

**COMPREHENSIVE**

**ANNUAL**

**FINANCIAL**

**REPORT**



**Fiscal Year Ended**

**June 30, 2013**

**COUNTY OF CAROLINE, VIRGINIA**

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**Fiscal Year Ended June 30, 2013**

COUNTY OF CAROLINE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

***INTRODUCTORY SECTION***

Letter of transmittal	i - v
Directory of principal officials	vi
Organizational chart	vii

***FINANCIAL SECTION***

Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 12

*Basic Financial Statements*

**Government-wide Financial Statements:**

Exhibit 1	Statement of net position	13 - 15
Exhibit 2	Statement of activities	16 - 17

**Fund Financial Statements:**

Exhibit 3	Balance sheet - governmental funds	18
Exhibit 4	Reconciliation of the balance sheet of the governmental funds to the statement of net position	19
Exhibit 5	Statement of revenues, expenditures and changes in fund balances - governmental funds	20
Exhibit 6	Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	21
Exhibit 7	Schedule of revenues, expenditures and changes in fund balances - budget and actual - General Fund	22
Exhibit 8	Statement of revenues, expenditures and changes in fund balances - budget and actual - Virginia Public Assistance Fund	23
Exhibit 9	Statement of revenues, expenditures and changes in fund balances - budget and actual - Proffers Fund	24
Exhibit 10	Statement of net position - proprietary funds	25
Exhibit 11	Statement of revenues, expenses and changes in net position - proprietary funds	26
Exhibit 12	Statement of cash flows - proprietary funds	27 - 28
Exhibit 13	Statement of net position - fiduciary funds	29
	Notes to financial statements	30 - 70

*Required Supplementary Information*

Exhibit 14	Schedule of funding progress - Virginia Retirement System	71
	Schedule of funding progress - other postemployment benefits	72
	Schedule of employer contributions - other postemployment benefits	72

### *Other Supplementary Information*

Exhibit 15	Schedule of revenues, expenditures and changes in fund balances - budget and actual - debt service fund	73
Exhibit 16	Schedule of revenues, expenditures and changes in fund balances - budget and actual - County capital projects fund	74
Exhibit 17	Combining balance sheet - nonmajor governmental funds	75
Exhibit 18	Combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds	76
Exhibit 19	Combining statement of revenues, expenditures and changes in fund balances - budget and actual - nonmajor governmental funds	77 – 80
Exhibit 20	Combining statement of net position - fiduciary funds	81
Exhibit 21	Combining statement of changes in assets and liabilities - all agency funds	82 – 83

### **Discretely Presented Component Unit – School Board:**

Exhibit 22	Combining balance sheet	84
Exhibit 23	Combining statement of revenues, expenditures and changes in fund balances - governmental funds	85
Exhibit 24	Schedule of revenues, expenditures and changes in fund balances - budget and actual	86 – 87

### **Discretely Presented Component Unit – Industrial Development Authority:**

Exhibit 25	Statement of net position	88
Exhibit 26	Statement of revenues, expenses and changes in net position	89

### *Supplemental Schedules*

Schedule 1	Schedule of revenues - budget and actual - governmental funds	90 – 97
Schedule 2	Schedule of expenditures - budget and actual - governmental funds	98 – 102

## **STATISTICAL SECTION**

### ***Tables***

1	Comments relative to statistical section	103
2	Net position/assets by component - last ten fiscal years	104
3	Changes in net position/assets - last ten fiscal years	105 – 106
4	Fund balances - governmental funds - last ten fiscal years	107
5	Changes in fund balances - governmental funds - last ten fiscal years	108 – 109
6	Tax revenues by source - governmental funds - last five fiscal years	110
7	Assessed value and estimated actual value of taxable property - last ten fiscal years	111
8	Direct property tax rates - last ten fiscal years	112
9	Principal property taxpayers - current year and six years ago	113
10	Ratios of net general bonded debt to assessed value and net bonded debt per capita - last ten fiscal years	114
11	Real property tax levies and collections	115
12	Demographic and economic statistics - last ten years	116
13	Number of budgeted full-time equivalent County government employees - last ten fiscal years	117

