(3,209,392)
Excess of capital outlays over depreciation and amortization expense		13,131,167
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.		(1,446,316)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue		(70,640)
Deferred outflows of resources - pension contributions		1,003,007
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt issued or incurred:		
Lease revenue and refunding bond issuance		(5,328,275)
Payment to refunded bond escrow agent		4,465,300
Principal repayments:		
Bonds and notes payable		5,797,295
Capital leases		681,757
Landfill obligation		(19,057)
		5,597,020
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest		74,157
Compensated absences		(4,947)
Other postemployment benefits		(66,939)
Pension expense		(519,270)
Deferred charge on refunding		(4,850)
Amortization of premium		108,691
		(413,158)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.		
Total revenues		2,404,219
Total expenses		(2,400,146)
		4,073
Change in net position of governmental activities	\$	5,153,726

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
General property taxes	\$ 33,063,277	\$ 33,202,331	\$ 34,510,102	\$ 1,307,771
Other local taxes	4,208,259	4,208,259	4,227,670	19,411
Permits, privilege fees and regulatory licenses	366,434	366,434	502,416	135,982
Fines and forfeitures	560,700	560,700	484,591	(76,109)
Use of money and property	43,291	43,291	82,892	39,601
Charges for services	1,050,564	1,050,564	1,038,442	(12,122)
Miscellaneous	90,100	90,100	322,446	232,346
Recovered costs	322,308	322,308	300,912	(21,396)
Intergovernmental	5,379,062	5,383,496	5,441,689	58,193
Total revenues	45,083,995	45,227,483	46,911,160	1,683,677
Expenditures:				
Current:				
General government administration	3,398,637	3,642,763	3,424,540	(218,223)
Judicial administration	1,366,547	1,371,247	1,252,987	(118,260)
Public safety	12,347,196	12,662,075	11,784,868	(877,207)
Public works	3,085,346	3,334,077	3,034,572	(299,505)
Health and welfare	633,640	633,640	614,140	(19,500)
Education	12,639,981	12,921,829	12,211,095	(710,734)
Parks, recreation and cultural	745,422	763,422	677,341	(86,081)
Community development	1,347,560	1,400,960	1,236,213	(164,747)
Total expenditures	35,564,329	36,730,013	34,235,756	(2,494,257)
Revenues over expenditures	9,519,666	8,497,470	12,675,404	4,177,934
Other financing uses:				
Transfers out	(11,171,917)	(11,501,566)	(10,862,284)	639,282
Other financing uses	(11,171,917)	(11,501,566)	(10,862,284)	639,282
Net change in fund balance	(1,652,251)	(3,004,096)	1,813,120	4,817,216
Fund balance, beginning	1,652,251	3,004,096	21,153,946	18,149,850
Fund balance, ending	\$ -	\$ -	\$ 22,967,066	\$ 22,967,066

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - VIRGINIA PUBLIC ASSISTANCE FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Revenues:				
Miscellaneous	\$ 3,000	\$ 3,000	\$ 2,242	\$ (758)
Intergovernmental	1,955,321	2,092,651	2,219,184	126,533
Total revenues	1,958,321	2,095,651	2,221,426	125,775
Expenditures:				
Current:				
Health and welfare	2,632,147	2,769,477	2,753,700	(15,777)
Total expenditures	2,632,147	2,769,477	2,753,700	(15,777)
Revenues under expenditures	(673,826)	(673,826)	(532,274)	141,552
Other financing sources:				
Transfers in	673,826	673,826	524,832	(148,994)
Net change in fund balance	-	-	(7,442)	(7,442)
Fund balance, beginning	-	-	100,914	100,914
Fund balance, ending	\$ -	\$ -	\$ 93,472	\$ 93,472

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PROFFERS FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
Use of money and property	\$ 750	\$ 950	\$ 941	\$ (9)
Miscellaneous	55,000	127,100	127,026	(74)
Total revenues	55,750	128,050	127,967	(83)
Other financing uses:				
Transfers out	(55,750)	(267,127)	(267,127)	-
Other financing uses	(55,750)	(267,127)	(267,127)	-
Net change in fund balance	-	(139,077)	(139,160)	(83)
Fund balance, beginning	-	139,077	421,055	281,978
Fund balance, ending	\$ -	\$ -	\$ 281,895	\$ 281,895

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**
June 30, 2016

	Business-type Activities - Enterprise Funds			Governmental
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	Activities - Internal Service Funds
ASSETS				
Current Assets:				
Cash, cash equivalents and temporary cash investments	\$ -	\$ -	\$ -	\$ 1,233,765
Other accounts receivable, net	600,336	7,640	607,976	167,000
Due from other governments	94,143	-	94,143	-
Total current assets	694,479	7,640	702,119	1,400,765
Noncurrent Assets:				
Restricted cash and temporary cash investments	1,833,241	-	1,833,241	-
Capital assets:				
Land	561,986	150,000	711,986	-
Buildings	1,167,992	-	1,167,992	412,315
Improvements other than buildings	50,603,129	5,660,499	56,263,628	68,551
Equipment	1,408,219	-	1,408,219	-
Construction in progress	24,212	-	24,212	-
Less accumulated depreciation and amortization	(11,770,025)	(927,661)	(12,697,686)	(453,379)
Total capital assets (net of accumulated depreciation and amortization)	41,995,513	4,882,838	46,878,351	27,487
Total noncurrent assets	43,828,754	4,882,838	48,711,592	27,487
Total assets	44,523,233	4,890,478	49,413,711	1,428,252
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan	64,277	-	64,277	-
Deferred charges on refunding	33,060	-	33,060	-
Total deferred outflows of resources	97,337	-	97,337	-
LIABILITIES				
Current Liabilities:				
Accounts payable	159,103	847	159,950	372
Due to other funds	-	-	-	877
Compensated absences	6,457	-	6,457	-
Accrued payroll	33,769	-	33,769	-
Other accrued liabilities	-	424	424	-
Insurance and benefit claims	-	-	-	202,449
Accrued interest	512,861	-	512,861	-
Customer deposits	127,218	3,247	130,465	-
Bonds payable	1,195,149	169,674	1,364,823	-
Total current liabilities	2,034,557	174,192	2,208,749	203,698
Noncurrent Liabilities:				
Compensated absences	58,111	-	58,111	-
Other postemployment benefits	27,848	-	27,848	-
Bonds payable, net	38,194,022	1,696,744	39,890,766	-
Net pension liability	144,731	-	144,731	-
Total noncurrent liabilities	38,424,712	1,696,744	40,121,456	-
Total liabilities	40,459,269	1,870,936	42,330,205	203,698
DEFERRED INFLOWS OF RESOURCES				
Pension Plan	50,039	-	50,039	-
NET POSITION				
Net investment in capital assets	2,639,402	3,016,420	5,655,822	27,487
Restricted	1,833,241	-	1,833,241	-
Unrestricted (deficit)	(361,381)	3,122	(358,259)	1,197,067
Total net position	\$ 4,111,262	\$ 3,019,542	\$ 7,130,804	\$ 1,224,554

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	
Operating revenues:				
Charges for services:				
Water	\$ 853,491	\$ -	\$ 853,491	\$ -
Sewer	1,706,827	73,497	1,780,324	-
Risk management	-	-	-	2,395,534
Other revenue	188,018	-	188,018	8,685
Total operating revenues	2,748,336	73,497	2,821,833	2,404,219
Operating expenses:				
Personnel services	645,020	12,705	657,725	-
Fringe benefits	267,547	3,107	270,654	-
Contractual services	404,586	7,786	412,372	1,807,421
Risk financing and benefit payments	-	-	-	578,945
Other charges	910,611	48,742	959,353	36
Depreciation and amortization	1,310,640	141,513	1,452,153	13,744
Total operating expenses	3,538,404	213,853	3,752,257	2,400,146
Operating income (loss)	(790,068)	(140,356)	(930,424)	4,073
Nonoperating revenues (expenses):				
Connection availability fees	1,319,767	6,493	1,326,260	-
Interest revenue	2,244	-	2,244	-
Federal revenue - BABs subsidy	350,877	-	350,877	-
Interest expense	(1,967,944)	-	(1,967,944)	-
Total nonoperating revenues (expenses), net	(295,056)	6,493	(288,563)	-
Income (loss) before transfers	(1,085,124)	(133,863)	(1,218,987)	4,073
Transfers in	1,450,931	160,250	1,611,181	-
Change in net position	365,807	26,387	392,194	4,073
Net position, beginning	3,745,455	2,993,155	6,738,610	1,220,481
Net position, ending	\$ 4,111,262	\$ 3,019,542	\$ 7,130,804	\$ 1,224,554

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds			Governmental
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	Activity - Internal Service Funds
Cash Flows From Operating Activities:				
Receipts from customers	\$ 2,477,582	\$ 73,774	\$ 2,551,356	\$ 2,387,034
Claims and benefits paid	-	-	-	(523,594)
Payments to suppliers for goods and services	(1,359,528)	(55,056)	(1,414,584)	(1,816,142)
Payments to employees for services	(923,372)	(15,812)	(939,184)	-
Other receipts	-	-	-	8,685
Net cash provided by operating activities	194,682	2,906	197,588	55,983
Cash Flows from Noncapital Financing Activities:				
Transfers from other funds	1,450,931	160,250	1,611,181	-
Net cash provided by noncapital financing activities	1,450,931	160,250	1,611,181	-
Cash Flows From Capital and Related Financing Activities:				
Grant revenue	380,045	-	380,045	-
Connection availability fees	1,319,767	6,493	1,326,260	-
Principal paid on bonds	(1,152,639)	(169,676)	(1,322,315)	-
Interest and other fiscal charges	(2,077,342)	-	(2,077,342)	-
Acquisition and construction of capital assets	(561,636)	-	(561,636)	-
Net cash used in capital and related financing activities	(2,091,805)	(163,183)	(2,254,988)	-
Cash Flows From Investing Activities:				
Interest received on investment securities	2,244	-	2,244	-
Net cash provided by investing activities	2,244	-	2,244	-
Net increase (decrease) in cash and cash equivalents	(443,948)	(27)	(443,975)	55,983
Cash and Cash Equivalents:				
Beginning	2,277,189	27	2,277,216	1,177,782
Ending	\$ 1,833,241	\$ -	\$ 1,833,241	\$ 1,233,765

STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds			Governmental
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	Activity - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (790,068)	\$ (140,356)	\$ (930,424)	\$ 4,073
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,310,640	141,513	1,452,153	13,744
Loss on disposal	6,933	-	6,933	-
Pension expense	(22,883)	-	(22,883)	-
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(277,724)	277	(277,447)	(8,500)
Deferred outflows	(3,339)	-	(3,339)	-
Increase (decrease) in:				
Accounts payable and deposits	(44,294)	(18)	(44,312)	46,666
Accrued liabilities	15,417	1,490	16,907	-
Net cash provided by operating activities	\$ 194,682	\$ 2,906	\$ 197,588	\$ 55,983

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Agency Funds
<hr/>	
ASSETS	
Cash, cash equivalents and temporary cash investments	\$ 368,358
	<hr/>
LIABILITIES	
Amounts held for social services clients	\$ 11,264
Amounts held for consortium	38,704
Refundable escrow deposits payable	318,390
	<hr/>
Total liabilities	\$ 368,358
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COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

The financial statements of the County of Caroline, Virginia (County), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As required by GAAP, these financial statements present the activities of the County and its component units.

In determining how to define the financial reporting entity, management considered all potential component units using the standards prescribed under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and 34*. Component units include any legally separate organizations for which the Board of Supervisors is financially accountable. Financial accountability results where 1) there is fiscal dependence and a financial benefit or burden relationship, 2) there is a voting majority of the organization's governing body appointed by the Board of Supervisors and a financial benefit or burden relationship, or 3) there is a voting majority of the organization's governing body appointed by the Board of Supervisors and the Board of Supervisors has the ability to impose its will on the organization.

Even if financial accountability is not established, a potential component unit may still need to be reported simply because it would be misleading to exclude it.

Blended component units, although legally separate entities, are, in substance, part of the County's operations, and functions as an integral part of the primary government, so data from these units would be combined with data of the County.

A. Reporting Entity

These financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the County. Each discretely presented component unit has a June 30 year end.

The County has no blended component units at June 30, 2016.

Discretely Presented Component Unit. The County's government-wide financial statements include component unit columns that reflect the financial data of the School Board and the Economic Development Authority.

The School Board is responsible for operating the elementary and secondary public schools and is fiscally dependent upon the County. The six members of the School Board are elected by the citizens of the County. The County Board of Supervisors has the ability to approve its budget and any amendments. The primary funding of the School Board is from the General Fund of the County. The School Board does not issue a separate financial report.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

The Economic Development Authority (Authority) of the County is responsible for assisting the County in its economic development functions and in the financing of capital improvements. The Authority was created by the County in 1973 under provisions of the *Code of Virginia* and is governed by a seven member Board of Directors appointed by the County Board of Supervisors. The Authority is fiscally dependent on the County and, therefore, it is included in the County's financial statements using the discrete presentation. The Authority does not issue a separate financial report.

B. Other Related Organizations

The Middle Peninsula Juvenile Detention Commission (Commission) is a political subdivision of the Commonwealth of Virginia and is governed by a separate board. The Commission was created by resolutions adopted in 1993 by its member jurisdictions, which include the Counties of Caroline, Charles City, Essex, Gloucester, Hanover, James City, King George, King and Queen, King William, and York and the Cities of Poquoson and Williamsburg. Each member jurisdiction appoints one member to the Commission. The County does not bear any direct or indirect liabilities for the operation of this organization, and has no equity interest in it.

The Commission was created to enhance the region for protection of the citizens by the construction, equipping, maintenance, and operation of a new juvenile detention facility serving the 12 member jurisdictions. The Commission is fiscally independent of the County because substantially all of its income is generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. During the year, the County payments to the Commission totaled \$302,679. Separate audited financial statements are available from the Commission, c/o the County of James City, P. O. Box 8784, Williamsburg, VA 23187-8784.

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

The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the County is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. The County made per diem contributions totaling \$1,645,479 in fiscal year 2016. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 (government 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 and amortization 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.

Fund Financial Statements – The fund financial statements provide information about the County’s funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

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.

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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 County, these funds are not incorporated into the government-wide statements.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Property taxes, franchise taxes, licenses, 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 60 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.

Licenses, 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 the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, 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 Projects Fund, Proffers Fund, and Virginia Public Assistance Fund as major governmental funds.

General Fund – is the primary operating fund of the County. This fund is used to account for all financial transactions and resources except those required to be accounted for 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.

Debt Service Fund – accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Payment of principal and interest on the County and school system's general long-term debt financing is provided by appropriations from the General Fund.

General Capital Projects Fund – accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays except for those financed by proprietary funds.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

2. Fiduciary Funds – (Trust and Agency Funds) – account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds, utilize the accrual basis of accounting, and are not included in the government-wide financial statements. The County’s Agency Funds include amounts held for others in a fiduciary capacity, which includes social services clients, technology education consortium program, and refundable escrow deposits.
3. Proprietary Funds – account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds and Internal Service Funds.

Enterprise Funds – Enterprise funds distinguish operating revenues and expenses from 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 nonoperating revenues and expenses. The County’s 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.

E. Cash and Cash Equivalents

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Investments

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

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

Cash of individual funds other than the Agency Funds is combined to form a pool of cash and investments. The pool consists primarily of government and corporate obligations, commercial paper and an external local government investment pool. The government and corporate securities are stated at fair value based on quoted market prices and the investment in the local government investment pool (a 2a7-like pool) is reported at the pool's share price. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on average monthly balances.

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 "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 \$1,135,000 at June 30, 2016 and is comprised primarily of property taxes.

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>
Levy	January 1	January 1
Due Date	June 5/December 5 (50% each date)	June 5/December 5 (50% each date)
Lien Date	June 6/December 6	June 6/December 6

The County bills and collects its own property taxes. The County reassesses all existing real property every four to five years and the last reassessment was completed in 2016.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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 are reported in the applicable column 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 and an estimated useful life in excess of two years. The Commonwealth of Virginia, not the County, has primary responsibility to construct and maintain infrastructure, such as streets and bridges, within the County. The County may, at its option, contribute to improvements to the road system. Such expenditures would be expensed during the year incurred. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The County does not have any infrastructure recorded as capital assets since roads, streets, bridges, and similar assets within its boundaries are the property of the Commonwealth of Virginia.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction on governmental activities' capital assets is not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest is amortized using the straight-line method over the useful life of the asset.

Capital assets of the County, as well as the component units, are depreciated or amortized using the straight-line method over the following estimated useful lives.

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

J. Compensated Absences

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences (Continued)

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. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The County has three items that qualify for reporting in this category. One is the deferred charges on refunding reported in the proprietary funds Statement of Net Position, as well as 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 acquisition price. These amounts are deferred and amortized over the life of the refunded or refunding debt. The two additional items are the employer's fiscal year 2016 Virginia Retirement System (VRS) contributions plus the changes in proportion and differences between employer contributions and are reported in the proprietary funds Statement of Net Position, as well as the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has four types of items that qualify for reporting in this category. Accordingly, the item, unavailable revenue, which arises under the modified accrual basis of accounting, is reported only in the governmental funds Balance Sheet. The government funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period the amounts become available. The three additional items, the net difference between projected and actual earnings on the VRS plan investments plus the difference between expected and actual experience plus the changes in proportion and differences between employer contributions and proportionate share of contributions, is reported in the proprietary funds and government-wide Statement of Net Position.

L. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

M. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation or amortization less any outstanding debt and net of deferred inflows and deferred outflows related to the acquisition, construction or improvement of those assets.

N. Fund Equity

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

- Nonspendable fund balance – amounts that 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 constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the General Fund.

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 Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the County Administrator or the County's Finance Director, who has been given the delegated authority to assign amounts by the Board of Supervisors.

O. Use of Estimates

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

P. Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the County of Caroline and its component unit, the Caroline County, School Board, retirement plans, and the additions to/deductions from the County and the Caroline County School Board's retirement plans net fiduciary positions have been determined on the same basis as they were reported by the 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.

Q. Component Unit – School Board Capital Asset and Debt Presentation (Jointly Owned Assets)

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the County who issues the debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

The Virginia General Assembly amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit for the primary government due to financing School Board capital assets with debt.

R. Subsequent Events

The County has evaluated subsequent events through November 28, 2016, the date on which the financial statements were available to be issued.

Note 2. Budgetary Data

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

1. Prior to March 1, 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.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Budgetary Data (Continued)

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 departments; 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 accounting principles generally accepted in the United States of America (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:

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 value of \$1 per share. The maturity of the LGIP is less than one year.

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

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 does not specifically address custodial credit risk.

Credit Risk. The County’s investment policy allows for investments whose ratings are A-1 by Standard & Poor’s or P-1 by Moody’s Investors Services.

The County’s rated debt investments as of June 30, 2016 are presented in the following table using the Standard & Poor’s rating scale.

Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
Local Government Investment Pool	\$ 20,268,743	\$ -
Virginia State Non-Arbitrage Pool	17,395,450	-
U.S. Agency Securities	-	3,241,608

Investment Policy

The investment of County funds shall be within the confines of the *Code of Virginia* and shall have as objectives:

1. To assure safety and repayment of principal.
2. To provide needed liquidity.
3. To accomplish the maximum investment of all funds available.
4. To determine that investments are in compliance with the reporting and disclosure regulations of the Governmental Accounting Standards Board, and that efforts are made to maintain all investments in the highest category.
5. To use the latest and most appropriate cash management techniques to develop and maintain an “Investment Procedure Policy.”

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Deposits

Public funds on deposit are subject to the Act. The statute covers demand and time deposits and certificates of deposit in qualified public depositories which include banks and savings and loan associations, which are federally and state chartered and located within the Commonwealth. Public deposits consist of funds of county, city, town, or other political subdivision, including funds of any commission, institution, committee, board, or officer thereof.

Investments

The County is authorized to invest in the specified types of investments pursuant to Title 2.1, Chapter 18 of the *Code of Virginia* (1950), as amended.

Diversification of Investments

Diversification by Instrument – percent of portfolio not to exceed:

U. S. Treasury Obligations (bills, notes and bonds)	70%
U. S. Government and Agency Securities and instruments of Government Sponsored Corporations	70%
Bankers' Acceptances	40%
Repurchase Agreements	25% (over 30 days) 100% (under 30 days)
Certificates of Deposit – Commercial Banks	100%
Certificates of Deposit	\$100,000 per unit
Commercial Paper	35%
Local Government Investment Pool	100%
State Non-Arbitrage Investment Funds	100% of Arbitrage Funds
Savings Account (Passbook)	100%
Master Note - Industrial Development Funds	\$100,000 Limit
Automated Government Money Trust	50%

Diversification by Financial Institution:

Bankers' Acceptances	No more than 40% of the total portfolio with any one institution
Repurchase Agreements	No more than 25% of the total portfolio with any one institution

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Diversification of Investments (Continued)

Diversification by Financial Institution: (Continued)

Certificates of Deposit – Commercial Banks	Up to 100% of the total portfolio with any one institution
Certificates of Deposit	No more than \$100,000 with any one institution
Commercial Paper	No more than 5% of the total portfolio with any one institution
Automated Government Money Trust	50% of the total portfolio limit

Diversification of funds to be invested in any one issue:

No limit – FDIC, FSLIC, \$100,000 per type per institution, unless fully collateralized according to Virginia Section for Public Deposits Act. Collateralized Certificates of Deposit.

No limit – U.S. Treasuries and Agencies; Automated Government Money Trust.

Maximum 35% of total portfolio for any Bankers' Acceptance and Commercial Paper issue.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2016, 93% of the County's investments were invested in "AAAm" rated Money Market Funds. All credit ratings presented in this paragraph are Standard & Poor's ratings.

Interest Rate Risk: The County's investment policy does not specifically address interest rate risk.

Investment Type	Fair Value	Less Than One Year
U.S. Agency Securities	\$ 3,241,608	\$ 3,241,608
Total	\$ 3,241,608	\$ 3,241,608

Interest Rate Risk (Continued)

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

The County has the following recurring fair value measurements as of June 30, 2016:

- U.S. Agency Securities of \$3,241,608 are valued using quoted market prices (Level 1 inputs).

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments

At June 30, 2016, the County had receivables due from other governments as follows:

	Primary Government	Business-type Activities	School Board
Other Local Governments:			
County of Caroline	\$ -	\$ -	\$ 1,039,741
County of Middlesex	8,557	-	-
County of Hanover	55,301	-	-
Commonwealth of Virginia:			
Local sales tax	349,234	-	-
Communications tax	124,009	-	-
Mobile home titling tax	3,271	-	-
Victim witness grant	32,889	-	-
VPA funds	68,310	-	-
State sales tax	-	-	862,137
Constitutional officer reimbursements	169,150	-	-
Rolling stock tax	73,977	-	-
Children's services	311,001	-	-
Personal property tax relief funds	1,147,226	-	-
Wireless funds	16,137	-	-
Soil conservationist reimbursement	145,771	-	-
Domestic violence grant	7,739	-	-
Recordation tax	29,313	-	-
BABS subsidy	-	94,143	-
Rental - Health Department	5,276	-	-
Other state funds	9,874	-	55,582
Project graduation	-	-	3,627
DMV grant	6,124	-	-
E-rate income	-	-	470,647
Tax on deeds	33,913	-	-
Federal Government:			
School fund grants	-	-	481,326
VPA funds	127,685	-	-
LLEBG	3,417	-	-
V-Stop Victim Witness	13,527	-	-
DEQ funds	-	-	-
Bulletproof vest grant	2,279	-	-
Total due from other governments	\$ 2,743,980	\$ 94,143	\$ 2,913,060

Amounts due to other governments are as follows:

Other Local Governments:			
Caroline County School Board	\$ 1,039,741	\$ -	\$ -

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

Primary Government:

	Beginning Balance	Increases	(Deletions)	Reclassifications/ Transfers	Ending Balance
Governmental activities:					
General government:					
Capital assets, not being depreciated or amortized:					
Land	\$ 1,242,883	\$ -	\$ -	\$ -	\$ 1,242,883
Construction in progress	6,546,701	15,212,048	(1,323,421)	(5,003,786)	15,431,542
Total capital assets, not being depreciated or amortized	7,789,584	15,212,048	(1,323,421)	(5,003,786)	16,674,425
Capital assets, being depreciated or amortized:					
Buildings	62,092,456	55,993	(49,453)	313,879	62,412,875
Improvements other than buildings	5,800,343	35,511	(157,902)	-	5,677,952
Intangibles	242,744	-	-	26,980	269,724
Equipment	11,230,469	1,037,007	(845,641)	4,662,927	16,084,762
Total capital assets being depreciated or amortized	79,366,012	1,128,511	(1,052,996)	5,003,786	84,445,313
Less accumulated depreciation or amortization for:					
Buildings	(16,693,713)	(2,115,274)	35,854	-	(18,773,133)
Improvements other than buildings	(3,050,028)	(249,757)	50,439	-	(3,249,346)
Intangibles	(169,296)	(47,212)	-	-	(216,508)
Equipment	(8,710,523)	(797,149)	843,808	-	(8,663,864)
Total accumulated depreciation and amortization	(28,623,560)	(3,209,392)	930,101	-	(30,902,851)
Total capital assets being depreciated or amortized, net	50,742,452	(2,080,881)	(122,895)	5,003,786	53,542,462
General government capital assets, net	\$ 58,532,036	\$ 13,131,167	\$ (1,446,316)	\$ -	\$ 70,216,887

Depreciation and amortization expense was charged as follows:

Governmental activities:	
General government administration	\$ 581,923
Judicial administration	149,041
Public safety	683,558
Public works	219,582
Education	1,425,195
Parks, recreation and cultural	34,223
Community development	115,870
Total governmental activities	\$ 3,209,392

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	(Deletions)	Reclassifications/ Transfers	Ending Balance
Internal Service Fund:					
Capital assets, being depreciated or amortized:					
Buildings	\$ 412,315	\$ -	\$ -	\$ -	\$ 412,315
Improvements other than buildings	68,551	-	-	-	68,551
Total capital assets being depreciated or amortized	480,866	-	-	-	480,866
Less accumulated depreciation or amortization for:					
Buildings	(371,084)	(13,744)	-	-	(384,828)
Improvements other than buildings	(68,551)	-	-	-	(68,551)
Total accumulated depreciation or amortization	(439,635)	(13,744)	-	-	(453,379)
Internal Service Fund capital assets, net	<u>\$ 41,231</u>	<u>\$ (13,744)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,487</u>
Total governmental activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 1,242,883	\$ -	\$ -	\$ -	\$ 1,242,883
Construction in progress	6,546,701	15,212,048	(1,323,421)	(5,003,786)	15,431,542
Total capital assets, not being depreciated or amortized	7,789,584	15,212,048	(1,323,421)	(5,003,786)	16,674,425
Capital assets, being depreciated or amortized:					
Buildings	62,504,771	55,993	(49,453)	313,879	62,825,190
Improvements other than buildings	5,868,894	35,511	(157,902)	-	5,746,503
Intangibles	242,744	-	-	26,980	269,724
Equipment	11,230,469	1,037,007	(845,641)	4,662,927	16,084,762
Total capital assets being depreciated or amortized	79,846,878	1,128,511	(1,052,996)	5,003,786	84,926,179
Less accumulated depreciation or amortization for:					
Buildings	(17,064,797)	(2,129,018)	35,854	-	(19,157,961)
Improvements other than buildings	(3,118,579)	(249,757)	50,439	-	(3,317,897)
Intangibles	(169,296)	(47,212)	-	-	(216,508)
Equipment	(8,710,523)	(797,149)	843,808	-	(8,663,864)
Total accumulated depreciation or amortization	(29,063,195)	(3,223,136)	930,101	-	(31,356,230)
Total capital assets being depreciated or amortized, net	50,783,683	(2,094,625)	(122,895)	5,003,786	53,569,949
Total governmental activities capital asset, net	<u>\$ 58,573,267</u>	<u>\$ 13,117,423</u>	<u>\$ (1,446,316)</u>	<u>\$ -</u>	<u>\$ 70,244,374</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	(Deletions)	Reclassifications/ Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 475,986	\$ 236,000	\$ -	\$ -	\$ 711,986
Construction in progress	-	31,145	(6,933)	-	24,212
Total capital assets, not being depreciated or amortized	475,986	267,145	(6,933)	-	736,198
Capital assets, being depreciated or amortized:					
Buildings	1,167,992	-	-	-	1,167,992
Improvements other than buildings	56,087,653	175,975	-	-	56,263,628
Equipment	1,326,410	118,516	(36,707)	-	1,408,219
Total capital assets being depreciated or amortized	58,582,055	294,491	(36,707)	-	58,839,839
Less accumulated depreciation and amortization for:					
Buildings	(266,656)	(26,740)	-	-	(293,396)
Improvements other than buildings	(9,947,589)	(1,319,599)	-	-	(11,267,188)
Equipment	(1,067,995)	(105,814)	36,707	-	(1,137,102)
Total accumulated depreciation and amortization	(11,282,240)	(1,452,153)	36,707	-	(12,697,686)
Total capital assets being depreciated and amortized, net	47,299,815	(1,157,662)	-	-	46,142,153
Business-type activities capital assets, net	<u>\$ 47,775,801</u>	<u>\$ (890,517)</u>	<u>\$ (6,933)</u>	<u>\$ -</u>	<u>\$ 46,878,351</u>

Depreciation and amortization expense was charged as follows:

Business-type activities:	
Caroline County Utility	\$ 1,310,640
Dawn Wastewater system	<u>141,513</u>
Total business-type activities	<u><u>\$ 1,452,153</u></u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

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 governments “on behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the current 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 for the year ended June 30, 2016 is that school financed assets in the amount of \$39,834,126 and related accumulated depreciation and amortization of \$9,145,475 are reported by the County for financial reporting purposes.

A summary of Component Unit – School Board property, plant and equipment at June 30, 2016 follows:

Component Unit - School Board:

	Beginning Balance	Increases	(Deletions)	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 849,553	\$ -	\$ -	\$ 849,553
Total capital assets, not being depreciated or amortized	849,553	-	-	849,553
Capital assets, being depreciated or amortized:				
Buildings	17,142,246	31,232	-	17,173,478
Improvements other than buildings	92,806	23,011	-	115,817
Equipment	6,782,615	1,309,611	(213,398)	7,878,828
Total capital assets being depreciated or amortized	24,017,667	1,363,854	(213,398)	25,168,123
Less accumulated depreciation and amortization for:				
Buildings	(12,407,788)	(396,259)	-	(12,804,047)
Improvements other than buildings	(46,016)	(5,599)	-	(51,615)
Equipment	(4,876,723)	(350,721)	213,398	(5,014,046)
Total accumulated depreciation and amortization	(17,330,527)	(752,579)	213,398	(17,869,708)
Total capital assets being depreciated and amortized, net	6,687,140	611,275	-	7,298,415
School Board Capital Assets, net	\$ 7,536,693	\$ 611,275	\$ -	\$ 8,147,968

Depreciation and amortization expense was charged as follows:

Component Unit - School Board	<u>\$ 752,579</u>
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COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Fund	Transfers In	Transfer Out
Governmental activities:		
General	\$ -	\$ 10,862,284
Debt Service	7,755,928	-
County Capital Projects	387,349	11,738
Proffers	-	267,127
Virginia Public Assistance	524,832	-
Children's Services	858,859	-
Tourism	3,000	-
Total Governmental Activities	9,529,968	11,141,149
Business-Type Activities:		
Caroline County Utility	1,450,931	-
Dawn Wastewater System	160,250	-
Total Business-Type Activities	1,611,181	-
Total All Funds	\$ 11,141,149	\$ 11,141,149

The transfer to the Debt Service Fund of \$7,755,928 includes a transfer of \$7,477,063 from the General Fund to account for debt service payments, not funded by other revenue sources, a transfer of \$267,127 from the Proffer Fund to account for debt service payments on the Ladysmith Library, and a transfer of \$11,738 from the County Capital Projects Fund to account for debt service payments.

The transfer to the County Capital Projects Fund of \$387,349 is from the General Fund to provide funding for fire station renovations.

The transfer to the Virginia Public Assistance Fund of \$524,832 from the General Fund was to satisfy the local match requirement for the Fund.

The transfer to the Children's Services Fund of \$858,859 from the General Fund was to satisfy the local match requirement for the Fund.

The transfer to the Tourism Fund of \$3,000 from the General Fund was to provide additional funding for the Caroline County Fair.

The transfer to the Caroline County Utility Fund of \$1,450,931 from the General Fund to cover debt service payments that were not generated by user charges in the Fund.

The transfer to the Dawn Wastewater System Fund of \$160,250 from the General Fund to cover debt service payments and costs associated with the Dawn Phase II project, that were not generated by user charges in the Fund.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations

The following is a summary of long-term liability activity of the primary government and Component Unit – School Board for the year ended June 30, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 83,037,720	\$ 5,328,275	\$ (9,736,905)	\$ 78,629,090	\$ 10,473,313
Note payable	393,331	-	(393,331)	-	-
Capital leases	6,757,921	-	(681,757)	6,076,164	567,026
Unamortized premiums	1,147,536	-	(108,691)	1,038,845	-
Revenue bond debt allocable from business-type activities	1,133,794	-	(132,359)	1,001,435	139,851
	92,470,302	5,328,275	(11,053,043)	86,745,534	11,180,190
Compensated absences	704,245	798,723	(793,776)	709,192	70,919
Governmental Activities	\$ 93,174,547	\$ 6,126,998	\$ (11,846,819)	\$ 87,454,726	\$ 11,251,109
Component Unit - School Board:					
Capital leases	\$ 698,744	\$ -	\$ (91,190)	\$ 607,554	\$ 94,643
Compensated absences	566,489	399,978	(312,770)	653,697	65,370
Component Unit - School Board	\$ 1,265,233	\$ 399,978	\$ (403,960)	\$ 1,261,251	\$ 160,013

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

Years Ending June 30,	Lease Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 7,891,056	\$ 984,532	\$ 2,722,108	\$ 2,096,247
2018	1,793,723	777,341	2,784,954	2,000,430
2019	1,349,937	715,957	2,866,712	1,901,632
2020	1,393,850	665,579	2,523,797	1,810,018
2021	1,363,548	612,646	2,593,150	1,724,452
2022-2026	5,391,180	2,472,047	14,210,647	7,234,046
2027-2031	5,618,008	1,567,107	13,672,094	3,613,948
2032-2036	3,543,186	691,857	8,717,353	768,915
2037-2040	1,195,222	110,222	-	-
	\$ 29,539,710	\$ 8,597,288	\$ 50,090,815	\$ 21,149,688

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Primary Government:

Years Ending June 30,	Capital Leases	
	Principal	Interest
2017	\$ 567,026	\$ 153,620
2018	552,757	139,381
2019	566,741	125,396
2020	581,080	111,058
2021	595,780	96,357
2022-2026	3,212,780	247,911
	<u>\$ 6,076,164</u>	<u>\$ 873,723</u>

Component Unit – School Board:

Years Ending June 30,	Capital Leases	
	Principal	Interest
2017	\$ 94,643	\$ 22,740
2018	98,228	19,155
2019	101,949	15,434
2020	105,812	11,571
2021	109,824	7,561
2022-2023	97,098	5,127
	<u>\$ 607,554</u>	<u>\$ 81,588</u>

General Obligation Bonds:

\$459,597 School Bonds (1996B) issued November 1996, maturing annually at \$27,202 through July 2016, with interest payable semi-annually at 5.23%. \$ 27,202

\$1,179,008 Virginia Retirement System Obligation Refunding Bonds (Taxable Series 2003) issued July 2003, maturing annually from \$96,625 to \$106,003 through July 2018, with interest payable annually at 4.61%. 303,707

\$6,364,713 School Bonds (2007B) issued November 2007, maturing annually from \$308,371 to \$371,160 through July 2027, with interest payable semi-annually at 5.10%. 4,047,188

\$19,915,000 VPSA School Bonds issued December 2008, maturing annually from \$775,000 to \$1,220,000 through July 2033, with interest payable semi-annually at rates varying from 4.10% to 5.35%. 15,405,000

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

General Obligation Bonds: (Continued)

\$6,000,000 2011 VPSA Direct Payment Qualified School Construction Bonds issued June 2011, maturing annually at \$428,571 through June 2027, with interest payable semi-annually at an average coupon rate of 7.60%.	\$ 4,714,288
\$1,085,447 2012 A series VPSA Qualified School Construction Bonds issued October 2012, maturing annually at \$49,339 through December 2034, with interest payable semi-annually at 3.84%.	937,430
\$1,450,000 2012 B series VPSA School Bonds issued November 2012, maturing annually from \$55,000 to \$100,000 through July 2032, with interest due semi-annually at varying rates of 2.05% to 5.05%.	1,310,000
\$25,133,000 2013 Series, General Obligation School Bonds, issued December 2013, maturing annually from \$982,000 to \$1,669,000 through February 2034, with interest payable semi-annually at 3.17%.	<u>23,346,000</u>
Total general obligation bonds	<u><u>\$ 50,090,815</u></u>

Capital Leases:

\$133,840 capital lease obligation (payable from the General Fund) issued October 2012, secured by equipment, semi-annual maturities of \$13,955 through April 2017, with interest payable semi-annually at 2.86%.	\$ 27,911
\$6,574,068 capital lease obligation (payable from the General Fund) issued July 2013, secured by equipment, annual maturity from \$579,117 to \$675,059 beginning January 2016 through January 2026, with interest payable semi-annually at 2.53%.	<u>6,048,253</u>
Total Capital Leases	<u><u>\$ 6,076,164</u></u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Lease Revenue Bonds:

