

# COUNTY OF CAROLINE, VIRGINIA



ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017



## *INTRODUCTORY SECTION*

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF CAROLINE, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prepared By:  
Department of Finance

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF CAROLINE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Title Page	i
Table of Contents	ii-v
Directory of Principal Officials	vi
Organizational Chart	vii
Letter of Transmittal	viii-xii
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-12
<b><u>Basic Financial Statements:</u></b>	
<b>Government-wide Financial Statements:</b>	
Exhibit 1      Statement of Net Position	13
Exhibit 2      Statement of Activities	14-15
<b>Fund Financial Statements:</b>	
Exhibit 3      Balance Sheet—Governmental Funds	16
Exhibit 4      Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Exhibit 5      Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds	18
Exhibit 6      Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Exhibit 7      Statement of Net Position—Proprietary Funds	20
Exhibit 8      Statement of Revenues, Expenses, and Changes in Net Position— Proprietary Funds	21
Exhibit 9      Statement of Cash Flows—Proprietary Funds	22
Exhibit 10     Statement of Fiduciary Net Position—Fiduciary Funds	23
Notes to the Financial Statements	24-90

COUNTY OF CAROLINE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)	<u>Page</u>
<u>Required Supplementary Information:</u>	
Exhibit 11 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—General Fund	91
Exhibit 12 Statement of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Virginia Public Assistance Fund	92
Exhibit 13 Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Proffers Fund	93
Exhibit 14 Schedule of OPEB Funding Progress—Retiree Healthcare Plan	94
Exhibit 15 Schedule of and Changes in Net Pension Liability and Related Ratios— Primary Government	95
Exhibit 16 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios— Component Unit School Board (nonprofessional)	96
Exhibit 17 Schedule of Employer’s Share of Net Pension Liability VRS Teacher Retirement Plan	97
Exhibit 18 Schedule of Employer Contributions	98
Exhibit 19 Notes to Required Supplementary Information	99
<u>Other Supplementary Information:</u>	
Combining and Individual Fund Financial Statements and Schedules	
Exhibit 20 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Debt Service Fund	100
Exhibit 21 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—County Capital Projects Fund	101
Exhibit 22 Combining Balance Sheet—Nonmajor Governmental Funds	102
Exhibit 23 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	103
Exhibit 24 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Nonmajor Special Revenue Funds	104-107
Exhibit 25 Combining Statement of Net Position—Internal Service Funds	108
Exhibit 26 Combining Statement of Revenues, Expenses, and Changes in Net Position—Internal Service Funds	109
Exhibit 27 Combining Statement of Cash Flows—Internal Service Funds	110
Exhibit 28 Combining Statement of Fiduciary Net Position—Fiduciary Funds	111



COUNTY OF CAROLINE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
FINANCIAL SECTION (CONTINUED)	
<u>Other Supplementary Information: (Continued)</u>	
Combining and Individual Fund Financial Statements and Schedules (Continued)	
Exhibit 29 Combining Statement of Changes in Assets and Liabilities—Agency Funds	112
Discretely Presented Component Unit—School Board:	
Exhibit 30 Combining Balance Sheet	113
Exhibit 31 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	114
Exhibit 32 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual	115-116
Discretely Presented Component Unit—Economic Development Authority:	
Exhibit 33 Statement of Net Position	117
Exhibit 34 Statement of Revenues, Expenses, and Changes in Net Position	118
Exhibit 35 Statement of Cash Flows	119
Supporting Schedules:	
Schedule 1 Schedule of Revenues—Budget and Actual—Governmental Funds	120-128
Schedule 2 Schedule of Expenditures—Budget and Actual—Governmental Funds	129-134
<u>Statistical Section</u>	
Table 1 Comments Relative to Statistical Section	135
Table 2 Net Position by Component—Last Ten Fiscal Years	136
Table 3 Changes in Net Position—Last Ten Fiscal Years	137
Table 4 Fund Balances Governmental Funds—Last Ten Fiscal Years	138
Table 5 Changes in Fund Balances of Governmental Funds—Last Ten Fiscal Years	139
Table 6 Tax Revenues by Source—Governmental Funds—Last Ten Fiscal Years	140
Table 7 Assessed Value and Estimated Actual Value of Real Property—Last Ten Fiscal Years	141
Table 8 Direct Property Tax Rates—Last Ten Fiscal Years	142
Table 9 Principal Property Taxpayers—Current Year and Six Years Ago	143

COUNTY OF CAROLINE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

---

	<u>Page</u>
<u>Statistical Section (Continued)</u>	
Table 10      Property Tax Levies and Collections—Last Eight Fiscal Years	144
Table 11      Ratios of Gross General Bonded Debt to Assessed Value and Gross Bonded Debt Per Capita—Last Ten Fiscal Years	145
Table 12      Demographic and Economic Statistics—Last Ten Years	146
Table 13      Number of Budgeted Full—Time Equivalent County Government Employees—Last Ten Fiscal Years	147
 COMPLIANCE SECTION:	
Independent Auditors’ Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	148-149
Independent Auditors’ Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	150-151
Schedule of Expenditures of Federal Awards	152-153
Notes to Schedule of Expenditures of Federal Awards	154
Schedule of Findings and Questioned Costs	155-160
Summary Schedule of Prior Audit Findings	161

**COUNTY OF CAROLINE, VIRGINIA  
PRINCIPAL OFFICIALS  
June 30, 2017**

**BOARD OF SUPERVISORS  
Jeffrey S. Black, Chairperson**

Clayton T. Forehand  
Jeffery M. Sili

Nancy L. Long  
Floyd W. Thomas

Reginald L. Underwood

**CONSTITUTIONAL OFFICERS**

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

**COUNTY ADMINISTRATIVE OFFICERS**

Charles M. Culley, Jr. .... County Administrator  
Alan L. Partin ..... Deputy County Administrator  
Benjamin Emerson ..... County Attorney  
Frances Hatcher..... Finance Director  
Jason Loftus ..... Fire - EMS Chief  
Donnell Howard ..... Recreation Director  
Joseph C. Schiebel..... Public Works / Public Utilities Director  
Wendy Sneed ..... Social Services Director  
Gary R. Wilson..... Economic Development and Tourism Director  
Michael Finchum ..... Planning and Community Development Director  
Amy E. Lilly ..... Library Director

**SCHOOL BOARD**

Nancy G. Carson, Chairperson

Dr. JoWanda Rollins-Fells  
George L. Spaulding, Jr.

Tinka B. Harris  
Shawn M. Kelley

John I. Copeland

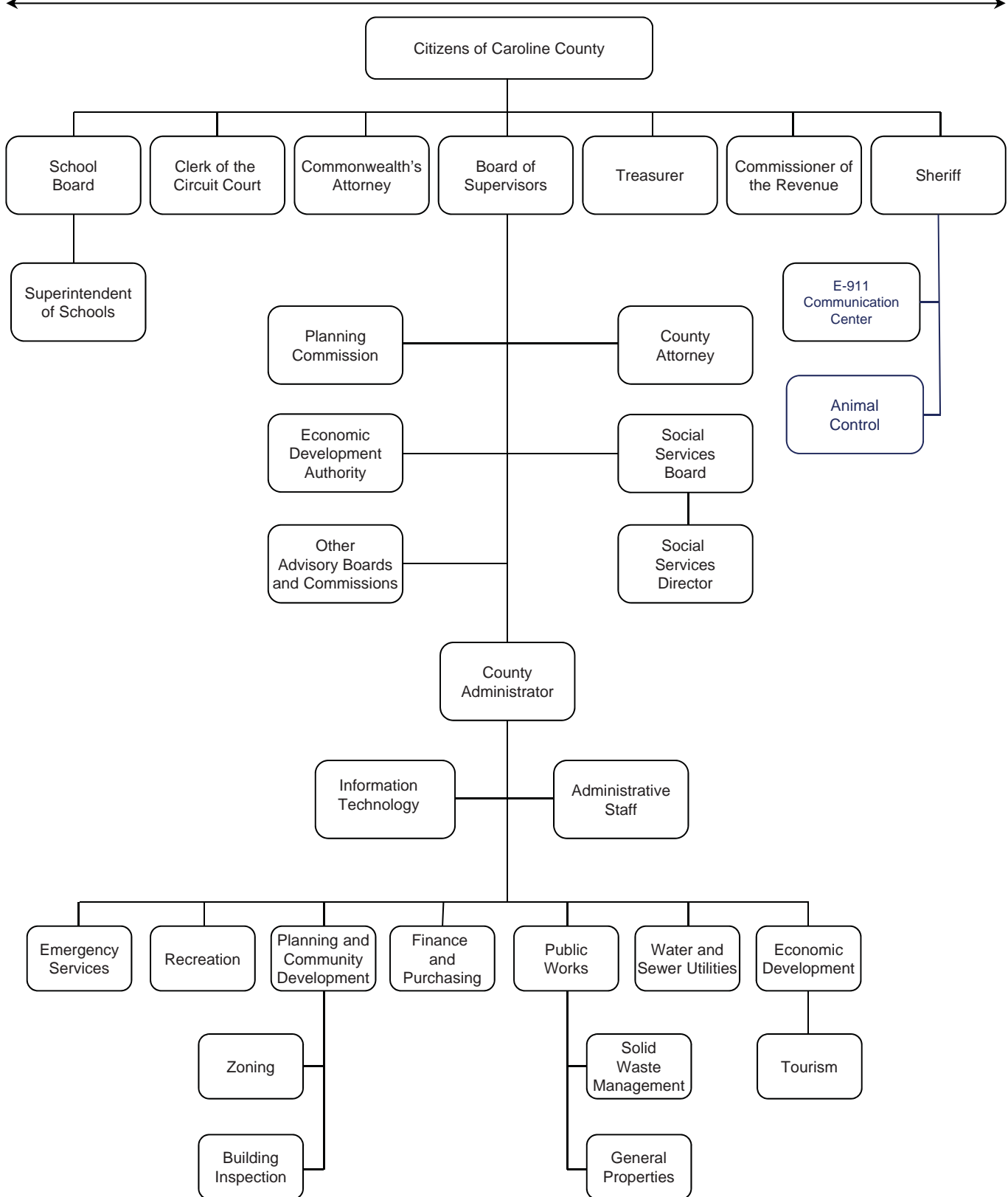
**SCHOOL BOARD ADMINISTRATIVE OFFICERS**

Dr. George Parker ..... Superintendent  
J. D. Martin ..... Finance Manager, Schools

THIS PAGE LEFT BLANK INTENTIONALLY

# COUNTY OF CAROLINE, VIRGINIA

## ORGANIZATION CHART



THIS PAGE LEFT BLANK INTENTIONALLY

# *Caroline County, Virginia*

## *Board of Supervisors*

Jeffrey S. Black  
*Western Caroline District*

Clayton T. Forehand  
*Madison District*

Nancy L. Long  
*Port Royal District*

Jeffery M. Sili  
*Bowling Green District*

Floyd W. Thomas  
*Mattaponi District*

Reginald L. Underwood  
*Reedy Church District*

Charles M. Culley, Jr.  
*County Administrator*

Caroline County, VA



November 6, 2017

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, 2017 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.

*"Committed To Service, Dedicated To The People"*

212 North Main Street, P. O. Box 447, Bowling Green, Virginia 22427  
(804)633-5380 – Telephone (804)633-4970 – Fax

[www.co.caroline.va.us](http://www.co.caroline.va.us)

It would be irresponsible for any financial statement user to rely on management's representations in the financial statements without some objective review and confirmation. To provide that objective confirmation, Caroline County's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance the financial statements of the County for the fiscal year ended June 30, 2017, 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, 2017 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, 2017 population of 30,178. The County seat, the Town of Bowling Green, is located approximately 35 miles north of the State capitol of Richmond and approximately 20 miles south of the City of Fredericksburg.

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

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

The growth in population is expected to bring with it an expansion in retail and other non-residential development. This expansion, which had begun to occur, 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 FY2017 with the additional investment of \$9,874,585 in County funds.

The expenditure of \$322,714 for ten sheriff's vehicles to replace aging units.

\$103,866 in additional funds for the upgrade of the courthouse security system for a total of \$147,204.

The purchase of three ambulances and final payment on a fire engine to replace aging units at a cost of \$904,981.

### **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.

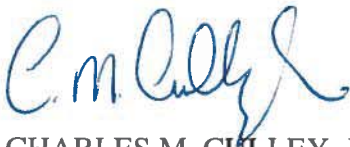
*Pension and Other Employment Benefits:* Pension benefits for County employees are provided through participation in the Virginia Retirement System (VRS), a State-wide pension system for government employees. Bi-annually, VRS actuaries prepare

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,

A handwritten signature in blue ink, appearing to read "C. M. Culley, Jr.", with a stylized flourish at the end.

CHARLES M. CULLEY, JR.  
County Administrator

A handwritten signature in blue ink, appearing to read "Frances K. Hatcher", with a long, sweeping horizontal line extending to the right.

FRANCES K. HATCHER  
Finance Director

THIS PAGE LEFT BLANK INTENTIONALLY

## *FINANCIAL SECTION*

THIS PAGE LEFT BLANK INTENTIONALLY

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison of County of Caroline, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Caroline, Virginia, as of June 30, 2017, 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 that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-12, and 91-93, and 94-99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Caroline, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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



### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2017, on our consideration of County of Caroline, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 County of Caroline, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia  
November 6, 2017

THIS PAGE LEFT BLANK INTENTIONALLY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Caroline County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Caroline County for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

#### Government-Wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$28,581,025 (Total Net Position). The County is reporting a deficit in net investment in capital assets of \$1,603,212. A deficit in the net investment in capital assets of \$7,599,642 is in Governmental Activities.
- The County's total net position increased by \$2,726,040, or 10.5%, in the fiscal year ended June 30, 2017.
- The County's total outstanding long-term obligations reflects a net decrease of \$2,156,921 to \$132,570,985 during the fiscal year ended June 30, 2017. \$4,651,349 of new debt was incurred and \$7,175,000 was refunded during the fiscal year.

#### Fund Financial Statements

- Total fund balance of the County's Governmental Funds, reporting on a current financial resources basis, amounted to \$30,115,672 at June 30, 2017. This was a net decrease of \$4,768,123 over the prior year. The General Fund increased 7.2% (\$1,651,594) and the Capital Projects Fund decreased 62.5% (\$6,642,197). The decrease for the Capital Projects Fund is due to the expenditure for renovations of two schools with funds received in prior fiscal years. The increase in the General Fund is due to the increase in all revenue sources. No governmental funds have a negative fund balance.
- During the fiscal year ended June 30, 2017, the unassigned fund balance in the General Fund increased by \$1,052,269 to \$17,398,812. This fund balance represents 37.6% of total General Fund expenditures and operating transfers, an increase of 1.4% over the previous fiscal year.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-

wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

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

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

### Government-Wide Financial Analysis

As noted earlier, net position indicates the amount by which the County's total assets exceed its short and long term obligations and is a useful indicator of the County's overall financial condition at the time of measurement. In total, the County's net position for all governmental and business-type activities amounted to \$28,581,025 at June 30, 2017. The following table summarizes the County's Statement of Position:

County of Caroline, Virginia Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 57,108,297	\$ 64,599,991	\$ 2,235,143	\$ 2,535,360	\$ 59,343,440	\$ 67,135,351
Capital assets	<u>77,450,498</u>	<u>70,244,374</u>	<u>45,755,698</u>	<u>46,878,351</u>	<u>123,206,196</u>	<u>117,122,725</u>
Total assets	<u>\$ 134,558,795</u>	<u>\$ 134,844,365</u>	<u>\$ 47,990,841</u>	<u>\$ 49,413,711</u>	<u>\$182,549,636</u>	<u>\$184,258,076</u>
Deferred outflows of resources	<u>\$ 1,768,113</u>	<u>\$ 1,090,307</u>	<u>\$ 139,278</u>	<u>\$ 97,337</u>	<u>\$ 1,907,391</u>	<u>\$ 1,187,644</u>
Current liabilities	\$ 4,713,649	\$ 8,830,072	\$ 741,999	\$ 837,469	\$ 5,455,648	\$ 9,667,541
Long-term liabilities outstanding	<u>92,474,900</u>	<u>93,235,170</u>	<u>40,096,085</u>	<u>41,492,736</u>	<u>132,570,985</u>	<u>134,727,906</u>
Total liabilities	<u>\$ 97,188,549</u>	<u>\$102,065,242</u>	<u>\$ 40,838,084</u>	<u>\$ 42,330,205</u>	<u>\$138,026,633</u>	<u>\$144,395,447</u>
Deferred inflow of resources	<u>\$ 17,815,145</u>	<u>\$ 15,145,249</u>	<u>\$ 34,224</u>	<u>\$ 50,039</u>	<u>\$ 17,849,369</u>	<u>\$ 15,195,288</u>
Net position:						
Invested in capital assets, net of related debt	\$ (7,599,642)	\$ (16,413,860)	\$ 5,996,430	\$ 5,655,822	\$ (1,603,212)	\$ (10,758,038)
Restricted	7,482,811	13,637,372	1,841,238	1,833,241	9,323,049	15,470,613
Unrestricted	<u>21,440,045</u>	<u>21,500,669</u>	<u>(579,857)</u>	<u>(358,259)</u>	<u>20,860,188</u>	<u>21,142,410</u>
Total Net Position	<u>\$ 21,323,214</u>	<u>\$ 18,724,181</u>	<u>\$ 7,257,811</u>	<u>\$ 7,130,804</u>	<u>\$ 28,581,025</u>	<u>\$ 25,854,985</u>

The County is reporting a decrease in the balance of unrestricted net position primarily due to the increase in capital assets and the reduction in debt. A portion of the County's assets, \$9,323,049, 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 \$57,467,810 at June 30, 2016 to \$53,887,792. The County's investment in capital assets increased by \$9,154,826 and its long term liabilities decreased by \$2,156,921 over the same period.

As previously indicated, the County's net position increased \$2,726,040. Net position of governmental activities increased by \$2,599,033 and those of business-type activities, the County's water and sewer utility operations, decreased \$221,598. The following table summarizes the change in the County's net position as shown in the Statement of Activities:

County of Caroline, Virginia Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program Revenues						
Charges for Services	\$ 2,135,324	\$ 2,416,940	\$ 2,482,265	\$ 2,633,815	\$ 4,617,589	\$ 5,050,755
Operating Grants and Contributions	6,976,522	5,969,693	350,877	350,877	7,327,399	6,320,570
Capital Grants and Contributions	<u>215,241</u>	<u>78,074</u>	<u>979,279</u>	<u>1,326,260</u>	<u>1,194,520</u>	<u>1,404,334</u>
Total Program Revenues	<u>\$ 9,327,087</u>	<u>\$ 8,464,707</u>	<u>\$ 3,812,421</u>	<u>\$ 4,310,952</u>	<u>\$ 13,139,508</u>	<u>\$ 12,775,659</u>
General Revenues:						
General Property Taxes	\$ 33,404,396	\$ 34,439,462			\$ 33,404,396	\$ 34,439,462
Local Sales and Use Taxes	1,997,309	1,990,779			1,997,309	1,990,779
Consumers Utility Taxes	85,878	83,253			85,878	83,253
Motor Vehicle Licenses	1,067,923	1,031,986			1,067,923	1,031,986
Other Local Taxes	3,164,965	2,926,626			3,164,965	2,926,626
Intergovernmental Revenues-State	3,112,717	3,808,968			3,112,717	3,808,968
Use of Money and Property	348,824	284,644	12,553	2,244	361,377	286,888
Miscellaneous	522,253	477,514	197,665	188,018	719,918	665,532
Transfers	<u>(1,662,748)</u>	<u>(1,611,181)</u>	<u>1,662,748</u>	<u>1,611,181</u>	<u>-</u>	<u>-</u>
Total General Revenues	<u>\$ 42,041,517</u>	<u>\$ 43,432,051</u>	<u>\$ 1,872,966</u>	<u>\$ 1,801,443</u>	<u>\$ 43,914,483</u>	<u>\$ 45,233,494</u>
Expenses:						
General Government						
Administration	\$ 3,789,710	\$ 3,978,965			\$ 3,789,710	\$ 3,978,965
Judicial Administration	1,497,332	1,402,447			1,497,332	1,402,447
Public Safety	13,510,255	12,426,927			13,510,255	12,426,927
Public Works	3,428,499	3,051,951			3,428,499	3,051,951
Health and Welfare	5,208,004	5,099,553			5,208,004	5,099,553
Education	15,859,165	15,040,013			15,859,165	15,040,013
Parks, Recreation, and Cultural	797,543	607,087			797,543	607,087
Community Development	1,254,830	1,515,175			1,254,830	1,515,175
Interest and Other fiscal Charges	3,424,233	3,620,914			3,424,233	3,620,914
Water and Sewer Utilities	<u>-</u>	<u>-</u>	<u>5,558,380</u>	<u>5,720,201</u>	<u>5,558,380</u>	<u>5,720,201</u>
Total Expenses	<u>\$ 48,769,571</u>	<u>\$ 46,743,032</u>	<u>\$ 5,558,380</u>	<u>\$ 5,720,201</u>	<u>\$ 54,327,951</u>	<u>\$ 52,463,233</u>

Change in Net Position	\$ 2,599,033	\$ 5,153,726	\$ 127,007	\$ 392,194	\$ 2,726,040	\$ 5,545,920
Net Position, Beginning, restated	<u>18,724,181</u>	<u>13,570,455</u>	<u>7,130,804</u>	<u>6,738,610</u>	<u>25,854,985</u>	<u>20,309,065</u>
Net Position, Ending	<u>\$ 21,323,214</u>	<u>\$ 18,724,181</u>	<u>\$ 7,257,811</u>	<u>\$ 7,130,804</u>	<u>\$ 28,581,025</u>	<u>\$ 25,854,985</u>

Expenditures in the County's governmental activities increased 4.3% over the prior year with expenditures increasing in most functions except general government administration, community development, and interest and other fiscal charges. Education again consumed the largest share of the total combined expenditures of the primary County government and its component units during the fiscal year ended June 30, 2017 at 45.2% of the total. Public safety spending represents 13.6% of the total. Program revenues, which include fees, charges and special purpose grants and contributions, funded 42.7% of total functional expenditures in fiscal year 2017, a slightly decreased level as compared to fiscal year 2016. General property tax revenues decrease 3% over the prior year and total general revenues for the County's governmental activities decreased 3%. In the County's business type activities, expenditures decreased 2.8% and program revenues decreased 11.6% from the prior year. The County's water and sewer utility operations realized a small loss in the current fiscal year and is continuing to prepare for a period of moderate growth sometime in the future. It should again be noted that these expenses are on a full accrual basis and, therefore, include depreciation expense on capital assets.

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

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

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

In total, governmental funds reported fund balances of \$30,115,672 at June 30, 2017, \$7,482,811 of that balance is reserved by external restrictions, \$5,654,819 is committed or assigned and the remaining \$16,978,042 is unreserved. Fund balances in the governmental funds decreased \$4,768,123 during the fiscal year ended June 30, 2017. Fund balance in the General Fund increased by \$1,651,594. Continued expenditures for major renovations for two schools resulted in a decrease of \$6,642,197 in the fund balance of the Capital Projects Fund.

In the General Fund, fund balance increased to \$24,618,660, a 7.2% increase over the prior year. General property taxes remain the primary revenue source in the General Fund contributing 73.2% of the total revenues during fiscal year 2017, slightly less than in the prior year. Intergovernmental revenue from the Commonwealth of Virginia



increased slightly to 11.3%, and the share added by other local taxes increased slightly to 9.22% compared to the past three years. Education consumed the bulk of the General Fund's expenditures (37.2%). Public Safety (34%) and Public Works (9%) also accounted for substantial shares of the expenditures in the Fund.

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

The largest of the County's enterprise operations, the County Public Utility Fund had a net position of \$4,218,413 at June 30, 2017, 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, 2017 of \$887,359, a 12.3% increase from last fiscal year due to the decrease in revenues. The Dawn Wastewater System reported a net operating loss of \$167,795, a 19.5% increase from last fiscal year. This year was the ninth full year of operation for the Dawn system and the eighth full year of depreciation of \$141,513.

#### **General Fund Budgetary Highlights**

The original adopted budget of the General Fund was increased by 3.1% or \$1,467,360. Following is a partial summary of these increases/reductions by function:

- \$ 123,677 for General Government Administration
- \$ 6,100 for Judicial Administration
- \$ 303,081 for Public Safety
- \$ 273,828 for Public Works
- \$ 15,861 for Health and Welfare
- \$ 36,713 for Parks, Recreation and Cultural
- \$ 95,585 for Community Development
- \$ 612,515 for Transfers to Other Funds

Actual revenue collections were \$1,681,947 greater than the final budget estimates. Revenue from all categories were greater than budgeted estimates. Increased collection efforts contributed to the increase in general property taxes.

Actual expenditures totaled \$1,526,290 less than the amended budget appropriations, a variance of 3.1%. Transfers out to other funds were \$1,454,932 under budget, a variance of 3%. Actual expenditures fell under amended appropriations in all functions except Parks, Recreation and Cultural.