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**COMPLIANCE SECTION**

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Schedule of Expenditures of Federal Awards	118 – 120
Notes to Schedule of Expenditures of Federal Awards	121 – 122
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	123 – 124
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	125 – 126
Schedule of findings and questioned costs	127 – 128
Corrective action plan	129
Schedule of prior audit findings	130 – 134

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# **INTRODUCTORY SECTION**

# Caroline County, Virginia

## Board of Supervisors

Wayne A. Acors  
Madison District

Jeff Black  
Western Caroline District

Jeff Sili  
Bowling Green District

Calvin B. Taylor, Sr.  
Port Royal District

Floyd W. Thomas  
Mattaponi District

Reginald L. Underwood  
Reedy Church District

Charles M. Culley, Jr.  
County Administrator

February 24, 2014

Caroline County, VA



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, 2013 is herewith submitted. Section 15.2-2511 of the *Code of Virginia* essentially requires that all localities 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 that 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 generally accepted accounting principles (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 that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

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

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(804)633-5380 – Telephone (804)633-4970 – Fax

[www.auditcaroline.com](http://www.auditcaroline.com)

assurance that the financial statements of the County for the fiscal year ended June 30, 2013, 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, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2013 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; community and economic development.

Public education in the County is provided by the Caroline County School Board. The 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 dependence and financial burden relationship, 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, 2013 population of 29,115. 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 53 persons per square mile compared to densities of well over 200 per mile in counties just to the north and south and the Virginia average of 179 confirm this perspective.

In recent years, its location along Interstate 95, the primary north-south transportation artery on the east coast, and increasing congestion in neighboring counties had brought extensive development interest to the County. Three new mixed use development projects had been approved that would have added 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 several years before the County sees a return of the 2% – 3% annual population growth it was experiencing several years ago.

The growth in population is expected to bring with it an expansion in retail and other non-residential development. This expansion, which had begun to occur, has been put on hold during this 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 that has further raised the County's profile.

With this activity, the County is looking forward to and preparing itself for dramatic changes, once the economic downturn is over. 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**

Construction: \$8,064,368 for construction to convert the Bowling Green Primary School to a PK-5 school for the eastern side of the County.

Sewer: \$8,357,384 to continue construction on the expansion of the County's wastewater treatment plant.

Water: \$350,131 to complete construction on water system improvements including a new water line for Caroline Pines subdivision and new wells and sand filter treatment systems.

### **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 maintains a safety committee and emphasizes safety in its staff training programs. 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 Postemployment Benefits: Pension benefits for County employees are provided through participation in the Virginia Retirement System (VRS), a State-wide defined benefit 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 dark ink, appearing to read 'CM Culley Jr', with a stylized flourish at the end.

CHARLES M. CULLEY, JR.  
County Administrator

A handwritten signature in dark ink, appearing to read 'F. Hatcher', with a stylized flourish at the end.

FRANCES K. HATCHER  
Finance Director

## COUNTY OF CAROLINE, VIRGINIA

Directory of Principal Officials  
June 30, 2013

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### *Board of Supervisors*

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Floyd W. Thomas, Chairperson

Wayne A. Acors  
Jeffrey S. Black

Jeffrey M. Sili  
Calvin B. Taylor

Reginald L. Underwood

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### *County Administrator*

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Charles M. Culley, Jr.

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### *School Board*

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Nancy G. Carson, Chairperson

Dr. Mary J. Anderson  
Tinka B. Harris

Shawn M. Kelley  
George L. Spaulding

Mack A. Wright, Jr.