\$1,685,000 2009 EDA lease revenue bond, issued September 2009, with final maturity due in October 2016, with interest payable semi-annually at 4.60%.	\$ 369,000
\$9,240,000 lease revenue refunding bond, issued October 2010, maturing annually from \$115,000 to \$855,000 through October 2039, with interest payable semi-annually at varying rates from 4.79% to 5.13%.	6,410,000
\$3,540,000 lease revenue bond, issued October 2010, with final maturity due in October 2016, with interest payable semi-annually at varying rates from 3.62% to 4.50%.	640,000
\$8,400,000 IDA Revenue Anticipation Note (RAN), issued September 2011, maturing annually from \$57,932 to \$5,190,000 through August 2037, with interest payable semi-annually at 4.00%.	7,210,000
\$795,000 lease revenue bond, issued October 2012, maturing annually from \$25,000 to \$50,000 through October 2035, with interest payable semi-annually at 4.10%.	715,000
\$8,487,000 EDA public facility lease revenue, issued April 2014, maturing annually from \$346,000 to \$543,000 through June 2034, with interest payable semi-annually at 2.70%.	7,866,000
\$5,328,275 lease revenue and refunding bond, issued December 2015, maturing annually from \$321,909 to \$405,999 through January 2031, with interest payable semi-annually at 2.67%.	<u>5,328,275</u>
Total lease revenue bonds	28,538,275
Revenue bond debt allocable from the Caroline County Utility Fund	<u>1,001,435</u>
Total incurred by County	<u><u>\$ 29,539,710</u></u>

Component Unit – School Board:

\$559,006 capital lease obligation issued July 2011, secured by equipment, annual maturity from \$54,469 to \$63,721 through July 2020, with interest payable annually at 4.00%.	\$ 295,020
\$439,965 capital lease obligation issued August 2013, secured by equipment, annual maturity from \$40,174 to \$49,385 through August 2022, with interest payable annually at 3.50%.	<u>312,534</u>
Total capital lease obligation	<u><u>\$ 607,554</u></u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable	\$ 42,266,093	\$ -	\$ (1,454,674)	\$ 40,811,419	\$ 1,364,823
Revenue bond debt allocable from business-type activities	(1,133,794)	-	132,359	(1,001,435)	-
Unamortized discount	(19,781)	-	9,891	(9,890)	-
Unamortized premium	1,565,450	-	(109,955)	1,455,495	-
Compensated absences	57,888	48,200	(41,520)	64,568	6,457
Business-type activities long-term liabilities	\$ 42,735,856	\$ 48,200	\$ (1,463,899)	\$ 41,320,157	\$ 1,371,280

Years Ending June 30,	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 1,219,823	\$ 2,013,048	\$ 145,000	\$ 10,708
2018	1,261,045	1,961,719	150,000	3,671
2019	1,447,299	1,904,187	-	-
2020	1,512,305	1,840,821	-	-
2021	1,381,061	1,778,035	-	-
2022-2026	7,498,776	7,949,579	-	-
2027-2031	8,524,675	5,980,348	-	-
2032-2036	7,740,000	3,663,704	-	-
2037-2041	8,930,000	1,332,438	-	-
	\$ 39,514,984	\$ 28,423,879	\$ 295,000	\$ 14,379

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

\$3,310,000 refunding Virginia Pooled Financing Program bond issued November 2010, maturing annually from \$480,000 to \$620,000 beginning in 2026 through 2032, with interest payable semi-annually at varying rates of 4.83% through 4.85%.	\$ 3,310,000
\$2,495,000 infrastructure revenue bonds (2003 C/D) issued August 2003, with final maturity due in October 2016 with interest payable semi-annually at varying rates of 4.00% to 5.00% through October 2016.	225,000
\$3,366,314 revenue bond issued March 2006, maturing in equal annual installments of \$169,674 through 2025. No interest is payable on the bond.	1,866,419
\$2,060,000 VRA revenue bond issued 2009, maturing annually from \$150,000 to \$560,000, with interest payable semi-annually at varying rates of 3.13% to 5.18% through October 2019.	1,745,000
\$6,905,000 2009B VRA revenue bond issued November 2009, maturing annually from \$341,371 to \$450,000 through October 2025 with interest payable semi-annually at varying rates of 3.83% to 5.13%.	4,890,000
Less: Revenue bond debt allocable to general government	(1,001,435)
\$8,525,000 2009B pooled revenue bond issued May 2010, maturing annually from \$65,000 to \$625,000 through October 2040 with interest payable semi-annually at varying rates of 3.76% to 5.20%.	8,340,000
\$20,655,000 2010CB pooled revenue bond issued November 2010, maturing annually from \$170,000 to \$1,320,000 through October 2040, with interest payable semi-annually at varying rates of 4.5% to 6.14%.	<u>20,140,000</u>
Total revenue bond obligations	<u>\$ 39,514,984</u>

General Obligation Bonds:

\$560,000 VRA general obligation refunding bond issued 2009, maturing annually from \$145,000 to \$150,000 beginning October 2014 with interest payable semi-annually at varying rates of 4.20% to 4.90% through October 2017.	<u>\$ 295,000</u>
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COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of fire and rescue emergency response equipment, a solid waste collection truck, a roll-off truck, law enforcement equipment, and for the emergency dispatch and general radio communications equipment. The School Board has entered into lease agreements as lessee for financing the acquisition of school buses. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Component Unit - School Board
Asset:		
Equipment	\$ 7,073,493	\$ 1,755,853
Less: accumulated depreciation and amortization	1,777,207	292,248
Net asset value	\$ 5,296,286	\$ 1,463,605

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

Years Ending June 30,	Governmental Activities	Component Unit - School Board
2017	\$ 720,646	\$ 117,383
2018	692,138	117,383
2019	692,138	117,383
2020	692,138	117,383
2021	692,138	117,383
2022-2026	3,460,689	102,227
Total minimum lease payments	6,949,887	689,142
Less: amount representing interest	873,723	81,588
Present value of minimum lease payments	\$ 6,076,164	\$ 607,554

Note 8. Current Refunding

In December 2015, the County issued \$5,328,275 in a Lease Revenue Refunding Bonds to refund the Series 2005 Lease Revenue Bonds. The net proceeds were used as follows: \$4,465,300 was used to pay off the remaining balance of the County's outstanding Series 2005 Lease Revenue Bonds, \$456,454 was used to purchase a new firetruck for the County, \$355,020 was used to purchase 10 new sheriff cars, and the remainder was used to pay for the costs of issuance associated with the Series 2015 bond. The current refunding was undertaken to reduce its total debt service payments over the next 17 years by \$641,440 and resulted in an economic gain of \$401,523.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Landfill Postclosure Costs

State and federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill operated by the County was certified by the Virginia Department of Environmental Quality was closed on December 8, 2003 and all obligations of the County with regard to closure have been met. The \$3,136,470 reported as landfill postclosure care liability at June 30, 2016, represents the remaining engineering estimate of 20 years of postclosure monitoring and care. These amounts are based on what it would cost to perform all postclosure care in 2016. 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. Unearned and Unavailable Revenue

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Unavailable revenue totaling \$20,850,794 and unearned revenue of \$784,644 are comprised of the following in the General Fund:

Unavailable Property Tax Revenue: Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$20,850,794, of which \$6,489,486 represents delinquent property taxes receivable at June 30, 2016.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$784,345 at June 30, 2016, and are classified as unearned.

Unearned Grant Revenue: Unearned revenue representing amounts received for the Equitable Sharing Program (Asset Forfeiture funds), for which expenditures had not been incurred at June 30, 2016, totaled \$299.

Unavailable revenue in the School Operating Fund consisted of:

Unavailable Insurance Refund Revenue: Unavailable revenue representing pending refunds requested by the School Board for self-insurance fund over-payments, realized when switching self-insurance plans, not available for funding of current expenditures totaled \$1,541,009 at June 30, 2016.

Note 11. 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 upon classifications and rates into a designated cash reserve fund out of which expenses of the Pool and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Risk Management (Continued)

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

Health Insurance

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

Based on the requirements of GASB Statement No. 10, the County records an estimated liability for indemnity healthcare claims. Prior to fiscal year 2015, the liability was recorded in the respective fund; however, during fiscal year 2015, the County established a separate Self-Insurance Fund to account for this activity. The following represents the change in the fund's claim liability for 2016 and 2015:

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2015	\$ 137,587	\$ 542,776	\$ 532,388	\$ 147,975
June 30, 2016	147,975	578,945	524,471	202,449

Note 12. Pension Plan

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the County of Caroline and its component unit, the Caroline County School Board (School Board), are automatically covered by the VRS Retirement Plan or the VRS Teacher Retirement Plan upon employment. These plans are 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 the benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010 or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none">• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members</p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none">• Political subdivision employees.*• School division employees (teachers).• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
<p>Hybrid Opt-In Election</p> <p>Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Hybrid Opt-In Election</p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none">• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.
<p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	
<p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Retirement Contributions</p> <p>Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions</p> <p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service</p> <p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service</p> <p>Same as Plan 1.</p>	<p>Creditable Service</p> <p><u>Defined Benefit Component</u></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component</u></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Vesting</p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component</u></p> <p>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contribution Component</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none">• After two years, a member is 50% vested and may withdraw 50% of employer contributions.• After three years, a member is 75% vested and may withdraw 75% of employer contributions.• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70 1/2.</p>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component</u> See definition under Plan 1. <u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.	Service Retirement Multiplier The retirement multiplier for the defined benefit component is 1.0%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	Sheriffs and regional jail superintendents: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Service Retirement Multiplier (Continued)	Service Retirement Multiplier (Continued)	Service Retirement Multiplier (Continued)
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component</u> Same as Plan 2.
Political subdivision hazardous duty employees: Age 60	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	Earliest Unreduced Retirement Eligibility Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component</u> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.
Political subdivision hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or at age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
Political subdivision hazardous duty employees: Age 50 with at least five years of creditable service.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) for a maximum COLA of 3%.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component</u> Same as Plan 2. <u>Defined Contribution Component</u> Not applicable.
<u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	<u>Eligibility:</u> Same as Plan 1.	<u>Eligibility:</u> Same as Plan 1 and Plan 2.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees:	<u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees:	<u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees:
<p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none">• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.• The member retires on disability. The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.• Political Subdivision Employees: The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).	<p>Same as Plan 1.</p>	<p>Same as Plan 1 and Plan 2.</p>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Disability Coverage Political subdivision employees: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Political subdivision employees: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased, or granted. Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivisions and school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component</u> Same as Plan 1, with the following exceptions. <ul style="list-style-type: none">• Hybrid Retirement Plan members are ineligible for ported service.• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

County (Agent Plan)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	106
Inactive members:	
Vested	36
Non-vested	73
Active elsewhere in VRS	112
Total inactive members	221
Active members	216
Total covered employees	543

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2016 was 10.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,067,284 and \$1,035,823 for the years ended June 30, 2016 and 2015, respectively.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

School Board Non-Professional (Agent Plan)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>43</u>
Inactive members:	
Vested	5
Non-vested	17
Active elsewhere in VRS	<u>10</u>
Total inactive members	<u>32</u>
 Active members	 <u>57</u>
 Total covered employees	 <u><u>132</u></u>

Contributions

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

The School Board non-professional's contractually required contribution rate for the year ended June 30, 2016 was 7.07% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were \$92,701 and \$98,179 for the years ended June 30, 2016 and 2015, respectively.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

School Board Professional (Cost-Sharing Plan)

Contributions

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

The School Board Professional's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013, adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%; however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board for the professional plan were \$2,760,345 and \$2,755,000 for the years ended June 30, 2016 and 2015, respectively.

B. Net Pension Liability

The County and the School Board's non-professional plan net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

At June 30, 2016, the School Board reported a liability for the professional plan of \$32,261,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the School Board's proportion was 0.25632% as compared to 0.25288% at June 30, 2014.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employee's in the County's retirement plan and the total pension liability for the General Employees in the School Board non-professional retirement plan were based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

Mortality Rates:	14% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the County's retirement plan was based on an actuarial valuation as of June 30, 2014, 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 as of June 30, 2015.

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

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

Mortality Rates:	60% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – School Board Professional Plan

The total pension liability for the VRS Teacher retirement plan was based on an actuarial valuation as of June 30, 2014, 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 as of June 30, 2015.

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

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

Mortality Rates:

- Pre-retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years.
- Post-retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years.
- Post-disablement: RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS****Note 12. Pension Plan (Continued)****B. Net Pension Liability (Continued)****Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates 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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non-U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS**

Note 12. Pension Plan (Continued)**B. Net Pension Liability (Continued)****Discount Rate**

The discount rate used to measure the total pension liabilities (assets) was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and the School Board's retirement plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liabilities.

C. Changes in the Net Pension Liability (Asset)**County**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 31,005,918	\$ 29,028,930	\$ 1,976,988
Changes for the Year:			
Service cost	1,268,316	-	1,268,316
Interest	2,133,282	-	2,133,282
Difference between expected and actual experience	(105,098)	-	(105,098)
Contributions – employer	-	1,035,823	(1,035,823)
Contributions – employee	-	490,688	(490,688)
Net investment income	-	1,352,878	(1,352,878)
Benefit payments, including refunds of employee contributions	(1,060,932)	(1,060,932)	-
Administrative expense	-	(17,793)	17,793
Other changes	-	(289)	289
Net changes	2,235,568	1,800,375	435,193
Balances at June 30, 2015	\$ 33,241,486	\$ 30,829,305	\$ 2,412,181

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Asset) (Continued)

School Board Non-Professional

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2014	\$ 4,814,675	\$ 4,959,620	\$ (144,945)
Changes for the Year:			
Service cost	149,404	-	149,404
Interest	324,711	-	324,711
Difference between expected and actual experience	(153,442)	-	(153,442)
Contributions – employer	-	98,179	(98,179)
Contributions – employee	-	68,865	(68,865)
Net investment income	-	221,665	(221,665)
Benefit payments, including refunds of employee contributions	(351,906)	(351,906)	-
Administrative expense	-	(3,169)	3,169
Other changes	-	(45)	45
Net changes	(31,233)	33,589	(64,822)
Balances at June 30, 2015	\$ 4,783,442	\$ 4,993,209	\$ (209,767)

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

The following presents the net pension liabilities of the County, the School Board non-professional plan, and the School Board professional plan, using the discount rate of 7.00%, as well as what the County, the School Board non-professional plan, and the School Board professional plan's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's net pension liability (asset)	\$ 7,206,130	\$ 2,412,181	\$ (1,524,609)
School Board's non-professional net pension liability (asset)	321,829	(209,767)	(659,607)
School Board professional net pension liability	47,211,000	32,261,000	19,954,000

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Asset) (Continued)

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules and the VRS Teacher Retirement Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

County

For the year ended June 30, 2016, the County recognized pension expense of \$557,325. The County also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 77,368
Net difference between projected and actual earnings on pension plan investments	-	756,612
Employer contributions subsequent to the measurement date	1,067,284	-
Total	\$ 1,067,284	\$ 833,980

The \$1,067,284 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2017	\$ 326,254
2018	326,254
2019	320,433
2020	(138,961)
	\$ 833,980

COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS**

Note 12. Pension Plan (Continued)**D. Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)****School Board Non-Professional**

For the year ended June 30, 2016, the School Board recognized pension expense related to its non-professional plan of (\$33,126). The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 102,968
Net difference between projected and actual earnings on pension plan investments	-	132,652
Employer contributions subsequent to the measurement date	92,701	-
Total	\$ 92,701	\$ 235,620

The \$92,701 reported as deferred outflows of resources related pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Amounts reported as deferred inflows of resources related to pensions for the School Board non-professional plan will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2017	\$ 102,620
2018	102,620
2019	54,165
2020	(23,785)
	<u>\$ 235,620</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

D. Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

School Board Professional

For the year ended June 30, 2016, the School Board recognized pension expense related to the professional plan of \$2,187,401. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 391,000	\$ 630,000
Differences between expected and actual experience	-	444,000
Net difference between projected and actual earnings on pension plan investments	-	1,976,000
Employer contributions subsequent to the measurement date	2,760,345	-
Total	\$ 3,151,345	\$ 3,050,000

The \$2,760,345 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2017	\$ 973,000
2018	973,000
2019	973,000
2020	(263,000)
2021	3,000
	<u>\$ 2,659,000</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – County and School Board Sponsored

A. Plan Description

The County and School Board offer eligible retirees post-retirement medical coverage if they meet certain requirements. County employees must retire directly from the County with at least 15 years of continuous service and are eligible to receive early or regular retirement benefit from the Virginia Retirement System (VRS). School Board employees must retire with at least 30 years of service at the age of 50 or with at least five years of service at the age of 65. Health benefits include medical, dental and vision coverage. The Caroline County retirees are responsible for 100% of the premium which is paid directly to the subscriber. Retirees from the County can elect one of two different plans and retirees from the School Board can elect one of three plans. Benefits end at the age of 65 for both the County and the School Board. If the County retiree dies prior to age 65, the spouse is eligible for COBRA coverage. If the School Board retiree dies prior to age 65, the spouse may continue coverage until the spouse is age 65.

B. Funding Policy

The County retirees pay 100% of the premiums directly to the subscriber. Coverage is for eligible retirees and their spouses and dependents. Monthly premiums for the County vary from \$559 for retiree only coverage to \$2,000 for the retiree plus family. Monthly premiums for the School Board vary from \$545 for retiree only coverage to \$1,647 for the retiree plus family. Retirees of the County School System must meet the eligibility requirements based on service earned with the VRS to be eligible to receive benefits. Participants who do not retire directly from active service are not eligible.

For the County plan, retirees contribute 100% of the premium cost for retiree and spouse/dependent coverage. The School Board makes varying contributions ranging from \$260 to \$1,243 per month, for retiree and family coverage. The employer contribution depends on whether the employee works part-time or full-time upon retirement. The retiree pays the remainder of the premium.

The County currently has one retiree without spouse coverage and one retiree with spouse coverage participating in the Plan. The School System has 39 retirees without spouse coverage and eight retirees with spouse coverage participating in the Plan.

C. Annual OPEB Cost and Net OPEB Obligation

The County's and School Board's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The County and School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS****Note 13. Other Postemployment Benefits – County and School Board Sponsored (Continued)****C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the County and School Board. The following table shows the components of the County's and School Board's annual OPEB cost for the year, the estimated annual contributions to the Plan, and changes in the County's and School Board's net OPEB obligation to the Plan:

	Primary Government	School Board
Annual required contribution	\$ 89,500	\$ 926,200
Interest on net OPEB obligation	11,614	67,842
Adjustment to annual required contribution	(12,270)	(105,391)
Annual OPEB cost (expense)	88,844	888,651
Contributions made	(16,300)	(491,000)
Increase in net OPEB obligation	72,544	397,651
Net OPEB obligation, beginning of year	331,828	1,938,355
Net OPEB obligation, end of year	\$ 404,372	\$ 2,336,006

The County's and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2014 through 2016 were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
June 30, 2016	\$ 88,844	18.35%	\$ 404,372
June 30, 2015	84,479	18.94%	331,828
June 30, 2014	64,601	5.11%	263,349
School Board:			
June 30, 2016	\$ 888,651	55.25%	\$ 2,336,006
June 30, 2015	864,742	58.86%	1,938,355
June 30, 2014	555,471	85.80%	1,582,613

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – County and School Board Sponsored (Continued)

D. Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the County's actuarial accrued liability for benefits was \$756,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$9,725,600, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.77%.