#### **Capital Assets and Debt Administration**

**Capital Assets.** The County's total investment in capital assets for governmental and business-type activities amounted to \$123,206,205 as of June 30, 2017, net of accumulated depreciation. This investment in capital assets includes land, buildings, property improvements, machinery and equipment, vehicles and utility improvements. It

should be noted that this investment value is based on historical cost and is not reflective of the current market value of these assets.

Major capital improvement projects for the year included:

- \$ 1,227,695 for emergency services equipment
- \$ 9,874,585 to continue renovations to Caroline High and Madison Elementary Schools
- \$ 103,866 for courthouse security upgrades
- \$ 345,260 for public works equipment
- \$ 30,000 for surfacing Stonewall Lane
- \$ 14,150 for fire logistics building construction
- \$ 300,632 for public utilities equipment
- \$ 49,415 for completion of public works/public utilities shop building

**Long-Term Debt.** At June 30, 2017, the County's total long-term debt amounted to \$132,570,985. This total is comprised of:

- \$30,044,822 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.
- \$38,295,161 in utility system revenue bonds for the improvement and expansion of the County's utility enterprise operations and landfill closure.
- \$47,518,687 in general obligation bonds issued for the construction and improvement of County public schools.
- \$6,758,503 in capital lease obligations for general government radio and motor vehicle equipment.
- \$3,164,244 as the County's liability for closure and post-closure care of the former County Sanitary Landfill.
- \$820,036 in accrued liabilities for leave benefits earned by County employees; \$679,666 in accrued liabilities for leave benefits for school employees.
- \$ 463,572 for OPEB liabilities for retired County employees; \$2,742,954 for retired school employees.

Payments made to retire County long-term debt totaled \$14,824,248 during the fiscal year ended June 30, 2017. New debt was incurred during the year in the amount of \$11,924,749 for public safety and public works equipment, energy savings performance renovations and refunding the 2011 revenue anticipation note in the amount of \$7,273,400.

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

- The population of Caroline County, based on the 2010 census has grown 6.8% since the April 2010 census to an estimated 30,178.
- The County completed a real property reassessment to be 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 112 in the fiscal year ended June 30, 2017 which is a decrease of 11 permits over the fiscal year ended June 30, 2016. Commercial development has declined from 25 new commercial structures in fiscal year June 30, 2007 to 4 in fiscal year 2017, an increase of 2 over the prior year.
- The County issued new debt in the fiscal year ending June 30, 2017 in the amount of \$4,651,349 for public safety and public works equipment, energy savings performance renovations and refund the 2011 revenue anticipation note in the amount of \$7,273,400.

These and many other factors were considered in preparing the County's budget for fiscal year 2018. The fiscal year 2018 general fund budget (excluding capital investments) increased 2.8%. Fiscal year 2018 budget includes a 4.2% increase in funding for schools and a decrease of \$460,831 in debt service payments; eight new full time positions, one part time to full time position and a salary increase for County employees based on results of a compensation study. The FY 2018 general fund budget also includes slightly increased funding for mandated services for the Children's Services Act for At-Risk Youth and Families and decreased transfers to Caroline Utility Fund. Capital investments reflect several small projects, an energy savings project of \$3,017,058 and the lease purchase of sheriff's vehicles, fire and rescue vehicles and equipment and a solid waste truck in the amount of \$1,431,500. 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.

THIS PAGE LEFT BLANK INTENTIONALLY

## *BASIC FINANCIAL STATEMENTS*

THIS PAGE LEFT BLANK INTENTIONALLY

## *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

THIS PAGE LEFT BLANK INTENTIONALLY



Statement of Net Position  
June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
<b>ASSETS</b>					
Cash and cash equivalents	\$ 24,044,539	\$ -	\$ 24,044,539	\$ 1,407,840	\$ 79,583
Receivables (net of allowance for uncollectibles):					
Taxes receivable	21,621,156	-	21,621,156	-	-
Accounts receivable	1,372,733	299,762	1,672,495	45,874	-
Due from other governmental units	2,588,032	94,143	2,682,175	3,048,169	-
Restricted cash and temporary cash investments	7,481,828	1,841,238	9,323,066	-	-
Capital assets (net of accumulated depreciation):					
Land	1,242,883	711,986	1,954,869	849,553	-
Buildings	45,792,692	1,057,320	46,850,012	4,067,631	-
Improvements other than buildings	2,605,112	43,513,733	46,118,845	128,103	-
Equipment	9,066,066	472,659	9,538,725	3,180,222	-
Intangibles	80,584	-	80,584	-	-
Construction in progress	18,663,170	-	18,663,170	-	-
Total assets	<u>\$ 134,558,795</u>	<u>\$ 47,990,841</u>	<u>\$ 182,549,636</u>	<u>\$ 12,727,392</u>	<u>\$ 79,583</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on refunding	\$ 82,450	\$ 31,682	\$ 114,132	\$ -	\$ -
Pension contributions subsequent to measurement date	900,630	57,487	958,117	3,103,462	-
Items related to measurement of net pension liability/asset	785,033	50,109	835,142	2,605,670	-
Total deferred outflows of resources	<u>\$ 1,768,113</u>	<u>\$ 139,278</u>	<u>\$ 1,907,391</u>	<u>\$ 5,709,132</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,042,468	\$ 90,708	\$ 2,133,176	\$ 282,478	\$ -
Accrued payroll	253,334	13,093	266,427	1,925,356	-
Other accrued liabilities	125,173	1,893	127,066	-	-
Customer deposits	-	137,288	137,288	-	-
Accrued interest payable	1,033,979	499,017	1,532,996	36,797	-
Due to other governmental units	1,039,741	-	1,039,741	-	-
Insurance and benefits claims	218,954	-	218,954	-	-
Long-term liabilities:					
Due within one year	5,953,147	1,418,652	7,371,799	192,030	-
Due in more than one year	86,521,753	38,677,433	125,199,186	40,874,805	-
Total liabilities	<u>\$ 97,188,549</u>	<u>\$ 40,838,084</u>	<u>\$ 138,026,633</u>	<u>\$ 43,311,466</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property taxes	\$ 17,278,974	\$ -	\$ 17,278,974	\$ -	\$ -
Items related to measurement of net pension liability/asset	536,171	34,224	570,395	1,671,494	-
Total deferred inflows of resources	<u>\$ 17,815,145</u>	<u>\$ 34,224</u>	<u>\$ 17,849,369</u>	<u>\$ 1,671,494</u>	<u>\$ -</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ (7,599,642)	\$ 5,996,430	\$ (1,603,212)	\$ 6,684,969	\$ -
Restricted:					
Capital projects	3,993,394	1,841,238	5,834,632	-	-
Debt service	1,847,361	-	1,847,361	-	-
Social services	32,803	-	32,803	-	-
Law enforcement	130,987	-	130,987	-	-
Public safety grants	63,925	-	63,925	-	-
Fire/rescue	2,000	-	2,000	-	-
Fire/rescue grants	255,669	-	255,669	-	-
Housing	29,820	-	29,820	-	-
Courthouse maintenance	77,713	-	77,713	-	-
Law library	536	-	536	-	-
Tourism	68,511	-	68,511	-	-
Ladysmith Commons road improvements	37,499	-	37,499	-	-
Ladysmith library	365,327	-	365,327	-	-
Ladysmith recreation	163,606	-	163,606	-	-
Dawn library	5,412	-	5,412	-	-
Route 639 construction	275,000	-	275,000	-	-
Children's services	133,248	-	133,248	-	-
Unrestricted	21,440,045	(579,857)	20,860,188	(33,231,405)	79,583
Total net position	<u>\$ 21,323,214</u>	<u>\$ 7,257,811</u>	<u>\$ 28,581,025</u>	<u>\$ (26,546,436)</u>	<u>\$ 79,583</u>

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

COUNTY OF CAROLINE, VIRGINIA

Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,789,710	\$ -	\$ 1,127,151	\$ -
Judicial administration	1,497,332	730,319	540,902	-
Public safety	13,510,255	1,279,401	1,819,130	215,241
Public works	3,428,499	39,694	8,511	-
Health and welfare	5,208,004	-	3,480,828	-
Education	15,859,165	-	-	-
Parks, recreation, and cultural	797,543	85,910	-	-
Community development	1,254,830	-	-	-
Interest on long-term debt	3,424,233	-	-	-
Total governmental activities	\$ 48,769,571	\$ 2,135,324	\$ 6,976,522	\$ 215,241
Business-type activities:				
Public utilities	\$ 5,558,380	\$ 2,482,265	\$ 350,877	\$ 979,279
Total business-type activities	\$ 5,558,380	\$ 2,482,265	\$ 350,877	\$ 979,279
Total primary government	\$ 54,327,951	\$ 4,617,589	\$ 7,327,399	\$ 1,194,520
COMPONENT UNITS:				
School Board	\$ 44,741,040	\$ 749,931	\$ 28,439,662	\$ -
Economic Development Authority	9,231	-	5,286	-
Total component units	\$ 44,750,271	\$ 749,931	\$ 28,444,948	\$ -
General revenues:				
General property taxes				
Local sales and use tax				
Consumer utility				
Motor vehicle licenses and registration fees				
Business license taxes				
Meals tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Payment from Caroline County				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	EDA	
\$ (2,662,559)	\$ -	\$ (2,662,559)	\$ -	\$ -	
(226,111)	-	(226,111)	-	-	
(10,196,483)	-	(10,196,483)	-	-	
(3,380,294)	-	(3,380,294)	-	-	
(1,727,176)	-	(1,727,176)	-	-	
(15,859,165)	-	(15,859,165)	-	-	
(711,633)	-	(711,633)	-	-	
(1,254,830)	-	(1,254,830)	-	-	
(3,424,233)	-	(3,424,233)	-	-	
<u>\$ (39,442,484)</u>	<u>\$ -</u>	<u>\$ (39,442,484)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (1,745,959)	\$ (1,745,959)	\$ -	\$ -	
\$ -	\$ (1,745,959)	\$ (1,745,959)	\$ -	\$ -	
<u>\$ (39,442,484)</u>	<u>\$ (1,745,959)</u>	<u>\$ (41,188,443)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (15,551,447)	\$ -	
-	-	-	-	(3,945)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,551,447)</u>	<u>\$ (3,945)</u>	
\$ 33,404,396	\$ -	\$ 33,404,396	\$ -	\$ -	
1,997,309	-	1,997,309	-	-	
85,878	-	85,878	-	-	
1,067,923	-	1,067,923	-	-	
850,591	-	850,591	-	-	
1,212,717	-	1,212,717	-	-	
1,101,657	-	1,101,657	-	-	
348,824	12,553	361,377	32,205	105	
522,253	197,665	719,918	489,190	676	
3,112,717	-	3,112,717	-	-	
-	-	-	13,464,524	-	
(1,662,748)	1,662,748	-	-	-	
<u>\$ 42,041,517</u>	<u>\$ 1,872,966</u>	<u>\$ 43,914,483</u>	<u>\$ 13,985,919</u>	<u>\$ 781</u>	
\$ 2,599,033	\$ 127,007	\$ 2,726,040	\$ (1,565,528)	\$ (3,164)	
18,724,181	7,130,804	25,854,985	(24,980,908)	82,747	
<u>\$ 21,323,214</u>	<u>\$ 7,257,811</u>	<u>\$ 28,581,025</u>	<u>\$ (26,546,436)</u>	<u>\$ 79,583</u>	

THIS PAGE LEFT BLANK INTENTIONALLY

## *FUND FINANCIAL STATEMENTS*

THIS PAGE LEFT BLANK INTENTIONALLY

Balance Sheet  
Governmental Funds  
June 30, 2017

	General	Debt Service	County Capital Projects	Proffers	Virginia Public Assistance	Other Governmental Funds	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 21,426,277	\$ 28,994	\$ -	\$ 429,074	\$ -	\$ 644,687	\$ 22,529,032
Receivables (net of allowance for uncollectibles):							
Taxes receivable	21,621,156	-	-	-	-	-	21,621,156
Accounts receivable	999,707	152,788	-	-	-	32,238	1,184,733
Due from other governmental units	2,144,250	52,862	-	-	193,963	196,957	2,588,032
Due from other funds	652,415	-	-	-	-	-	652,415
Restricted cash and temporary cash investments	1,685,762	-	5,796,066	-	-	-	7,481,828
Total assets	<u>\$ 48,529,567</u>	<u>\$ 234,644</u>	<u>\$ 5,796,066</u>	<u>\$ 429,074</u>	<u>\$ 193,963</u>	<u>\$ 873,882</u>	<u>\$ 56,057,196</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 441,422	\$ -	\$ 1,150,257	\$ -	\$ 53,247	\$ 112,844	\$ 1,757,770
Accrued payroll	196,201	-	-	-	55,620	1,513	253,334
Other accrued liabilities	120,452	-	-	-	4,605	116	125,173
Due to other governmental units	1,039,741	-	-	-	-	-	1,039,741
Due to other funds	-	-	652,415	-	-	-	652,415
Total liabilities	<u>\$ 1,797,816</u>	<u>\$ -</u>	<u>\$ 1,802,672</u>	<u>\$ -</u>	<u>\$ 113,472</u>	<u>\$ 114,473</u>	<u>\$ 3,828,433</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	\$ 22,113,091	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,113,091
Total deferred inflows of resources	<u>\$ 22,113,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,113,091</u>
<b>FUND BALANCES</b>							
Restricted	\$ 1,847,361	\$ -	\$ 3,993,394	\$ 849,844	\$ 32,803	\$ 759,409	\$ 7,482,811
Committed	3,553,910	-	-	-	-	-	3,553,910
Assigned	1,818,577	234,644	-	-	47,688	-	2,100,909
Unassigned	17,398,812	-	-	(420,770)	-	-	16,978,042
Total fund balances	<u>\$ 24,618,660</u>	<u>\$ 234,644</u>	<u>\$ 3,993,394</u>	<u>\$ 429,074</u>	<u>\$ 80,491</u>	<u>\$ 759,409</u>	<u>\$ 30,115,672</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 48,529,567</u>	<u>\$ 234,644</u>	<u>\$ 5,796,066</u>	<u>\$ 429,074</u>	<u>\$ 193,963</u>	<u>\$ 873,882</u>	<u>\$ 56,057,196</u>

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

Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2017

---

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	30,115,672
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost	\$	110,439,426	
Accumulated depreciation		<u>(33,002,662)</u>	77,436,764
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue - property taxes	\$	4,834,117	
Deferred inflows related to measurement of net pension liability		<u>(536,171)</u>	4,297,946
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.			
			900,630
Internal service funds are used by management to charge the cost of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.			
			1,213,598
Long-term liabilities and related assets, including bonds payable. Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds payable, including unamortized premiums	\$	(78,374,095)	
Capital leases		(6,758,504)	
Landfill postclosure cost		(3,164,244)	
Accrued interest payable		(1,033,979)	
Deferred charge on refunding		82,450	
Net pension liability		(3,007,609)	
Deferred outflows related to measurement of net pension liability		785,033	
Net OPEB obligation		(426,486)	
Compensated absences		<u>(743,962)</u>	<u>(92,641,396)</u>
Net position of governmental activities		\$	<u>21,323,214</u>

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



Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2017

	General	Debt Service	County Capital Projects	Proffers	Virginia Public Assistance	Other Governmental Funds	Total
<b>REVENUES</b>							
General property taxes	\$ 35,056,977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,056,977
Other local taxes	4,418,974	1,736,019	-	-	-	161,082	6,316,075
Permits, privilege fees, and regulatory licenses	417,770	-	-	-	-	-	417,770
Fines and forfeitures	522,735	-	-	-	-	-	522,735
Revenue from the use of money and property	182,775	111,623	39,014	808	-	14,604	348,824
Charges for services	1,105,560	-	-	-	-	89,259	1,194,819
Miscellaneous	342,938	-	-	151,871	7,236	20,208	522,253
Recovered costs	336,353	-	-	-	-	-	336,353
Intergovernmental:							
Local government	-	-	171,064	-	-	-	171,064
Commonwealth	5,418,024	321,541	215,241	-	728,062	1,260,474	7,943,342
Federal	110,641	414,068	-	-	1,581,621	83,744	2,190,074
Total revenues	\$ 47,912,747	\$ 2,583,251	\$ 425,319	\$ 152,679	\$ 2,316,919	\$ 1,629,371	\$ 55,020,286
<b>EXPENDITURES</b>							
<b>Current:</b>							
General government administration	\$ 3,265,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,265,212
Judicial administration	1,304,114	-	-	-	-	5,770	1,309,884
Public safety	12,370,914	-	-	-	-	174,749	12,545,663
Public works	3,263,001	-	-	-	-	-	3,263,001
Health and welfare	553,216	-	-	-	2,810,939	1,842,828	5,206,983
Education	13,513,761	-	-	-	-	-	13,513,761
Parks, recreation, and cultural	807,428	-	-	-	-	-	807,428
Community development	1,295,567	-	-	-	-	162,529	1,458,096
Capital outlay	-	-	11,595,557	-	-	-	11,595,557
Debt service:							
Principal retirement	-	6,284,425	-	-	-	-	6,284,425
Interest and other fiscal charges	-	3,422,597	-	-	-	-	3,422,597
Bond issuance costs	-	-	202,803	-	-	-	202,803
Total expenditures	\$ 36,373,213	\$ 9,707,022	\$ 11,798,360	\$ -	\$ 2,810,939	\$ 2,185,876	\$ 62,875,410
Excess (deficiency) of revenues over (under) expenditures	\$ 11,539,534	\$ (7,123,771)	\$ (11,373,041)	\$ 152,679	\$ (494,020)	\$ (556,505)	\$ (7,855,124)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	\$ -	\$ 7,054,806	\$ 279,681	\$ -	\$ 481,039	\$ 615,352	\$ 8,430,878
Transfers out	(9,887,940)	-	(200,186)	(5,500)	-	-	(10,093,626)
Issuance of bonds	-	7,273,400	3,142,769	-	-	-	10,416,169
Issuance of capital lease	-	-	1,508,580	-	-	-	1,508,580
Payment to refunded bond escrow agent	-	(7,175,000)	-	-	-	-	(7,175,000)
Total other financing sources (uses)	\$ (9,887,940)	\$ 7,153,206	\$ 4,730,844	\$ (5,500)	\$ 481,039	\$ 615,352	\$ 3,087,001
Net change in fund balances	\$ 1,651,594	\$ 29,435	\$ (6,642,197)	\$ 147,179	\$ (12,981)	\$ 58,847	\$ (4,768,123)
Fund balances - beginning	22,967,066	205,209	10,635,591	281,895	93,472	700,562	34,883,795
Fund balances - ending	\$ 24,618,660	\$ 234,644	\$ 3,993,394	\$ 429,074	\$ 80,491	\$ 759,409	\$ 30,115,672

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

Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2017

---

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

Net change in fund balances - total governmental funds	\$ (4,768,123)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 11,248,467	
Depreciation expense	<u>(3,999,757)</u>	7,248,710

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(28,833)
--	----------

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

Property taxes	\$ (1,655,369)	
Decrease (increase) in deferred inflows related to measurement of net pension liability	<u>247,770</u>	(1,407,599)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	\$ (11,924,749)	
Principal payments	6,284,425	
Payment to refunded bond issuance	7,175,000	
Decrease in landfill postclosure liability	(27,774)	
Premium amortization	<u>78,259</u>	1,585,161

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.

(Increase) decrease in compensated absences	\$ (34,770)	
(Increase) decrease in net OPEB obligation	(49,962)	
(Increase) decrease in net pension liability	(740,159)	
Amortization of deferred charges on refunding	(4,850)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	(102,377)	
Increase (decrease) in deferred outflows related to measurement of net pension liability	785,033	
(Increase) decrease in accrued interest payable	<u>127,758</u>	(19,327)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

(10,956)

Change in net position of governmental activities	<u>\$ 2,599,033</u>
---	---------------------

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

Statement of Net Position  
Proprietary Funds  
June 30, 2017

	Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,515,507
Accounts receivable, net	290,194	9,568	299,762	188,000
Due from other governmental units	94,143	-	94,143	-
Total current assets	<u>\$ 384,337</u>	<u>\$ 9,568</u>	<u>\$ 393,905</u>	<u>\$ 1,703,507</u>
Noncurrent assets:				
Restricted cash and cash equivalents	\$ 1,841,238	\$ -	\$ 1,841,238	\$ -
Capital assets:				
Land	561,986	150,000	711,986	-
Buildings	1,380,723	-	1,380,723	412,315
Improvements other than buildings	50,439,812	5,660,499	56,100,311	68,551
Equipment	1,623,231	-	1,623,231	-
Accumulated depreciation	(12,991,378)	(1,069,175)	(14,060,553)	(467,123)
Total capital assets	<u>\$ 41,014,374</u>	<u>\$ 4,741,324</u>	<u>\$ 45,755,698</u>	<u>\$ 13,743</u>
Total noncurrent assets	<u>\$ 42,855,612</u>	<u>\$ 4,741,324</u>	<u>\$ 47,596,936</u>	<u>\$ 13,743</u>
Total assets	<u>\$ 43,239,949</u>	<u>\$ 4,750,892</u>	<u>\$ 47,990,841</u>	<u>\$ 1,717,250</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on refunding	\$ 31,682	\$ -	\$ 31,682	\$ -
Items related to measurement of net pension liability	50,109	-	50,109	-
Pension contributions subsequent to measurement date	57,487	-	57,487	-
Total deferred outflows of resources	<u>\$ 139,278</u>	<u>\$ -</u>	<u>\$ 139,278</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 81,371	\$ 9,337	\$ 90,708	\$ 284,698
Accrued payroll	13,093	-	13,093	-
Other accrued liabilities	1,893	-	1,893	-
Customer deposits	131,845	5,443	137,288	-
Accrued interest payable	499,017	-	499,017	-
Insurance and benefit claims	-	-	-	218,954
Bonds payable - current portion	1,241,371	169,674	1,411,045	-
Compensated absences - current portion	7,607	-	7,607	-
Total current liabilities	<u>\$ 1,976,197</u>	<u>\$ 184,454</u>	<u>\$ 2,160,651</u>	<u>\$ 503,652</u>
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ 36,852,835	\$ 1,527,070	\$ 38,379,905	\$ -
Net pension liability	191,975	-	191,975	-
Other postemployment benefits	37,086	-	37,086	-
Compensated absences - net of current portion	68,467	-	68,467	-
Total noncurrent liabilities	<u>\$ 37,150,363</u>	<u>\$ 1,527,070</u>	<u>\$ 38,677,433</u>	<u>\$ -</u>
Total liabilities	<u>\$ 39,126,560</u>	<u>\$ 1,711,524</u>	<u>\$ 40,838,084</u>	<u>\$ 503,652</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Items related to measurement of net pension liability	\$ 34,224	\$ -	\$ 34,224	\$ -
Total deferred inflows of resources	<u>\$ 34,224</u>	<u>\$ -</u>	<u>\$ 34,224</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 2,951,850	\$ 3,044,580	\$ 5,996,430	\$ 13,743
Restricted	1,841,238	-	1,841,238	-
Unrestricted	(574,645)	(5,212)	(579,857)	1,199,855
Total net position	<u>\$ 4,218,443</u>	<u>\$ 3,039,368</u>	<u>\$ 7,257,811</u>	<u>\$ 1,213,598</u>

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

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Fund  
 For the Year Ended June 30, 2017

	Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services:				
Water	\$ 805,356	\$ -	\$ 805,356	\$ -
Sewer	1,603,746	73,163	1,676,909	-
Risk management	-	-	-	2,517,650
Other revenue	197,665	-	197,665	-
Total operating revenues	<u>\$ 2,606,767</u>	<u>\$ 73,163</u>	<u>\$ 2,679,930</u>	<u>\$ 2,517,650</u>
<b>OPERATING EXPENSES</b>				
Personel services	\$ 689,768	\$ 17,207	\$ 706,975	\$ -
Fringe benefits	291,977	3,752	295,729	-
Contractual services	325,116	9,950	335,066	-
Risk financing and benefit payments	-	-	-	2,514,862
Other charges	880,292	68,535	948,827	-
Depreciation	1,306,973	141,514	1,448,487	13,744
Total operating expenses	<u>\$ 3,494,126</u>	<u>\$ 240,958</u>	<u>\$ 3,735,084</u>	<u>\$ 2,528,606</u>
Operating income (loss)	<u>\$ (887,359)</u>	<u>\$ (167,795)</u>	<u>\$ (1,055,154)</u>	<u>\$ (10,956)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Connection availability fees	\$ 976,210	\$ 3,069	\$ 979,279	\$ -
Interest revenue	12,553	-	12,553	-
Federal revenue - BABs subsidy	350,877	-	350,877	-
Interest expense	(1,823,296)	-	(1,823,296)	-
Total nonoperating revenues (expenses)	<u>\$ (483,656)</u>	<u>\$ 3,069</u>	<u>\$ (480,587)</u>	<u>\$ -</u>
Income (loss) before transfers	<u>\$ (1,371,015)</u>	<u>\$ (164,726)</u>	<u>\$ (1,535,741)</u>	<u>\$ (10,956)</u>
Transfers in	1,478,196	184,552	1,662,748	-
Change in net position	<u>\$ 107,181</u>	<u>\$ 19,826</u>	<u>\$ 127,007</u>	<u>\$ (10,956)</u>
Total net position - beginning	4,111,262	3,019,542	7,130,804	1,224,554
Total net position - ending	<u>\$ 4,218,443</u>	<u>\$ 3,039,368</u>	<u>\$ 7,257,811</u>	<u>\$ 1,213,598</u>

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

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2017

	Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 2,921,536	\$ 73,431	\$ 2,994,967	\$ 2,496,650
Claims and benefits paid	-	-	-	(2,498,357)
Payments to suppliers for goods and services	(1,281,247)	(70,419)	(1,351,666)	283,449
Payments to employees for services	(993,567)	(20,959)	(1,014,526)	-
Net cash provided by (used for) operating activities	\$ 646,722	\$ (17,947)	\$ 628,775	\$ 281,742
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	\$ 1,478,196	\$ 184,552	\$ 1,662,748	\$ -
Net cash provided by (used for) noncapital financing activities	\$ 1,478,196	\$ 184,552	\$ 1,662,748	\$ -
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Grant revenue	\$ 350,877	\$ -	\$ 350,877	\$ -
Connection availability fees	976,210	3,069	979,279	-
Principal paid on bonds	(1,294,965)	(169,674)	(1,464,639)	-
Interest and other fiscal charges	(1,835,762)	-	(1,835,762)	-
Acquisition and construction of capital assets	(325,834)	-	(325,834)	-
Net cash provided by (used for) capital and related financing activities	\$ (2,129,474)	\$ (166,605)	\$ (2,296,079)	\$ -
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on investment securities	\$ 12,553	\$ -	\$ 12,553	\$ -
Net cash provided by (used for) investing activities	\$ 12,553	\$ -	\$ 12,553	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 7,997	\$ -	\$ 7,997	\$ 281,742
Cash and cash equivalents - beginning	1,833,241	-	1,833,241	1,233,765
Cash and cash equivalents - ending	\$ 1,841,238	\$ -	\$ 1,841,238	\$ 1,515,507
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (887,359)	\$ (167,795)	\$ (1,055,154)	\$ (10,956)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 1,306,973	\$ 141,514	\$ 1,448,487	\$ 13,744
(Increase) decrease in accounts receivable	310,142	(1,928)	308,214	(21,000)
(Increase) decrease in deferred outflows related to measurement of net pension liability	(43,319)	-	(43,319)	-
Increase (decrease) in accounts payable	(77,732)	8,490	(69,242)	284,326
Increase (decrease) in accrued payroll	(20,676)	-	(20,676)	-
Increase (decrease) in other accrued liabilities	1,893	(424)	1,469	-
Increase (decrease) in customer deposits	4,627	2,196	6,823	-
Increase (decrease) in insurance and benefit claims	-	-	-	16,505
Increase (decrease) in deferred inflows related to measurement of net pension liability	(15,815)	-	(15,815)	-
Increase (decrease) in net pension liability	47,244	-	47,244	-
Increase (decrease) in other postemployment benefits	9,238	-	9,238	-
Increase (decrease) in compensated absences	11,506	-	11,506	-
Increase (decrease) in due to other funds	-	-	-	(877)
Total adjustments	\$ 1,534,081	\$ 149,848	\$ 1,683,929	\$ 292,698
Net cash provided by (used for) operating activities	\$ 646,722	\$ (17,947)	\$ 628,775	\$ 281,742

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

Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,002,881
Total assets	\$ <u>1,002,881</u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 12,720
Amounts held for consortium	38,704
Refundable escrow deposits payable	951,457
Total liabilities	\$ <u>1,002,881</u>

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

---

#### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

#### Financial Statement Presentation

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

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

#### Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

**A. Financial Reporting Entity**

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

**B. Individual Component Unit Disclosures**

*Blended Component Unit.* The County has no blended component units to be included for the fiscal year ended June 30, 2017.