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### *Other Officials*

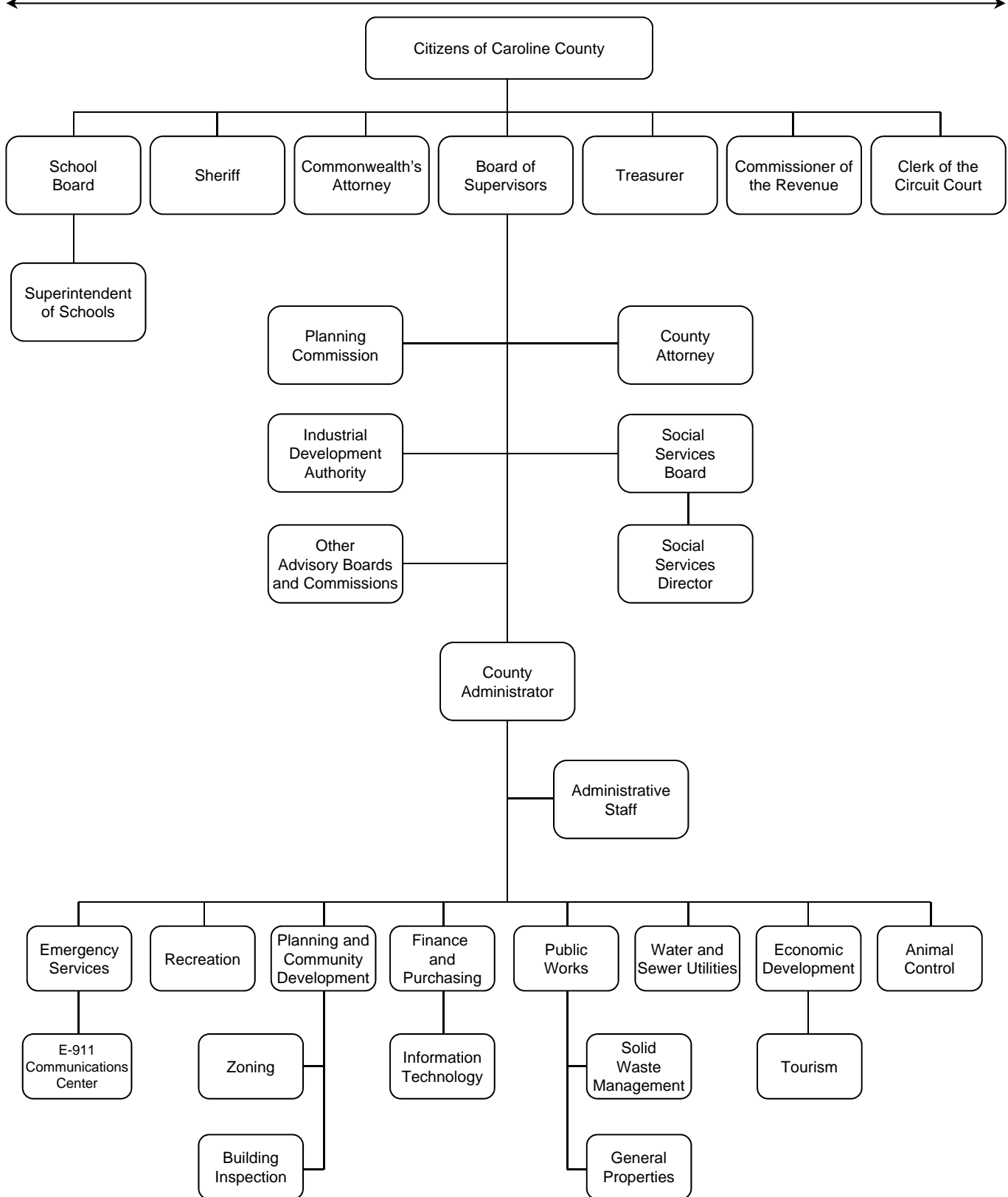
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Assistant County Administrator  
Judge of the Circuit Court  
Clerk of the Circuit Court  
Commonwealth Attorney  
Commissioner of the Revenue  
Treasurer  
Judge of the General District Court  
Judge of the Juvenile and Domestic Relations Court  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

Alan L. Partin  
Honorable Joseph J. Ellis  
Ray S. Campbell, Jr.  
Anthony G. “Tony” Spencer  
Sharon W. Carter  
Elizabeth B. Curran  
Honorable John R. Stevens  
Honorable Julian W. Johnson  
Anthony “Tony” Lippa  
Dr. Gregory Killough  
Cynthia Green  
Benjamin Emerson  
Frances Hatcher  
Lifen Zhou  
Joseph C. Schiebel  
Gary R. Wilson  
Jason Loftus  
Donnell Howard  
Mike Finchum  
Kay Brooks

# COUNTY OF CAROLINE, VIRGINIA

## ORGANIZATION CHART



## **FINANCIAL SECTION**



## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Caroline, Virginia (County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2013, 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.