As of June 30, 2015, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$7,674,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$21,547,800, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 35.62%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the AAL for benefits.

E. Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Retirement age is estimated based on tables used for the VRS State Employees valuation and assumes participants begin to retire when they become eligible to receive healthcare benefits.

Mortality – For pre-retirement mortality rates, life expectancies are based on mortality tables from the RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward 2 years (5 years for Public Safety employees) and females set back 3 years. For post-retirement mortality rates, life expectancies are based on mortality tables from the RP-2000 Combined Healthy Mortality Tables projected to 2020 using Scale AA with females set back 1 year.

Coverage elections – The actuary assumes 30% of current actives of Caroline County will elect medical coverage when they retire and 30% of retirees who elect coverage will cover a spouse. The actuary also assumes surviving spouses will decline COBRA. The actuary assumes 73% of current actives of the Schools will elect medical coverage; 11% of retirees who elect medical coverage will elect to cover a spouse; 50% of current active employees will elect dental coverage; and 15% of retirees who elect dental coverage will elect to cover a spouse.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits – County and School Board Sponsored (Continued)

E. Methods and Assumptions (Continued)

Based on the historical and expected returns of the County and School Board's short-term investment portfolio, a discount of 3.50% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was 30 years.

Note 14. Pending GASB Statements

At June 30, 2016, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires a state or local government to disclose information about tax abatement. Statement No. 77 will be effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 78, *Pensions Provided through Certain Multi-Employer Defined Benefit Pension Plans*, amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Statement No. 78 will be effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, will improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. Statement No. 80 will be effective for reporting periods beginning after June 15, 2016.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Pending GASB Statements (Continued)

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, the objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement No. 82 will be effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

Note 15. Subsequent Event and Contingencies

Federal and State-Assisted Programs: The County and School Board have received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

Subsequent to year-end, the School Board entered into a capital lease arrangement for the purchase of eight school buses. The total amount of the lease is \$844,375, with payments beginning July 2017 with a final maturity of July 2026.

In July 2016 the County purchased an ambulance for \$189,531.

**REQUIRED SUPPLEMENTARY
INFORMATION**

COUNTY OF CAROLINE, VIRGINIA AND COMPONENT UNITS

Exhibit 14

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
June 30, 2011	\$ -	\$ 477,800	\$ 477,800	0.00%	\$ 8,642,900	5.53%
June 30, 2013	-	433,000	433,000	0.00%	9,179,800	4.72%
June 30, 2015	-	756,000	756,000	0.00%	9,725,600	7.77%
B. Component Unit - School Board employees:						
June 30, 2011	\$ -	\$ 5,501,400	\$ 5,501,400	0.00%	\$ 19,119,800	28.77%
June 30, 2013	-	5,395,900	5,395,900	0.00%	18,930,600	28.50%
June 30, 2015	-	7,674,900	7,674,900	0.00%	21,547,800	35.62%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
A. Primary Government:		
2014	\$ 65,000	5.08%
2015	85,000	18.82%
2016	89,500	18.21%
B. Component Unit - School Board employees:		
2014	\$ 584,600	81.53%
2015	895,400	56.85%
2016	926,200	53.01%

COUNTY OF CAROLINE, VIRGINIA

Exhibit 15

**SCHEDULE OF CHANGES IN THE COUNTY
NET PENSION LIABILITY AND RELATED RATIOS**

	June 30,	
	2014	2015
Total Pension Liability		
Service cost	\$ 1,235,508	\$ 1,268,316
Interest	1,988,555	2,133,282
Differences between expected and actual experience	-	(105,098)
Benefit payments, including refunds of employee contributions	(1,252,134)	(1,060,932)
Net change in total pension liability	1,971,929	2,235,568
Total pension liability - beginning	29,033,989	31,005,918
Total pension liability - ending (a)	<u>\$ 31,005,918</u>	<u>\$ 33,241,486</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 1,130,296	\$ 1,035,823
Contributions - employee	529,552	490,688
Net investment income	3,930,748	1,352,878
Benefit payments, including refunds of employee contributions	(1,252,134)	(1,060,932)
Administrative expense	(20,616)	(17,793)
Other	207	(289)
Net change in plan fiduciary net position	4,318,053	1,800,375
Plan fiduciary net position - beginning	24,710,877	29,028,930
Plan fiduciary net position - ending (b)	<u>\$ 29,028,930</u>	<u>\$ 30,829,305</u>
County's net pension liability - ending (a) - (b)	<u>\$ 1,976,988</u>	<u>\$ 2,412,181</u>
Plan fiduciary net position as a percentage of the total pension liability	93.62%	92.74%
Covered-employee payroll	\$ 10,723,871	\$ 9,827,543
County's net pension liability as a percentage of covered-employee payroll	18.44%	24.55%

Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:

LEOS: <ol style="list-style-type: none"> a. Update mortality table b. Adjustments to rates of service retirement for females c. Increase in rates of withdrawal d. Decrease in male and female rates of disability 	NON-LEOS: <ol style="list-style-type: none"> a. Update mortality table b. Decrease in rates of service retirement c. Decrease in rates of disability retirement d. Reduce rates of salary increases by 0.25% per year
---	--
- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years which information is available.

COUNTY OF CAROLINE, VIRGINIA

Exhibit 16

**SCHEDULE OF CHANGES IN THE SCHOOL BOARD NON-PROFESSIONAL
NET PENSION ASSET AND RELATED RATIOS**

	June 30,	
	2014	2015
Total Pension Liability		
Service cost	\$ 150,905	\$ 149,404
Interest	314,768	324,711
Differences between expected and actual experience	-	(153,442)
Benefit payments, including refunds of employee contributions	(295,363)	(351,906)
Net change in total pension liability	170,310	(31,233)
Total pension liability - beginning	4,644,365	4,814,675
Total pension liability - ending (a)	<u>\$ 4,814,675</u>	<u>\$ 4,783,442</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 128,159	\$ 98,179
Contributions - employee	66,968	68,865
Net investment income	682,678	221,665
Benefit payments, including refunds of employee contributions	(295,363)	(351,906)
Administrative expense	(3,726)	(3,169)
Other	36	(45)
Net change in plan fiduciary net position	578,752	33,589
Plan fiduciary net position - beginning	4,380,868	4,959,620
Plan fiduciary net position - ending (b)	<u>\$ 4,959,620</u>	<u>\$ 4,993,209</u>
School Board non-professional net pension asset - ending (a) - (b)	<u>\$ (144,945)</u>	<u>\$ (209,767)</u>
Plan fiduciary net position as a percentage of the total pension liability	103.01%	104.39%
Employer's covered-employee payroll	\$ 1,830,843	\$ 1,402,557
School Board's non-professional net pension asset as a percentage of covered-employee payroll	7.92%	14.96%

Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:
 - a. Update mortality table
 - b. Adjustments to rates of service retirement for females
 - c. Increase in rates of withdrawal
 - d. Decrease in male and female rates of disability
- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

**SCHEDULE OF SCHOOL BOARD SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN**

	June 30,	
	2014	2015
Employer's proportion of the net pension liability	0.25288%	0.25632%
Employer's proportionate share of the net pension liability	\$ 30,560,000	\$ 32,261,000
Employer's covered-employee payroll	\$ 14,871,331	\$ 19,000,000
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205.50%	169.79%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%

Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:
 - a. Update mortality table
 - b. Adjustments to rates of service retirement for females
 - c. Decrease in rate of withdrawals for 3 through 9 years of service
 - d. Decrease in rates of availability
 - e. Reduce rates of salary increase by 0.25% per year
- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

COUNTY OF CAROLINE, VIRGINIA

Exhibit 18

SCHEDULE OF COUNTY CONTRIBUTIONS

	June 30,	
	2014	2015
Contractually required contribution (CRC)	\$ 1,130,296	\$ 1,035,823
Contributions in relation to the CRC	1,130,296	1,035,823
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll	\$ 10,723,871	\$ 9,827,543
Contributions as a percentage of covered-employee payroll	10.54%	10.54%

Notes to Schedule:

- (1) Valuation date: June 30, 2014
- (2) Actuarilly determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.50%
Projected salary increases	3.50%-5.35%
Investment rate of return	7.0%, including inflation at 2.50%
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

COUNTY OF CAROLINE, VIRGINIA**Exhibit 19****SCHEDULE OF SCHOOL BOARD NON-PROFESSIONAL CONTRIBUTIONS**

	June 30,	
	2014	2015
Contractually required contribution (CRC)	\$ 128,159	\$ 98,179
Contributions in relation to the CRC	128,159	98,179
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll	\$ 1,830,843	\$ 1,402,557
Contributions as a percentage of covered-employee payroll	7.00%	7.00%

Notes to Schedule:

- (1) Valuation date: June 30, 2014
- (2) Actuarilly determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:
- | | |
|-------------------------------|-------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 20-29 years |
| Asset valuation method | 5-year smoothed market |
| Cost-of-living adjustments | 2.50% |
| Projected salary increases | 3.50%-5.35% |
| Investment rate of return | 7.0%, including inflation at 2.50% |
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

COUNTY OF CAROLINE, VIRGINIA**Exhibit 20****SCHEDULE OF SCHOOL BOARD CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN**

	June 30,	
	2014	2015
Contractually required contribution (CRC)	\$ 2,156,343	\$ 2,755,000
Contributions in relation to the CRC	2,156,343	2,755,000
Contribution deficiency (excess)	\$ -	\$ -
Employers covered-employee payroll	\$ 14,871,331	\$ 19,000,000
Contributions as a percentage of covered-employee payroll	14.50%	14.50%

Notes to Schedule:

- (1) Valuation date: June 30, 2014
- (2) Actuarilly determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:
- | | |
|-------------------------------|-------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 20-29 years |
| Asset valuation method | 5-year smoothed market |
| Cost-of-living adjustments | 2.50% |
| Projected salary increases | 3.50%-5.95% |
| Investment rate of return | 7.0%, including inflation at 2.50% |
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DEBT SERVICE FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
Other local taxes	\$ 1,839,320	\$ 1,839,320	\$ 1,660,065	\$ (179,255)
Use of money and property	126,632	126,632	111,603	(15,029)
Intergovernmental	699,598	699,598	682,932	(16,666)
Total revenues	2,665,550	2,665,550	2,454,600	(210,950)
Expenditures:				
Debt service:				
Principal	6,600,530	6,600,530	6,479,052	(121,478)
Interest and fiscal charges	3,811,604	3,811,604	3,798,912	(12,692)
Total expenditures	10,412,134	10,412,134	10,277,964	(134,170)
Revenues under expenditures	(7,746,584)	(7,746,584)	(7,823,364)	(76,780)
Other financing sources (uses):				
Lease revenue and refunding bond issuance	-	-	4,528,275	4,528,275
Payment to refunded bond escrow agent	-	-	(4,465,300)	(4,465,300)
Transfers in	7,746,584	7,746,584	7,755,928	9,344
Other financing sources, net	7,746,584	7,746,584	7,818,903	72,319
Net change in fund balance	-	-	(4,461)	(4,461)
Fund balance, beginning	-	-	209,670	209,670
Fund balance, ending	\$ -	\$ -	\$ 205,209	\$ 205,209

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COUNTY CAPITAL PROJECTS FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
Use of money and property	\$ -	\$ 73,300	\$ 72,483	\$ (817)
Intergovernmental	140,200	148,300	136,182	(12,118)
Total revenues	140,200	221,600	208,665	(12,935)
Expenditures:				
Capital outlay	1,427,893	16,167,913	16,036,771	(131,142)
Total expenditures	1,427,893	16,167,913	16,036,771	(131,142)
Revenues under expenditures	(1,287,693)	(15,946,313)	(15,828,106)	118,207
Other financing sources (uses):				
Transfers in	200,000	529,649	387,349	(142,300)
Transfers out	(11,725)	(11,725)	(11,738)	(13)
Lease revenue and refunding bond issuance	1,087,693	1,087,693	800,000	(287,693)
Other financing sources, net	1,275,968	1,605,617	1,175,611	(430,006)
Net change in fund balance	(11,725)	(14,340,696)	(14,652,495)	(311,799)
Fund balance, beginning	11,725	14,340,696	25,288,086	10,947,390
Fund balance, ending	\$ -	\$ -	\$ 10,635,591	\$ 10,635,591

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Children's Services	Law Library	Courthouse Maintenance	Tourism	Confiscated Asset	Fire/Rescue Grant	Housing	Sheriff	
ASSETS									
Cash, cash equivalents and temporary cash investments	\$ -	\$ 519	\$ 53,208	\$ 35,735	\$ 70,313	\$ 260,286	\$ 33,544	\$ 67,209	\$ 520,814
Receivables, net	-	415	1,809	20,484	-	3,009	-	4,007	29,724
Due from other governments	311,001	-	-	-	-	-	-	-	311,001
Total assets	\$ 311,001	\$ 934	\$ 55,017	\$ 56,219	\$ 70,313	\$ 263,295	\$ 33,544	\$ 71,216	\$ 861,539
LIABILITIES									
Accounts payable	\$ 132,845	\$ 420	\$ 2,000	\$ 2,313	\$ 3,731	\$ 8,308	\$ 4,840	\$ -	\$ 154,457
Accrued liabilities	-	-	-	4,943	-	-	1,278	-	6,221
Unearned revenue	-	-	-	-	299	-	-	-	299
Total liabilities	132,845	420	2,000	7,256	4,030	8,308	6,118	-	160,977
FUND BALANCES									
Restricted for:									
Public safety	-	-	-	-	66,283	-	-	71,216	137,499
Fire/rescue grants	-	-	-	-	-	254,987	-	-	254,987
Housing	-	-	-	-	-	-	27,426	-	27,426
Courthouse maintenance	-	-	53,017	-	-	-	-	-	53,017
Law library	-	514	-	-	-	-	-	-	514
Tourism	-	-	-	48,963	-	-	-	-	48,963
Children's services	178,156	-	-	-	-	-	-	-	178,156
Total fund balances	178,156	514	53,017	48,963	66,283	254,987	27,426	71,216	700,562
Total liabilities and fund balances	\$ 311,001	\$ 934	\$ 55,017	\$ 56,219	\$ 70,313	\$ 263,295	\$ 33,544	\$ 71,216	\$ 861,539

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Children's Services	Law Library	Courthouse Maintenance	Tourism	Confiscated Asset	Fire/Rescue Grant	Housing	Sheriff	
Revenues:									
Other local taxes	\$ -	\$ -	\$ -	\$ 144,909	\$ -	\$ -	\$ -	\$ -	\$ 144,909
Use of money and property	-	-	-	-	-	-	16,725	-	16,725
Charges for services	-	5,348	26,574	-	-	-	-	58,657	90,579
Miscellaneous	15,353	-	-	10,447	-	-	-	-	25,800
Intergovernmental	1,203,381	-	-	-	26,175	147,192	-	-	1,376,748
Total revenues	1,218,734	5,348	26,574	155,356	26,175	147,192	16,725	58,657	1,654,761
Expenditures:									
Current:									
Judicial administration	-	5,038	53,903	-	12,426	-	-	-	71,367
Public safety	-	-	-	-	21,864	152,035	-	-	173,899
Health and welfare	1,772,187	-	-	-	-	-	-	-	1,772,187
Community development	-	-	-	144,906	-	-	15,250	-	160,156
Total expenditures	1,772,187	5,038	53,903	144,906	34,290	152,035	15,250	-	2,177,609
Revenues over (under) expenditures	(553,453)	310	(27,329)	10,450	(8,115)	(4,843)	1,475	58,657	(522,848)
Other financing sources:									
Transfers in	858,859	-	-	3,000	-	-	-	-	861,859
Other financing sources	858,859	-	-	3,000	-	-	-	-	861,859
Net change in fund balances	305,406	310	(27,329)	13,450	(8,115)	(4,843)	1,475	58,657	339,011
Fund balance (deficit), beginning	(127,250)	204	80,346	35,513	74,398	259,830	25,951	12,559	361,551
Fund balance, ending	\$ 178,156	\$ 514	\$ 53,017	\$ 48,963	\$ 66,283	\$ 254,987	\$ 27,426	\$ 71,216	\$ 700,562

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Children's Services Fund				Law Library Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 5,179	\$ 5,179	\$ 5,348	\$ 169
Miscellaneous	23,000	23,000	15,353	(7,647)	-	-	-	-
Intergovernmental	1,606,080	1,606,080	1,203,381	(402,699)	-	-	-	-
Total revenues	1,629,080	1,629,080	1,218,734	(410,346)	5,179	5,179	5,348	169
Expenditures:								
Current:								
Judicial administration	-	-	-	-	5,179	5,179	5,038	(141)
Health and welfare	2,364,698	2,364,698	1,772,187	(592,511)	-	-	-	-
Total expenditures	2,364,698	2,364,698	1,772,187	(592,511)	5,179	5,179	5,038	(141)
Revenues over (under) expenditures	(735,618)	(735,618)	(553,453)	182,165	-	-	310	310
Other financing sources:								
Transfers in	735,618	735,618	858,859	123,241	-	-	-	-
Other financing sources	735,618	735,618	858,859	123,241	-	-	-	-
Net change in fund balance	-	-	305,406	305,406	-	-	310	310
Fund balance (deficit), beginning	-	-	(127,250)	(127,250)	-	-	204	204
Fund balance, ending	\$ -	\$ -	\$ 178,156	\$ 178,156	\$ -	\$ -	\$ 514	\$ 514

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Courthouse Maintenance Fund				Tourism Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ 131,483	\$ 131,483	\$ 144,909	\$ 13,426
Charges for services	26,756	26,756	26,574	(182)	-	-	-	-
Miscellaneous	-	-	-	-	11,500	11,500	10,447	(1,053)
Total revenues	26,756	26,756	26,574	(182)	142,983	142,983	155,356	12,373
Expenditures:								
Current:								
Judicial administration	26,756	53,903	53,903	-	-	-	-	-
Community development	-	-	-	-	163,223	163,223	144,906	(18,317)
Total expenditures	26,756	53,903	53,903	-	163,223	163,223	144,906	(18,317)
Revenues over (under) expenditures	-	(27,147)	(27,329)	(182)	(20,240)	(20,240)	10,450	30,690
Other financing sources:								
Transfers in	-	-	-	-	3,000	3,000	3,000	-
Other financing sources	-	-	-	-	3,000	3,000	3,000	-
Net change in fund balance	-	(27,147)	(27,329)	(182)	(17,240)	(17,240)	13,450	30,690
Fund balance, beginning	-	27,147	80,346	53,199	17,240	17,240	35,513	18,273
Fund balance, ending	\$ -	\$ -	\$ 53,017	\$ 53,017	\$ -	\$ -	\$ 48,963	\$ 48,963