*Discretely Presented Component Unit*

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



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

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

reporting entity. The County not only provides financial support to the School Board but also is responsible for any debt or financial obligation. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2017.

The Caroline County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of six members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2017. The Authority does not issue a separate financial report.

**C. Other Related Organizations**

*Middle Peninsula Juvenile Detention Commission*

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

*Pamunkey Regional Jail Authority*

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

The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the County is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. The County made per diem contributions totaling \$1,812,890 in fiscal year 2017. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

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

C. Other Related Organizations (Continued)

Included in the County's Financial Report

None

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

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

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

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

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

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

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

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

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

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

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

*The remainder of this page left blank intentionally*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

---

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,054,064 at June 30, 2017 and is comprised primarily of property taxes (\$1,016,456).

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
	June 5/December 5	June 5/December 5
Due Date	(50% each date)	(50% each date)
Lien Date	June 6/December 6	June 6/December 6

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

H. Restricted Cash

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

I. Capital Assets

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)I. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction on governmental activities' capital assets 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. There is no capitalized interest for the year June 30, 2017.

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

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

J. Compensated Absences

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

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

K. Use of Estimates

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

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

L. Net Position

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

M. Net Position Flow Assumption

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

N. Pensions

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

O. 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.



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

**P. Prepaid Items**

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

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

**Q. Fund Equity**

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

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

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

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

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

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

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

Q. Fund Equity (Continued)

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

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

	General Fund	Major Debt Service Fund	Major County Capital Projects Fund	Major Revenue Funds			Total
				Proffers Fund	Virginia Public Assistance Fund	Other Governmental Funds	
Restricted:							
Capital projects	\$ -	\$ -	\$ 3,993,394	\$ -	\$ -	\$ -	\$ 3,993,394
Debt service	1,847,361	-	-	-	-	-	1,847,361
Social services	-	-	-	-	32,803	-	32,803
Law enforcement	-	-	-	1,000	-	129,987	130,987
Public safety grants	-	-	-	-	-	63,925	63,925
Fire/rescue	-	-	-	2,000	-	-	2,000
Fire/rescue grants	-	-	-	-	-	255,669	255,669
Housing	-	-	-	-	-	29,820	29,820
Courthouse maintenance	-	-	-	-	-	77,713	77,713
Law library	-	-	-	-	-	536	536
Tourism	-	-	-	-	-	68,511	68,511
Ladysmith Commons and improvements	-	-	-	37,499	-	-	37,499
Ladysmith library	-	-	-	365,327	-	-	365,327
Ladysmith recreation	-	-	-	163,606	-	-	163,606
Dawn library	-	-	-	5,412	-	-	5,412
Route 639 construction	-	-	-	275,000	-	-	275,000
Children's services	-	-	-	-	-	133,248	133,248
Total Restricted	\$ 1,847,361	\$ -	\$ 3,993,394	\$ 849,844	\$ 32,803	\$ 759,409	\$ 7,482,811
Committed:							
Capital projects	\$ 3,553,910	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,553,910
Total Committed	\$ 3,553,910	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,553,910
Assigned:							
Operations	\$ 1,818,577	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,818,577
Debt service	-	234,644	-	-	-	-	234,644
Social services	-	-	-	-	47,688	-	47,688
Total Assigned	\$ 1,818,577	\$ 234,644	\$ -	\$ -	\$ 47,688	\$ -	\$ 2,100,909
Unassigned	\$ 17,398,812	\$ -	\$ -	\$ (420,770)	\$ -	\$ -	\$ 16,978,042
Total Fund Balances	\$ 24,618,660	\$ 234,644	\$ 3,993,394	\$ 429,074	\$ 80,491	\$ 759,409	\$ 30,115,672

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

**R. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has three items that qualify for reporting in this category. One item is the deferred charge on refunding. 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 second item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. The final item is comprised of certain items related to the measurement of the net pension liability. These include the differences in expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two 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. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information, reference the pension note.

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

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

1. Prior to March 1 of each year, the County Administrator submits to the Board of Supervisors a proposed operating capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. The Board of Supervisors conducts work sessions to review the budget and public hearings are required to be conducted to obtain citizen comments
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within the primary government's department; however, the Component Unit - School Board is authorized to transfer budgeted amounts within the school system's categories.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

---

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

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

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2017.

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)

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

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 requires that all securities purchased for the County be held by the County or by the County’s designated custodian. The County’s investments at June 30, 2017 were held by the County or in the County’s name by the County’s custodial banks. The investments also should have a credit rating no less than AA rated by Standard and Poor or Aa by Moody’s Investor Service.

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2017 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale. The County’s investment policy limits investments to those allowed by the Code of Virginia. The County may however restrict investments beyond the limits imposed by the Code of Virginia as such restrictions serve the purpose of further safeguarding County funds or are in the best interest of the County.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
Local Government Investment Pool	\$ 22,781,252	\$ -
Virginia State Non-Arbitrage Pool	7,958,115	-
U.S. Agency Securities	-	2,364,064
Total	\$ 30,739,367	\$ 2,364,064

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

Fair Value Measurement

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

The County has the following recurring fair value measurements as of June 30, 2017:

- U. S. Agency Securities of \$2,364,064 are valued using quoted market prices (Level 1 inputs).

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Bond proceeds subject to arbitrage rebate are invested in the SNAP by County. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. This conversion was completed in November 2016. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U. S. Government securities (including securities issued or guaranteed by the U. S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

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

The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury.

*The remainder of this page left blank intentionally*

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2017, the County has amounts due from other governments as follows:

	Primary Government	Business-type Activities	Component Unit School Board
Other Local Governments:			
County of Caroline	\$ -	\$ -	\$ 1,039,741
County of Middlesex	24,577	-	-
County of Hanover	6,633	-	-
Commonwealth of Virginia:			
State sales tax	-	-	902,733
Motor vehicle carrier tax	73,873	-	-
Personal property tax relief funds	1,147,226	-	-
Auto rental tax	746	-	-
Additional tax on deeds	33,075	-	-
Victim witness grant	29,442	-	-
Mobile home titling tax	12,786	-	-
E-911 wireless funds	17,088	-	-
Recordation tax	25,707	-	-
Babs Subsidy	-	94,143	-
Other misc state agencies	8,490	-	-
VA domestic violence victim grant	678	-	-
Welfare	68,420	-	-
Children's services	196,957	-	-
Communication sales tax	121,745	-	-
Constitutional officer reimbursements	167,638	-	-
Local sales tax	331,805	-	-
Soil conservationist reimbursement	154,846	-	-
Other state funds	17,664	-	91,230
Federal Government:			
School fund grants	-	-	1,014,465
DMV	6,820	-	-
Justice assistance grants	1,761	-	-
Victim witness	7,019	-	-
Bulletproof vest grant	5,440	-	-
Payment in lieu of taxes	2,053	-	-
Welfare	125,543	-	-
Total due from other governments	\$ 2,588,032	\$ 94,143	\$ 3,048,169

Amounts due to other local governments are as follows:

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

---

**NOTE 5—INTERFUND OBLIGATIONS:**

Details of the Primary Government's interfund receivables and payables as of June 30, 2017, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 652,415	\$ -
County Capital Projects	-	652,415
Total	<u>\$ 652,415</u>	<u>\$ 652,415</u>
Component Unit-School Board:		
School Operating	\$ 368,093	\$ -
School Grant Fund	-	368,093
Total	<u>\$ 368,093</u>	<u>\$ 368,093</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made to internal service funds that the general fund expects to collect in the subsequent year.

*The remainder of this page left blank intentionally*



COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 6—CAPITAL ASSETS:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

**Primary Government:**

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
General government:				
Capital assets not subject to depreciation:				
Land	\$ 1,242,883	\$ -	\$ -	\$ 1,242,883
Construction in progress	15,431,542	9,780,115	6,548,487	18,663,170
Total capital assets not subject to depreciation	\$ 16,674,425	\$ 9,780,115	\$ 6,548,487	\$ 19,906,053
Capital assets subject to depreciation:				
Buildings	\$ 62,412,875	\$ 4,433,731	\$ -	\$ 66,846,606
Machinery and equipment	16,084,762	3,088,036	1,901,829	17,270,969
Improvements other than buildings	5,677,952	440,193	-	6,118,145
Intangibles	269,724	54,879	26,950	297,653
Total capital assets being depreciated	\$ 84,445,313	\$ 8,016,839	\$ 1,928,779	\$ 90,533,373
Accumulated depreciation:				
Buildings	\$ 18,773,133	\$ 2,294,524	\$ -	\$ 21,067,657
Machinery and equipment	8,663,864	1,415,382	1,874,343	8,204,903
Improvements other than buildings	3,249,346	263,687	-	3,513,033
Intangibles	216,508	26,164	25,603	217,069
Total accumulated depreciation	\$ 30,902,851	\$ 3,999,757	\$ 1,899,946	\$ 33,002,662
Total capital assets being depreciated, net	\$ 53,542,462	\$ 4,017,082	\$ 28,833	\$ 57,530,711
General government activities capital assets, net	\$ 70,216,887	\$ 13,797,197	\$ 6,577,320	\$ 77,436,764

*The remainder of this page left blank intentionally*

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Primary Government: (Continued)

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Internal Service Fund:				
Capital assets subject to depreciation:				
Buildings	\$ 412,315	\$ -	\$ -	\$ 412,315
Improvements other than buildings	68,551	-	-	68,551
Total capital assets being depreciated	\$ 480,866	\$ -	\$ -	\$ 480,866
Accumulated depreciation:				
Buildings	\$ 384,828	\$ 13,744	\$ -	\$ 398,572
Improvements other than buildings	68,551	-	-	68,551
Total accumulated depreciation	\$ 453,379	\$ 13,744	\$ -	\$ 467,123
Total capital assets being depreciated, net	\$ 27,487	\$ (13,744)	\$ -	\$ 13,743
Internal Service Fund capital assets, net	\$ 27,487	\$ (13,744)	\$ -	\$ 13,743
Total governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 1,242,883	\$ -	\$ -	\$ 1,242,883
Construction in progress	15,431,542	9,780,115	6,548,487	18,663,170
Total capital assets not subject to depreciation	\$ 16,674,425	\$ 9,780,115	\$ 6,548,487	\$ 19,906,053
Capital assets subject to depreciation:				
Buildings	\$ 62,825,190	\$ 4,433,731	\$ -	\$ 67,258,921
Machinery and equipment	16,084,762	3,088,036	1,901,829	17,270,969
Improvements other than buildings	5,746,503	440,193	-	6,186,696
Intangibles	269,724	54,879	26,950	297,653
Total capital assets being depreciated	\$ 84,926,179	\$ 8,016,839	\$ 1,928,779	\$ 91,014,239
Accumulated depreciation:				
Buildings	\$ 19,157,961	\$ 2,308,268	\$ -	\$ 21,466,229
Machinery and equipment	8,663,864	1,415,382	1,874,343	8,204,903
Improvements other than buildings	3,317,897	263,687	-	3,581,584
Intangibles	216,508	26,164	25,603	217,069
Total accumulated depreciation	\$ 31,356,230	\$ 4,013,501	\$ 1,899,946	\$ 33,469,785
Total capital assets being depreciated, net	\$ 53,569,949	\$ 4,003,338	\$ 28,833	\$ 57,544,454
General government activities capital assets, net	\$ 70,244,374	\$ 13,783,453	\$ 6,577,320	\$ 77,450,507

*The remainder of this page left blank intentionally*

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of proprietary fund property, plant, and equipment at June 30, 2017 follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 711,986	\$ -	\$ -	\$ 711,986
Construction in progress	24,212	50,627	74,839	-
Total capital assets not subject to depreciation	\$ 736,198	\$ 50,627	\$ 74,839	\$ 711,986
Capital assets subject to depreciation:				
Buildings	\$ 1,331,309	\$ 49,414	\$ -	\$ 1,380,723
Improvements other than buildings	56,100,311	-	-	56,100,311
Equipment	1,408,219	300,632	85,620	1,623,231
Total capital assets being depreciated	\$ 58,839,839	\$ 350,046	\$ 85,620	\$ 59,104,265
Accumulated depreciation:				
Buildings	\$ 290,130	\$ 33,273	\$ -	\$ 323,403
Improvements other than buildings	11,270,454	1,316,124	-	12,586,578
Equipment	1,137,102	99,090	85,620	1,150,572
Total accumulated depreciation	\$ 12,697,686	\$ 1,448,487	\$ 85,620	\$ 14,060,553
Total capital assets being depreciated, net	\$ 46,142,153	\$ (1,098,441)	\$ -	\$ 45,043,712
Business-type activities capital assets, net	\$ 46,878,351	\$ (1,047,814)	\$ 74,839	\$ 45,755,698

*The remainder of this page left blank intentionally*

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

Component Unit—School Board:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not subject to depreciation:				
Land	\$ 849,553	\$ -	\$ -	\$ 849,553
Total capital assets not subject to depreciation	\$ 849,553	\$ -	\$ -	\$ 849,553
Capital assets subject to depreciation:				
Buildings	\$ 17,173,478	\$ -	\$ -	\$ 17,173,478
Improvements other than buildings	115,817	73,763	-	189,580
Machinery and equipment	7,878,828	784,114	87,393	8,575,549
Total capital assets being depreciated	\$ 25,168,123	\$ 857,877	\$ 87,393	\$ 25,938,607
Accumulated depreciation:				
Buildings	\$ 12,804,047	\$ 301,800	\$ -	\$ 13,105,847
Improvements other than buildings	51,615	9,862	-	61,477
Machinery and equipment	5,014,046	468,674	87,393	5,395,327
Total accumulated depreciation	\$ 17,869,708	\$ 780,336	\$ 87,393	\$ 18,562,651
Total capital assets being depreciated, net	\$ 7,298,415	\$ 77,541	\$ -	\$ 7,375,956
Capital assets, net	\$ 8,147,968	\$ 77,541	\$ -	\$ 8,225,509

*The remainder of this page left blank intentionally*

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

---

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 568,858
Judicial administration	156,111
Public safety	1,225,204
Public works	241,467
Education	1,662,290
Parks, recreation and cultural	37,515
Community development	\$ <u>108,312</u>
Total Governmental activities	\$ <u><u>3,999,757</u></u>
Component Unit School Board	\$ <u><u>780,336</u></u>
Business-type Activities	\$ <u><u>1,448,487</u></u>

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Caroline, Virginia for the year ended June 30, 2017, is that school financed assets in the amount of \$41,431,885 and related accumulated depreciation of \$7,895,187 are reported in the Primary Government for financial reporting purposes.

*The remainder of this page left blank intentionally*

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2017, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General	\$ -	\$ 9,887,940
Proffers	-	5,500
County Capital Improvements	279,681	200,186
Debt Service	7,054,806	-
Virginia Public Assistance	481,039	-
Children's Services	615,352	-
Total Governmental Funds	\$ <u>8,430,878</u>	\$ <u>10,093,626</u>
Enterprise Funds:		
Caroline County Utility	\$ 1,478,196	\$ -
Dawn Wastewater System	184,552	-
Total Enterprise Funds	\$ <u>1,662,748</u>	\$ <u>-</u>
Total-All Funds	\$ <u><u>10,093,626</u></u>	\$ <u><u>10,093,626</u></u>

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

*The remainder of this page left blank intentionally*

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS:

Primary Government:

The following is a summary of long-term obligations of the County for the year ended June 30, 2017:

	Balance at July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2017	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Incurred by County:					
General obligation bonds	\$ 50,090,815	\$ -	\$ 2,722,128	\$ 47,368,687	\$ 2,784,954
Revenue bonds	28,538,275	10,416,169	9,771,206	29,183,238	2,195,624
Revenue bond debt allocable from business-type activities	1,001,435	-	139,851	861,584	113,629
Capital leases	6,076,164	1,508,580	826,240	6,758,504	784,544
Unamortized premiums	1,038,845	-	78,259	960,586	-
Compensated absences	709,192	105,689	70,919	743,962	74,396
Net pension liability	2,267,450	3,398,571	2,658,412	3,007,609	-
Net OPEB obligation	376,524	64,309	14,347	426,486	-
Landfill postclosure cost	3,136,470	27,774	-	3,164,244	-
<b>Total Governmental Activities</b>	<b>\$ 93,235,170</b>	<b>\$ 15,521,092</b>	<b>\$ 16,281,362</b>	<b>\$ 92,474,900</b>	<b>\$ 5,953,147</b>
<b>Business-type Activities:</b>					
General obligation bond	\$ 295,000	\$ -	\$ 145,000	\$ 150,000	\$ 150,000
Revenue bonds	40,516,419	-	1,359,674	39,156,745	1,261,045
Revenue bond debt allocable from business-type activities	(1,001,435)	-	(139,851)	(861,584)	-
Unamortized discount	(9,890)	-	(9,890)	-	-
Unamortized premium	1,455,495	-	109,706	1,345,789	-
Compensated absences	64,568	17,963	6,457	76,074	7,607
Net pension liability	144,731	216,930	169,686	191,975	-
Net OPEB obligation	27,848	11,891	2,653	37,086	-
<b>Total Business-type Activities</b>	<b>\$ 41,492,736</b>	<b>\$ 246,784</b>	<b>\$ 1,643,435</b>	<b>\$ 40,096,085</b>	<b>\$ 1,418,652</b>

*The remainder of this page left blank intentionally*

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30	Governmental Activities Obligations			
	General		Lease	
	Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 2,784,954	\$ 2,002,757	\$ 2,309,253	\$ 955,673
2019	2,866,692	1,904,485	1,881,094	863,323
2020	2,523,797	1,810,017	1,937,972	800,704
2021	2,593,150	1,724,452	1,920,896	735,281
2022	2,674,785	1,635,339	1,645,920	677,997
2023	2,755,412	1,544,341	1,697,953	627,458
2024	2,838,280	1,450,575	1,697,202	576,558
2025	2,927,704	1,352,610	1,649,786	527,645
2026	3,014,466	1,251,187	1,694,538	479,577
2027	3,108,583	1,146,822	1,691,270	429,992
2028	2,774,498	768,787	1,721,876	380,096
2029	2,497,338	666,022	1,773,820	329,036
2030	2,597,338	567,894	1,827,535	276,655
2031	2,694,338	464,420	1,880,129	222,753
2032	2,807,338	356,438	1,572,578	166,999
2033	2,922,338	243,570	770,000	126,654
2034	2,938,338	127,224	793,000	96,009
2035	49,338	20,841	265,000	72,371
2036	-	-	280,000	58,460
2037	-	-	240,000	45,294
2038	-	-	250,000	33,169
2039	-	-	265,000	20,422
2040	-	-	280,000	6,931
Total	\$ <u>47,368,687</u>	\$ <u>19,037,781</u>	\$ <u>30,044,822</u>	\$ <u>8,509,057</u>

*The remainder of this page left blank intentionally*



COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

---

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30	Governmental Activities Obligations	
	Capital Leases	
	Principal	Interest
2018	\$ 784,544	\$ 166,805
2019	803,682	147,665
2020	823,290	128,058
2021	716,158	107,965
2022	696,111	90,046
2023	713,347	72,808
2024	722,379	55,145
2025	740,309	37,213
2026	758,684	18,837
Total	\$ <u>6,758,504</u>	\$ <u>824,542</u>

*The remainder of this page left blank intentionally*

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30	Business-type Activities Obligations			
	Revenue Bonds		General Obligation Bond	
	Principal	Interest	Principal	Interest
2018	\$ 1,261,045	\$ 1,961,717	\$ 150,000	\$ 3,671
2019	1,447,299	1,904,187	-	-
2020	1,512,305	1,840,820	-	-
2021	1,381,061	1,778,036	-	-
2022	1,434,820	1,718,022	-	-
2023	1,482,326	1,656,013	-	-
2024	1,402,282	1,593,407	-	-
2025	1,564,674	1,527,555	-	-
2026	1,614,674	1,454,583	-	-
2027	1,694,675	1,375,370	-	-
2028	1,595,000	1,290,021	-	-
2029	1,670,000	1,200,150	-	-
2030	1,740,000	1,106,372	-	-
2031	1,825,000	1,008,434	-	-
2032	1,900,000	906,092	-	-
2033	1,360,000	814,378	-	-
2034	1,425,000	733,579	-	-
2035	1,495,000	649,018	-	-
2036	1,560,000	560,637	-	-
2037	1,635,000	468,225	-	-
2038	1,710,000	371,556	-	-
2039	1,780,000	270,793	-	-
2040	1,860,000	165,787	-	-
2041	1,945,000	56,078	-	-
Total	\$ <u>38,295,161</u>	\$ <u>26,410,830</u>	\$ <u>150,000</u>	\$ <u>3,671</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

---

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

Governmental Activities:

General Obligation Bonds:

\$1,179,008 Virginia Retirement System Obligation Refunding Bonds (Taxable Series 2003) issued July 2003, maturing annually from \$96,625 to \$106,003 through July 2018, with interest payable annually at 4.61%.	\$ 207,063
\$6,364,713 School Bonds (2007B) issued November 2007, maturing annually from \$308,371 to \$371,160 through July 2027, with interest payable semi-annually at 5.10%.	3,738,817
\$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%.	14,630,000
\$6,000,000 2011 VPSA Direct Payment Qualified School Construction Bonds issued June 2011, maturing annually at \$428,571 through June 2027, with interest payable semi-annually at an average coupon rate of 7.60%.	4,285,716
\$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%.	888,091
\$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%.	1,255,000
\$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%.	22,364,000
Total general obligation bonds	\$ <u>47,368,687</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

---

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Revenue Bonds:

\$9,240,000 lease revenue refunding bond, issued October 2010, maturing annually from \$115,000 to \$855,000 through October 2039, with interest payable semi-annually at varying rates from 4.79% to 5.13%.	\$ 5,595,000
\$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%.	690,000
\$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%.	7,520,000
\$5,328,275 lease revenue and refunding bond, issued December 2015, maturing annually from \$321,909 to \$405,999 through January 2031, with interest payable semi-annually at 2.67%.	4,962,070
\$7,273,400 lease revenue refunding bond, issued July 29, 2016, maturing annually from \$404,981 to \$573,901 through June 30, 2032, with interest semi-annually at 2.49%.	7,273,400
\$3,142,769 lease revenue bond, issued, issued March 17, 2017, maturing annually from \$168,481 to \$247,677 through June 30, 2032, with interest semi-annually at 2.95%.	3,142,769
\$6,905,000 2009B VRA revenue bond debt allocable from the Caroline County Utility Fund.	<u>861,583</u>
Total lease revenue bonds	<u>\$ 30,044,822</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Capital Leases:

\$6,574,068 capital lease obligation (payable from the General Fund) issued July 2013, secured by equipment, annual maturity from \$579,117 to \$675,059 beginning January 2016 through January 2026, with interest payable semi-annually at 2.53%.	\$ 5,509,134
\$179,130 capital lease obligation issued March 8, 2017, secured by a vehicle, annual principal payments of \$37,967 beginning March 20, 2017 through March 2021, with interest payable annually at 2.99%.	141,163
\$493,450 capital lease obligation issued January 13, 2017, secured by two vehicles, annual principal payments of \$127,225 beginning January 13, 2017 through January 13, 2020, with interest payable annually at 2.01%.	366,225
\$779,000 capital lease obligation issued January 13, 2017, secured by public safety vehicles, annual principal payments of \$85,384 beginning January 13, 2017 through January 13, 2026, with interest payable annually at 1.86%.	693,616
\$57,000 capital lease obligation issued January 13, 2017, secured by a vehicle, annual principal payments of \$8,634 beginning January 13, 2017 through January 13, 2023, with interest payable annually at 1.86%.	48,366
Total capital leases	\$ <u>6,758,504</u>
Unamortized premiums	\$ <u>960,586</u>
Net pension liability	\$ <u>3,007,609</u>
Net OPEB obligation	\$ <u>426,486</u>
Compensated absences	\$ <u>743,962</u>
Landfill postclosure cost	\$ <u>3,164,244</u>
Total Governmental Activities	\$ <u><u>92,474,900</u></u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Business-type Activities:

Revenue Bonds:

\$3,310,000 refunding Virginia Pooled Financing Program bond issued November 2010, maturing annually from \$480,000 to \$620,000 beginning in 2026 through 2032, with interest payable semi-annually at varying rates of 4.83% through 4.85%.	\$ 3,310,000
\$3,366,314 revenue bond issued March 2006, maturing in equal annual installments of \$169,674 through 2025. No interest is payable on the bond.	1,696,744
\$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.	1,595,000
\$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%.	4,330,000
Less: Revenue bond debt allocable to general government	(861,583)
\$8,525,000 2010A pooled revenue bond issued May 2010, maturing annually from \$65,000 to \$625,000 through October 2040 with interest payable semi-annually at varying rates of 3.76% to 5.20%.	8,255,000
\$20,655,000 2010CB pooled revenue bond issued November 2010, maturing annually from \$170,000 to \$1,320,000 through October 2040, with interest payable semi-annually at varying rates of 4.5% to 6.14%.	19,970,000
Total lease revenue bonds	\$ 38,295,161

General Obligation Bond:

\$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.	\$ 150,000
Total general obligation bond	\$ 150,000
Unamortized premium	\$ 1,345,789
Compensated absences	\$ 76,074
Net pension liability	\$ 191,975
Net OPEB obligation	\$ 37,086
Total Business-type Activities	\$ 40,096,085

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Component Unit—School Board**

The following is a summary of long-term obligations for the fiscal year ended June 30, 2017:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Compensated absences	\$ 653,697	\$ 44,247	\$ 65,370	\$ 632,574	\$ 63,257
Capital leases	607,554	1,027,629	94,643	1,540,540	192,030
Net pension liability	32,051,233	9,029,487	4,929,953	36,150,767	-
Net OPEB Obligation	2,336,006	862,648	455,700	2,742,954	-
Total Component Unit School Board	<u>\$ 35,648,490</u>	<u>\$ 10,964,011</u>	<u>\$ 5,545,666</u>	<u>\$ 41,066,835</u>	<u>\$ 255,287</u>

**NOTE 9—CURRENT REFUNDING:**

On July 29, 2016, the County issued \$7,273,400 in a Lease Revenue Refunding Bond to refund the Series 2011 Lease Revenue Bonds. The net proceeds were used as follows to pay off the remaining balance of the County's outstanding Series 2011 Lease Revenue Bonds, as well as the costs of issuance associated with the Series 2016 bond. The current refunding will increase its total debt service payments by \$1,632,255 and resulted in an economic loss of \$1,632,255.

**NOTE 10—LANDFILL POSTCLOSURE COSTS:**

State and federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill operated by the County was certified by the Department of Environmental Quality was closed on December 8, 2003 and all obligations of the County with regard to the closure have been met. The \$3,164,244 reported as landfill postclosure care liability at June 30, 2017 represents the remaining engineering estimate of 20 years of postclosure monitoring and care. These amounts are based on what it would cost to perform all postclosure care in 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The County intends to fund these costs from general tax revenues and from any special revenue source that may become available for this purpose.

**NOTE 11—DEFERRED/UNAVAILABLE REVENUE:**

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

Unavailable Property Tax Revenue: Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$21,429,987, of which \$4,834,117 represents delinquent property taxes receivable at June 30, 2017.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 11—DEFERRED/UNAVAILABLE REVENUE: (CONTINUED)

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2017, but paid in advance by the tax payers totaled \$683,104 at June 30, 2017.

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 \$1,289,723 at June 30, 2017.

NOTE 12—COMMITMENTS AND CONTINGENCIES:

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

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

The following construction contracts were outstanding at June 30, 2017:

Fund	Project	Contractor	Amount of Contract	Contract Outstanding At June 30, 2017
County Capital Projects	Caroline High School Renovations	Southwood Building Systems	\$ 17,643,101	\$ 960,983
County Capital Projects	Madison Elementary School Additions and Renovations	Haley Builders	3,515,958	181,927

NOTE 13—LITIGATION:

At June 30, 2017, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 14—RISK MANAGEMENT:

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



COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

---

NOTE 14—RISK MANAGEMENT: (CONTINUED)

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

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

Health Insurance

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

Based on the requirements of GASB Statement No. 10, the County records an estimated liability for indemnity healthcare claims. Prior to fiscal year 2015, the liability was recorded in the respective fund; however, during fiscal year 2015, the County established a separate Self-Insurance Fund to account for this activity. The following represents the changes in the fund’s claim liability for 2015, 2016, and 2017.

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

*The remainder of this page left blank intentionally*

# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

### NOTE 15—PENSION PLAN:

#### *Plan Description*

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> 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><b>About Plan 2</b> 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><b>About the Hybrid Retirement Plan</b> 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"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1 (Cont.)</b></p>	<p><b>About Plan 2 (Cont.)</b></p>	<p><b>About the Hybrid Retirement Plan (Cont.)</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</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><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</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><b>Eligible Members</b> 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"> <li>• Political subdivision employees*</li> <li>• School division employees</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> 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><b>Hybrid Opt-In Election (Cont.)</b> 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>	<p><b>*Non-Eligible Members (Cont.)</b> 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><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of 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><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p><b>Retirement Contributions</b> 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>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> 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><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> 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><b><u>Defined Contributions Component:</u></b> 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  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> 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 that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> 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><b><u>Defined Contributions Component:</u></b> 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 that 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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> </ul>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b> <u><b>Defined Contributions Component: (Cont.)</b></u> <ul style="list-style-type: none"> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<b>Calculating the Benefit</b> 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.	<b>Calculating the Benefit</b> See definition under Plan 1.	<b>Calculating the Benefit</b> <u><b>Defined Benefit Component:</b></u> See definition under Plan 1.  <u><b>Defined Contribution Component:</b></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.
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

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



COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.</p> <p><b><u>Eligibility:</u></b> 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.</p> <p>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.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> 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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates: (Cont.)</u></b> The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates: (Cont.)</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates: (Cont.)</u></b> Same as Plan 1 and Plan 2.</p>
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b> 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.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Disability Coverage (Cont.)</b> VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	<b>Disability Coverage (Cont.)</b> VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	<b>Disability Coverage (Cont.)</b> 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.
<b>Purchase of Prior Service</b> 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.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <u><b>Defined Contribution Component:</b></u> Not applicable.

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

#### **NOTE 15—PENSION PLAN: (CONTINUED)**

##### *Employees Covered by Benefit Terms*

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Primary Government</b>	<b>Component Unit School Board Nonprofessional</b>
Inactive members or their beneficiaries currently receiving benefits	114	47
Inactive members:		
Vested inactive members	38	2
Non-vested inactive members	66	9
Inactive members active elsewhere in VRS	115	11
Total inactive members	219	22
Active members	223	55
Total covered employees	556	124

##### *Contributions*

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

The County's contractually required contribution rate for the year ended June 30, 2017 was 9.02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the pension plan from the County were \$958,117 and \$1,054,497 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 5.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

---

#### **NOTE 15—PENSION PLAN: (CONTINUED)**

##### *Contributions (Continued)*

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$75,652 and \$60,039 for the years ended June 30, 2017 and June 30, 2016, respectively.

##### *Net Pension Liability (Asset)*

The County's and Component Unit School Board's (nonprofessional) net pension liability (asset) were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

##### *Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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 liabilities.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

---

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Contributions (Continued)*

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

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 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

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 Disability 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, 2015 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:

Largest 10 - Non-LEOS:

- 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

All Others (Non 10 Largest) - Non-LEOS:

- 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 JUNE 30, 2017 (CONTINUED)

---

#### **NOTE 15—PENSION PLAN: (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, 2015, 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, 2016.

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

##### **Largest 10 - Non-LEOS:**

###### **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 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

##### **All Others (Non 10 Largest) - Non-LEOS:**

###### **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 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement



COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

---

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Actuarial Assumptions - Public Safety Employees (Continued)*

The actuarial assumptions used in the June 30, 2015 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:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

*The remainder of this page left blank intentionally.*

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Long-Term Expected Rate of Return*

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

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return</b>
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	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* 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  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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 Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 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 liability.

*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 33,241,486	\$ 30,829,305	\$ 2,412,181
Changes for the year:			
Service cost	\$ 1,315,617	\$ -	\$ 1,315,617
Interest	2,280,789	-	2,280,789
Differences between expected and actual experience	(710,814)	-	(710,814)
Contributions - employer	-	1,054,497	(1,054,497)
Contributions - employee	-	513,189	(513,189)
Net investment income	-	549,598	(549,598)
Benefit payments, including refunds of employee contributions	(1,317,577)	(1,317,577)	-
Administrative expenses	-	(18,864)	18,864
Other changes	-	(231)	231
Net changes	\$ 1,568,015	\$ 780,612	\$ 787,403
Balances at June 30, 2016	\$ 34,809,501	\$ 31,609,917	\$ 3,199,584

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

*Changes in Net Pension Liability (Asset)*

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	\$ 4,783,442	\$ 4,993,209	\$ (209,767)
Changes for the year:			
Service cost	\$ 153,443	\$ -	\$ 153,443
Interest	320,673	-	320,673
Differences between expected and actual experience	18,143	-	18,143
Contributions - employer	-	60,039	(60,039)
Contributions - employee	-	46,198	(46,198)
Net investment income	-	80,716	(80,716)
Benefit payments, including refunds of employee contributions	(404,793)	(404,793)	-
Administrative expenses	-	(3,193)	3,193
Other changes	-	(35)	35
Net changes	\$ 87,466	\$ (221,068)	\$ 308,534
Balances at June 30, 2016	\$ 4,870,908	\$ 4,772,141	\$ 98,767

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 8,164,231	\$ 3,199,584	\$ (886,116)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 645,165	\$ 98,767	\$ (363,321)

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$743,173 and \$46,777 respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 570,395	\$ 12,578	\$ 52,494
Net difference between projected and actual earnings on pension plan investments	835,142	-	126,092	-
Employer contributions subsequent to the measurement date	958,117	-	75,652	-
Total	<u>\$ 1,793,259</u>	<u>\$ 570,395</u>	<u>\$ 214,322</u>	<u>\$ 52,494</u>

\$958,117 and \$75,652 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2017	\$ (193,003)	\$ (45,406)
2018	(187,182)	3,049
2019	321,626	76,882
2020	323,306	51,651
Thereafter	-	-

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 (CONTINUED)

---

#### **NOTE 15—PENSION PLAN: (CONTINUED)**

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

###### *Plan Description*

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

###### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding 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% 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$3,027,810 and \$2,760,000 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$36,052,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.25725% as compared to 0.25632% at June 30, 2015.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

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

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

For the year ended June 30, 2017, the school division recognized pension expense of \$3,017,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 1,168,000
Net difference between projected and actual earnings on pension plan investments	2,059,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	408,000	451,000
Employer contributions subsequent to the measurement date	<u>3,027,810</u>	<u>-</u>
Total	<u>\$ 5,494,810</u>	<u>\$ 1,619,000</u>

\$3,027,810 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2017	\$ (324,000)
2018	(324,000)
2019	915,000
2020	648,000
2021	(67,000)

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

---

#### **NOTE 15—PENSION PLAN: (CONTINUED)**

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

###### *Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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 Disability 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, 2015 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 the 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  
JUNE 30, 2017 (CONTINUED)

---

**NOTE 15—PENSION PLAN: (CONTINUED)**

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

*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b><u>Teacher Employee Retirement Plan</u></b>
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	<u>\$ 14,014,115</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

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

*Long-Term Expected Rate of Return*

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* 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  
JUNE 30, 2017 (CONTINUED)

**NOTE 15—PENSION PLAN: (CONTINUED)**

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

*Discount Rate*

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	51,393,000 \$	36,052,000 \$	23,416,000

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**NOTE 16-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:**

**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 \$1,705 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 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 two retirees with spouse coverage participating in the Plan. The School System has twenty-seven retirees without spouse coverage and six 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 (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. 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 thirty years.

*The remainder of this page left blank intentionally*

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 (CONTINUED)

NOTE 16-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (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 amount actually contributed to the plan, and changes in the County's and School Board's net OPEB obligation to the Retiree Health Plan:

		PRIMARY GOVERNMENT	SCHOOL BOARD
Annual required contribution	\$	77,000	\$ 907,900
Interest on net OPEB obligation		14,153	81,760
Adjustment to annual required contribution		(14,953)	(127,012)
Annual OPEB cost (expense)	\$	76,200	\$ 862,648
Contributions made		(17,000)	(455,700)
Increase in net OPEB obligation		59,200	406,948
Net OPEB obligation-beginning of year		404,372	2,336,006
Net OPEB obligation-end of year	\$	463,572	\$ 2,742,954

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 year 2017 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2017	\$ 76,200	22.31%	\$ 463,572
6/30/2016	88,844	18.35%	404,372
6/30/2015	84,479	18.94%	331,828
School Board:			
6/30/2017	\$ 862,648	52.83%	\$ 2,742,954
6/30/2016	888,651	55.25%	2,336,006
6/30/2015	864,742	58.86%	1,938,355

Funded Status and Funding Progress

As of June 30, 2017, the most recent actuarial valuation date, the County's actuarial accrued liability for benefits was \$872,600, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,892,500, and the ratio of unfunded actuarial accrued liability to the covered payroll was 8.01%.

NOTE 16-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)

Funded Status and Funding Progress (Continued)

At June 30, 2017, the start of the most recent actuarial report, the School Board's actuarial accrued liability for benefits was \$7,734,400, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$24,975,600, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 30.97 percent.

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 included 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 plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial 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 that are 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.

Cost Method

In the June 30, 2017 actuarial valuation, the projected unit credit method, with linear pro-rata to assumed benefit commencement was used. The unfunded liability is amortized over 30 years as a level percentage of pay.

The following simplifying assumptions were made:

Retirement age for active employees - Retirement age was 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.

**NOTE 16-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)**

**Funded Status and Funding Progress (Continued)**

**Cost Method (Continued)**

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.

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, 2017 was 30 years.

**NOTE 17-OTHER POSTEMPLOYMENT BENEFITS - VRS HEALTH INSURANCE CREDIT:**

**A. Plan Description**

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 15.

**B. Funding Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2017 was \$229,254 and equaled the required contributions for each year.

**NOTE 18-UPCOMING PRONOUNCEMENTS:**

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

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

Statement No. 86, *Certain Debt Extinguishment Issues*, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.



NOTE 18-UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

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

THIS PAGE LEFT BLANK INTENTIONALLY

*REQUIRED SUPPLEMENTARY INFORMATION*

THIS PAGE LEFT BLANK INTENTIONALLY

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 33,947,841	\$ 34,024,489	\$ 35,056,977	\$ 1,032,488
Other local taxes	4,348,839	4,348,839	4,418,974	70,135
Permits, privilege fees, and regulatory licenses	372,773	372,773	417,770	44,997
Fines and forfeitures	515,511	515,511	522,735	7,224
Revenue from the use of money and property	56,633	56,633	182,775	126,142
Charges for services	998,840	998,840	1,105,560	106,720
Miscellaneous	137,700	137,700	342,938	205,238
Recovered costs	299,280	336,353	336,353	-
Intergovernmental:				
Commonwealth	5,340,289	5,378,890	5,418,024	39,134
Federal	57,399	60,772	110,641	49,869
Total revenues	<u>\$ 46,075,105</u>	<u>\$ 46,230,800</u>	<u>\$ 47,912,747</u>	<u>\$ 1,681,947</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,339,969	\$ 3,463,646	\$ 3,265,212	\$ 198,434
Judicial administration	1,406,597	1,412,697	1,304,114	108,583
Public safety	12,729,941	13,033,022	12,370,914	662,108
Public works	3,331,365	3,605,193	3,263,001	342,192
Health and welfare	582,387	598,248	553,216	45,032
Education	13,515,212	13,515,212	13,513,761	1,451
Parks, recreation, and cultural	757,864	794,577	807,428	(12,851)
Community development	1,381,323	1,476,908	1,295,567	181,341
Total expenditures	<u>\$ 37,044,658</u>	<u>\$ 37,899,503</u>	<u>\$ 36,373,213</u>	<u>\$ 1,526,290</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 9,030,447</u>	<u>\$ 8,331,297</u>	<u>\$ 11,539,534</u>	<u>\$ 3,208,237</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (10,730,357)</u>	<u>\$ (11,342,872)</u>	<u>\$ (9,887,940)</u>	<u>\$ 1,454,932</u>
Total other financing sources (uses)	<u>\$ (10,730,357)</u>	<u>\$ (11,342,872)</u>	<u>\$ (9,887,940)</u>	<u>\$ 1,454,932</u>
Net change in fund balances	\$ (1,699,910)	\$ (3,011,575)	\$ 1,651,594	\$ 4,663,169
Fund balances - beginning	1,699,910	3,011,575	22,967,066	19,955,491
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,618,660</u>	<u>\$ 24,618,660</u>

Virginia Public Assistance Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ 3,000	\$ 3,000	\$ 7,236	\$ 4,236
Intergovernmental:				
Commonwealth	771,020	771,020	728,062	(42,958)
Federal	1,401,921	1,470,125	1,581,621	111,496
Total revenues	<u>\$ 2,175,941</u>	<u>\$ 2,244,145</u>	<u>\$ 2,316,919</u>	<u>\$ 72,774</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 2,859,448	\$ 2,927,652	\$ 2,810,939	\$ 116,713
Total expenditures	<u>\$ 2,859,448</u>	<u>\$ 2,927,652</u>	<u>\$ 2,810,939</u>	<u>\$ 116,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (683,507)</u>	<u>\$ (683,507)</u>	<u>\$ (494,020)</u>	<u>\$ 189,487</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 683,507	\$ 683,507	\$ 481,039	\$ (202,468)
Total other financing sources (uses)	<u>\$ 683,507</u>	<u>\$ 683,507</u>	<u>\$ 481,039</u>	<u>\$ (202,468)</u>
Net change in fund balances	\$ -	\$ -	\$ (12,981)	\$ (12,981)
Fund balances - beginning	-	-	93,472	93,472
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,491</u>	<u>\$ 80,491</u>

## Proffers Fund

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 750	\$ 750	\$ 808	\$ 58
Miscellaneous	52,500	52,500	151,871	99,371
Total revenues	<u>\$ 53,250</u>	<u>\$ 53,250</u>	<u>\$ 152,679</u>	<u>\$ 99,429</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (53,250)	\$ (53,250)	\$ (5,500)	\$ 47,750
Total other financing sources (uses)	<u>\$ (53,250)</u>	<u>\$ (53,250)</u>	<u>\$ (5,500)</u>	<u>\$ 47,750</u>
Net change in fund balances	\$ -	\$ -	\$ 147,179	\$ 147,179
Fund balances - beginning	-	-	281,895	281,895
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,074</u>	<u>\$ 429,074</u>

Schedule of OPEB Funding Progress - Retiree Healthcare Plan  
For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll * ( c )	UAAL as % of Payroll ((b-a)/c)
Primary Government:						
6/30/2013 \$	- \$	433,000 \$	433,000	0.00% \$	9,179,800	4.72%
6/30/2015	-	756,000	756,000	0.00%	9,725,600	7.77%
6/30/2017	-	872,600	872,600	0.00%	10,892,500	8.01%
School Board:						
6/30/2013 \$	- \$	5,395,900 \$	5,395,900	0.00% \$	18,930,600	28.50%
6/30/2015	-	7,674,900	7,674,900	0.00%	21,547,800	35.62%
6/30/2017	-	7,734,400	7,734,400	0.00%	24,975,600	30.97%



Schedule of Changes in Net Pension Liability and Related Ratios  
Primary Government  
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 1,315,617	\$ 1,268,316	\$ 1,235,508
Interest	2,280,789	2,133,282	1,988,555
Differences between expected and actual experience	(710,814)	(105,098)	-
Benefit payments, including refunds of employee contributions	(1,317,577)	(1,060,932)	(1,252,134)
Net change in total pension liability	\$ 1,568,015	\$ 2,235,568	\$ 1,971,929
Total pension liability - beginning	33,241,486	31,005,918	29,033,989
Total pension liability - ending (a)	<u>\$ 34,809,501</u>	<u>\$ 33,241,486</u>	<u>\$ 31,005,918</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,054,497	\$ 1,035,823	\$ 1,130,296
Contributions - employee	513,189	490,688	529,552
Net investment income	549,598	1,352,878	3,930,748
Benefit payments, including refunds of employee contributions	(1,317,577)	(1,060,932)	(1,252,134)
Administrative expense	(18,864)	(17,793)	(20,616)
Other	(231)	(289)	207
Net change in plan fiduciary net position	\$ 780,612	\$ 1,800,375	\$ 4,318,053
Plan fiduciary net position - beginning	30,829,305	29,028,930	24,710,877
Plan fiduciary net position - ending (b)	<u>\$ 31,609,917</u>	<u>\$ 30,829,305</u>	<u>\$ 29,028,930</u>
County's net pension liability - ending (a) - (b)	\$ 3,199,584	\$ 2,412,181	\$ 1,976,988
Plan fiduciary net position as a percentage of the total pension liability	90.81%	92.74%	93.62%
Covered payroll	\$ 10,121,380	\$ 9,873,655	\$ 9,776,909
County's net pension liability as a percentage of covered payroll	31.61%	24.43%	20.22%

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
 Component Unit School Board (nonprofessional)  
 For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 153,443	\$ 149,404	\$ 150,905
Interest	320,673	324,711	314,768
Differences between expected and actual experience	18,143	(153,442)	-
Benefit payments, including refunds of employee contributions	(404,793)	(351,906)	(295,363)
Net change in total pension liability	\$ 87,466	\$ (31,233)	\$ 170,310
Total pension liability - beginning	4,783,442	4,814,675	4,644,365
Total pension liability - ending (a)	<u>\$ 4,870,908</u>	<u>\$ 4,783,442</u>	<u>\$ 4,814,675</u>
Plan fiduciary net position			
Contributions - employer	\$ 60,039	\$ 98,179	\$ 128,159
Contributions - employee	46,198	68,865	66,968
Net investment income	80,716	221,665	682,678
Benefit payments, including refunds of employee contributions	(404,793)	(351,906)	(295,363)
Administrative expense	(3,193)	(3,169)	(3,726)
Other	(35)	(45)	36
Net change in plan fiduciary net position	\$ (221,068)	\$ 33,589	\$ 578,752
Plan fiduciary net position - beginning	4,993,209	4,959,620	4,380,868
Plan fiduciary net position - ending (b)	<u>\$ 4,772,141</u>	<u>\$ 4,993,209</u>	<u>\$ 4,959,620</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ 98,767	\$ (209,767)	\$ (144,945)
Plan fiduciary net position as a percentage of the total pension liability	97.97%	104.39%	103.01%
Covered payroll	\$ 1,332,950	\$ 1,393,169	\$ 1,342,563
School Division's net pension liability (asset) as a percentage of covered payroll	7.41%	-15.06%	-10.80%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.25725%	0.25632%	0.25288%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 36,052,000	\$ 32,261,000	\$ 30,560,000
Employer's Covered Payroll	19,594,595	14,871,331	20,468,405
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	183.99%	216.93%	149.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