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Confiscated Asset Fund				Fire/Rescue Grant Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ -	\$ 26,178	\$ 26,175	\$ (3)	\$ 121,367	\$ 158,115	\$ 147,192	\$ (10,923)
Total revenues	-	26,178	26,175	(3)	121,367	158,115	147,192	(10,923)
Expenditures:								
Current:								
Judicial administration	-	12,429	12,426	(3)	-	-	-	-
Public safety	-	28,671	21,864	(6,807)	121,367	158,115	152,035	(6,080)
Total expenditures	-	41,100	34,290	(6,810)	121,367	158,115	152,035	(6,080)
Revenues under expenditures	-	(14,922)	(8,115)	6,807	-	-	(4,843)	(4,843)
Net change in fund balance	-	(14,922)	(8,115)	6,807	-	-	(4,843)	(4,843)
Fund balance, beginning	-	14,922	74,398	59,476	-	-	259,830	259,830
Fund balance, ending	\$ -	\$ -	\$ 66,283	\$ 66,283	\$ -	\$ -	\$ 254,987	\$ 254,987

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

	Housing Fund				Sheriff Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Use of money and property	\$ 11,000	\$ 15,250	\$ 16,725	\$ 1,475	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	30,000	30,000	58,657	28,657
Total revenues	11,000	15,250	16,725	1,475	30,000	30,000	58,657	28,657
Expenditures:								
Current:								
Community development	11,000	15,250	15,250	-	-	-	-	-
Total expenditures	11,000	15,250	15,250	-	-	-	-	-
Revenues over expenditures	-	-	1,475	1,475	30,000	30,000	58,657	28,657
Other financing uses:								
Transfers out	-	-	-	-	(30,000)	(30,000)	-	30,000
Other financing uses	-	-	-	-	(30,000)	(30,000)	-	30,000
Net change in fund balance	-	-	1,475	1,475	-	-	58,657	58,657
Fund balance, beginning	-	-	25,951	25,951	-	-	12,559	12,559
Fund balance, ending	\$ -	\$ -	\$ 27,426	\$ 27,426	\$ -	\$ -	\$ 71,216	\$ 71,216

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2016

	Vehicle Maintenance	Self - Insurance	Total Internal Service Funds
ASSETS			
Current assets:			
Cash, cash equivalents and temporary cash investments	\$ 4,143	\$ 1,229,622	\$ 1,233,765
Trade and other accounts receivable	-	167,000	167,000
Total current assets	4,143	1,396,622	1,400,765
Noncurrent assets:			
Capital assets:			
Buildings	412,315	-	412,315
Improvements other than buildings	68,551	-	68,551
Less accumulated depreciation and amortization	(453,379)	-	(453,379)
Total capital assets (net of accumulated depreciation and amortization)	27,487	-	27,487
Total noncurrent assets	27,487	-	27,487
Total assets	31,630	1,396,622	1,428,252
LIABILITIES			
Current liabilities:			
Accounts payable	-	372	372
Due to other funds	-	877	877
Insurance and benefit claims	-	202,449	202,449
Total liabilities	-	203,698	203,698
NET POSITION			
Net investment in capital assets	27,487	-	27,487
Unrestricted	4,143	1,192,924	1,197,067
Total net position	\$ 31,630	\$ 1,192,924	\$ 1,224,554

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2016**

	Vehicle Maintenance	Self - Insurance	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ -	\$ 2,395,534	\$ 2,395,534
Other revenue	8,685	-	8,685
Total operating revenues	8,685	2,395,534	2,404,219
Operating expenses:			
Contractual services	-	1,807,421	1,807,421
Risk financing and benefit payments	-	578,945	578,945
Other charges	36	-	36
Depreciation and amortization	13,744	-	13,744
Total operating expenses	13,780	2,386,366	2,400,146
Change in net position	(5,095)	9,168	4,073
Total net position, beginning	36,725	1,183,756	1,220,481
Total net position, ending	\$ 31,630	\$ 1,192,924	\$ 1,224,554

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2016

	Vehicle Maintenance	Self - Insurance	Total Internal Service Funds
Cash Flows From Operating Activities:			
Receipts from interfund services provided	\$ -	\$ 2,387,034	\$ 2,387,034
Claims and benefits paid	-	(523,594)	(523,594)
Payments to suppliers for goods and services	(8,721)	(1,807,421)	(1,816,142)
Other receipts	8,685	-	8,685
Net cash provided by (used in) operating activities	(36)	56,019	55,983
Net increase (decrease) in cash and cash equivalents	(36)	56,019	55,983
Cash and Cash Equivalents:			
Beginning	4,179	1,173,603	1,177,782
Ending	\$ 4,143	\$ 1,229,622	\$ 1,233,765
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (5,095)	\$ 9,168	\$ 4,073
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	13,744	-	13,744
Change in assets and liabilities:			
Increase in accounts receivable	-	(8,500)	(8,500)
Increase (decrease) in accounts payable	(8,685)	55,351	46,666
Net cash provided by (used in) operating activities	\$ (36)	\$ 56,019	\$ 55,983

COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Agency Funds			
	Four Rivers Technology in			
	Special Welfare	Education Consortium	Deposit Escrow	Totals
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 11,264	\$ 38,704	\$ 318,390	\$ 368,358
LIABILITIES				
Amounts held for social services clients	\$ 11,264	\$ -	\$ -	\$ 11,264
Amounts held for consortium	-	38,704	-	38,704
Refundable escrow deposits payable	-	-	318,390	318,390
Total liabilities	\$ 11,264	\$ 38,704	\$ 318,390	\$ 368,358

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>SPECIAL WELFARE</u>				
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 3,052	\$ 33,270	\$ 25,058	\$ 11,264
LIABILITIES				
Amounts held for social services clients	\$ 3,052	\$ 33,270	\$ 25,058	\$ 11,264
<u>FOUR RIVERS TECHNOLOGY IN EDUCATION CONSORTIUM</u>				
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 38,704	\$ -	\$ -	\$ 38,704
LIABILITIES				
Amounts held for consortium	\$ 38,704	\$ -	\$ -	\$ 38,704
<u>DEPOSIT ESCROW</u>				
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 289,845	\$ 130,146	\$ 101,601	\$ 318,390
LIABILITIES				
Refundable escrow deposits payable	\$ 289,845	\$ 130,146	\$ 101,601	\$ 318,390
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 331,601	\$ 163,416	\$ 126,659	\$ 368,358
LIABILITIES				
Amounts held for social services clients	\$ 3,052	\$ 33,270	\$ 25,058	\$ 11,264
Amounts held for consortium	38,704	-	-	38,704
Refundable escrow deposits payable	289,845	130,146	101,601	318,390
Total liabilities	\$ 331,601	\$ 163,416	\$ 126,659	\$ 368,358

**DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD**

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2016

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
ASSETS					
Cash, cash equivalents and temporary cash investments	\$ 89,947	\$ 444,795	\$ 12,326	\$ 226,556	\$ 773,624
Trade and other accounts receivable	1,541,009	-	-	-	1,541,009
Due from other governments	2,737,258	11,595	-	164,207	2,913,060
Total assets	\$ 4,368,214	\$ 456,390	\$ 12,326	\$ 390,763	\$ 5,227,693
LIABILITIES					
Accounts payable	\$ 584,496	\$ 59,976	\$ -	\$ 15,162	\$ 659,634
Accrued payroll	1,869,578	55,602	-	35,552	1,960,732
Total liabilities	2,454,074	115,578	-	50,714	2,620,366
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - insurance refunds	1,541,009	-	-	-	1,541,009
Total deferred inflows of resources	1,541,009	-	-	-	1,541,009
FUND BALANCES					
Assigned to:					
Capital outlay	-	-	12,326	-	12,326
Cafeteria	-	340,812	-	-	340,812
School grants	-	-	-	340,049	340,049
Unassigned	373,131	-	-	-	373,131
Total fund balances	373,131	340,812	12,326	340,049	1,066,318
Total liabilities, deferred inflows of resources and fund balances	\$ 4,368,214	\$ 456,390	\$ 12,326	\$ 390,763	\$ 5,227,693

Total Fund balances \$ 1,066,318

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	\$ 26,017,676	
Less accumulated depreciation and amortization	(17,869,708)	
Net capital assets		8,147,968

Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds.

3,244,046

Unavailable revenue to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.

1,541,009

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Capital leases	(607,554)	
Compensated absences	(653,697)	
Interest payable	(46,139)	
Other postemployment benefits	(2,336,006)	
Net pension liability	(32,051,233)	
		(35,694,629)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds.

(3,285,620)

Net position of governmental activities

\$ (24,980,908)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2016**

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
Revenues:					
Use of money and property	\$ 46,585	\$ -	\$ 226	\$ -	\$ 46,811
Charges for services	-	706,381	-	-	706,381
Miscellaneous	965,276	22,700	-	(46)	987,930
Appropriation from Primary Government	12,211,095	-	-	-	12,211,095
Intergovernmental	25,980,972	1,429,650	-	1,085,264	28,495,886
Total revenues	39,203,928	2,158,731	226	1,085,218	42,448,103
Expenditures:					
Current:					
Education	36,906,102	2,144,970	-	1,066,485	40,117,557
Capital outlay	2,120,953	-	58,108	-	2,179,061
Debt service	91,190	-	-	-	91,190
Total expenditures	39,118,245	2,144,970	58,108	1,066,485	42,387,808
Revenues over (under) expenditures	85,683	13,761	(57,882)	18,733	60,295
Net change in fund balances	85,683	13,761	(57,882)	18,733	60,295
Fund balances, beginning	287,448	327,051	70,208	321,316	1,006,023
Fund balances, ending	\$ 373,131	\$ 340,812	\$ 12,326	\$ 340,049	\$ 1,066,318

Net change in fund balances \$ 60,295

Reconciliation of amounts reported for governmental activities in the Statement of Activities:

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 and amortization expense. This is the amount by which capital outlays were more than depreciation and amortization in the current period.

Expenditure for capital assets	\$ 1,340,843
Less depreciation and amortization expense	(752,579)
Excess of capital outlays over depreciation and amortization	588,264

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position. 23,011

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal repayments:	
Capital leases	91,190

Deferred outflows of resources - pension contributions 3,244,046

Revenue in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds. 1,541,009

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

Compensated absences	(87,208)
Accrued interest	(22,574)
Other postemployment benefits	(397,651)
Pension expense	(2,154,275)
	(2,661,708)

Change in net position of governmental activities \$ 2,886,107

COUNTY OF CAROLINE, VIRGINIA

Exhibit 33
Page 1

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2016**

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Use of money and property	\$ -	\$ -	\$ 46,585	\$ 46,585	\$ 150	\$ 150	\$ -	\$ (150)
Charges for services	5,000	5,000	-	(5,000)	750,000	750,000	706,381	(43,619)
Miscellaneous	8,000	366,658	965,276	598,618	-	-	22,700	22,700
Appropriation from primary government	12,639,981	12,921,829	12,211,095	(710,734)	-	-	-	-
Intergovernmental	25,792,368	25,892,368	25,980,972	88,604	1,344,429	1,344,429	1,429,650	85,221
Total revenues	38,445,349	39,185,855	39,203,928	18,073	2,094,579	2,094,579	2,158,731	64,152
Expenditures:								
Education	37,307,372	37,397,477	36,906,102	(491,375)	2,094,579	2,094,579	2,144,970	50,391
Capital outlay	1,137,977	1,788,378	2,120,953	332,575	-	-	-	-
Debt service	-	-	91,190	91,190	-	-	-	-
Total expenditures	38,445,349	39,185,855	39,118,245	(67,610)	2,094,579	2,094,579	2,144,970	50,391
Revenues over expenditures	-	-	85,683	85,683	-	-	13,761	13,761
Net change in fund balance	-	-	85,683	85,683	-	-	13,761	13,761
Fund balance, beginning	-	-	287,448	287,448	-	-	327,051	327,051
Fund balance, ending	\$ -	\$ -	\$ 373,131	\$ 373,131	\$ -	\$ -	\$ 340,812	\$ 340,812

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2016**

	School Capital Projects Fund				School Grant Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Use of money and property	\$ 50	\$ 50	\$ 226	\$ 176	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-	359,925	359,925	(46)	(359,971)
Intergovernmental	-	-	-	-	648,437	1,933,816	1,085,264	(848,552)
Total revenues	50	50	226	176	1,008,362	2,293,741	1,085,218	(1,208,523)
Expenditures:								
Education	-	-	-	-	2,257,741	2,293,741	1,066,485	(1,227,256)
Capital outlay	70,200	70,200	58,108	(12,092)	-	-	-	-
Total expenditures	70,200	70,200	58,108	(12,092)	2,257,741	2,293,741	1,066,485	(1,227,256)
Revenues over (under) expenditures	(70,150)	(70,150)	(57,882)	12,268	(1,249,379)	-	18,733	18,733
Net change in fund balance	(70,150)	(70,150)	(57,882)	12,268	(1,249,379)	-	18,733	18,733
Fund balance, beginning	70,150	70,150	70,208	58	1,249,379	-	321,316	321,316
Fund balance, ending	\$ -	\$ -	\$ 12,326	\$ 12,326	\$ -	\$ -	\$ 340,049	\$ 340,049

**DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY**

STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - EDA
June 30, 2016

ASSETS	
Current assets:	
Cash, cash equivalents and temporary cash investments	\$ 82,747
Total assets	<u>82,747</u>
NET POSITION	
Unrestricted	<u>82,747</u>
Total net position	<u><u>\$ 82,747</u></u>

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - EDA
Year Ended June 30, 2016**

Operating revenues:	
Contributions from local governments	\$ 3,507
Other revenue	299
	<hr/>
Total operating revenues	3,806
	<hr/>
Operating expenses:	
Economic development	656,012
	<hr/>
Operating loss	(652,206)
Nonoperating revenue:	
Revenue from use of money	157
	<hr/>
Loss before capital grants and contributions	(652,049)
Capital grants and contributions	650,000
	<hr/>
Change in net position	(2,049)
Net position, beginning	84,796
	<hr/>
Net position, ending	<u><u>\$ 82,747</u></u>

SUPPLEMENTAL SCHEDULES

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2016

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 20,004,853	\$ 20,143,907	\$ 20,949,063	\$ 805,156
Real and personal public service corporation property taxes	3,859,808	3,859,808	3,834,051	(25,757)
Personal property taxes	7,977,677	7,977,677	8,378,466	400,789
Mobile home taxes	43,264	43,264	44,477	1,213
Machinery and tools taxes	246,125	246,125	273,514	27,389
Motor vehicle carrier	164,436	164,436	170,294	5,858
Penalties	408,375	408,375	445,212	36,837
Interest	358,739	358,739	415,025	56,286
Total general property taxes	33,063,277	33,202,331	34,510,102	1,307,771
Other local taxes:				
Local sales and use taxes	1,795,469	1,795,469	1,990,779	195,310
Consumer utility taxes	85,076	85,076	83,253	(1,823)
Business license taxes	1,066,400	1,066,400	793,703	(272,697)
Bank stock taxes	56,301	56,301	65,247	8,946
Motor vehicle licenses and registration fees	942,943	942,943	1,031,986	89,043
Taxes on recordation and wills	262,070	262,070	262,702	632
Total other local taxes	4,208,259	4,208,259	4,227,670	19,411
Permits, privilege fees and regulatory licenses:				
Animal licenses	33,100	33,100	39,514	6,414
Permits and other licenses	333,334	333,334	462,902	129,568
Total permits, privilege fees and regulatory licenses	366,434	366,434	502,416	135,982
Fines and forfeitures	560,700	560,700	484,591	(76,109)
Use of money and property:				
Revenue from use of money	15,500	15,500	50,728	35,228
Revenue from use of property	27,791	27,791	32,164	4,373
Total use of money and property	43,291	43,291	82,892	39,601

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2016

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
Charges for services:				
Charges for court costs	\$ 8,110	\$ 8,110	\$ 12,345	\$ 4,235
Commonwealth attorney's fees	2,500	2,500	3,193	693
Courthouse security and protective services	189,500	189,500	171,672	(17,828)
Data processing	1,100	1,100	1,777	677
Parks and recreation	110,754	110,754	81,949	(28,805)
Sanitation and waste removal	28,500	28,500	29,119	619
Sale of publications and commemorative material	200	200	12	(188)
Ambulance recovery services	700,000	700,000	729,546	29,546
Other	9,900	9,900	8,829	(1,071)
Total charges for services	1,050,564	1,050,564	1,038,442	(12,122)
Miscellaneous	90,100	90,100	322,446	232,346
Recovered costs:				
Soil conservationist	289,108	289,108	285,221	(3,887)
Postage reimbursement general district court	4,600	4,600	4,175	(425)
Jurors	25,000	25,000	3,990	(21,010)
Other	3,600	3,600	7,526	3,926
Total recovered costs	322,308	322,308	300,912	(21,396)
Total revenue from local sources	39,704,933	39,843,987	41,469,471	1,625,484
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rolling stock tax	87,975	87,975	73,977	(13,998)
Communications sales and use taxes	451,312	451,312	429,554	(21,758)
Mobile home titling taxes	6,223	6,223	20,181	13,958
Rental vehicle taxes	3,476	3,476	4,796	1,320
Personal property tax relief	2,371,897	2,371,897	2,371,897	-
Recordation taxes	146,495	146,495	165,654	19,159
Total non-categorical aid	3,067,378	3,067,378	3,066,059	(1,319)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2016

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Shared costs:				
Commonwealth attorney	\$ 224,368	\$ 224,368	\$ 225,466	\$ 1,098
Sheriff	1,183,700	1,183,700	1,185,290	1,590
Commissioner of the revenue	122,798	122,798	122,626	(172)
Treasurer	101,672	101,672	101,369	(303)
Registrar/Electoral Board	41,438	41,438	57,192	15,754
Clerk of circuit court	271,562	271,562	275,143	3,581
Total shared costs	1,945,538	1,945,538	1,967,086	21,548
Other categorical aid:				
Litter control	8,700	8,700	8,833	133
DMV license agent	30,500	30,500	36,391	5,891
Wireless E911 PSAP funding	89,000	89,000	97,239	8,239
Emergency services	3,500	3,500	(3,136)	(6,636)
CHINS	14,417	14,417	14,869	452
Victim witness	58,507	58,507	65,173	6,666
Social services quality initiative	10,000	10,000	10,775	775
Domestic violence	89,000	89,000	94,995	5,995
Total other categorical aid	303,624	303,624	325,139	21,515
Total categorical aid	2,249,162	2,249,162	2,292,225	43,063
Total revenue from the Commonwealth	5,316,540	5,316,540	5,358,284	41,744
Revenue from the federal government:				
Non-categorical aid:				
Payment for federal lands	1,886	1,886	1,869	(17)
Categorical aid:				
DMV ground transportation	21,000	21,000	22,101	1,101
Sheriff's grants	-	4,434	3,417	(1,017)
FEMA	12,120	12,120	12,120	-
Bulletproof vest partnership	1,328	1,328	2,279	951
Justice assistance	-	-	1,799	1,799
LEMPG	-	-	4,350	4,350
Victim witness	26,188	26,188	26,498	310
SCAAP funds	-	-	196	196
SAFER	-	-	8,776	8,776
Total categorical aid	60,636	65,070	81,536	16,466
Total revenue from the federal government	62,522	66,956	83,405	16,449
Total intergovernmental	5,379,062	5,383,496	5,441,689	58,193
Total General Fund	\$ 45,083,995	\$ 45,227,483	\$ 46,911,160	\$ 1,683,677