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

## Schedule of Employer Contributions

For the Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2017	\$ 958,117	\$ 958,117	\$ -	\$ 10,622,138	9.02%
2016	1,054,497	1,054,497	-	10,121,380	10.42%
2015	1,035,823	1,035,823	-	9,873,655	10.49%
2014	1,130,211	1,130,211	-	9,776,909	11.56%
2013	1,075,027	1,075,027	-	9,299,541	11.56%
2012	746,934	746,934	-	8,839,458	8.45%
2011	728,402	728,402	-	8,620,146	8.45%
2010	610,029	610,029	-	8,892,551	6.86%
2009	621,234	621,234	-	9,055,888	6.86%
2008	485,386	485,386	-	8,339,974	5.82%
<b>Component Unit School Board (nonprofessional)</b>					
2017	\$ 75,652	\$ 75,652	\$ -	\$ 1,440,998	5.25%
2016	60,039	60,039	-	1,332,950	4.50%
2015	98,179	98,179	-	1,393,169	7.05%
2014	128,349	128,349	-	1,342,563	9.56%
2013	127,812	127,812	-	1,336,951	9.56%
2012	77,773	77,773	-	1,248,360	6.23%
2011	76,933	76,933	-	1,234,877	6.23%
2010	71,138	71,138	-	1,243,678	5.72%
2009	66,432	66,432	-	1,161,397	5.72%
2008	65,083	65,083	-	1,174,790	5.54%
<b>Component Unit School Board (professional)</b>					
2017	\$ 3,027,810	\$ 3,027,810	\$ -	\$ 20,703,961	14.62%
2016	2,755,000	2,755,000	-	19,594,595	14.06%
2015	2,156,343	2,156,343	-	14,871,331	14.50%
2014	2,386,616	2,386,616	-	20,468,405	11.66%
2013	1,776,015	1,776,015	-	15,231,690	11.66%
2012	1,812,374	1,812,374	-	15,543,516	11.66%
2011	1,584,258	1,584,258	-	17,982,497	8.81%
2010	1,143,529	1,143,529	-	12,979,898	8.81%
2009	1,632,462	1,632,462	-	18,529,648	8.81%
2008	1,821,376	1,821,376	-	17,683,262	10.30%

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

Notes to Required Supplementary Information  
For the Year Ended June 30, 2017

---

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

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 ending June 30, 2012:

Largest 10 - Non-LEOS:

- 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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- 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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

THIS PAGE LEFT BLANK INTENTIONALLY

*OTHER SUPPLEMENTARY INFORMATION*

THIS PAGE LEFT BLANK INTENTIONALLY



*COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES*

THIS PAGE LEFT BLANK INTENTIONALLY

## Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Other local taxes	\$ 1,839,320	\$ 1,839,320	\$ 1,736,019	\$ (103,301)
Revenue from the use of money and property	76,675	76,675	111,623	34,948
Intergovernmental:				
Commonwealth	331,630	331,630	321,541	(10,089)
Federal	351,583	351,583	414,068	62,485
Total revenues	<u>\$ 2,599,208</u>	<u>\$ 2,599,208</u>	<u>\$ 2,583,251</u>	<u>\$ (15,957)</u>
EXPENDITURES				
Debt service:				
Principal retirement	\$ 6,025,191	\$ 6,025,191	\$ 6,284,425	\$ (259,234)
Interest and other fiscal charges	3,604,070	3,681,859	3,422,597	259,262
Total expenditures	<u>\$ 9,629,261</u>	<u>\$ 9,707,050</u>	<u>\$ 9,707,022</u>	<u>\$ 28</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (7,030,053)</u>	<u>\$ (7,107,842)</u>	<u>\$ (7,123,771)</u>	<u>\$ (15,929)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 7,030,053	\$ 7,030,053	\$ 7,054,806	\$ 24,753
Issuance of bonds	-	-	7,273,400	7,273,400
Payment to refunded bond escrow agent	-	-	(7,175,000)	(7,175,000)
Total other financing sources (uses)	<u>\$ 7,030,053</u>	<u>\$ 7,030,053</u>	<u>\$ 7,153,206</u>	<u>\$ 123,153</u>
Net change in fund balances	\$ -	\$ (77,789)	\$ 29,435	\$ 107,224
Fund balances - beginning	-	77,789	205,209	127,420
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,644</u>	<u>\$ 234,644</u>

County Capital Projects Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 25,360	\$ 25,360	\$ 39,014	\$ 13,654
Intergovernmental:				
Local government	-	468,024	171,064	(296,960)
Commonwealth	50,000	-	215,241	215,241
Total revenues	<u>\$ 75,360</u>	<u>\$ 493,384</u>	<u>\$ 425,319</u>	<u>\$ (68,065)</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ 1,639,450	\$ 12,083,158	\$ 11,595,557	\$ 487,601
Debt service:				
Bond issuance costs	-	101,842	202,803	(100,961)
Total expenditures	<u>\$ 1,639,450</u>	<u>\$ 12,185,000</u>	<u>\$ 11,798,360</u>	<u>\$ 386,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,564,090)</u>	<u>\$ (11,691,616)</u>	<u>\$ (11,373,041)</u>	<u>\$ 318,575</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 244,640	\$ 639,728	\$ 279,681	\$ (360,047)
Transfers out	-	-	(200,186)	(200,186)
Issuance of bonds	-	-	3,142,769	3,142,769
Issuance of capital lease	1,319,450	1,319,450	1,508,580	189,130
Total other financing sources (uses)	<u>\$ 1,564,090</u>	<u>\$ 1,959,178</u>	<u>\$ 4,730,844</u>	<u>\$ 2,771,666</u>
Net change in fund balances	\$ -	\$ (9,732,438)	\$ (6,642,197)	\$ 3,090,241
Fund balances - beginning	-	9,732,438	10,635,591	903,153
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,993,394</u></u>	<u><u>\$ 3,993,394</u></u>

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Children's Services	Law Library	Courthouse Maintenance	Tourism	Confiscated Asset	Fire/Rescue Grant	Housing	Sheriff	
<b>ASSETS</b>									
Cash and cash equivalents	\$ 43,274	\$ 442	\$ 75,538	\$ 49,725	\$ 63,925	\$ 255,669	\$ 31,098	\$ 125,016	\$ 644,687
Receivables, net	-	514	2,175	24,578	-	-	-	4,971	32,238
Due from other governmental units	196,957	-	-	-	-	-	-	-	196,957
Total assets	\$ 240,231	\$ 956	\$ 77,713	\$ 74,303	\$ 63,925	\$ 255,669	\$ 31,098	\$ 129,987	\$ 873,882
<b>LIABILITIES</b>									
Accounts payable	\$ 106,983	\$ 420	\$ -	\$ 4,163	\$ -	\$ -	\$ 1,278	\$ -	\$ 112,844
Accrued payroll	-	-	-	1,513	-	-	-	-	1,513
Other accrued liabilities	-	-	-	116	-	-	-	-	116
Total liabilities	\$ 106,983	\$ 420	\$ -	\$ 5,792	\$ -	\$ -	\$ 1,278	\$ -	\$ 114,473
<b>FUND BALANCES</b>									
Restricted	\$ 133,248	\$ 536	\$ 77,713	\$ 68,511	\$ 63,925	\$ 255,669	\$ 29,820	\$ 129,987	\$ 759,409
Total fund balances	\$ 133,248	\$ 536	\$ 77,713	\$ 68,511	\$ 63,925	\$ 255,669	\$ 29,820	\$ 129,987	\$ 759,409
Total liabilities, deferred inflows of resources, and fund balances	\$ 240,231	\$ 956	\$ 77,713	\$ 74,303	\$ 63,925	\$ 255,669	\$ 31,098	\$ 129,987	\$ 873,882

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

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

## Nonmajor Governmental Funds

For the Year Ended June 30, 2017

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Children's Services	Law Library	Courthouse Maintenance	Tourism	Confiscated Asset	Fire/Rescue Grant	Housing	Sheriff	
<b>REVENUES</b>									
Other local taxes	\$ -	\$ -	\$ -	\$ 161,082	\$ -	\$ -	\$ -	\$ -	\$ 161,082
Revenue from the use of money and property	-	-	-	-	-	-	14,604	-	14,604
Charges for services	-	5,062	25,426	-	-	-	-	58,771	89,259
Miscellaneous	11,423	-	-	8,785	-	-	-	-	20,208
Intergovernmental:									
Commonwealth	1,087,401	-	-	-	24,466	148,607	-	-	1,260,474
Federal	83,744	-	-	-	-	-	-	-	83,744
Total revenues	\$ 1,182,568	\$ 5,062	\$ 25,426	\$ 169,867	\$ 24,466	\$ 148,607	\$ 14,604	\$ 58,771	\$ 1,629,371
<b>EXPENDITURES</b>									
Current:									
Judicial administration	\$ -	\$ 5,040	\$ 730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,770
Public safety	-	-	-	-	26,824	147,925	-	-	174,749
Health and welfare	1,842,828	-	-	-	-	-	-	-	1,842,828
Community development	-	-	-	150,319	-	-	12,210	-	162,529
Total expenditures	\$ 1,842,828	\$ 5,040	\$ 730	\$ 150,319	\$ 26,824	\$ 147,925	\$ 12,210	\$ -	\$ 2,185,876
Excess (deficiency) of revenues over (under) expenditures	\$ (660,260)	\$ 22	\$ 24,696	\$ 19,548	\$ (2,358)	\$ 682	\$ 2,394	\$ 58,771	\$ (556,505)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	\$ 615,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 615,352
Total other financing sources (uses)	\$ 615,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 615,352
Net change in fund balances	\$ (44,908)	\$ 22	\$ 24,696	\$ 19,548	\$ (2,358)	\$ 682	\$ 2,394	\$ 58,771	\$ 58,847
Fund balances - beginning	178,156	514	53,017	48,963	66,283	254,987	27,426	71,216	700,562
Fund balances - ending	\$ 133,248	\$ 536	\$ 77,713	\$ 68,511	\$ 63,925	\$ 255,669	\$ 29,820	\$ 129,987	\$ 759,409

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

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

## Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

	Children's Services Fund				Law Library Fund			
	Budgeted Amounts		Actual Amounts		Budgeted Amounts		Actual Amounts	
	Original	Final	Original	Final	Original	Final	Original	Final
<b>REVENUES</b>								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 5,292	\$ 5,292	\$ 5,062	\$ (230)
Miscellaneous	23,000	23,000	11,423	(11,577)	-	-	-	-
Intergovernmental:								
Commonwealth	1,630,057	1,630,057	1,087,401	(542,656)	-	-	-	-
Federal	-	-	83,744	83,744	-	-	-	-
Total revenues	\$ 1,653,057	\$ 1,653,057	\$ 1,182,568	\$ (470,489)	\$ 5,292	\$ 5,292	\$ 5,062	\$ (230)
<b>EXPENDITURES</b>								
Current:								
Judicial administration	\$ -	\$ -	\$ -	\$ -	\$ 5,292	\$ 5,292	\$ 5,040	\$ 252
Health and welfare	2,400,000	2,400,000	1,842,828	557,172	-	-	-	-
Total expenditures	\$ 2,400,000	\$ 2,400,000	\$ 1,842,828	\$ 557,172	\$ 5,292	\$ 5,292	\$ 5,040	\$ (100,709)
Excess (deficiency) of revenues over (under) expenditures	\$ (746,943)	\$ (746,943)	\$ (660,260)	\$ 86,683	\$ -	\$ -	\$ 22	\$ (100,939)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	\$ 746,943	\$ 746,943	\$ 615,352	\$ (131,591)	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ 746,943	\$ 746,943	\$ 615,352	\$ (131,591)	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ (44,908)	\$ (44,908)	\$ -	\$ -	\$ 22	\$ (100,939)
Fund balances - beginning	-	-	178,156	178,156	-	-	514	514
Fund balances - ending	\$ -	\$ -	\$ 133,248	\$ 133,248	\$ -	\$ -	\$ 536	\$ (100,425)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2017

	Courthouse Maintenance Fund				Tourism Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES</b>								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ 148,000	\$ 148,000	\$ 161,082	\$ 13,082
Charges for services	23,873	23,873	25,426	1,553	-	-	-	-
Miscellaneous	-	-	-	-	10,495	10,495	8,785	(1,710)
Total revenues	\$ 23,873	\$ 23,873	\$ 25,426	\$ 1,553	\$ 158,495	\$ 158,495	\$ 169,867	\$ 11,372
<b>EXPENDITURES</b>								
Current:								
Judicial administration	\$ 28,000	\$ 28,000	\$ 730	\$ 27,270	\$ -	\$ -	\$ -	\$ -
Community development	-	-	-	-	184,225	184,225	150,319	33,906
Total expenditures	\$ 28,000	\$ 28,000	\$ 730	\$ 27,270	\$ 184,225	\$ 184,225	\$ 150,319	\$ 33,906
Excess (deficiency) of revenues over (under) expenditures	\$ (4,127)	\$ (4,127)	\$ 24,696	\$ 28,823	\$ (25,730)	\$ (25,730)	\$ 19,548	\$ 45,278
Net change in fund balances	\$ (4,127)	\$ (4,127)	\$ 24,696	\$ 28,823	\$ (25,730)	\$ (25,730)	\$ 19,548	\$ 45,278
Fund balances - beginning	4,127	4,127	53,017	48,890	25,730	25,730	48,963	23,233
Fund balances - ending	\$ -	\$ -	\$ 77,713	\$ 77,713	\$ -	\$ -	\$ 68,511	\$ 68,511



Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2017

	Confiscated Asset Fund				Fire/Rescue Grant Fund			
	Budgeted Amounts		Actual Amounts		Budgeted Amounts		Actual Amounts	
	Original	Final	Original	Final	Original	Final	Original	Final
<b>REVENUES</b>								
Intergovernmental:								
Commonwealth	\$ -	\$ 24,490	\$ 24,466	\$ (24)	\$ 134,612	\$ 194,231	\$ 148,607	\$ (45,624)
Total revenues	\$ -	\$ 24,490	\$ 24,466	\$ (24)	\$ 134,612	\$ 194,231	\$ 148,607	\$ (45,624)
<b>EXPENDITURES</b>								
Current:								
Public safety	\$ -	\$ 34,800	\$ 26,824	\$ 7,976	\$ 134,612	\$ 167,297	\$ 147,925	\$ 19,372
Total expenditures	\$ -	\$ 34,800	\$ 26,824	\$ 7,976	\$ 134,612	\$ 167,297	\$ 147,925	\$ 19,372
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (10,310)	\$ (2,358)	\$ 7,952	\$ -	\$ 26,934	\$ 682	\$ (26,252)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (80,000)	\$ -	\$ 80,000
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (80,000)	\$ -	\$ 80,000
Net change in fund balances	\$ -	\$ (10,310)	\$ (2,358)	\$ 7,952	\$ -	\$ (53,066)	\$ 682	\$ 53,748
Fund balances - beginning	-	10,310	66,283	55,973	-	53,066	254,987	201,921
Fund balances - ending	\$ -	\$ -	\$ 63,925	\$ 63,925	\$ -	\$ -	\$ 255,669	\$ 255,669

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2017

	Housing Fund				Sheriff Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES</b>								
Revenue from the use of money and property	\$ 14,570	\$ 14,570	\$ 14,604	\$ 34	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	51,000	51,000	58,771	7,771
Total revenues	\$ 14,570	\$ 14,570	\$ 14,604	\$ 34	\$ 51,000	\$ 51,000	\$ 58,771	\$ 7,771
<b>EXPENDITURES</b>								
Current:								
Community development	\$ 14,570	\$ 14,570	\$ 12,210	\$ 2,360	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ 14,570	\$ 14,570	\$ 12,210	\$ 2,360	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 2,394	\$ 2,394	\$ 51,000	\$ 51,000	\$ 58,771	\$ 7,771
Net change in fund balances	\$ -	\$ -	\$ 2,394	\$ 2,394	\$ 51,000	\$ 51,000	\$ 58,771	\$ 7,771
Fund balances - beginning	-	-	27,426	27,426	(51,000)	(51,000)	71,216	122,216
Fund balances - ending	\$ -	\$ -	\$ 29,820	\$ 29,820	\$ -	\$ -	\$ 129,987	\$ 129,987

Combining Statement of Net Position  
Internal Service Funds  
June 30, 2017

	Vehicle Maintenance	Self- Insurance	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,143	\$ 1,511,364	\$ 1,515,507
Accounts receivable	-	188,000	188,000
Total current assets	<u>\$ 4,143</u>	<u>\$ 1,699,364</u>	<u>\$ 1,703,507</u>
Noncurrent assets:			
Capital assets:			
Buildings	\$ 412,315	\$ -	\$ 412,315
Improvements other than buildings	68,551	-	68,551
Less accumulated depreciation	(467,123)	-	(467,123)
Total noncurrent assets	<u>\$ 13,743</u>	<u>\$ -</u>	<u>\$ 13,743</u>
Total assets	<u>\$ 17,886</u>	<u>\$ 1,699,364</u>	<u>\$ 1,717,250</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ -	\$ 284,698	\$ 284,698
Insurance and benefit claims	-	218,954	218,954
Total liabilities	<u>\$ -</u>	<u>\$ 503,652</u>	<u>\$ 503,652</u>
<b>NET POSITION</b>			
Investment in capital assets	\$ 13,743	\$ -	\$ 13,743
Unrestricted	4,143	1,195,712	1,199,855
Total net position	<u>\$ 17,886</u>	<u>\$ 1,195,712</u>	<u>\$ 1,213,598</u>

Combining Statement of Revenues, Expenses, and Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2017

	Vehicle Maintenance	Self- Insurance	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ 2,517,650	\$ 2,517,650
Total operating revenues	\$ -	\$ 2,517,650	\$ 2,517,650
<b>OPERATING EXPENSES</b>			
Risk financing and benefit payments	\$ -	\$ 2,514,862	\$ 2,514,862
Depreciation and amortization	13,744	-	13,744
Total operating expenses	\$ 13,744	\$ 2,514,862	\$ 2,528,606
Change in net position	\$ (13,744)	\$ 2,788	\$ (10,956)
Total net position - beginning	\$ 31,630	\$ 1,192,924	\$ 1,224,554
Total net position - ending	\$ 17,886	\$ 1,195,712	\$ 1,213,598

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2017

	Vehicle Maintenance	Self- Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund services provided	\$ -	\$ 2,496,650	\$ 2,496,650
Claims and benefits paid	-	(2,498,357)	(2,498,357)
Payments to suppliers for goods and services	-	283,449	283,449
Net cash provided by (used for) operating activities	\$ -	\$ 281,742	\$ 281,742
 Net increase (decrease) in cash and cash equivalents	\$ -	\$ 281,742	\$ 281,742
 Cash and cash equivalents - beginning	4,143	1,229,622	1,233,765
Cash and cash equivalents - ending	<u>\$ 4,143</u>	<u>\$ 1,511,364</u>	<u>\$ 1,515,507</u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (13,744)	\$ 2,788	\$ (10,956)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	\$ 13,744	\$ -	\$ 13,744
(Increase) decrease in accounts receivable	-	(21,000)	(21,000)
Increase (decrease) in accounts payable	-	284,326	284,326
Increase (decrease) in insurance and benefit claims	-	16,505	16,505
Increase (decrease) in due to other funds	-	(877)	(877)
Total adjustments	\$ 13,744	\$ 278,954	\$ 292,698
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 281,742</u>	<u>\$ 281,742</u>

Combining Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2017

	Agency Funds			
	Special Welfare	Four Rivers Technology in Education Consortium	Deposit Escrow	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,720	\$ 38,704	\$ 951,457	\$ 1,002,881
Total assets	<u>\$ 12,720</u>	<u>\$ 38,704</u>	<u>\$ 951,457</u>	<u>\$ 1,002,881</u>
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 12,720	\$ -	\$ -	\$ 12,720
Amounts held for consortium	-	38,704	-	38,704
Refundable escrow deposits payable	-	-	951,457	951,457
Total liabilities	<u>\$ 12,720</u>	<u>\$ 38,704</u>	<u>\$ 951,457</u>	<u>\$ 1,002,881</u>

## Fiduciary Funds

## Combining Statement of Changes in Assets and Liabilities - Agency Funds

Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 11,264	\$ 29,093	\$ 27,637	\$ 12,720
Total assets	<u>\$ 11,264</u>	<u>\$ 29,093</u>	<u>\$ 27,637</u>	<u>\$ 12,720</u>
Liabilities:				
Amounts held for social services clients	\$ 11,264	\$ 29,093	\$ 27,637	\$ 12,720
Total liabilities	<u>\$ 11,264</u>	<u>\$ 29,093</u>	<u>\$ 27,637</u>	<u>\$ 12,720</u>
<b>Four Rivers Technology in Education Consortium:</b>				
Assets:				
Cash and cash equivalents	\$ 38,704	\$ -	\$ -	\$ 38,704
Total assets	<u>\$ 38,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,704</u>
Liabilities:				
Amounts held for consortium	\$ 38,704	\$ -	\$ -	\$ 38,704
Total liabilities	<u>\$ 38,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,704</u>
<b>Deposit Escrow:</b>				
Assets:				
Cash and cash equivalents	\$ 318,390	\$ 803,258	\$ 170,191	\$ 951,457
Total assets	<u>\$ 318,390</u>	<u>\$ 803,258</u>	<u>\$ 170,191</u>	<u>\$ 951,457</u>
Liabilities:				
Refundable escrow deposits payable	\$ 318,390	\$ 803,258	\$ 170,191	\$ 951,457
Total liabilities	<u>\$ 318,390</u>	<u>\$ 803,258</u>	<u>\$ 170,191</u>	<u>\$ 951,457</u>
<b>Totals -- All Agency Funds:</b>				
Assets:				
Cash and cash equivalents	\$ 368,358	\$ 832,351	\$ 197,828	\$ 1,002,881
Total assets	<u>\$ 368,358</u>	<u>\$ 832,351</u>	<u>\$ 197,828</u>	<u>\$ 1,002,881</u>
Liabilities:				
Amounts held for social services clients	\$ 11,264	\$ 29,093	\$ 27,637	\$ 12,720
Amounts held for consortium	38,704	-	-	38,704
Refundable escrow deposits payable	318,390	803,258	170,191	951,457
Total liabilities	<u>\$ 368,358</u>	<u>\$ 832,351</u>	<u>\$ 197,828</u>	<u>\$ 1,002,881</u>

THIS PAGE LEFT BLANK INTENTIONALLY



*DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD*

THIS PAGE LEFT BLANK INTENTIONALLY

Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2017

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 869,041	\$ 522,007	\$ 16,792	\$ -	\$ 1,407,840
Receivables (net of allowance for uncollectibles):					
Accounts receivable	45,874	-	-	-	45,874
Due from other funds	368,093	-	-	-	368,093
Due from other governmental units	2,232,644	7,540	-	807,985	3,048,169
Total assets	<u>\$ 3,515,652</u>	<u>\$ 529,547</u>	<u>\$ 16,792</u>	<u>\$ 807,985</u>	<u>\$ 4,869,976</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 238,815	\$ 9,134	\$ 25,500	\$ 9,029	\$ 282,478
Accrued payroll	1,821,849	52,890	-	50,617	1,925,356
Due to other funds	-	-	-	368,093	368,093
Total liabilities	<u>\$ 2,060,664</u>	<u>\$ 62,024</u>	<u>\$ 25,500</u>	<u>\$ 427,739</u>	<u>\$ 2,575,927</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - insurance refunds	\$ 1,289,723	\$ -	\$ -	\$ -	\$ 1,289,723
Total deferred inflows of resources	<u>\$ 1,289,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,289,723</u>
<b>FUND BALANCES</b>					
Assigned:					
Cafeteria	\$ -	\$ 467,523	\$ -	\$ -	\$ 467,523
School grants	-	-	-	380,246	380,246
Unassigned	165,265	-	(8,708)	-	156,557
Total fund balances	<u>\$ 165,265</u>	<u>\$ 467,523</u>	<u>\$ (8,708)</u>	<u>\$ 380,246</u>	<u>\$ 1,004,326</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,515,652</u>	<u>\$ 529,547</u>	<u>\$ 16,792</u>	<u>\$ 807,985</u>	<u>\$ 4,869,976</u>

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

Total fund balances per above \$ 1,004,326

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

Capital assets cost	\$ 26,788,160	
Less: accumulated depreciation	(18,562,651)	8,225,509

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Deferred inflows related to measurement of net pension liability (1,671,494)

Unavailable revenue to fund current expenditures and, therefore, is not reported as revenue in the governmental funds 1,289,723

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. 3,103,462

Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$ (632,574)	
Accrued interest payable	(36,797)	
Capital leases	(1,540,540)	
Net pension liability	(36,150,767)	
Net OPEB obligation	(2,742,954)	
Deferred outflows related to measurement of net pension liability	2,605,670	(38,497,962)

Net position of governmental activities \$ (26,546,436)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2017

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
<b>REVENUES</b>					
Revenue from the use of money and property	\$ 32,066	\$ -	\$ 139	\$ -	\$ 32,205
Charges for services	-	749,931	-	-	749,931
Miscellaneous	464,412	24,778	-	-	489,190
Intergovernmental:					
Local government	13,360,975	-	103,549	-	13,464,524
Commonwealth	25,012,710	32,460	-	18,490	25,063,660
Federal	1,012,436	1,246,534	-	1,117,032	3,376,002
Total revenues	<u>\$ 39,882,599</u>	<u>\$ 2,053,703</u>	<u>\$ 103,688</u>	<u>\$ 1,135,522</u>	<u>\$ 43,175,512</u>
<b>EXPENDITURES</b>					
Current:					
Education	\$ 40,955,776	\$ 1,926,992	\$ -	\$ 1,095,325	\$ 43,978,093
Capital outlay	-	-	124,722	-	124,722
Debt service:					
Principal retirement	94,643	-	-	-	94,643
Interest and other fiscal charges	67,675	-	-	-	67,675
Total expenditures	<u>\$ 41,118,094</u>	<u>\$ 1,926,992</u>	<u>\$ 124,722</u>	<u>\$ 1,095,325</u>	<u>\$ 44,265,133</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,235,495)</u>	<u>\$ 126,711</u>	<u>\$ (21,034)</u>	<u>\$ 40,197</u>	<u>\$ (1,089,621)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of capital leases	\$ 1,027,629	\$ -	\$ -	\$ -	\$ 1,027,629
Total other financing sources (uses)	<u>\$ 1,027,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,027,629</u>
Net change in fund balances	\$ (207,866)	\$ 126,711	\$ (21,034)	\$ 40,197	\$ (61,992)
Fund balances - beginning	373,131	340,812	12,326	340,049	1,066,318
Fund balances - ending	<u>\$ 165,265</u>	<u>\$ 467,523</u>	<u>\$ (8,708)</u>	<u>\$ 380,246</u>	<u>\$ 1,004,326</u>

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

Net change in fund balances - total governmental funds - per above \$ (61,992)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 857,877	
Depreciation expense	<u>(780,336)</u>	77,541

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

(Increase) decrease in deferred inflows related to measurement of net pension liability	\$ 1,614,126	
Increase (decrease) in unavailable revenue - insurance refunds	<u>(251,286)</u>	1,362,840

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of capital leases	\$ (1,027,629)	
Principal payments	<u>94,643</u>	(932,986)

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.

Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	\$ 250,416	
Increase (decrease) in deferred outflows related to measurement of net pension liability	2,214,670	
(Increase) decrease in accrued interest payable	9,342	
(Increase) decrease in compensated absences	21,123	
(Increase) decrease in net pension liability/asset	(4,099,534)	
(Increase) decrease in other postemployment benefits	<u>(406,948)</u>	(2,010,931)

Change in net position of governmental activities \$ (1,565,528)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2017

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES</b>								
Revenue from the use of money and property	\$ -	\$ -	\$ 32,066	\$ 32,066	\$ -	\$ -	\$ -	\$ -
Charges for services	5,000	5,000	-	(5,000)	695,044	695,044	749,931	54,887
Miscellaneous	8,000	967,326	464,412	(502,914)	-	-	24,778	24,778
Intergovernmental:								
Local government	13,360,975	13,360,975	13,360,975	-	-	-	-	-
Commonwealth	25,474,806	25,574,806	25,012,710	(562,096)	325,000	325,000	32,460	(292,540)
Federal	1,117,787	1,117,787	1,012,436	(105,351)	1,100,000	1,100,000	1,246,534	146,534
Total revenues	\$ 39,966,568	\$ 41,025,894	\$ 39,882,599	\$ (1,143,295)	\$ 2,120,044	\$ 2,120,044	\$ 2,053,703	\$ (66,341)
<b>EXPENDITURES</b>								
Current:								
Education	\$ 39,966,568	\$ 41,900,538	\$ 40,955,776	\$ 944,762	\$ 2,120,044	\$ 2,120,044	\$ 1,926,992	\$ 193,052
Debt service:								
Principal retirement	-	94,643	94,643	-	-	-	-	-
Interest and other fiscal charges	-	487,934	67,675	420,259	-	-	-	-
Total expenditures	\$ 39,966,568	\$ 42,483,115	\$ 41,118,094	\$ 1,365,021	\$ 2,120,044	\$ 2,120,044	\$ 1,926,992	\$ 193,052
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,457,221)	\$ (1,235,495)	\$ 221,726	\$ -	\$ -	\$ 126,711	\$ 126,711
<b>OTHER FINANCING SOURCES (USES)</b>								
Issuance of capital leases	\$ -	\$ 1,027,629	\$ 1,027,629	\$ -	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ 1,027,629	\$ 1,027,629	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ (429,592)	\$ (207,866)	\$ 221,726	\$ -	\$ -	\$ 126,711	\$ 126,711
Fund balances - beginning	-	429,592	373,131	(56,461)	-	-	340,812	340,812
Fund balances - ending	\$ -	\$ -	\$ 165,265	\$ 165,265	\$ -	\$ -	\$ 467,523	\$ 467,523

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2017

	School Capital Projects Fund				School Grant Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES</b>								
Revenue from the use of money and property	\$ 50	\$ 50	\$ 139	\$ 89	\$ -	\$ -	\$ -	\$ -
Intergovernmental:								
Local government	105,000	105,000	103,549	(1,451)	-	-	-	-
Commonwealth	-	-	-	-	31,699	31,699	18,490	(13,209)
Federal	-	-	-	-	2,250,717	1,890,792	1,117,032	(773,760)
Total revenues	\$ 105,050	\$ 105,050	\$ 103,688	\$ (1,362)	\$ 2,282,416	\$ 1,922,491	\$ 1,135,522	\$ (786,969)
<b>EXPENDITURES</b>								
Current:								
Education	\$ -	\$ -	\$ -	\$ -	\$ 2,282,416	\$ 1,922,491	\$ 1,095,325	\$ 827,166
Capital projects	124,997	124,997	124,722	275	-	-	-	-
Total expenditures	\$ 124,997	\$ 124,997	\$ 124,722	\$ 275	\$ 2,282,416	\$ 1,922,491	\$ 1,095,325	\$ 827,166
Excess (deficiency) of revenues over (under) expenditures	\$ (19,947)	\$ (19,947)	\$ (21,034)	\$ (1,087)	\$ -	\$ -	\$ 40,197	\$ 40,197
Net change in fund balances	\$ (19,947)	\$ (19,947)	\$ (21,034)	\$ (1,087)	\$ -	\$ -	\$ 40,197	\$ 40,197
Fund balances - beginning	19,947	19,947	12,326	(7,621)	-	-	340,049	340,049
Fund balances - ending	\$ -	\$ -	\$ (8,708)	\$ (8,708)	\$ -	\$ -	\$ 380,246	\$ 380,246

*DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY*

THIS PAGE LEFT BLANK INTENTIONALLY



## Statement of Net Position

Discretely Presented Component Unit - Economic Development Authority

June 30, 2017

---

## ASSETS

## Current assets:

Cash and cash equivalents	\$	<u>79,583</u>
Total assets	\$	<u>79,583</u>

## NET POSITION

Unrestricted	\$	<u>79,583</u>
Total net position	\$	<u>79,583</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position  
Discretely Presented Component Unit - Economic Development Authority  
For the Year Ended June 30, 2017

---

## OPERATING REVENUES

Contributions from local governments	\$	5,286
Miscellaneous		<u>676</u>
Total operating revenues	\$	<u>5,962</u>

## OPERATING EXPENSES

Economic development	\$	<u>9,231</u>
Total operating expenses	\$	<u>9,231</u>

Operating income (loss)	\$	<u>(3,269)</u>
-------------------------	----	----------------

## NONOPERATING REVENUES (EXPENSES)

Interest income	\$	<u>105</u>
Total nonoperating revenues (expenses)	\$	<u>105</u>

Change in net position	\$	(3,164)
------------------------	----	---------

Total net position - beginning		<u>82,747</u>
Total net position - ending	\$	<u><u>79,583</u></u>

## Statement of Cash Flows

Discretely Presented Component Unit - Economic Development Authority

For the Year Ended June 30, 2017

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$	676
Receipts for local government contributions		5,286
Payments for operating activities		<u>(9,231)</u>
Net cash provided by (used for) operating activities	\$	<u><u>(3,269)</u></u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	\$	<u>105</u>
Net cash provided by (used for) investing activities	\$	<u><u>105</u></u>

Net increase (decrease) in cash and cash equivalents	\$	(3,164)
--	----	---------

Cash and cash equivalents - beginning		<u>82,747</u>
Cash and cash equivalents - ending	\$	<u><u>79,583</u></u>

Reconciliation of operating income (loss) to net cash  
provided by (used for) operating activities:

Operating income (loss)	\$	<u>(3,269)</u>
Net cash provided by (used for) operating activities	\$	<u><u>(3,269)</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

## *SUPPORTING SCHEDULES*

THIS PAGE LEFT BLANK INTENTIONALLY

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 20,764,724	\$ 20,841,372	\$ 21,065,324	\$ 223,952
Real and personal public service corporation taxes	3,804,580	3,804,580	3,771,658	(32,922)
Personal property taxes	8,137,037	8,137,037	8,891,676	754,639
Machinery and tools taxes	412,707	412,707	452,236	39,529
Penalties	428,945	428,945	486,552	57,607
Interest	399,848	399,848	389,531	(10,317)
Total general property taxes	\$ 33,947,841	\$ 34,024,489	\$ 35,056,977	\$ 1,032,488
Other local taxes:				
Local sales and use taxes	\$ 1,850,469	\$ 1,850,469	\$ 1,997,309	\$ 146,840
Consumer utility taxes	90,500	90,500	85,878	(4,622)
Business license taxes	1,066,400	1,066,400	850,591	(215,809)
Bank stock taxes	60,768	60,768	80,214	19,446
Motor vehicle licenses and registration fees	1,031,239	1,031,239	1,067,923	36,684
Taxes on recordation and wills	249,463	249,463	337,059	87,596
Total other local taxes	\$ 4,348,839	\$ 4,348,839	\$ 4,418,974	\$ 70,135
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 29,100	\$ 29,100	\$ 32,432	\$ 3,332
Permits and other licenses	343,673	343,673	385,338	41,665
Total permits, privilege fees, and regulatory licenses	\$ 372,773	\$ 372,773	\$ 417,770	\$ 44,997
Fines and forfeitures:				
Court fines and forfeitures	\$ 515,511	\$ 515,511	\$ 522,735	\$ 7,224
Total fines and forfeitures	\$ 515,511	\$ 515,511	\$ 522,735	\$ 7,224
Revenue from use of money and property:				
Revenue from use of money	\$ 18,224	\$ 18,224	\$ 146,382	\$ 128,158
Revenue from use of property	38,409	38,409	36,393	(2,016)
Total revenue from use of money and property	\$ 56,633	\$ 56,633	\$ 182,775	\$ 126,142
Charges for services:				
Charges for court costs	\$ 8,110	\$ 8,110	\$ 11,495	\$ 3,385
Commonwealth attorney's fees	2,500	2,500	3,069	569
Courthouse security and protective services	176,500	176,500	162,532	(13,968)
Data processing	1,100	1,100	1,004	(96)
Parks and recreation	95,410	95,410	85,910	(9,500)
Sanitation and waste removal	31,500	31,500	39,694	8,194
Sale of publications and commemorative material	200	200	-	(200)
Ambulance recover services	675,000	675,000	794,675	119,675
Other	8,520	8,520	7,181	(1,339)
Total charges for services	\$ 998,840	\$ 998,840	\$ 1,105,560	\$ 106,720

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
<b>Revenue from local sources: (Continued)</b>				
Miscellaneous:				
Miscellaneous	\$ 137,700	\$ 137,700	\$ 342,938	\$ 205,238
Total miscellaneous	\$ 137,700	\$ 137,700	\$ 342,938	\$ 205,238
<b>Recovered costs:</b>				
Soil conservationist	\$ 291,180	\$ 305,048	\$ 305,048	\$ -
Postage reimbursement general district court	4,500	6,424	6,424	-
Jurors	-	6,250	6,250	-
Other	3,600	18,631	18,631	-
Total recovered costs	\$ 299,280	\$ 336,353	\$ 336,353	\$ -
Total revenue from local sources	\$ 40,677,417	\$ 40,791,138	\$ 42,384,082	\$ 1,592,944
<b>Intergovernmental:</b>				
<b>Revenue from the Commonwealth:</b>				
<b>Noncategorical aid:</b>				
Rolling stock tax	\$ 89,957	\$ 89,957	\$ 86,649	\$ (3,308)
Communications sales and use taxes	442,658	442,658	418,996	(23,662)
Mobile home titling taxes	18,000	18,000	32,945	14,945
Rental vehicles taxes	3,574	3,574	4,010	436
Personal property tax relief	2,371,897	2,371,897	2,371,897	-
Recordation taxes	148,000	148,000	196,039	48,039
Total noncategorical aid	\$ 3,074,086	\$ 3,074,086	\$ 3,110,536	\$ 36,450
<b>Categorical aid:</b>				
<b>Shared expenses:</b>				
Commonwealth attorney	\$ 234,458	\$ 234,458	\$ 225,887	\$ (8,571)
Sheriff	1,176,997	1,176,997	1,170,383	(6,614)
Commissioner of revenue	118,559	118,559	119,216	657
Treasurer	102,781	102,781	101,262	(1,519)
Registrar/electoral board	40,799	40,799	41,896	1,097
Clerk of the Circuit Court	260,446	260,446	273,119	12,673
Total shared expenses	\$ 1,934,040	\$ 1,934,040	\$ 1,931,763	\$ (2,277)
<b>Other categorical aid:</b>				
Litter control	\$ 8,900	\$ 8,900	\$ 8,511	\$ (389)
DMV license agent	35,000	35,000	42,857	7,857
Wireless E911 PSAP funding	93,964	93,964	100,492	6,528
CHINS	14,417	14,417	14,869	452
Victim witness	58,507	58,507	41,660	(16,847)
Social services quality initiative	12,375	12,375	-	(12,375)
Domestic violence	89,000	89,000	94,995	5,995
Other state grants	20,000	58,601	72,341	13,740
Total other categorical aid	\$ 332,163	\$ 370,764	\$ 375,725	\$ 4,961
Total categorical aid	\$ 2,266,203	\$ 2,304,804	\$ 2,307,488	\$ 2,684
Total revenue from the Commonwealth	\$ 5,340,289	\$ 5,378,890	\$ 5,418,024	\$ 39,134



Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
<b>Intergovernmental: (Continued)</b>				
<b>Revenue from the federal government:</b>				
Noncategorical aid:				
Payments in lieu of taxes	\$ 1,763	\$ 1,763	\$ 2,181	\$ 418
Total noncategorical aid	\$ 1,763	\$ 1,763	\$ 2,181	\$ 418
Categorical aid:				
DMV ground transportation	\$ 16,000	\$ 16,000	\$ 23,525	\$ 7,525
FEMA	12,120	12,120	12,120	-
Bulletproof vest partnership	1,328	1,328	6,438	5,110
Justice assistance	-	3,373	5,134	1,761
Victim witness	26,188	26,188	61,243	35,055
Total categorical aid	\$ 55,636	\$ 59,009	\$ 108,460	\$ 49,451
Total revenue from the federal government	\$ 57,399	\$ 60,772	\$ 110,641	\$ 49,869
Total General Fund	\$ 46,075,105	\$ 46,230,800	\$ 47,912,747	\$ 1,681,947
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
<b>Revenue from local sources:</b>				
Miscellaneous:				
Miscellaneous	\$ 3,000	\$ 3,000	\$ 7,236	\$ 4,236
Total miscellaneous	\$ 3,000	\$ 3,000	\$ 7,236	\$ 4,236
Total revenue from local sources	\$ 3,000	\$ 3,000	\$ 7,236	\$ 4,236
<b>Intergovernmental:</b>				
<b>Revenue from the Commonwealth:</b>				
Categorical aid:				
Public assistance and welfare administration	\$ 771,020	\$ 771,020	\$ 728,062	\$ (42,958)
Total categorical aid	\$ 771,020	\$ 771,020	\$ 728,062	\$ (42,958)
Total revenue from the Commonwealth	\$ 771,020	\$ 771,020	\$ 728,062	\$ (42,958)
<b>Revenue from the federal government:</b>				
Categorical aid:				
Public assistance and welfare administration	\$ 1,401,921	\$ 1,470,125	\$ 1,581,621	\$ 111,496
Total categorical aid	\$ 1,401,921	\$ 1,470,125	\$ 1,581,621	\$ 111,496
Total revenue from the federal government	\$ 1,401,921	\$ 1,470,125	\$ 1,581,621	\$ 111,496
Total Virginia Public Assistance Fund	\$ 2,175,941	\$ 2,244,145	\$ 2,316,919	\$ 72,774
<b>Proffers Fund:</b>				
<b>Revenue from local sources:</b>				
<b>Revenue from use of money and property:</b>				
Revenue from the use of money	\$ 750	\$ 750	\$ 808	\$ 58
Total revenue from use of money and property	\$ 750	\$ 750	\$ 808	\$ 58

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Proffers Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Proffers	\$ 52,500	\$ 52,500	\$ 151,871	\$ 99,371
Total miscellaneous	\$ 52,500	\$ 52,500	\$ 151,871	\$ 99,371
Total Proffers Fund	\$ 53,250	\$ 53,250	\$ 152,679	\$ 99,429
Children's Services Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	\$ 23,000	\$ 23,000	\$ 11,423	\$ (11,577)
Total miscellaneous	\$ 23,000	\$ 23,000	\$ 11,423	\$ (11,577)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Children's services act	\$ 1,630,057	\$ 1,630,057	\$ 1,087,401	\$ (542,656)
Total categorical aid	\$ 1,630,057	\$ 1,630,057	\$ 1,087,401	\$ (542,656)
Total revenue from the Commonwealth	\$ 1,630,057	\$ 1,630,057	\$ 1,087,401	\$ (542,656)
Revenue from the federal government:				
Categorical aid:				
Children's services act	\$ -	\$ -	\$ 83,744	\$ 83,744
Total categorical aid	\$ -	\$ -	\$ 83,744	\$ 83,744
Total revenue from the federal government	\$ -	\$ -	\$ 83,744	\$ 83,744
Total Children's Services Fund	\$ 1,653,057	\$ 1,653,057	\$ 1,182,568	\$ (470,489)
Law Library Fund:				
Charges for services:				
Law library fees	\$ 5,292	\$ 5,292	\$ 5,062	\$ (230)
Total charges for services	\$ 5,292	\$ 5,292	\$ 5,062	\$ (230)
Total Law Library Fund	\$ 5,292	\$ 5,292	\$ 5,062	\$ (230)
Courthouse Maintenance Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse maintenance fees	\$ 23,873	\$ 23,873	\$ 25,426	\$ 1,553
Total charges for services	\$ 23,873	\$ 23,873	\$ 25,426	\$ 1,553
Total Courthouse Maintenance Fund	\$ 23,873	\$ 23,873	\$ 25,426	\$ 1,553

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Tourism:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes	\$ 148,000	\$ 148,000	\$ 161,082	\$ 13,082
Total other local taxes	\$ 148,000	\$ 148,000	\$ 161,082	\$ 13,082
Miscellaneous:				
Miscellaneous	\$ 10,495	\$ 10,495	\$ 8,785	\$ (1,710)
Total miscellaneous	\$ 10,495	\$ 10,495	\$ 8,785	\$ (1,710)
Total Tourism Fund	\$ 158,495	\$ 158,495	\$ 169,867	\$ 11,372
Confiscated Asset Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Confiscated assets	\$ -	\$ 24,490	\$ 24,466	\$ (24)
Total categorical aid	\$ -	\$ 24,490	\$ 24,466	\$ (24)
Total Confiscated Assets Fund	\$ -	\$ 24,490	\$ 24,466	\$ (24)
Fire/Rescue Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Fire program fund	\$ 77,895	\$ 137,514	\$ 88,618	\$ (48,896)
EMS vehicle registration grant	26,717	26,717	29,989	3,272
Radiological preparedness grant	30,000	30,000	30,000	-
Total categorical aid	\$ 134,612	\$ 194,231	\$ 148,607	\$ (45,624)
Total revenue from the Commonwealth	\$ 134,612	\$ 194,231	\$ 148,607	\$ (45,624)
Total Fire/Rescue Fund	\$ 134,612	\$ 194,231	\$ 148,607	\$ (45,624)
Housing Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 14,570	\$ 14,570	\$ 14,604	\$ 34
Total revenue from use of money and property	\$ 14,570	\$ 14,570	\$ 14,604	\$ 34
Total Housing Fund	\$ 14,570	\$ 14,570	\$ 14,604	\$ 34

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Sheriff Fund:				
Revenue from local sources:				
Charges for services:				
Sheriff fees	\$ 51,000	\$ 51,000	\$ 58,771	\$ 7,771
Total charges for services	\$ 51,000	\$ 51,000	\$ 58,771	\$ 7,771
Total Sheriff Fund	\$ 51,000	\$ 51,000	\$ 58,771	\$ 7,771
Total Special Revenue Funds	\$ 4,270,090	\$ 4,422,403	\$ 4,098,969	\$ (323,434)
Debt Service Fund:				
Revenue from local sources:				
Other local taxes:				
Consumer utility	\$ 554,000	\$ 554,000	\$ 523,302	\$ (30,698)
Meals tax	1,285,320	1,285,320	1,212,717	(72,603)
Total other local taxes	\$ 1,839,320	\$ 1,839,320	\$ 1,736,019	\$ (103,301)
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 23	\$ 23
Revenue from the use of property	76,675	76,675	111,600	34,925
Total revenue from use of money and property	\$ 76,675	\$ 76,675	\$ 111,623	\$ 34,948
Total revenue from local sources	\$ 1,915,995	\$ 1,915,995	\$ 1,847,642	\$ (68,353)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Communication tax	\$ 331,630	\$ 331,630	\$ 321,541	\$ (10,089)
Total categorical aid	\$ 331,630	\$ 331,630	\$ 321,541	\$ (10,089)
Total revenue from the Commonwealth	\$ 331,630	\$ 331,630	\$ 321,541	\$ (10,089)
Revenue from the federal government:				
Categorical aid:				
Federal tax credit	\$ 288,928	\$ 288,928	\$ 292,172	\$ 3,244
Refunding credit	51,950	51,950	111,238	59,288
BABs interest subsidy	10,705	10,705	10,658	(47)
Total categorical aid	\$ 351,583	\$ 351,583	\$ 414,068	\$ 62,485
Total revenue from the federal government	\$ 351,583	\$ 351,583	\$ 414,068	\$ 62,485
Total Debt Service Fund	\$ 2,599,208	\$ 2,599,208	\$ 2,583,251	\$ (15,957)

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Fund:</b>				
<b>County Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 25,360	\$ 25,360	\$ 39,014	\$ 13,654
Total revenue from use of money and property	\$ 25,360	\$ 25,360	\$ 39,014	\$ 13,654
<b>Intergovernmental:</b>				
Revenue from local governments:				
Caroline County School Board	\$ -	\$ 468,024	\$ 171,064	\$ (296,960)
Total revenue from local governments	\$ -	\$ 468,024	\$ 171,064	\$ (296,960)
<b>Revenue from the Commonwealth:</b>				
Categorical aid:				
Wireless E911 PSAP funding	\$ 50,000	\$ -	\$ 215,241	\$ 215,241
Total categorical aid	\$ 50,000	\$ -	\$ 215,241	\$ 215,241
Total revenue from the Commonwealth	\$ 50,000	\$ -	\$ 215,241	\$ 215,241
Total County Capital Projects Fund	\$ 75,360	\$ 493,384	\$ 425,319	\$ (68,065)
Total Primary Government	\$ 53,019,763	\$ 53,745,795	\$ 55,020,286	\$ 1,274,491
<b>Discretely Presented Component Unit-School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 32,066	\$ 32,066
Total revenue from use of money and property	\$ -	\$ -	\$ 32,066	\$ 32,066
<b>Charges for services:</b>				
Tuition and payments from other divisions	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Total charges for services	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
<b>Miscellaneous:</b>				
Other miscellaneous	\$ 8,000	\$ 967,326	\$ 464,412	\$ (502,914)
Total miscellaneous	\$ 8,000	\$ 967,326	\$ 464,412	\$ (502,914)
Total revenue from local sources	\$ 13,000	\$ 972,326	\$ 496,478	\$ (475,848)
<b>Intergovernmental:</b>				
Revenues from local governments:				
Contribution from County of Caroline, Virginia	\$ 13,360,975	\$ 13,360,975	\$ 13,360,975	\$ -
Total revenues from local governments	\$ 13,360,975	\$ 13,360,975	\$ 13,360,975	\$ -
<b>Revenue from the Commonwealth:</b>				
Categorical aid:				
State sales tax receipts	\$ 5,016,358	\$ 5,016,358	\$ 4,926,016	\$ (90,342)
Basic school aid	12,774,837	12,774,837	12,764,048	(10,789)
Other state funds	7,683,611	7,783,611	7,322,646	(460,965)
Total categorical aid	\$ 25,474,806	\$ 25,574,806	\$ 25,012,710	\$ (562,096)
Total revenue from the Commonwealth	\$ 25,474,806	\$ 25,574,806	\$ 25,012,710	\$ (562,096)

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title VI-B, special education flow-through	\$ 880,604	\$ 880,604	\$ 876,100	\$ (4,504)
Other federal funds	237,183	237,183	136,336	(100,847)
Total categorical aid	<u>\$ 1,117,787</u>	<u>\$ 1,117,787</u>	<u>\$ 1,012,436</u>	<u>\$ (105,351)</u>
Total revenue from the federal government	<u>\$ 1,117,787</u>	<u>\$ 1,117,787</u>	<u>\$ 1,012,436</u>	<u>\$ (105,351)</u>
Total School Operating Fund	<u>\$ 39,966,568</u>	<u>\$ 41,025,894</u>	<u>\$ 39,882,599</u>	<u>\$ (1,143,295)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 695,044	\$ 695,044	\$ 749,931	\$ 54,887
Total charges for services	<u>\$ 695,044</u>	<u>\$ 695,044</u>	<u>\$ 749,931</u>	<u>\$ 54,887</u>
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 24,778	\$ 24,778
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,778</u>	<u>\$ 24,778</u>
Total revenue from local sources	<u>\$ 695,044</u>	<u>\$ 695,044</u>	<u>\$ 774,709</u>	<u>\$ 79,665</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 325,000	\$ 325,000	\$ 32,460	\$ (292,540)
Total categorical aid	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 32,460</u>	<u>\$ (292,540)</u>
Total revenue from the Commonwealth	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 32,460</u>	<u>\$ (292,540)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,100,000	\$ 1,100,000	\$ 1,246,534	\$ 146,534
Total categorical aid	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 1,246,534</u>	<u>\$ 146,534</u>
Total revenue from the federal government	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 1,246,534</u>	<u>\$ 146,534</u>
Total School Cafeteria Fund	<u>\$ 2,120,044</u>	<u>\$ 2,120,044</u>	<u>\$ 2,053,703</u>	<u>\$ (66,341)</u>
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 50	\$ 50	\$ 139	\$ 89
Total revenue from use of money and property	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 139</u>	<u>\$ 89</u>
Total revenue from local sources	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 139</u>	<u>\$ 89</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Caroline, Virginia	\$ 105,000	\$ 105,000	\$ 103,549	\$ (1,451)
Total revenues from local governments	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 103,549</u>	<u>\$ (1,451)</u>
Total School Capital Projects Fund	<u>\$ 105,050</u>	<u>\$ 105,050</u>	<u>\$ 103,688</u>	<u>\$ (1,362)</u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Grant Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Project graduation	\$ 25,454	\$ 25,454	\$ 11,382	\$ (14,072)
Mentor teacher project	6,245	6,245	7,108	863
Total categorical aid	<u>\$ 31,699</u>	<u>\$ 31,699</u>	<u>\$ 18,490</u>	<u>\$ (13,209)</u>
Total revenue from the Commonwealth	<u>\$ 31,699</u>	<u>\$ 31,699</u>	<u>\$ 18,490</u>	<u>\$ (13,209)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,269,060	\$ 1,269,060	\$ 905,668	\$ (363,392)
Other federal funds	981,657	621,732	211,364	(410,368)
Total categorical aid	<u>\$ 2,250,717</u>	<u>\$ 1,890,792</u>	<u>\$ 1,117,032</u>	<u>\$ (773,760)</u>
Total revenue from the federal government	<u>\$ 2,250,717</u>	<u>\$ 1,890,792</u>	<u>\$ 1,117,032</u>	<u>\$ (773,760)</u>
Total School Grant Fund	<u>\$ 2,282,416</u>	<u>\$ 1,922,491</u>	<u>\$ 1,135,522</u>	<u>\$ (786,969)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 44,474,078</u>	<u>\$ 45,173,479</u>	<u>\$ 43,175,512</u>	<u>\$ (1,997,967)</u>

THIS PAGE LEFT BLANK INTENTIONALLY



Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 195,040	\$ 195,040	\$ 193,937	\$ 1,103
Total legislative	<u>\$ 195,040</u>	<u>\$ 195,040</u>	<u>\$ 193,937</u>	<u>\$ 1,103</u>
General and financial administration:				
County administrator	\$ 518,751	\$ 518,751	\$ 511,393	\$ 7,358
Legal services	216,000	271,157	271,156	1
Commissioner of revenue	830,268	836,968	757,811	79,157
Professional services	45,460	47,960	38,814	9,146
Treasurer	604,532	611,032	580,206	30,826
Finance	371,740	371,740	352,339	19,401
Information technology	258,060	262,760	242,177	20,583
Other general and financial administration	96,818	108,918	84,739	24,179
Total general and financial administration	<u>\$ 2,941,629</u>	<u>\$ 3,029,286</u>	<u>\$ 2,838,635</u>	<u>\$ 190,651</u>
Board of elections:				
Electoral board and officials	\$ 203,300	\$ 239,320	\$ 232,640	\$ 6,680
Total board of elections	<u>\$ 203,300</u>	<u>\$ 239,320</u>	<u>\$ 232,640</u>	<u>\$ 6,680</u>
Total general government administration	<u>\$ 3,339,969</u>	<u>\$ 3,463,646</u>	<u>\$ 3,265,212</u>	<u>\$ 198,434</u>
Judicial administration:				
Courts:				
Circuit court	\$ 95,857	\$ 96,857	\$ 96,459	\$ 398
General district court	22,800	22,800	20,015	2,785
Magistrate	1,700	2,100	2,050	50
Juvenile and domestic relations court	18,775	18,775	17,745	1,030
Clerk of the circuit court	591,502	596,202	565,292	30,910
Juvenile crime control	49,136	49,136	34,860	14,276
Victim witness program	106,051	106,051	102,414	3,637
Total courts	<u>\$ 885,821</u>	<u>\$ 891,921</u>	<u>\$ 838,835</u>	<u>\$ 53,086</u>
Commonwealth attorney:				
Commonwealth attorney	\$ 520,776	\$ 520,776	\$ 465,279	\$ 55,497
Total commonwealth attorney	<u>\$ 520,776</u>	<u>\$ 520,776</u>	<u>\$ 465,279</u>	<u>\$ 55,497</u>
Total judicial administration	<u>\$ 1,406,597</u>	<u>\$ 1,412,697</u>	<u>\$ 1,304,114</u>	<u>\$ 108,583</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,437,666	\$ 4,498,414	\$ 4,460,277	\$ 38,137
E911 dispatch	1,073,444	1,073,444	950,415	123,029
Other protection services	127,728	137,848	128,154	9,694
Total law enforcement and traffic control	<u>\$ 5,638,838</u>	<u>\$ 5,709,706</u>	<u>\$ 5,538,846</u>	<u>\$ 170,860</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Other fire and rescue	\$ 17,536	\$ 17,536	\$ 17,536	\$ -
Emergency services	4,311,871	4,522,208	4,096,805	425,403
Total fire and rescue services	<u>\$ 4,329,407</u>	<u>\$ 4,539,744</u>	<u>\$ 4,114,341</u>	<u>\$ 425,403</u>
Correction and detention:				
Regional jail contributions	\$ 1,828,529	\$ 1,828,529	\$ 1,920,730	\$ (92,201)
Juvenile probation and detention	243,800	243,800	132,431	111,369
Total correction and detention	<u>\$ 2,072,329</u>	<u>\$ 2,072,329</u>	<u>\$ 2,053,161</u>	<u>\$ 19,168</u>
Building inspections:				
Inspections	\$ 307,136	\$ 311,136	\$ 301,978	\$ 9,158
Total building inspections	<u>\$ 307,136</u>	<u>\$ 311,136</u>	<u>\$ 301,978</u>	<u>\$ 9,158</u>
Other protection:				
Animal control	\$ 381,931	\$ 399,807	\$ 362,388	\$ 37,419
Medical examiner	300	300	200	100
Total other protection	<u>\$ 382,231</u>	<u>\$ 400,107</u>	<u>\$ 362,588</u>	<u>\$ 37,519</u>
Total public safety	<u>\$ 12,729,941</u>	<u>\$ 13,033,022</u>	<u>\$ 12,370,914</u>	<u>\$ 662,108</u>
Public works:				
Maintenance of infrastructure:				
Public works administration	\$ 186,511	\$ 186,511	\$ 173,526	\$ 12,985
Streetlights	3,500	3,500	3,274	226
Total maintenance of infrastructure	<u>\$ 190,011</u>	<u>\$ 190,011</u>	<u>\$ 176,800</u>	<u>\$ 13,211</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,534,546	\$ 1,593,211	\$ 1,478,375	\$ 114,836
Total sanitation and waste removal	<u>\$ 1,534,546</u>	<u>\$ 1,593,211</u>	<u>\$ 1,478,375</u>	<u>\$ 114,836</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,606,808	\$ 1,821,971	\$ 1,607,826	\$ 214,145
Total maintenance of general buildings and grounds	<u>\$ 1,606,808</u>	<u>\$ 1,821,971</u>	<u>\$ 1,607,826</u>	<u>\$ 214,145</u>
Total public works	<u>\$ 3,331,365</u>	<u>\$ 3,605,193</u>	<u>\$ 3,263,001</u>	<u>\$ 342,192</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 275,404	\$ 275,404	\$ 239,872	\$ 35,532
Total health	<u>\$ 275,404</u>	<u>\$ 275,404</u>	<u>\$ 239,872</u>	<u>\$ 35,532</u>
Mental health and mental retardation:				
Community services board	\$ 100,714	\$ 100,714	\$ 100,714	\$ -
Total mental health and mental retardation	<u>\$ 100,714</u>	<u>\$ 100,714</u>	<u>\$ 100,714</u>	<u>\$ -</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Contributions to outside welfare agencies	\$ 206,269	\$ 222,130	\$ 212,630	\$ 9,500
Total welfare	\$ 206,269	\$ 222,130	\$ 212,630	\$ 9,500
Total health and welfare	\$ 582,387	\$ 598,248	\$ 553,216	\$ 45,032
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 49,237	\$ 49,237	\$ 49,237	\$ -
Contribution to County School Board	13,465,975	13,465,975	13,464,524	1,451
Total other instructional costs	\$ 13,515,212	\$ 13,515,212	\$ 13,513,761	\$ 1,451
Total education	\$ 13,515,212	\$ 13,515,212	\$ 13,513,761	\$ 1,451
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 445,600	\$ 467,938	\$ 481,138	\$ (13,200)
Total parks and recreation	\$ 445,600	\$ 467,938	\$ 481,138	\$ (13,200)
Cultural:				
Contribution to County Library	\$ 312,264	\$ 326,639	\$ 326,290	\$ 349
Total cultural	\$ 312,264	\$ 326,639	\$ 326,290	\$ 349
Total parks, recreation, and cultural	\$ 757,864	\$ 794,577	\$ 807,428	\$ (12,851)
Community development:				
Planning and community development:				
Planning development	\$ 609,041	\$ 687,959	\$ 563,140	\$ 124,819
Planning commission	31,361	31,361	21,206	10,155
Economic development	264,191	274,191	239,326	34,865
Planning regional	54,850	54,850	54,840	10
Industrial development authority	1,000	1,000	102	898
Board of zoning appeals	3,232	3,232	2,178	1,054
Total planning and community development	\$ 963,675	\$ 1,052,593	\$ 880,792	\$ 171,801
Environmental management:				
Contribution to soil and water conservation district	\$ 60,052	\$ 60,052	\$ 60,051	\$ 1
Environmental management	284,581	291,248	291,243	5
Total environmental management	\$ 344,633	\$ 351,300	\$ 351,294	\$ 6
Cooperative extension program:				
Extension office	\$ 73,015	\$ 73,015	\$ 63,481	\$ 9,534
Total cooperative extension program	\$ 73,015	\$ 73,015	\$ 63,481	\$ 9,534
Total community development	\$ 1,381,323	\$ 1,476,908	\$ 1,295,567	\$ 181,341
Total General Fund	\$ 37,044,658	\$ 37,899,503	\$ 36,373,213	\$ 1,526,290

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 2,041,915	\$ 2,041,915	\$ 2,026,630	\$ 15,285
Public assistance	602,589	670,793	659,154	11,639
Purchased services	196,743	196,743	109,868	86,875
Local only	5,826	5,826	2,912	2,914
Grants	12,375	12,375	12,375	-
Total welfare and social services	<u>\$ 2,859,448</u>	<u>\$ 2,927,652</u>	<u>\$ 2,810,939</u>	<u>\$ 116,713</u>
Total health and welfare	<u>\$ 2,859,448</u>	<u>\$ 2,927,652</u>	<u>\$ 2,810,939</u>	<u>\$ 116,713</u>
Total Virginia Public Assistance Fund	<u>\$ 2,859,448</u>	<u>\$ 2,927,652</u>	<u>\$ 2,810,939</u>	<u>\$ 116,713</u>
Children's Services Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 2,400,000	\$ 2,400,000	\$ 1,842,828	\$ 557,172
Total health and welfare	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 1,842,828</u>	<u>\$ 557,172</u>
Total Comprehensive Services Act Fund	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 1,842,828</u>	<u>\$ 557,172</u>
Law Library Fund:				
Judicial administration:				
Law library	\$ 5,292	\$ 5,292	\$ 5,040	\$ 252
Total judicial administration	<u>\$ 5,292</u>	<u>\$ 5,292</u>	<u>\$ 5,040</u>	<u>\$ 252</u>
Total Law Library Fund	<u>\$ 5,292</u>	<u>\$ 5,292</u>	<u>\$ 5,040</u>	<u>\$ 252</u>
Courthouse Maintenance Fund:				
Judicial administration:				
Courthouse maintenance	\$ 28,000	\$ 28,000	\$ 730	\$ 27,270
Total judicial administration	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ 730</u>	<u>\$ 27,270</u>
Total Courthouse Maintenance Fund	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ 730</u>	<u>\$ 27,270</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Tourism Fund:				
Community development:				
Planning and community development	\$ 184,225	\$ 184,225	\$ 150,319	\$ 33,906
Total community development	\$ 184,225	\$ 184,225	\$ 150,319	\$ 33,906
Total Tourism Fund	\$ 184,225	\$ 184,225	\$ 150,319	\$ 33,906
Confiscated Asset Fund:				
Public safety:				
Confiscated assets	\$ -	\$ 34,800	\$ 26,824	\$ 7,976
Total public safety	\$ -	\$ 34,800	\$ 26,824	\$ 7,976
Total Confiscated Asset Fund	\$ -	\$ 34,800	\$ 26,824	\$ 7,976
Fire/Rescue Fund:				
Public safety:				
Fire and rescue services	\$ 134,612	\$ 167,297	\$ 147,925	\$ 19,372
Total public safety	\$ 134,612	\$ 167,297	\$ 147,925	\$ 19,372
Total Fire/Rescue Fund	\$ 134,612	\$ 167,297	\$ 147,925	\$ 19,372
Housing Fund:				
Community development:				
Housing rehabilitation	\$ 14,570	\$ 14,570	\$ 12,210	\$ 2,360
Total community development	\$ 14,570	\$ 14,570	\$ 12,210	\$ 2,360
Total Housing Fund	\$ 14,570	\$ 14,570	\$ 12,210	\$ 2,360
Total Special Revenue Funds	\$ 5,626,147	\$ 5,761,836	\$ 4,996,815	\$ 765,021
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 6,025,191	\$ 6,025,191	\$ 6,284,425	\$ (259,234)
Interest and other fiscal charges	3,604,070	3,681,859	3,422,597	259,262
Total debt service	\$ 9,629,261	\$ 9,707,050	\$ 9,707,022	\$ 28
Total Debt Service Fund	\$ 9,629,261	\$ 9,707,050	\$ 9,707,022	\$ 28

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Funds:</b>				
<b>County Capital Projects Fund:</b>				
Capital outlay:				
Capital projects	\$ 1,639,450	\$ 12,083,158	\$ 11,595,557	\$ 487,601
Total capital outlay	\$ 1,639,450	\$ 12,083,158	\$ 11,595,557	\$ 487,601
Debt service:				
Bond issuance costs	\$ -	\$ 101,842	\$ 202,803	\$ (100,961)
Total debt service	\$ -	\$ 101,842	\$ 202,803	\$ (100,961)
Total County Capital Projects Fund	\$ 1,639,450	\$ 12,185,000	\$ 11,798,360	\$ 386,640
Total Primary Government	\$ 53,939,516	\$ 65,553,389	\$ 62,875,410	\$ 2,677,979
<b>Discretely Presented Component Unit-School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction	\$ 31,651,946	\$ 32,558,287	\$ 31,762,717	\$ 795,570
Administration, attendance and health	1,499,734	1,499,734	1,594,322	(94,588)
Pupil transportation services	3,280,509	4,308,138	4,093,240	214,898
Operation and maintenance services	3,474,769	3,474,769	3,435,333	39,436
Facilities	59,610	59,610	70,164	(10,554)
Total education	\$ 39,966,568	\$ 41,900,538	\$ 40,955,776	\$ 944,762
Debt service:				
Principal retirement	\$ -	\$ 94,643	\$ 94,643	\$ -
Interest and other fiscal charges	-	487,934	67,675	420,259
Total debt service	\$ -	\$ 582,577	\$ 162,318	\$ 420,259
Total School Operating Fund	\$ 39,966,568	\$ 42,483,115	\$ 41,118,094	\$ 1,365,021
<b>School Cafeteria Fund:</b>				
Education:				
School food services	\$ 2,120,044	\$ 2,120,044	\$ 1,926,992	\$ 193,052
Total education	\$ 2,120,044	\$ 2,120,044	\$ 1,926,992	\$ 193,052
Total Cafeteria Fund	\$ 2,120,044	\$ 2,120,044	\$ 1,926,992	\$ 193,052
<b>School Capital Projects Fund:</b>				
Capital outlay:				
Capital projects	\$ 124,997	\$ 124,997	\$ 124,722	\$ 275
Total capital outlay	\$ 124,997	\$ 124,997	\$ 124,722	\$ 275
Total School Capital Projects Fund	\$ 124,997	\$ 124,997	\$ 124,722	\$ 275
<b>School Grant Fund:</b>				
Education:				
Instruction	\$ 2,282,416	\$ 1,922,491	\$ 1,095,325	\$ 827,166
Total education	\$ 2,282,416	\$ 1,922,491	\$ 1,095,325	\$ 827,166
Total School Grant Fund	\$ 2,282,416	\$ 1,922,491	\$ 1,095,325	\$ 827,166
Total Discretely Presented Component Unit - School Board	\$ 44,494,025	\$ 46,650,647	\$ 44,265,133	\$ 2,385,514

## *STATISTICAL SECTION*

THIS PAGE LEFT BLANK INTENTIONALLY



## 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 by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Net investment in capital assets	\$ (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)	\$ (7,599,642)
Restricted	-	-	-	-	16,479,118	8,348,530	30,368,696	28,077,009	13,637,372	7,482,811
Unrestricted	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	21,440,045
Total governmental activities net position	\$ 8,798,055	\$ 5,578,960	\$ 6,519,652	\$ 8,750,564	\$ 11,435,383	\$ 6,490,936	\$ 9,006,330	\$ 13,570,455	\$ 18,724,181	\$ 21,323,214
<b>Business-type activities</b>										
Net investment in capital assets	\$ 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	\$ 5,996,430
Restricted	1,762,655	1,527,115	494,152	-	-	4,712,149	2,646,388	2,180,302	1,833,241	1,841,238
Unrestricted	(4,270,848)	(4,590,859)	(1,792,297)	(4,238,484)	(5,373,848)	217,706	(837,006)	(573,962)	(358,259)	(579,857)
Total business-type activities net position	\$ 3,205,537	\$ 1,931,616	\$ 500,182	\$ (829,136)	\$ (295,823)	\$ 7,435,558	\$ 6,969,463	\$ 6,738,610	\$ 7,130,804	\$ 7,257,811
<b>Primary government</b>										
Net investment in capital assets	\$ 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)	\$ (1,603,212)
Restricted	1,762,655	1,527,115	494,152	-	16,479,118	13,060,679	33,015,084	30,257,311	15,470,613	9,324,049
Unrestricted	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	20,860,188
Total primary government net position	\$ 12,003,592	\$ 7,510,576	\$ 7,019,834	\$ 7,921,428	\$ 11,139,560	\$ 13,926,494	\$ 15,975,793	\$ 20,309,065	\$ 25,854,985	\$ 28,581,025

(1)

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

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General Government Administration	\$ 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	\$ 3,789,710
Judicial Administration	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	1,497,332
Public Safety	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	13,510,255
Public Works	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	3,428,499
Health and Welfare	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	5,208,004
Education	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	15,859,165
Parks, Recreation and Cultural	652,192	960,018	631,053	593,795	1,014,718	2,682,085	3,201,043	834,612	607,087	797,543
Community Development	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	1,254,830
Interest and Fiscal Charges	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	3,424,233
<b>Total governmental activities</b>	<b>\$ 41,402,671</b>	<b>\$ 42,778,947</b>	<b>\$ 40,714,969</b>	<b>\$ 40,897,831</b>	<b>\$ 42,809,711</b>	<b>\$ 49,034,324</b>	<b>\$ 47,531,930</b>	<b>\$ 44,617,682</b>	<b>\$ 46,743,032</b>	<b>\$ 48,769,571</b>
<b>Business-type activities:</b>										
Water and Sewer Utilities	\$ 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	\$ 5,558,380
<b>Total primary government expenses</b>	<b>\$ 44,713,170</b>	<b>\$ 46,597,805</b>	<b>\$ 45,358,643</b>	<b>\$ 45,731,728</b>	<b>\$ 47,410,560</b>	<b>\$ 53,742,501</b>	<b>\$ 52,809,553</b>	<b>\$ 50,320,902</b>	<b>\$ 52,463,233</b>	<b>\$ 54,327,951</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges for services:</b>										
Public Safety	\$ 676,456	\$ 669,213	\$ 360,507	\$ 354,880	\$ 1,931,399	\$ 1,812,613	\$ 1,923,375	\$ 1,858,195	\$ 1,963,237	\$ 1,279,401
Community Development	1,701	1,299	289	209	259,936	274,372	269,786	282,212	285,233	-
All other activities	1,290,948	800,038	794,600	1,013,489	337,717	345,711	195,341	183,155	168,470	855,923
Operating grants and contributions	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	6,976,522
Capital grants and contributions	292,906	-	389,982	-	83,646	158,272	-	607,776	78,074	215,241
<b>Total governmental activities</b>	<b>\$ 7,442,192</b>	<b>\$ 7,411,748</b>	<b>\$ 7,275,570</b>	<b>\$ 7,232,880</b>	<b>\$ 8,543,852</b>	<b>\$ 8,026,777</b>	<b>\$ 8,825,799</b>	<b>\$ 8,794,612</b>	<b>\$ 8,464,707</b>	<b>\$ 9,327,087</b>
<b>Business-type activities:</b>										
Charges for services	\$ 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	\$ 2,482,265
Operating grants and contributions	107,000	210,100	259,417	259,417	380,573	638,344	579,689	349,083	350,877	350,877
Capital grants and contributions	3,766,990	109,610	139,397	118,716	-	-	1,115,502	1,170,762	1,326,260	979,279
<b>Total business-type activities</b>	<b>\$ 6,180,211</b>	<b>\$ 2,341,640</b>	<b>\$ 3,189,666</b>	<b>\$ 3,469,430</b>	<b>\$ 3,259,602</b>	<b>\$ 4,529,488</b>	<b>\$ 4,321,479</b>	<b>\$ 4,440,714</b>	<b>\$ 4,310,952</b>	<b>\$ 3,812,421</b>
<b>Total primary government program revenues</b>	<b>\$ 13,622,403</b>	<b>\$ 9,753,388</b>	<b>\$ 10,465,236</b>	<b>\$ 10,702,310</b>	<b>\$ 11,803,454</b>	<b>\$ 12,556,265</b>	<b>\$ 13,147,278</b>	<b>\$ 13,235,326</b>	<b>\$ 12,775,659</b>	<b>\$ 13,139,508</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (39,442,484)
Business-type activities	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)	(1,745,959)
<b>Total primary government net expense</b>	<b>\$ (31,090,767)</b>	<b>\$ (36,844,417)</b>	<b>\$ (34,893,407)</b>	<b>\$ (35,029,418)</b>	<b>\$ (35,607,106)</b>	<b>\$ (41,186,236)</b>	<b>\$ (39,662,275)</b>	<b>\$ (37,085,576)</b>	<b>\$ (39,687,574)</b>	<b>\$ (41,188,443)</b>
<b>General Revenues and Transfers</b>										
<b>Governmental Activities:</b>										
<b>Taxes:</b>										
General property taxes	\$ 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	\$ 33,404,396
Local sales and use taxes	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	1,997,309
Other local taxes	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	4,318,766
State personal property tax reimbursement	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	2,371,897
Other state non-categorical shared revenues	404,287	234,421	115,890	250,235	694,417	749,001	808,543	693,511	1,378,963	740,820
Proffers from new development	186,929	84,347	260,996	208,409	111,314	294,776	145,881	123,245	127,026	151,871
Other unrestricted revenue	1,800,945	574,917	1,362,299	1,135,248	965,188	1,263,776	1,184,640	1,077,555	693,240	719,206
Transfers	(115,638)	(180,403)	(19,625)	-	(1,079,642)	(4,630,231)	(959,896)	(1,145,321)	(1,611,181)	(1,662,748)
<b>Total governmental activities</b>	<b>\$ 32,515,940</b>	<b>\$ 32,268,029</b>	<b>\$ 34,380,091</b>	<b>\$ 35,984,958</b>	<b>\$ 38,716,687</b>	<b>\$ 35,932,800</b>	<b>\$ 42,008,187</b>	<b>\$ 43,393,550</b>	<b>\$ 43,432,051</b>	<b>\$ 42,041,517</b>
<b>Business-type activities:</b>										
Revenue from use of money and property	\$ -	\$ 22,894	\$ 2,949	\$ 35,149	\$ 44,154	\$ 22,127	\$ 3,238	\$ 926	\$ 2,244	\$ 12,553
Miscellaneous	70,169	-	-	-	151,939	97,605	209,050	71,867	188,018	197,665
Transfers	115,638	180,403	19,625	-	1,079,642	4,630,231	959,896	1,145,321	1,611,181	1,662,748
<b>Total business-type activities</b>	<b>\$ 185,807</b>	<b>\$ 203,297</b>	<b>\$ 22,574</b>	<b>\$ 35,149</b>	<b>\$ 1,275,735</b>	<b>\$ 4,749,963</b>	<b>\$ 1,172,184</b>	<b>\$ 1,218,114</b>	<b>\$ 1,801,443</b>	<b>\$ 1,872,966</b>
<b>Total primary government</b>	<b>\$ 32,701,747</b>	<b>\$ 32,471,326</b>	<b>\$ 34,402,665</b>	<b>\$ 36,020,107</b>	<b>\$ 39,992,422</b>	<b>\$ 40,682,763</b>	<b>\$ 43,180,371</b>	<b>\$ 44,611,664</b>	<b>\$ 45,233,494</b>	<b>\$ 43,914,483</b>
<b>Change in Net Position</b>										
Governmental activities	\$ (1,444,539)	\$ (3,099,170)	\$ 940,692	\$ 2,320,007	\$ 4,450,828	\$ (5,074,747)	\$ 3,302,056	\$ 7,570,480	\$ 5,153,726	\$ 2,599,033
Business-type activities	3,055,519	(1,273,921)	(1,431,434)	(1,329,318)	(65,512)	4,571,274	216,040	(44,392)	392,194	127,007
<b>Primary government</b>	<b>\$ 1,610,980</b>	<b>\$ (4,373,091)</b>	<b>\$ (490,742)</b>	<b>\$ 990,689</b>	<b>\$ 4,385,316</b>	<b>\$ (503,473)</b>	<b>\$ 3,518,096</b>	<b>\$ 7,526,088</b>	<b>\$ 5,545,920</b>	<b>\$ 2,726,040</b>