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2016

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous	\$ 3,000	\$ 3,000	\$ 2,242	\$ (758)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	540,357	677,687	694,152	16,465
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	1,414,964	1,414,964	1,525,032	110,068
Total intergovernmental	1,955,321	2,092,651	2,219,184	126,533
Total Virginia Public Assistance Fund	1,958,321	2,095,651	2,221,426	125,775
Proffers Fund:				
Revenue from local sources:				
Revenue from use of money	750	950	941	(9)
Miscellaneous:				
Proffers	55,000	127,100	127,026	(74)
Total revenue from local sources	55,750	128,050	127,967	(83)
Total Proffers Fund	55,750	128,050	127,967	(83)
Children's Services Fund:				
Revenue from local sources:				
Miscellaneous	23,000	23,000	15,353	(7,647)
Intergovernmental:				
Revenue from the Commonwealth:				
Children's services act funds	1,606,080	1,606,080	1,150,946	(455,134)
Revenue from the federal government:				
Children's services act funds	-	-	52,435	52,435
Total intergovernmental	1,606,080	1,606,080	1,203,381	(402,699)
Total Children's Services Fund	1,629,080	1,629,080	1,218,734	(410,346)
Law Library Fund:				
Revenue from local sources:				
Charges for services:				
Law library fees	5,179	5,179	5,348	169
Total Law Library Fund	5,179	5,179	5,348	169
Courthouse Maintenance Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse maintenance fees	26,756	26,756	26,574	(182)
Total Courthouse Maintenance Fund	26,756	26,756	26,574	(182)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2016

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Special Revenue Funds:				
Tourism Fund:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes	\$ 131,483	\$ 131,483	\$ 144,909	\$ 13,426
Miscellaneous	11,500	11,500	10,447	(1,053)
Total revenue from local sources	142,983	142,983	155,356	12,373
Total Tourism Fund	142,983	142,983	155,356	12,373
Confiscated Asset Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical:				
Public safety	-	26,178	23,768	(2,410)
Revenue from the federal government:				
Categorical:				
Public safety	-	-	2,407	2,407
Total intergovernmental	-	26,178	26,175	(3)
Total Confiscated Asset Fund	-	26,178	26,175	(3)
Fire/Rescue Grant Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical:				
Fire program fund	69,650	76,398	86,550	10,152
EMS vehicle registration grant	26,717	26,717	30,642	3,925
Radiological preparedness grant	25,000	55,000	30,000	(25,000)
Total revenue from the Commonwealth	121,367	158,115	147,192	(10,923)
Total Fire/Rescue Grant Fund	121,367	158,115	147,192	(10,923)
Housing Fund:				
Revenue from local sources:				
Revenue from use of money and property	11,000	15,250	16,725	1,475
Total Housing Fund	11,000	15,250	16,725	1,475
Sheriff Fund:				
Revenue from local sources:				
Charges for services:				
Sheriff fees	30,000	30,000	58,657	28,657
Total Sheriff Fund	30,000	30,000	58,657	28,657
Total Special Revenue Funds	\$ 3,980,436	\$ 4,257,242	\$ 4,004,154	\$ (253,088)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2016

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Debt Service Fund:				
Revenue from local sources:				
Other local taxes:				
Consumer utility	\$ 554,000	\$ 554,000	\$ 515,174	\$ (38,826)
Meals	1,285,320	1,285,320	1,144,891	(140,429)
Total other local taxes	1,839,320	1,839,320	1,660,065	(179,255)
Revenue from use of money and property:				
Revenue from use of property	126,632	126,632	111,603	(15,029)
Total revenue from use of money and property	126,632	126,632	111,603	(15,029)
Total revenue from local sources	1,965,952	1,965,952	1,771,668	(194,284)
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical:				
Communications tax	347,703	347,703	329,643	(18,060)
Revenue from the federal government:				
Non-categorical:				
Federal tax credit	289,240	289,240	290,487	1,247
Refunding credit	51,950	51,950	51,950	-
BABs interest subsidy	10,705	10,705	10,852	147
Total revenue from the federal government	351,895	351,895	353,289	1,394
Total intergovernmental	699,598	699,598	682,932	(16,666)
Total Debt Service Fund	\$ 2,665,550	\$ 2,665,550	\$ 2,454,600	\$ (210,950)
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	-	73,300	72,483	(817)
Total revenue from local sources	-	73,300	72,483	(817)
Intergovernmental:				
Revenue from local government:				
Caroline County School Board	70,200	70,200	58,108	(12,092)
Revenue from the Commonwealth:				
Categorical aid:				
Wireless E911 PSAP funding	70,000	78,100	78,074	(26)
Total intergovernmental	140,200	148,300	136,182	(12,118)
Total Capital Projects Fund	\$ 140,200	\$ 221,600	\$ 208,665	\$ (12,935)
Grand Total Revenues - Primary Government	\$ 51,870,181	\$ 52,371,875	\$ 53,578,579	\$ 1,206,704

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2016

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of property	\$ -	\$ -	\$ 46,585	\$ 46,585
Charges for services	5,000	5,000	-	(5,000)
Miscellaneous	8,000	366,658	965,276	598,618
Appropriation from Primary Government	12,639,981	12,921,829	12,211,095	(710,734)
Total revenue from local sources	12,652,981	13,293,487	13,222,956	(70,531)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State sales tax receipts	4,725,337	4,725,337	4,764,005	38,668
Basic school aid	12,530,324	12,530,324	12,506,869	(23,455)
Other state school funds	7,418,920	7,518,920	7,497,296	(21,624)
Total categorical aid	24,674,581	24,774,581	24,768,170	(6,411)
Total revenue from the Commonwealth	24,674,581	24,774,581	24,768,170	(6,411)
Revenue from the federal government:				
Categorical aid:				
Title VIB	880,604	880,604	758,634	(121,970)
Other school funds	237,183	237,183	454,168	216,985
Total revenue from the federal government	1,117,787	1,117,787	1,212,802	95,015
Total intergovernmental	25,792,368	25,892,368	25,980,972	88,604
Total School Operating Fund	\$ 38,445,349	\$ 39,185,855	\$ 39,203,928	\$ 18,073
School Grant Fund:				
Miscellaneous	\$ 359,925	\$ 359,925	\$ (46)	\$ (359,971)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Project graduation	25,000	25,000	23,270	(1,730)
Mentor teacher project	6,245	6,245	-	(6,245)
Total revenue from the Commonwealth	31,245	31,245	23,270	(7,975)
Revenue from the federal government:				
Categorical aid:				
Title I	-	1,249,379	783,747	(465,632)
Other school funds	617,192	653,192	278,247	(374,945)
Total revenue from the federal government	617,192	1,902,571	1,061,994	(840,577)
Total intergovernmental	648,437	1,933,816	1,085,264	(848,552)
Total School Grant Fund	\$ 1,008,362	\$ 2,293,741	\$ 1,085,218	\$ (1,208,523)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2016

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Units:				
Component Unit - School Board:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 150	\$ 150	\$ -	\$ (150)
Miscellaneous	-	-	22,700	22,700
Charges for services	750,000	750,000	706,381	(43,619)
Total revenue from local sources	750,150	750,150	729,081	(21,069)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	34,369	34,369	25,038	(9,331)
Revenue from the federal government:				
Categorical aid:				
School food program grant	1,310,060	1,310,060	1,404,612	94,552
Total intergovernmental	1,344,429	1,344,429	1,429,650	85,221
Total School Cafeteria Fund	\$ 2,094,579	\$ 2,094,579	\$ 2,158,731	\$ 64,152
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 50	\$ 50	\$ 226	\$ 176
Total revenue from local sources	50	50	226	176
Total School Capital Projects Fund	\$ 50	\$ 50	\$ 226	\$ 176
Grand Total Revenues - Component Unit - School Board	\$ 41,548,340	\$ 43,574,225	\$ 42,448,103	\$ (1,126,122)

COUNTY OF CAROLINE, VIRGINIA

Schedule 2

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GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2016

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 178,786	\$ 178,786	\$ 176,521	\$ (2,265)
General and financial:				
County administrator	523,754	523,754	512,676	(11,078)
Legal services	216,000	312,247	312,247	-
Commissioner of the revenue	844,200	844,200	770,496	(73,704)
Professional services	223,768	341,747	278,995	(62,752)
Treasurer	594,092	594,092	566,321	(27,771)
Finance	372,787	374,987	360,511	(14,476)
Information technology	246,541	255,241	250,485	(4,756)
Total general and financial	3,021,142	3,246,268	3,051,731	(194,537)
Board of elections:				
Electoral board and officials	198,709	217,709	196,288	(21,421)
Total general government administration	3,398,637	3,642,763	3,424,540	(218,223)
Judicial administration:				
Courts:				
Circuit court	91,948	91,948	88,955	(2,993)
General district court	24,340	24,340	19,821	(4,519)
Magistrate	1,700	1,700	1,810	110
Juvenile and domestic relations court	17,145	17,145	14,921	(2,224)
Clerk of the circuit court	631,553	636,253	555,508	(80,745)
Juvenile crime control	49,136	49,136	39,064	(10,072)
Victim witness program	105,129	105,129	103,943	(1,186)
Total courts	920,951	925,651	824,022	(101,629)
Commonwealth attorney	445,596	445,596	428,965	(16,631)
Total judicial administration	1,366,547	1,371,247	1,252,987	(118,260)
Public safety:				
Law enforcement and traffic control:				
Sheriff	4,423,104	4,443,381	4,352,038	(91,343)
E911 dispatch	1,063,689	1,085,644	897,847	(187,797)
Other protection services	126,910	126,910	127,159	249
Total law enforcement and traffic control	5,613,703	5,655,935	5,377,044	(278,891)
Fire and rescue services:				
Other fire and rescue	17,685	17,685	17,536	(149)
Emergency services	4,008,036	4,201,972	3,685,719	(516,253)
Total fire and rescue services	4,025,721	4,219,657	3,703,255	(516,402)

COUNTY OF CAROLINE, VIRGINIA

Schedule 2

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GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2016

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Public safety:				
Correction and detention:				
Regional jail contributions	\$ 1,842,765	\$ 1,795,430	\$ 1,739,682	\$ (55,748)
Juvenile probation and detention	216,300	310,789	302,679	(8,110)
Total correction and detention	2,059,065	2,106,219	2,042,361	(63,858)
Building inspections	268,882	268,882	268,765	(117)
Other protection:				
Animal control	379,525	411,082	393,163	(17,919)
Medical examiner	300	300	280	(20)
Total other protection	379,825	411,382	393,443	(17,939)
Total public safety	12,347,196	12,662,075	11,784,868	(877,207)
Public works:				
Maintenance of infrastructure:				
Public works administration	191,204	191,204	124,073	(67,131)
Streetlights	3,500	3,500	3,313	(187)
Total maintenance of infrastructure	194,704	194,704	127,386	(67,318)
Sanitation and waste removal:				
Refuse collection and disposal	1,340,599	1,420,116	1,368,362	(51,754)
Total sanitation and waste removal	1,340,599	1,420,116	1,368,362	(51,754)
Maintenance of general buildings and grounds:				
General properties	1,550,043	1,719,257	1,538,824	(180,433)
Total maintenance of general buildings and grounds	1,550,043	1,719,257	1,538,824	(180,433)
Total public works	3,085,346	3,334,077	3,034,572	(299,505)
Health and welfare:				
Health:				
Supplement to local health department	275,404	275,404	275,404	-
Mental health and mental retardation:				
Community Services Board	98,770	98,770	98,770	-
Welfare:				
Contributions to outside welfare agencies	259,466	259,466	239,966	(19,500)
Total health and welfare	633,640	633,640	614,140	(19,500)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2016

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Education:				
Appropriation to the Caroline County School Board	\$ 12,639,981	\$ 12,921,829	\$ 12,211,095	\$ (710,734)
Total education	12,639,981	12,921,829	12,211,095	(710,734)
Parks, recreation and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	428,635	428,635	371,544	(57,091)
Cultural:				
Contribution to County library	316,787	334,787	305,797	(28,990)
Total parks, recreation and cultural	745,422	763,422	677,341	(86,081)
Community development:				
Planning and community development:				
Planning development	580,502	633,902	527,523	(106,379)
Planning commission	30,471	30,471	23,248	(7,223)
Economic development	262,381	262,381	226,583	(35,798)
Planning regional	56,859	56,859	54,446	(2,413)
Industrial development authority	1,000	1,000	193	(807)
Board of zoning appeals	3,135	3,135	1,207	(1,928)
Total planning and community development	934,348	987,748	833,200	(154,548)
Environmental management:				
Soil and conservation district contribution	59,452	59,452	59,452	-
Environmental management	282,509	282,509	280,219	(2,290)
Total environmental management	341,961	341,961	339,671	(2,290)
Cooperative extension program:				
Extension office	71,251	71,251	63,342	(7,909)
Total community development	1,347,560	1,400,960	1,236,213	(164,747)
Total General Fund	\$ 35,564,329	\$ 36,730,013	\$ 34,235,756	\$ (2,494,257)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare administration	\$ 2,046,833	\$ 2,046,833	\$ 2,040,898	\$ (5,935)
Public assistance	389,542	526,872	568,966	42,094
Purchased services	172,621	172,621	126,240	(46,381)
Local only	10,776	10,776	5,221	(5,555)
Grants	12,375	12,375	12,375	-
Total Virginia Public Assistance Fund	2,632,147	2,769,477	2,753,700	(15,777)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2016

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Special Revenue Funds:				
Children's Services Fund:				
Health and welfare:				
Children's services act	\$ 2,364,698	\$ 2,364,698	\$ 1,772,187	\$ (592,511)
Total Children's Services Fund	2,364,698	2,364,698	1,772,187	(592,511)
Law Library Fund:				
Judicial administration:				
Law library	5,179	5,179	5,038	(141)
Total Law Library Fund	5,179	5,179	5,038	(141)
Courthouse Maintenance Fund:				
Judicial administration:				
Courthouse maintenance	26,756	53,903	53,903	-
Total Courthouse Maintenance Fund	26,756	53,903	53,903	-
Tourism Fund:				
Community development:				
Planning and community development:				
Tourism	163,223	163,223	144,906	(18,317)
Total Tourism Fund	163,223	163,223	144,906	(18,317)
Confiscated Asset Fund:				
Judicial administration	-	12,429	12,426	(3)
Public safety	-	28,671	21,864	(6,807)
Total Confiscated Asset Fund	-	41,100	34,290	(6,810)
Fire/Rescue Grant Fund:				
Public safety:				
Fire and rescue services:				
Fire/rescue program	121,367	158,115	152,035	(6,080)
Total Fire/Rescue Grant Fund	121,367	158,115	152,035	(6,080)
Housing Fund:				
Community development:				
Housing rehabilitation	11,000	15,250	15,250	-
Total Housing Fund	11,000	15,250	15,250	-
Total Special Revenue Funds	\$ 5,324,370	\$ 5,570,945	\$ 4,931,309	\$ (639,636)
Debt Service Fund:				
Debt service:				
Principal	\$ 6,600,530	\$ 6,600,530	\$ 6,479,052	\$ (121,478)
Interest and fiscal charges	3,811,604	3,811,604	3,798,912	(12,692)
Total Debt Service Fund	\$ 10,412,134	\$ 10,412,134	\$ 10,277,964	\$ (134,170)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2016

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Capital Projects Fund:				
County Capital Projects Fund:				
Capital outlay:				
Capital projects	\$ 1,427,893	\$ 16,167,913	\$ 16,036,771	\$ (131,142)
Total Capital Projects Fund	\$ 1,427,893	\$ 16,167,913	\$ 16,036,771	\$ (131,142)
Grand Total Expenditures - Primary Government	\$ 52,728,726	\$ 68,881,005	\$ 65,481,800	\$ (3,399,205)
Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 29,287,095	\$ 29,377,200	\$ 28,569,999	\$ (807,201)
Administration, attendance and health	1,446,642	1,446,642	1,556,540	109,898
Pupil transportation services	3,164,376	3,164,376	2,861,027	(303,349)
Operation and maintenance services	3,351,759	3,351,759	3,748,464	396,705
Facilities	57,500	57,500	170,072	112,572
Total education	37,307,372	37,397,477	36,906,102	(491,375)
Capital outlay:				
Capital projects	1,137,977	1,788,378	2,120,953	332,575
Debt service:				
Principal	-	-	91,190	91,190
Total School Operating Fund	\$ 38,445,349	\$ 39,185,855	\$ 39,118,245	\$ (67,610)
School Cafeteria Fund:				
Education:				
School food services	\$ 2,094,579	\$ 2,094,579	\$ 2,144,970	\$ 50,391
Total School Cafeteria Fund	\$ 2,094,579	\$ 2,094,579	\$ 2,144,970	\$ 50,391
School Grant Fund:				
Education:				
Instruction	\$ 2,257,741	\$ 2,293,741	\$ 1,066,485	\$ (1,227,256)
Total School Grant Fund	\$ 2,257,741	\$ 2,293,741	\$ 1,066,485	\$ (1,227,256)
School Capital Projects Fund:				
Capital outlay:				
Capital projects	\$ 70,200	\$ 70,200	\$ 58,108	\$ (12,092)
Total School Capital Projects Fund	\$ 70,200	\$ 70,200	\$ 58,108	\$ (12,092)
Total Expenditures - Component Unit - School Board	\$ 42,867,869	\$ 43,644,375	\$ 42,387,808	\$ (1,256,567)

STATISTICAL SECTION

COUNTY OF CAROLINE, VIRGINIA

STATISTICAL SECTION

TABLE OF CONTENTS

The statistical section of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the County's overall financial health. This information has not been audited by the independent auditor.

Contents	Tables
Financial Trends	
These tables contain trend information to help the reader understand how the County's financial performance and well being have changed over time.	2-5
Revenue Capacity	
These tables contain information to help the reader assess the County's most significant local revenue sources, the property tax, as well as other revenue sources.	6-10
Debt Capacity	
This table presents information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.	11
Demographic and Economic Information	
This table offers demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	12
Operating Information	
This table contains service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	13

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.