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ -	\$ 366,000	\$ 472,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	1,847,361
Committed	-	-	-	444,987	366,000	366,000	366,000	366,000	175,000	3,553,910
Assigned	-	-	-	-	7,420	421,395	1,420,225	2,962,590	4,598,162	1,818,577
Unassigned	-	-	-	9,107,120	11,597,688	10,901,101	14,297,822	15,979,092	16,346,543	17,398,812
Total General Fund	\$ 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	\$ 24,618,660
All Other Governmental Funds										
Reserved	\$ 5,151,438	\$ 4,818,961	\$ 1,967,647	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,193,460	1,006,694	1,806,036	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Debt service funds	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	5,635,450
Committed	-	-	-	1,496,793	-	-	-	-	-	-
Assigned	-	-	-	518,586	577,240	619,386	209,073	277,781	265,878	282,332
Unassigned	-	-	-	-	(304)	(43,865)	(50,154)	(127,250)	(139,160)	(420,770)
Total all other governmental funds	\$ 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	\$ 5,497,012

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

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

	Fiscal Year Ended June 30,										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Revenues											
General property taxes	\$ 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	\$ 35,056,977	
Other local taxes	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	6,316,075	
Permits, fees and regulatory licenses	673,791	456,535	393,905	343,737	311,443	480,770	529,470	392,539	502,416	417,770	
Fines and forfeitures	600,158	648,731	447,048	599,320	702,704	463,215	560,756	522,562	484,591	522,735	
Revenue from use of money/property	1,497,444	246,362	181,995	196,662	218,274	273,027	251,372	255,286	284,644	348,824	
Charges for services	509,375	365,284	314,443	425,521	369,300	1,017,772	997,859	1,092,983	1,129,021	1,194,819	
Other local revenue	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	858,606	
Intergovernmental	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	10,304,480	
Total revenues	\$ 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	\$ 55,020,286	
Expenditures											
General government administration	\$ 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	\$ 3,265,212	
Judicial administration	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	1,309,884	
Public safety	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	12,545,663	
Public works	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	3,263,001	
Health and welfare	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	5,206,983	
Education <sup>a</sup>	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	13,513,761	
Parks, recreation and cultural	752,265	695,232	604,610	616,506	655,308	662,455	678,432	676,680	677,341	807,428	
Community development	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	1,458,096	
Capital projects	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	11,595,557	
Debt service <sup>b</sup> :											
Principal retirement	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	6,284,425	
Interest and fiscal charges	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	3,625,400	
Total expenditures	\$ 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	\$ 62,875,410	
Excess of revenues over(under) expenditures	\$ (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)	\$ (7,855,124)	
Other Financing Sources (Uses):											
Transfers in	\$ 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	\$ 8,430,878	
Transfers out	(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)	(10,093,626)	
Issuance of debt	26,589,062	30,067,107	5,407,593	6,828,780	8,400,000	2,535,447	25,133,000	-	-	10,416,169	
Early debt retirement	-	(23,243,199)	(4,735,761)	-	-	-	-	-	-	-	
Premium in 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)	(7,175,000)	
Issuance of capital leases	-	-	-	-	625,126	133,840	6,574,068	-	-	1,508,580	
Total other financing sources (uses)	\$ 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)	\$ 3,087,001	
Net change in fund balances	\$ (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)	\$ (4,768,123)	
Debt service as a percentage of noncapital expenditures	24.0%	14.3%	14.2%	11.9%	14.4%	18.6%	17.0%	20.4%	20.8%	19.3%	

Tax Revenues by Source - Governmental Funds  
Last Ten Fiscal Years

Fiscal Year Ended	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
2017	34,180,894	1,997,309	850,591	1,067,923	337,059	2,063,193	40,496,969
Change 2008-2017	65.68%	42.95%	-22.64%	79.68%	-31.64%	186.57%	62.41%

(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

Fiscal Year		Real Estate (1)	Personal Property (3)	Machinery and Tools	Public Utility (2)	Total Taxable Assessed Value
2008	\$	2,887,544,318	\$ 137,580,241	\$ 5,844,280	\$ 208,479,657	\$ 3,239,448,496
2009		2,921,646,044	146,037,606	5,999,560	210,375,646	3,284,058,856
2010		2,957,819,726	158,154,031	6,651,920	388,613,995	3,511,239,672
2011		2,438,863,853	150,301,120	7,303,910	434,199,114	3,030,667,997
2012		2,675,828,900	316,976,453	7,034,730	436,895,835	3,436,735,918
2013		2,690,621,100	254,081,388	7,045,530	447,027,197	3,398,775,215
2014		2,721,992,100	277,283,818	7,742,330	444,342,422	3,451,360,670
2015		2,739,975,000	282,284,550	7,383,110	457,707,814	3,487,350,474
2016		2,790,067,200	294,097,398	7,842,570	454,694,067	3,546,701,235
2017		3,209,399,962	303,805,730	7,962,840	450,539,996	3,971,708,528

(1) Assessed at 100% of market value using an assessed value to sales price factor computed annually by the State Department of Taxation.

(2) Assessed values are established by the State Corporation Commission

(3) Assessed at 40% of market value through 2008. Vehicles assessed at 50% of market value in 2009, assessed at 100% market value in 2012 and 100% trade-in value for 2013.

Direct Property Tax Rates  
Last Ten Fiscal Years

---

Fiscal Year	Real Estate	Personal Property (1)(2)	Machinery and Tools	Public Service Corporations	
				Real Estate	Personal Property
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	0.07	6.25
2012	0.72	3.50	3.50	0.72	3.50
2013	0.72	3.80	3.50	0.72	3.80
2014	0.83	3.80	3.50	0.83	3.80
2015	0.83	3.80	3.50	0.83	3.80
2016	0.82	3.80	3.50	0.82	3.80
2017	0.83	3.80	3.50	0.83	3.80

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

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



Principal Property Taxpayers  
Current Year and Six Years Ago

Taxpayer/Type of Business	2017			2011		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Dominion Virginia Power/Electric Utility	\$ 278,246,031	1	7.01%	\$ 282,125,743	1	8.69%
Rappahannock Electric Cooperative/Electric Utility	67,609,716	2	1.70%	64,291,488	2	1.98%
Virginia Natural Gas, Inc./Gas Utility	30,075,073	3	0.76%	17,515,198	4	0.54%
McKesson Corporation/Pharmaceutical Distributor	30,017,250	4	0.76%			
CSX Transportation/Railroad	21,922,992	5	0.55%			
PFJ Southeast, LLC/Highway Service Commercial	19,133,840	6	0.48%			
Carmel Church Properties/Bank	15,736,800	7	0.40%	15,736,800	6	0.48%
Commonwealth Fairs & Events, LLC/Public Entertainment	15,107,300	8	0.38%			
Exeter 11266 Enterprise, LLC/Furniture Distribution	13,908,600	9	0.35%			
Aqua Virginia, Inc./Water Utility	9,710,545	10	0.24%			
Verizon South/Telephone Utility				18,704,143	3	0.58%
Richmond, Fredericksburg and Potomac Railroad/Railroad				17,498,832	5	0.54%
JLB Ruther Glen LLC/Furniture Distribution				13,908,500	7	0.43%
Atlantic Rural Exposition & State Fair/Public Entertainment				13,163,675	8	0.41%
Highway Service Ventures, Inc/Highway Service Commercial				10,632,550	9	0.33%
NNP IV-Ladysmith/Property Development				10,493,700	10	0.32%
Totals	\$ 501,468,147		12.63%	\$ 464,070,629		13.61%

Source:  
Caroline County Commissioner of The Revenue

## PROPERTY TAX LEVIES AND COLLECTIONS

Last Eight 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%
2017	36,999,802	35,374,665	95.61%	992,230	36,366,895	98.29%	4,909,900	13.27%

Source:

Caroline County Treasurer

Notes:

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

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

Fiscal Year	Population	Assessed Value (1)	Gross Bonded Debt (2)	Ratio of Gross Bonded Debt to Assessed Value	Gross Bonded Debt per Capita
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	64,946,686	2.14%	2,275
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
2017	30,178	3,971,708,528	77,413,509	1.95%	2,565

(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.

Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	(1) <u>Population</u>	(2) Personal <u>Income (in 000s)</u>	(2) Per Capita Personal <u>Income</u>	(3) School Enrollment- September 30 <u>Membership</u>	(4) Unemployment <u>Rate</u>
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	1,140,455	38,035	4,357	5.5%
2016	29,792	N/A	N/A	4,330	4.2%
2017	30,178	N/A	N/A	4,299	4.3%

Sources:

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

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

Function	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
County Administrator	3	3	3	3	3	4	4	4	4	4
Finance	6	6	6	4	4	3	3	3	3	3
Information Technology						1	1	1	1	1
Emergency Services	29	26	26	26	26	30	30	30	30	33
Public Works	16	16	15	13	13	13	13	13	14	16
Social Services	29	29	29	29	29	29	29	29	31	31
Recreation	3	3	3	3	3	3	3	3	3	3
Planning and Community Development	19	19	13	10	10	10	10	10	10	10
Economic Development	3	3	3	2	2	2	2	2	2	2
Utilities	16	16	16	15	15	15	15	15	16	16
Constitutional Officers:										
Commissioner of the Revenue	11	11	11	11	12	13	13	13	13	13
Treasurer	7	7	7	7	7	8	8	8	8	8
Clerk of the Circuit Court	8	8	8	8	8	8	8	8	8	8
Commonwealth's Attorney	4	4	5	5	5	5	5	5	5	5
Sheriff:										
Sworn	50	51	51	52	52	52	52	52	52	52
Non sworn	18	19	19	19	19	19	19	19	19	20
Total full time employees	222	221	215	207	208	215	215	215	219	225

Source: Caroline County Budgets

THIS PAGE LEFT BLANK INTENTIONALLY

## *COMPLIANCE SECTION*

THIS PAGE LEFT BLANK INTENTIONALLY



# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

---

## Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

---

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Caroline Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise County of Caroline, Virginia's basic financial statements and have issued our report thereon dated November 6, 2017.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Caroline Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Caroline, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Caroline, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses as items 2017-001, 2017-002, and 2017-003.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Caroline, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2017-004 and 2017-005.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farner, Cox Associate

Richmond, Virginia  
November 6, 2017

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

### Report on Compliance for Each Major Federal Program

We have audited County of Caroline, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Caroline, Virginia's major federal programs for the year ended June 30, 2017. County of Caroline, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditors' Responsibility*

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

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

#### *Opinion on Each Major Federal Program*

In our opinion, County of Caroline, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Richmond, Virginia  
November 6, 2017

COUNTY OF CAROLINE, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number		FY2017 Federal Expenditures
Department of Agriculture:				
Pass Through Payments:				
Virginia Department of Social Services:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	10111		\$ 294,362
Pass Through Payments:				
Child Nutrition Cluster:				
Department of Education:				
School Breakfast Program	10.553	17901-40591	\$ 325,436	
National School Lunch Program	10.555	17901-40623	921,098	
Department of Agriculture:				
Food Distribution - School Nutrition Program	10.555	17901-45707	139,066	
			<u>\$ 1,060,164</u>	1,385,600
Total Department of Agriculture				<u>\$ 1,679,962</u>
Department of Homeland Security:				
Pass Through Payments:				
Department of Emergency Services:				
Emergency Management Performance Grants	97.042	77501-52743		12,120
Total Department of Homeland Security				<u>\$ 12,120</u>
Department of Justice:				
Direct Payments:				
Bulletproof Vest Partnership Program	16.607	N/A		\$ 6,438
Pass Through Payments:				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	39001-102200		36,656
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-51100		5,134
Violence Against Women Formula Grants	16.588	39001-99001		24,587
Total Department of Justice				<u>\$ 72,815</u>
Department of Health and Human Services:				
Pass Through Payments:				
Virginia Department of Social Services:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115/0760116		\$ 42,012
Temporary Assistance for Needy Families	93.558	0400115/0400116		243,006
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116		708
Low-Income Home Energy Assistance	93.568	0600415/0600416		26,518
Chafee Education and Training Vouchers Program	93.599	not available		670
Adoption and Legal Guardianship Incentive Payments	93.603	76500-469003		560
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/090116		280
Foster Care - Title IV-E	93.658	1100115/1100116		373,900
Adoption Assistance	93.659	1120115/1120116		59,456
Social Services Block Grant	93.667	1000115/1000116		224,624
Chafee Foster Care Independence Program	93.674	9150115/9150116		2,131
Children's Health Insurance Program	93.767	0540115/0540116		11,604
Medical Assistance Program	93.778	1200115/1200116		372,068
Promoting Safe and Stable Families	93.556	0950115/0950116		13,466
Total Department of Health and Human Services				<u>\$ 1,371,003</u>

COUNTY OF CAROLINE, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number	FY2017 Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	179001-42901	\$ 905,668
Career and Technical Education - Basic Grants to States	84.048	179001-61095	75,796
Twenty-First Century Community Learning Centers	84.287	179001-60565	59,318
Mathematics and Science Partnerships	84.366	179001-19700	12,079
Supporting Effective Instruction State Grant	84.367	179001-61480	122,794
English Language Acquisition state Grant	84.365	179001	5,538
Advanced Placement Program	84.330	179001-60957	722
Special Education Cluster:			
Special Education - Preschool Grants	84.173	179001-62521	\$ 8,646
Special Education - Grants to States	84.027	179001-43071	879,089
Total Department of Education			<u>\$ 2,069,650</u>
Department of Defense:			
Direct Payments:			
ROTC Instruction	12.U01	N/A	59,818
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	60507-53000	<u>23,525</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,288,893</u></u>

See the accompanying notes to schedule of expenditures of federal awards.

## COUNTY OF CAROLINE, VIRGINIA

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

---

#### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Caroline, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Caroline, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Caroline, Virginia.

#### Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

#### Note 3 - Food Donation

The value of federal awards expended in the form of noncash assistance for food commodities is reported in the schedule.

#### Note 4 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	110,641
Less: Payment in lieu of taxes		(2,181)
Special Revenue Funds:		
Virginia Public Assistance Fund		1,581,621
CSA Fund		83,744
Debt Service Funds:		
Debt Service Fund		414,068
Less: BaBs federal interest rate subsidy and other federal credits		(414,068)
Total primary government	\$	<u>1,773,825</u>

Component Unit - School Board:

School Operating Fund	\$	1,012,436
School Cafeteria Fund		1,246,534
School Grant Fund		1,117,032
Add: USDA Commodities		139,066
Total component unit school board	\$	<u>3,515,068</u>

Total federal expenditures per basic financial statements	\$	<u>5,288,893</u>
---	----	------------------

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>5,288,893</u></u>
---	----	-------------------------

#### Note 5 - Subrecipients

No awards were passed through to subrecipients.

#### Note 6 - De Minimis Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

#### Note 7 - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

COUNTY OF CAROLINE, VIRGINIA

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

---

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

a. Material weakness(es) identified? ✓ yes        no

b. Significant deficiency(ies) identified?        yes ✓ none reported

Noncompliance material to financial statements noted? ✓ yes        no

Federal Awards

Internal control over major programs

a. Material weakness(es) identified?        yes ✓ no

b. Significant deficiency(ies) identified?        yes ✓ none reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?        yes ✓ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
10.553/10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?        yes ✓ no



COUNTY OF CAROLINE, VIRGINIA

Schedule of Findings and Questioned Costs: (Continued)  
For the Year Ended June 30, 2017

---

Section II-Financial Statement Findings

Finding 2017-001:

Financial Reporting

*Criteria:*

Per Statement of Auditing Standards 115, identification of material adjustments to the financial statements that were not detected by the entity's internal controls indicates that a material weakness exists.

*Condition:*

The School Board's financial statements required material adjustments after audit fieldwork date to ensure that such statements complied with Generally Accepted Accounting Principles (GAAP).

*Effect of Condition:*

There is more than a remote likelihood that a material misstatement of the School Board's financial statements will not be prevented by the entity's internal controls over financial reporting.

*Cause of Condition:*

School Board management failed to identify all year end accounting adjustments in a timely manner necessary for the School Board's financial statements to be prepared in accordance with current reporting standards. School Board management does not have proper controls in place to detect all adjustments in closing their year end financial statements and to reconcile financial activity to ensure timely reporting to state agencies, etc.

*Recommendation:*

School Board management should have procedures in place to properly identify and record year end closing entries to the accounting system in a timely manner.

*Management's Recommendation:*

The School Board office is considering corrective action for FY18.

COUNTY OF CAROLINE, VIRGINIA

Schedule of Findings and Questioned Costs: (Continued)  
For the Year Ended June 30, 2017

---

Section II-Financial Statement Findings: (Continued)

Finding 2017-002:

Financial Reporting

*Criteria:*

School federal program reimbursement requests should be prepared and filed in a timely manner.

*Condition:*

School federal program reimbursement requests were not filed in a timely manner. There were several reimbursement requests filed for the Title I and Title VI-B programs for FY17 in September and October 2017.

*Effect of Condition:*

School federal program receivables had to be estimated at year end as formal reimbursement requests had not been filed or received within 60 days after the fiscal year end.

*Cause of Condition:*

School Board management did not have proper procedures in place to ensure that federal program reimbursement requests are filed in a timely manner each month.

*Recommendation:*

School Board management should have procedures in place to ensure that federal program reimbursement requests are filed in a timely manner each month.

*Management's Recommendation:*

The School Board office is considering corrective action for FY18.

COUNTY OF CAROLINE, VIRGINIA

Schedule of Findings and Questioned Costs: (Continued)  
For the Year Ended June 30, 2017

---

Section II-Financial Statement Findings: (Continued)

Finding 2017-003:

Financial Reporting

*Criteria:*

The School Board maintains its own accounting system in RDA Systems, Inc. (RDA), for recording revenues and expenditures outside of the accounting system maintained by the County Treasurer in BAI Municipal Software (BAI). Amounts recorded in RDA should be reconciled to the revenues and expenditures recorded by the County Treasurer in BAI each month.

*Condition:*

There were no formal reconciliations prepared between the two accounting systems for any month in FY17 or at year end. Subsequent to audit fieldwork, the County Treasurer prepared a reconciliation between the two accounting systems. Most variances were identified as accounts receivable and accounts payable postings to BAI, as the RDA system maintained by the School Board is maintained on the cash basis of accounting rather than the modified accrual basis of accounting which is required for financial reporting in accordance with GAAP. However, differences in expenditures totaling \$73,177 remained after the formal reconciliation was complete.

*Effect of Condition:*

Failure to perform routine reconciliations increases the risk that a material error in the school financial statements may not be prevented or detected. In addition, the financial reporting provided to those charged with governance may not be accurate, timely or relevant.

*Cause of Condition:*

Reconciliation policies and procedures were not in place at the School Board to ensure that financial information reported each month was in agreement with amounts recorded and reported by the Treasurer.

*Recommendation:*

We recommend that procedures be put in place requiring a formal reconciliation of revenues and expenditures each month between amounts reported in RDA and amounts reported by the County Treasurer in BAI.

*Management's Recommendation:*

The School Board office is considering corrective action for FY18.

COUNTY OF CAROLINE, VIRGINIA

Schedule of Findings and Questioned Costs: (Continued)  
For the Year Ended June 30, 2017

---

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Commonwealth of Virginia Findings and Questioned Costs

Finding 2017-004:

Financial Reporting

*Criteria:*

Section 22.1-92 of the *Code of Virginia* requires that before any School Board gives final approval to its budget for submission to the governing body, the school board must hold at least one public hearing to receive the view of citizens within the school division. The School Board shall cause public notice to be given at least 10 days prior to the public hearing by publication in a newspaper of general circulation in the School Division.

*Condition:*

The School Board held their public hearing on January 25, 2016 on the FY16-17 budget but did not provide 10 days of public notice to the citizens within the school division. The public hearing was advertised in the Free Lance Star on January 21, 2016.

*Effect of Condition:*

The citizens within the school division were not given ample notice to attend the public hearing of the FY16-17 School Budget.

*Cause of Condition:*

Procedures were not in place to ensure that the public hearing was advertised 10 days prior to the date of the public hearing.

*Recommendation:*

School Board management should have procedures in place to ensure that the public hearing is properly advertised in accordance with the requirements of the *Code of Virginia*.

*Management's Recommendation:*

The School Board office is considering corrective action for FY18.

COUNTY OF CAROLINE, VIRGINIA

Schedule of Findings and Questioned Costs: (Continued)  
For the Year Ended June 30, 2017

---

Section IV-Commonwealth of Virginia Findings and Questioned Costs: (Continued)

Finding 2017-005:

Financial Reporting

*Criteria:*

The Annual School Report should be properly prepared and filed in a timely manner with the Virginia Department of Education.

*Condition:*

The Annual School Report was not prepared and filed by the statutory deadline of September 15th or the extended due date of September 30th. The Annual School Report was filed on the cash basis of accounting rather than the modified accrual basis of accounting.

*Effect of Condition:*

The Annual School Report was filed with the Department of Education on November 6th. The *Code of Virginia* does not permit extensions beyond this date. The School Board was not in compliance with Section 22.1-81, of the *Code of Virginia*. The Annual School Report was prepared on the cash basis of accounting rather than the modified accrual basis of accounting and thus not in full compliance with the guidelines established by the Virginia Department of Education.

*Cause of Condition:*

School Board management did not have the expertise to properly prepare the Annual School Report in a timely manner.

*Recommendation:*

School Board management should have procedures in place to properly identify and record year end closing entries to the accounting system in a timely manner. Preparation of the Annual School Report should begin early to ensure it is complete prior to the statutory deadline.

*Management's Recommendation:*

The School Board office is considering corrective action for FY18.

COUNTY OF CAROLINE, VIRGINIA

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017

---

Identifying Number

Finding 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 implemented procedures shifting the responsibility of adding and inactivating employees from the Payroll department to the Human Resources department.