STATISTICAL SECTION

Comments Relative to Statistical Section

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

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

COUNTY OF CAROLINE, VIRGINIA

Table 2

NET POSITION/ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary government:										
Governmental activities:										
Net investment in capital assets	\$ 6,625,002	\$ (64,888)	\$ (1,913,976)	\$ (1,516,215)	\$ (7,898,401)	\$ (2,885,427)	\$ (15,106,264)	\$ (39,754,963)	\$ (33,804,885)	\$ (16,413,860)
Restricted	-	-	-	-	-	16,479,118	8,348,530	30,368,696	28,077,009	13,637,372
Unrestricted (deficit)	3,617,592	8,862,943	7,492,936	8,035,867	16,648,965	(2,158,308)	13,248,670	18,392,597	19,298,331	21,500,669
Total governmental activities net assets	\$ 10,242,594	\$ 8,798,055	\$ 5,578,960	\$ 6,519,652	\$ 8,750,564	\$ 11,435,383				
Total governmental activities net position							\$ 6,490,936	\$ 9,006,330	\$ 13,570,455	\$ 18,724,181
Business-type activities:										
Net investment in capital assets	\$ 5,729,267	\$ 5,713,730	\$ 4,995,360	\$ 1,798,327	\$ 3,409,348	\$ 5,078,025	\$ 2,505,703	\$ 5,160,081	\$ 5,132,270	\$ 5,655,822
Restricted	1,707,039	1,762,655	1,527,115	494,152	-	-	4,712,149	2,646,388	2,180,302	1,833,241
Unrestricted (deficit)	(7,286,288)	(4,270,848)	(4,590,859)	(1,792,297)	(4,238,484)	(5,373,848)	217,706	(837,006)	(573,962)	(358,259)
Total business-type activities net assets (deficit)	\$ 150,018	\$ 3,205,537	\$ 1,931,616	\$ 500,182	\$ (829,136)	\$ (295,823)				
Total business-type activities net position							\$ 7,435,558	\$ 6,969,463	\$ 6,738,610	\$ 7,130,804
Primary government:										
Net investment in capital assets	\$ 12,354,269	\$ 5,648,842	\$ 3,081,384	\$ 282,112	\$ (4,489,053)	\$ 2,192,598	\$ (12,600,561)	\$ (34,594,882)	\$ (28,672,615)	\$ (10,758,038)
Restricted	1,707,039	1,762,655	1,527,115	494,152	-	16,479,118	13,060,679	33,015,084	30,257,311	15,470,613
Unrestricted (deficit)	(3,668,696)	4,592,095	2,902,077	6,243,570	12,410,481	(7,532,156)	13,466,376	17,555,591	18,724,369	21,142,410
Total primary government net assets	\$ 10,392,612	\$ 12,003,592	\$ 7,510,576	\$ 7,019,834	\$ 7,921,428	\$ 11,139,560				
Total primary government net position							\$ 13,926,494	\$ 15,975,793	\$ 20,309,065	\$ 25,854,985

(2)

Notes:

(1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the use of the term "net assets" and now refers to this measurement as "net position."

(2) June 30, 2014 net position was restated for the implementation of GASB Statement No. 68.

COUNTY OF CAROLINE, VIRGINIA

CHANGES IN NET POSITION/ASSETS Last Ten Fiscal Years (accrual basis of accounting) (Unaudited)

Table 3
Page 1

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary government:										
Expenses:										
Governmental activities:										
General government administration	\$ 3,074,553	\$ 3,568,313	\$ 3,709,879	\$ 4,078,076	\$ 3,834,523	\$ 3,373,633	\$ 3,504,203	\$ 3,609,988	\$ 3,883,714	\$ 3,978,965
Judicial administration	998,181	1,155,295	1,157,463	1,259,831	1,305,420	1,321,551	1,559,830	1,407,147	1,396,050	1,402,447
Public safety	8,517,661	11,871,594	10,097,879	10,062,297	10,851,996	12,399,082	12,005,540	12,143,942	11,880,667	12,426,927
Public works	3,984,895	1,992,373	3,303,085	3,096,165	3,224,196	2,488,278	3,066,768	3,640,540	2,908,638	3,051,951
Health and welfare	3,765,455	4,298,184	4,522,642	4,477,646	4,486,438	4,678,442	4,569,627	5,357,822	4,961,442	5,099,553
Education	11,325,718	13,677,703	13,585,341	12,155,229	12,473,709	12,688,448	16,789,588	12,874,519	13,388,679	15,040,013
Parks, recreation and cultural	958,698	652,192	960,018	631,053	593,795	1,014,718	2,682,085	3,201,043	834,612	607,087
Community development	2,139,000	1,802,204	1,946,999	1,683,340	1,357,445	1,466,009	1,545,447	1,521,500	1,575,697	1,515,175
Interest	2,015,260	2,384,813	3,495,641	3,271,332	2,770,309	3,379,550	3,311,236	3,775,429	3,788,183	3,620,914
Total governmental activities	36,779,421	41,402,671	42,778,947	40,714,969	40,897,831	42,809,711	49,034,324	47,531,930	44,617,682	46,743,032
Business-type activities:										
Public utilities	2,494,383	3,310,499	3,818,858	4,643,674	4,833,897	4,600,849	4,708,177	5,277,623	5,703,220	5,720,201
Total business-type activities	2,494,383	3,310,499	3,818,858	4,643,674	4,833,897	4,600,849	4,708,177	5,277,623	5,703,220	5,720,201
Total primary government expenses	39,273,804	44,713,170	46,597,805	45,358,643	45,731,728	47,410,560	53,742,501	52,809,553	50,320,902	52,463,233
Program revenue:										
Governmental activities:										
Charges for services:										
Public safety	1,215,852	676,456	669,213	360,507	354,880	1,931,399	1,812,613	1,923,375	1,858,195	1,963,237
Community development	312,581	1,701	1,299	289	209	259,936	274,372	269,786	282,212	285,233
All other activities	598,287	1,290,948	800,038	794,600	1,013,489	337,717	345,711	195,341	183,155	168,470
Operating grants and contributions	5,336,087	5,180,181	5,941,198	5,730,192	5,864,302	5,931,154	5,435,809	6,437,297	5,863,274	5,969,693
Capital grants and contributions	1,646,016	292,906	-	389,982	-	83,646	158,272	-	607,776	78,074
Total governmental activities	9,108,823	7,442,192	7,411,748	7,275,570	7,232,880	8,543,852	8,026,777	8,825,799	8,794,612	8,464,707

COUNTY OF CAROLINE, VIRGINIA

CHANGES IN NET POSITION/ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Table 3

Page 2

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary government:										
Program revenue:										
Business-type activities:										
Charges for services:										
Public utilities	\$ 1,036,029	\$ 2,306,221	\$ 2,021,930	\$ 3,050,269	\$ 3,091,297	\$ 2,879,029	\$ 3,891,144	\$ 2,626,288	\$ 2,920,869	\$ 2,633,815
Operating grants and contributions:										
Public utilities	-	107,000	210,100	-	259,417	380,573	638,344	579,689	349,083	350,877
Capital grants and contributions:										
Public utilities	1,532,671	3,766,990	109,610	139,397	118,716	-	-	1,115,502	1,170,762	1,326,260
Total business-type activities	2,568,700	6,180,211	2,341,640	3,189,666	3,469,430	3,259,602	4,529,488	4,321,479	4,440,714	4,310,952
Total primary government revenues	11,677,523	13,622,403	9,753,388	10,465,236	10,702,310	11,803,454	12,556,265	13,147,278	13,235,326	12,775,659
Net (expense) revenue:										
Governmental activities	(27,670,598)	(33,960,479)	(35,367,199)	(33,439,399)	(33,664,951)	(34,265,859)	(41,007,547)	(38,706,131)	(35,823,070)	(38,278,325)
Business-type activities	74,317	2,869,712	(1,477,218)	(1,454,008)	(1,364,467)	(1,341,247)	(178,689)	(956,144)	(1,262,506)	(1,409,249)
Total primary government, net expense	(27,596,281)	(31,090,767)	(36,844,417)	(34,893,407)	(35,029,418)	(35,607,106)	(41,186,236)	(39,662,275)	(37,085,576)	(39,687,574)
Governmental activities:										
Taxes:										
General property taxes	19,696,597	21,721,562	23,380,063	25,617,843	26,968,633	30,377,123	30,700,165	32,695,438	34,297,569	34,439,462
Local sales and use	1,257,370	1,397,232	1,401,831	1,357,380	1,540,189	1,527,122	1,521,998	1,672,694	1,779,229	1,990,779
Other	4,753,642	4,748,727	4,400,956	3,313,411	3,510,347	3,749,268	3,661,418	4,088,990	4,195,865	4,041,865
State personal property tax reimbursement	2,386,780	2,371,896	2,371,897	2,371,897	2,371,897	2,371,897	2,371,897	2,371,897	2,371,897	2,371,897
Other state non-categorical shared revenues	402,015	404,287	234,421	115,890	250,235	694,417	749,001	808,543	693,511	1,378,963
Proffers from new development	166,655	186,929	84,347	260,996	208,409	111,314	294,776	145,881	123,245	127,026
Other unrestricted revenue	373,891	1,800,945	574,917	1,362,299	1,135,248	965,188	1,263,776	1,184,640	1,077,555	693,240
Transfers	(123,380)	(115,638)	(180,403)	(19,625)	-	(1,079,642)	(4,630,231)	(959,896)	(1,145,321)	(1,611,181)
Total governmental activities	28,913,570	32,515,940	32,268,029	34,380,091	35,984,958	38,716,687	35,932,800	42,008,187	43,393,550	43,432,051
Business-type activities:										
Use of money and property	-	-	22,894	2,949	35,149	44,154	22,127	3,238	926	2,244
Miscellaneous	86,626	70,169	-	-	-	151,939	97,605	209,050	71,867	188,018
Transfers	123,380	115,638	180,403	19,625	-	1,079,642	4,630,231	959,896	1,145,321	1,611,181
Total business-type activities	210,006	185,807	203,297	22,574	35,149	1,275,735	4,749,963	1,172,184	1,218,114	1,801,443
Total primary government	29,123,576	32,701,747	32,471,326	34,402,665	36,020,107	39,992,422	40,682,763	43,180,371	44,611,664	45,233,494
Changes in net assets:										
Governmental activities	1,242,972	(1,444,539)	(3,099,170)	940,692	2,320,007	4,450,828				
Business-type activities	284,323	3,055,519	(1,273,921)	(1,431,434)	(1,329,318)	(65,512)				
Total primary government	\$ 1,527,295	\$ 1,610,980	\$ (4,373,091)	\$ (490,742)	\$ 990,689	\$ 4,385,316				
Changes in net position:										
Governmental activities							(5,074,747)	3,302,056	7,570,480	5,153,726
Business-type activities							4,571,274	216,040	(44,392)	392,194
Total primary government							\$ (503,473)	\$ 3,518,096	\$ 7,526,088	\$ 5,545,920

Notes:

- (1) Net (expense) revenue is the difference between expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.

- (2) This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the term "net assets" and now refers to this measurement as "net position."

COUNTY OF CAROLINE, VIRGINIA

Table 4

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	2007	2008	2009	2010	Fiscal Year June 30,		2013	2014	2015	2016
					2011	2012				
General Fund:										
Reserved	\$ -	\$ -	\$ 366,000	\$ 472,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,144,482	4,372,811	3,578,749	5,631,691	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	30,000	-	-
Restricted	-	-	-	-	-	1,176,599	1,827,272	1,846,264	1,846,264	1,847,361
Committed	-	-	-	-	444,987	366,000	366,000	366,000	366,000	175,000
Assigned	-	-	-	-	-	7,420	421,395	1,420,225	2,962,590	4,598,162
Unassigned	-	-	-	-	9,107,120	11,597,688	10,901,101	14,297,822	15,979,092	16,346,543
Total General Fund	6,144,482	4,372,811	3,944,749	6,104,491	9,552,107	13,147,707	13,515,768	17,960,311	21,153,946	22,967,066
All Other Governmental Funds:										
Reserved	6,658,745	5,151,438	4,818,961	1,967,647	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	2,303,062	1,193,460	1,006,694	1,806,036	-	-	-	-	-	-
Capital projects funds	(1,466,321)	-	-	-	-	-	-	-	-	-
Debt service funds	449,258	555,018	(107,903)	181,625	-	-	-	-	-	-
Restricted	-	-	-	-	6,924,638	15,302,519	6,521,258	28,522,432	26,230,745	11,790,011
Committed	-	-	-	-	1,496,793	-	-	-	-	-
Assigned	-	-	-	-	518,586	577,240	619,386	209,073	277,781	265,878
Unassigned	-	-	-	-	-	(304)	(43,865)	(50,154)	(127,250)	(139,160)
Total all other governmental funds	\$ 7,944,744	\$ 6,899,916	\$ 5,717,752	\$ 3,955,308	\$ 8,940,017	\$ 15,879,455	\$ 7,096,779	\$ 28,681,351	\$ 26,381,276	\$ 11,916,729

Note:

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

COUNTY OF CAROLINE, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Table 5

Page 1

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
General property taxes	\$ 19,824,011	\$ 21,215,391	\$ 22,927,993	\$ 25,663,790	\$ 26,749,352	\$ 28,661,523	\$ 29,981,769	\$ 31,936,888	\$ 34,435,880	\$ 34,510,102
Other local taxes	6,011,012	6,145,959	5,802,787	4,670,791	5,050,536	5,264,625	5,183,416	5,761,684	5,975,094	6,032,644
Permits, privilege fees and regulatory licenses	804,556	673,791	456,535	393,905	343,737	311,443	480,770	529,470	392,539	502,416
Fines and forfeitures	512,551	600,158	648,731	447,048	599,320	702,704	463,215	560,756	522,562	484,591
Use of money and property	1,066,241	1,497,444	246,362	181,995	196,662	218,274	273,027	251,372	255,286	284,644
Charges for services	415,825	509,375	365,284	314,443	425,521	369,300	1,017,772	997,859	1,092,983	1,129,021
Other local	412,759	1,130,002	1,391,767	1,794,807	1,770,522	1,404,880	1,114,255	1,228,772	619,896	778,426
Intergovernmental	9,028,179	8,249,270	8,547,516	10,377,324	9,196,070	9,691,832	9,280,763	10,262,274	10,057,363	9,856,735
Total revenues	38,075,134	40,021,390	40,386,975	43,844,103	44,331,720	46,624,581	47,794,987	51,529,075	53,351,603	53,578,579
Expenditures:										
General government administration	2,528,049	2,977,098	2,881,704	3,279,185	2,942,718	2,742,445	2,974,843	3,151,105	3,391,184	3,424,540
Judicial administration	868,544	902,588	1,092,853	1,155,276	1,216,950	1,196,313	1,271,504	1,301,043	1,330,592	1,324,354
Public safety	8,032,002	9,949,724	9,776,859	9,869,467	11,072,836	11,147,753	11,311,969	12,382,980	11,801,540	11,958,767
Public works	3,409,213	2,975,759	2,998,159	2,870,377	2,837,204	2,822,731	2,661,656	2,713,043	2,801,214	3,034,572
Health and welfare	3,749,469	4,268,077	4,511,382	4,476,028	4,479,507	4,683,615	4,596,258	5,551,495	5,068,757	5,140,027
Education	10,833,145	11,876,574	12,008,417	11,904,385	11,000,000	11,096,989	11,055,989	11,748,926	11,986,533	12,211,095
Parks, recreation and cultural	941,251	752,265	695,232	604,610	616,506	655,308	662,455	678,432	676,680	677,341
Community development	2,130,914	2,016,011	2,104,952	1,828,518	1,181,333	1,299,804	1,343,020	1,381,345	1,435,597	1,396,369
Capital outlay	13,364,814	22,305,090	6,416,052	2,170,949	2,600,429	2,009,291	10,279,612	9,597,593	2,958,062	16,036,771
Debt service:										
Principal	2,001,211	9,479,351	2,267,766	2,848,100	1,897,834	2,459,712	4,779,582	4,399,722	5,794,072	6,479,052
Interest and fiscal charges	2,035,614	1,808,776	3,767,405	3,092,117	2,882,858	3,542,841	3,430,830	3,580,048	4,068,491	3,798,912
Total expenditures	49,894,226	69,311,313	48,520,781	44,099,012	42,728,175	43,656,802	54,367,718	56,485,732	51,312,722	65,481,800
Revenues over (under) expenditures	(11,819,092)	(29,289,923)	(8,133,806)	(254,909)	1,603,545	2,967,779	(6,572,731)	(4,956,657)	2,038,881	(11,903,221)
Other financing sources (uses):										
Transfers in	4,197,280	4,472,496	4,159,249	5,713,435	4,106,070	4,759,372	6,051,030	6,915,440	9,155,668	9,529,968
Transfers out	(4,320,660)	(4,588,134)	(4,339,652)	(5,733,060)	(4,106,070)	(5,839,014)	(10,681,261)	(7,733,736)	(10,300,989)	(11,141,149)
Issuance of debt	1,600,000	26,589,062	30,067,107	5,407,593	6,828,780	8,400,000	2,535,447	25,133,000	-	-
Early debt retirement	-	-	(23,243,199)	(4,735,761)	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	114,912	119,060	-	-	-
Lease revenue and refunding bond issuance	-	-	-	-	-	-	-	-	-	5,328,275
Refunding bonds issued	-	-	-	-	-	-	-	8,487,000	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(8,390,000)	-	(4,465,300)
Issuance of capital lease	-	-	-	-	-	625,126	133,840	6,574,068	-	-
Total other financing sources (uses), net	1,476,620	26,473,424	6,643,505	652,207	6,828,780	8,060,396	(1,841,884)	30,985,772	(1,145,321)	(748,206)
Net change in fund balance	\$ (10,342,472)	\$ (2,816,499)	\$ (1,490,301)	\$ 397,298	\$ 8,432,325	\$ 11,028,175	\$ (8,414,615)	\$ 26,029,115	\$ 893,560	\$ (12,651,427)

COUNTY OF CAROLINE, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Table 5

Page 2

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Service as a percentage of noncapital expenditures:										
Primary government:										
Total debt service	\$ 4,036,825	\$ 11,288,127	\$ 6,035,171	\$ 5,940,217	\$ 4,780,692	\$ 6,002,553	\$ 8,210,412	\$ 7,979,770	\$ 9,862,563	\$ 10,277,964
Total expenditures	\$ 49,894,226	\$ 69,311,313	\$ 48,520,781	\$ 44,099,012	\$ 42,728,175	\$ 43,656,802	\$ 54,367,718	\$ 56,485,732	\$ 51,312,722	\$ 65,481,800
Less: Capital outlay - primary government	(12,826,842)	(19,983,961)	(5,001,627)	(2,023,040)	(2,233,860)	(1,663,081)	(8,277,672)	(6,550,348)	(3,152,378)	(16,340,559)
Noncapital expenditures	\$ 37,067,384	\$ 49,327,352	\$ 43,519,154	\$ 42,075,972	\$ 40,494,315	\$ 41,993,721	\$ 46,090,046	\$ 49,935,384	\$ 48,160,344	\$ 49,141,241
Debt service as a percentage of noncapital expenditures	10.89%	22.88%	13.87%	14.12%	11.81%	14.29%	17.81%	15.98%	20.48%	20.92%

COUNTY OF CAROLINE, VIRGINIA

Table 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Nine Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	Property (1)	Local Sales and Use	Business License	Motor Vehicle Licenses	Recordation and Wills	Other	Total
2008	\$ 20,630,105	\$ 1,397,232	\$ 1,099,579	\$ 594,334	\$ 493,071	\$ 719,968	\$ 24,934,289
2009	22,347,916	1,401,831	1,090,071	578,311	296,348	703,577	26,418,054
2010	25,031,295	1,357,380	803,165	552,923	242,212	773,060	28,760,035
2011	26,013,620	1,540,189	905,568	667,779	217,128	881,244	30,225,528
2012	27,892,748	1,527,122	969,103	823,632	214,204	905,990	32,332,799
2013	29,247,485	1,521,998	1,065,597	596,577	330,602	875,773	33,638,032
2014	31,121,030	1,672,694	1,080,256	951,114	241,404	964,162	36,030,660
2015	33,554,227	1,779,229	998,994	1,038,375	229,367	1,929,129	39,529,321
2016	33,649,865	1,990,779	793,703	1,031,986	262,702	1,953,474	39,682,509
Change 2008-2016	63.11%	42.48%	-27.82%	73.64%	-46.72%	171.33%	59.15%

Note:

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

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Real Estate (1)	Personal Property (2)	Machinery and Tools	Public Utility (3)	Total Assessed Value	Total Taxable Assessed Value
2007	\$ 2,698,539,731	\$ 127,775,732	\$ 6,270,660	\$ 165,825,263	\$ 2,998,411,386	\$ 2,998,411,386
2008	2,887,544,318	137,580,241	5,844,280	208,479,657	3,239,448,496	3,239,448,496
2009	2,921,646,044	146,037,606	5,999,560	210,375,646	3,284,058,856	3,284,058,856
2010	2,957,819,726	158,154,031	6,651,920	388,613,995	3,511,239,672	3,511,239,672
2011	2,438,863,853	150,301,120	7,303,910	434,199,114	3,030,667,997	3,030,667,997
2012	2,675,828,900	316,976,453	7,034,730	436,895,835	3,436,735,918	3,436,735,918
2013	2,690,621,100	254,081,388	7,045,530	447,027,197	3,398,775,215	3,398,775,215
2014	2,721,992,100	277,283,818	7,742,330	444,342,422	3,451,360,670	3,451,360,670
2015	2,739,975,000	282,284,550	7,383,110	457,707,814	3,487,350,474	3,487,350,474
2016	2,790,067,200	294,097,398	7,842,570	454,694,067	3,546,701,235	3,546,701,235

Notes:

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

COUNTY OF CAROLINE, VIRGINIA**Table 8****DIRECT PROPERTY TAX RATES****Last Ten Fiscal Years****(Unaudited)**

Fiscal Year June 30,	Real Estate		Personal Property (1)(2)		Machinery and Tools	Public Service Corporations				
						Real Estate	Personal Property			
2007	\$	0.48	\$	6.25	\$	3.50	\$	0.48	\$	6.25
2008		0.53		6.25		3.50		0.53		6.25
2009		0.53		6.25		3.50		0.53		6.25
2010		0.53		6.25		3.50		0.53		6.25
2011		0.68		6.25		3.50		0.68		6.25
2012		0.72		3.50		3.50		0.72		3.50
2013		0.72		3.80		3.50		0.72		3.80
2014		0.83		3.80		3.50		0.83		3.80
2015		0.83		3.80		3.50		0.83		3.80
2016		0.83		3.80		3.50		0.83		3.80

Notes:

(1) Assessed value for vehicles increased to 100% of market value in 2012.

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

COUNTY OF CAROLINE, VIRGINIA

Table 9

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Six Years Ago
(Unaudited)

Taxpayer / Type of Business	Fiscal Year June 30,					
	2016			2010		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Dominion Virginia Power/Electric Utility	\$ 278,246,031	1	7.85%	\$ 282,125,743	1	8.27%
Rappahannock Electric Cooperative/Electric Utility	67,362,453	2	1.90%	64,697,033	2	1.90%
McKesson Corporation/Pharmaceutical Distributor	30,619,620	3	0.86%	-	-	-
Virginia Natural Gas, Inc/Gas Utility	30,075,073	4	0.85%	17,515,198	5	0.51%
CSX Transportation/Railroad	21,922,992	5	0.62%	17,498,832	6	0.51%
Pilot Travel Centers, LLC/Highway Service Commercial	19,617,450	6	0.55%	-	-	-
Carmel Church Properties/Bank	15,736,800	7	0.44%	-	-	-
Commonwealth Fairs & Events, LLC/Public Entertainment	15,107,300	8	0.43%	-	-	-
Exeter 11266 Enterprise, LLC/Furniture Distribution	13,908,600	9	0.39%	-	-	-
Aqua Virginia, Inc/Water Utility	11,556,894	10	0.33%	-	-	-
Union Bank/Union Bankshares/Bank	-	-	-	23,222,470	3	0.68%
Verizon South/Telephone Utility	-	-	-	18,704,143	4	0.55%
JLB Ruther Glen LLC/Furniture Distribution	-	-	-	14,167,700	7	0.42%
NNP IV-Ladysmith/Property Development	-	-	-	12,429,300	8	0.36%
Amber Farms Limited Partnership/Property Development	-	-	-	11,550,800	9	0.34%
Highway Service Ventures, Inc/Highway Service Commercial	-	-	-	10,889,920	10	0.32%
Total	\$ 504,153,213		14.22%	\$ 472,801,139		13.86%

Source:

Caroline County Commissioner of Revenue

COUNTY OF CAROLINE, VIRGINIA

Table 10

PROPERTY TAX LEVIES AND COLLECTIONS
Last Seven Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year (1,3)	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date		Outstanding Delinquent Taxes (1,2)	Percentage of Delinquent Taxes to Tax Levy
		Amount (1,3)	Percentage of Levy		Amount	Percentage of Levy		
2010	\$ 27,443,283	\$ 26,455,233	96.40%	\$ 947,959	\$ 27,403,192	99.85%	\$ 3,565,280	12.99%
2011	28,430,141	27,337,561	96.16%	1,047,956	28,385,517	99.84%	3,659,723	12.87%
2012	30,790,303	29,222,222	94.91%	955,058	30,177,280	98.01%	4,021,078	13.06%
2013	31,992,621	30,609,324	95.68%	963,110	31,572,434	98.69%	4,478,787	14.00%
2014	33,707,074	31,483,184	93.40%	1,132,536	32,615,720	96.76%	4,799,184	14.24%
2015	36,315,452	34,636,181	95.38%	1,016,627	35,652,808	98.18%	4,677,178	12.88%
2016	36,339,139	34,852,070	95.91%	995,043	35,847,113	98.65%	4,729,311	13.01%

Source:
Caroline County Treasurer

Notes:

- (1) Exclusive of penalties and interest. Includes Commonwealth of Virginia's reimbursement for personal property taxes and balances outstanding.
- (2) Includes three most current delinquent tax years and first half of current year.
- (3) Does not include land redemptions.

COUNTY OF CAROLINE, VIRGINIA

Table 11

**RATIOS OF GROSS GENERAL BONDED DEBT TO ASSESSED VALUE
AND GROSS BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Population	Assessed Value (1)	Gross Bonded Debt (2)	Ratio of Gross Bonded Debt to Assessed Value	Gross Bonded Debt per Capita
2007	27,399	\$ 2,998,411,386	\$ 38,406,383	1.28%	\$ 1,402
2008	27,838	3,239,448,496	57,424,550	1.77%	2,063
2009	28,245	3,284,058,856	60,745,642	1.85%	2,151
2010	28,245	3,511,239,672	58,740,612	1.67%	2,080
2011	28,545	3,030,667,997	64,916,686	2.14%	2,274
2012	28,972	3,436,735,918	70,082,850	2.04%	2,419
2013	29,115	3,398,775,215	68,185,970	2.01%	2,342
2014	29,481	3,451,360,670	89,289,968	2.59%	3,029
2015	29,727	3,487,350,474	84,171,514	2.41%	2,831
2016	29,792	3,546,701,235	79,630,525	2.25%	2,673

Notes:

- (1) See table 7 for property value data.
- (2) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary.
Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

COUNTY OF CAROLINE, VIRGINIA**Table 12****DEMOGRAPHIC AND ECONOMIC STATISTICS****Last Ten Years****(Unaudited)**

Calendar Year	(1) Population	(2) Personal Income (000's)	(2) Per Capita Personal Income	(3) School Enrollment	(4) Unemployment Rate
2007	27,399	\$ 821,575	\$ 31,047	4,084	3.3%
2008	27,838	895,756	32,825	4,061	4.8%
2009	28,245	939,641	33,923	4,244	8.5%
2010	28,245	940,026	33,729	4,277	8.6%
2011	28,545	989,854	34,574	4,257	7.7%
2012	28,972	1,086,741	37,510	4,317	6.7%
2013	29,298	1,110,966	37,920	4,340	6.9%
2014	29,481	1,119,643	37,978	4,386	5.9%
2015	29,727	N/A	N/A	4,357	5.5%
2016	29,792	N/A	N/A	4,330	4.2%

Sources:

(1) Estimated by the Weldon Cooper Center, University of Virginia, on a calendar year basis for all years.

(2) US Department of Commerce, Bureau of Economic Analysis.

(3) Virginia Department of Education as of September 30 each year.

(4) Virginia Employment Commission (fiscal year end).

N/A - Information unavailable at fiscal year end

COUNTY OF CAROLINE, VIRGINIA

Table 13

**NUMBER OF BUDGETED FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government administration:										
General and financial:										
County Administrator	3	3	3	3	3	3	4	4	4	4
Commissioner of the revenue	10	11	11	11	11	12	13	13	13	13
Treasurer	6	7	7	7	7	7	8	8	8	8
Finance	5	6	6	6	4	4	3	3	3	3
Information Technology	-	-	-	-	-	-	1	1	1	1
Judicial administration:										
Courts:										
Clerk of the circuit court	7	8	8	8	8	8	8	8	8	8
Commonwealth attorney	2	4	4	5	5	5	5	5	5	5
Public safety:										
Sheriff	54	68	70	70	71	71	71	71	71	71
Fire and rescue	28	29	26	26	26	26	30	30	30	30
Public works	17	16	16	15	13	13	13	13	13	14
Parks, recreation and cultural	3	3	3	3	3	3	3	3	3	3
Community development:										
Planning and community development	21	19	19	13	10	10	10	10	10	10
Economic development	3	3	3	3	2	2	2	2	2	2
Water and sewer:										
Utilities/water treatment	9	16	16	16	15	15	15	15	15	16
Social services	26	26	26	26	26	26	26	28	28	28
Totals	194	219	218	212	204	205	212	214	214	216

Source:

Caroline County Budgets

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:				
<u>Pass-through payments:</u>				
<u>Department of Social Services:</u>				
SNAP Cluster:				
State Administered Matching Grants for the Supplemental Nutrition Assistance Program	Not Provided	\$ -	10.561	\$ 287,767
Total SNAP Cluster				<u>287,767</u>
<u>Department of Agriculture and Consumer Services:</u>				
Child Nutrition Cluster:				
Commodity Distributions	17901-45707	-	10.555	127,280
<u>Department of Education:</u>				
Child Nutrition Cluster:				
School Breakfast Program	17901-40591	-	10.553	346,130
National School Lunch Program	17901-40623	-	10.555	931,202
Total Child Nutrition Cluster				<u>1,404,612</u>
Total Department of Agriculture				<u>1,692,379</u>
DEPARTMENT OF DEFENSE:				
<u>Direct payments:</u>				
ROTC Instruction	Not provided	-	12.U01	<u>58,285</u>
Total Department of Defense				<u>58,285</u>
DEPARTMENT OF THE INTERIOR:				
<u>Direct payments:</u>				
<u>Bureau of Land Management:</u>				
Payments in Lieu of Taxes	Not provided	-	15.226	<u>1,869</u>
Total Department of the Interior				<u>1,869</u>
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:				
<u>Direct payments:</u>				
<u>Department of Criminal Justice:</u>				
Bulletproof Vest Partnership Program	Not provided	-	16.607	2,279
State Criminal Alien Assistance Program	Not provided	-	16.606	196
Equitable Sharing Funds	Not provided	-	16.922	2,407
				<u>4,882</u>
<u>Pass-through payments:</u>				
<u>Department of Criminal Justice:</u>				
Edward Byrne Memorial Justice Assistance Grant Program	Not provided	-	16.738	5,216
Violence Against Women Formula Grants	39001-99001	-	16.588	26,498
				<u>31,714</u>
Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance				<u>36,596</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal CFDA Number	Expenditures
DEPARTMENT OF TRANSPORTATION:				
<u>Pass-through payments:</u>				
<u>Department of Motor Vehicles:</u>				
Highway Safety Cluster:				
Alcohol Impaired Driving Countermeasures Incentive Grants I	60507-50246/51356	\$ -	20.601	\$ 22,101
Total Highway Safety Cluster				22,101
Total Department of Transportation				22,101
ENVIRONMENTAL PROTECTION AGENCY:				
<u>Pass-through payments:</u>				
<u>Department of Environmental Quality:</u>				
Chesapeake Bay Regulatory and Accountability Program	Not Provided	-	66.466	4,350
Total Environmental Protection Agency				4,350
DEPARTMENT OF EDUCATION:				
<u>Pass-through payments:</u>				
<u>Department of Education:</u>				
Title I Grants to Local Educational Agencies	Not Provided	-	84.010	901,202
Special Education Cluster:				
Special Education - Grants to States	Not Provided	-	84.027	758,634
Special Education - Preschool Grants	Not Provided	-	84.173	10,994
Total Special Education Cluster				769,628
Safe and Drug Free Schools and Communities State Grant	Not Provided	-	84.186	4,687
Career and Technical Education - Basic Grants to States	Not Provided	-	84.048	70,760
Twenty-First Century Community Learning Centers	Not Provided	-	84.287	183,582
Advanced Placement Program	Not Provided	-	84.330	1,189
English Language Acquisition State Grants	Not Provided	-	84.365	11,425
Math and Science Partnerships	Not Provided	-	84.366	19,459
Improving Teacher Quality State Grants	Not Provided	-	84.367	45,112
Total Department of Education				2,007,044
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Pass-through payments:</u>				
<u>Department of Social Services:</u>				
Promoting Safe and Stable Families	Not Provided	-	93.556	8,401
TANF Cluster:				
Temporary Assistance to Needy Families	Not Provided	-	93.558	259,141
Total TANF Cluster				259,141
Refugee and Entrant Assistance - State Administered Programs	Not Provided	-	93.566	215
Low-Income Home Energy Assistance	Not Provided	-	93.568	25,791
Child Care and Development Fund Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Not Provided	-	93.596	38,513
Total Child Care and Development Fund Cluster				38,513
Chafee Education and Training Vouchers Program (ETV)	Not Provided	-	93.599	496
Child Welfare Services - State Grants	Not Provided	-	93.645	1,438
Foster Care - Title IV-E	Not Provided	-	93.658	347,388
Adoption Assistance	Not Provided	-	93.659	38,830
Social Services Block Grant	Not Provided	-	93.667	202,841
Chafee Foster Care Independent Living	Not Provided	-	93.674	3,089
State Children's Insurance Program	Not Provided	-	93.767	11,455
Medicaid Cluster:				
Medical Assistance Program	Not Provided	-	93.778	559,553
Total Medicaid Cluster				559,553
Total Department of Health and Human Services				1,497,151

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY:				
<u>Direct payments:</u>				
<u>Federal Emergency Management Agency:</u>				
Assistance to Firefighters	2010-FF-00158	\$ -	97.044	<u>\$ 8,776</u>
<u>Pass-through payments:</u>				
<u>Department of Emergency Management:</u>				
Emergency Management Performance Grants	77501-52749	-	97.042	<u>12,120</u>
Total Department of Homeland Security				<u>12,120</u>
Total Federal Awards Expended				<u><u>\$ 5,340,671</u></u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2016

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County of Caroline, Virginia and component unit School Board under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the County of Caroline, Virginia and its component units were determined using a risk-based approach in accordance with Uniform Guidance.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying Schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of Caroline, Virginia and its component unit: SNAP, Child Nutrition, Highway Safety, Special Education, TANF, Child Care and Development Fund, and Medicaid.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Non-Cash Assistance

In addition to amounts reported on the Schedule, the County of Caroline, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$127,280 at the time received were consumed during the year ended June 30, 2016. These commodities were included in the determination of federal awards expended during the year ended June 30, 2016.



**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 the 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*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison of the County of Caroline, Virginia (County) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 28, 2016.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County'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 a material misstatement of the County'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 preceding 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 we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control as described in the accompanying Schedule of Findings and Questioned Costs as 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Response to Finding

The County's response to the finding identified in our audit as 2016-001 is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

PBMares, LLP

Harrisonburg, Virginia
November 28, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the County of Caroline, Virginia's (County) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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, 2016.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
November 28, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency identified?	_____ <input checked="" type="checkbox"/> Yes	_____ No
Noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal awards

Internal control over major programs:

Material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiencies identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with section
2 CFR 200.516(a)?

_____ Yes	_____ <input checked="" type="checkbox"/> No
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
-------------	------------------------------------

Child Nutrition Cluster:

10.553	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.555	Commodity Distributions

Special Education Cluster:

84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee?	_____ Yes	_____ <input checked="" type="checkbox"/> No
--	-----------	--

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

II. FINANCIAL STATEMENT FINDINGS

A. Significant Deficiency in Internal Control School Board

2016-001: Significant deficiency due to Lack of Segregation of Duties

Criteria: Internal control over the processing of payroll should be sufficient to prevent the disbursement of payroll to unauthorized personnel. This should include review and approval procedures, and segregation of duties to the fullest extent allowable.

Condition/Context: In documenting the procedures relating to the addition of new employees and the subsequent processing of payroll, we noted the same individual who prepares and processes monthly payroll also has the ability to add employees to the payroll software with no secondary review or approval.

Cause: Due to recent turnover and limited staff within the School Board.

Effect: The potential effect of not requiring secondary approval is that the School Board is subject to risk of fraud or error, in that there is no check and balance upon authorizing a new employee receiving a paycheck.

Repeat Finding: This is a repeat finding, as the prior year finding was identified as 2015-03.

Recommendation: We recommend the School Board shift the responsibility of adding and deleting employees from the payroll software to the Human Resources department or to an employee that is not involved in the payroll process. This would provide adequate separation between the initiation and authorization functions of the payroll cycle.

Views of responsible officials: Management concurs with the finding. The School Board will implement procedures shifting the responsibility of activating and deactivating employees from the Payroll department to the Human Resources department. Human Resources will, however, not have the ability to initiate any payroll runs within the software.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

COUNTY OF CAROLINE, VIRGINIA

CORRECTIVE ACTION PLAN

Year Ended June 30, 2016

Identifying Number

2016-001

Finding

Upon documenting the School Board's procedures surrounding the payroll cycle, it was noted there was inadequate segregation of duties when adding or deleting employees in the payroll software.

Corrective Action Taken or Planned

The School Board will implement procedures shifting the responsibility of adding and inactivating employees from the payroll department to the Human Resources department. Human Resources will, however, not have the ability to initiate payroll runs within the software.

COUNTY OF CAROLINE, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2016

Identifying Number: 2015-01

Finding

Upon auditing the County's year end balances, there was an instance of a material adjustment identified.

Corrective Action Taken or Planned

The County continues to strengthen its reviews of general ledger accounts for accuracy. The County has also used resources to assist in identifying errors in past accounting.

Identifying Number: 2015-02

Finding

School Board schedules and reconciliations for accruals, accounts payable, deferred revenue and capital assets were not available at the commencement of fieldwork as previously agreed upon.

Corrective Action Taken or Planned

The School Board put steps in place to ensure the timely delivery of requested documents for the commencement of fieldwork.

Identifying Number: 2015-03

Finding

Upon documenting the School Board's procedures surrounding the payroll cycle, it was noted there was inadequate segregation of duties when adding or deleting employees in the payroll software.

Corrective Action Taken or Planned

Refer to the Corrective Action Plan for finding 2016-001 for an update on the finding noted above.