## **Emphasis of Matter**

As discussed in Note 14 to the financial statements, the County restated net position to record donated capital assets and restated fund balance and net position of the School Board to remove an accrued liability for a duplicate grant reimbursement request.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 4-12 and 71-72, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financials. The accompanying schedules listed in the table of contents as other supplementary information, supplemental schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia  
February 24, 2014

## 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, 2013. 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 \$13,926,494 (Total Net Position). The County is reporting a deficit in net investment in capital assets, (net of related debt) of \$12,600,561. A deficit in the net investment in capital assets, (net of related debt) of \$15,106,264 is in Governmental Activities.
- The County's total net position decreased by \$503,473, or 3.5%, in the fiscal year ended June 30, 2013.
- The County's total outstanding long-term debt reflects a net decrease of \$3,145,000 to \$122,164,832 during the fiscal year ended June 30, 2013. \$2,778,347 of new debt was issued for the completion of the Bowling Green PK-5 School conversion and the lease purchase of a solid waste roll-off truck.

#### Fund Financial Statements

- Total fund balance of the County's Governmental Funds, reporting on a current financial resources basis, amounted to \$20,612,547 at June 30, 2013. This was a net decrease of \$8,414,615 over the prior year. The General Fund increased 2.7% (\$368,061) and the County Capital Projects Fund decreased 65% (\$8,996,914). This is due largely to the use of funding received for new projects in the prior years substantially completed during the fiscal year in the capital projects fund. Additionally, there was an increase in real estate, public service and personal property tax collections in the General Fund. Only the Comprehensive Services Fund has a negative fund balance.
- During the fiscal year ended June 30, 2013, the unassigned fund balance in the General Fund decreased by \$696,587 to \$10,901,101. This fund balance represents 26.2% of total General Fund expenditures and operating transfers, a decrease of 5.59% 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 declining.

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 Industrial Development Authority. Financial information for these component units are reported separately from the financial information presented for the primary government.

**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 twelve 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 County Capital Projects Fund, the Debt Service Fund, the Virginia Public Assistance Fund and the Proffers Fund, all of which are considered to be major funds. Data from the other seven 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 in the Financial Section of this report to demonstrate compliance with this budget. Budgetary comparison statements for other governmental funds are also provided 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. 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 and for the Vehicle Maintenance Internal Service 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. The School Division does not issue a separate annual financial report.

### 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 \$13,926,494 at June 30, 2013. The following table summarizes the County's Statement of Net Position:

#### County of Caroline, Virginia Summary Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 43,495,495	\$ 51,618,005	\$ 6,245,987	\$ 11,201,633	\$ 49,741,482	\$ 62,819,638
Capital assets, net	55,184,485	54,539,740	47,908,176	39,476,025	103,092,661	94,015,765
Total assets	98,679,980	106,157,745	54,154,163	50,677,658	152,834,143	156,835,403
Current liabilities	22,430,403	18,393,974	2,221,168	1,138,636	24,651,571	19,532,610
Long-term liabilities outstanding	69,758,641	76,198,088	44,497,437	46,674,738	114,256,078	122,872,826
Total liabilities	92,189,044	94,592,062	46,718,605	47,813,374	138,907,649	142,405,436
Net Position:						
Net investment in capital assets	(15,106,264)	(2,755,127)	2,505,703	8,238,132	(12,600,561)	5,483,005
Restricted	8,348,530	16,479,118	4,712,149	-	13,060,679	16,479,118
Unrestricted (deficit)	13,248,670	(2,158,308)	217,706	(5,373,848)	13,466,376	(7,532,156)
Total net position	\$ 6,490,936	\$ 11,565,683	\$ 7,435,558	\$ 2,864,284	\$ 13,926,494	\$ 14,429,967

The County is reporting an increase in the balance of unrestricted net position due to the decrease in restricted net position. A portion of the County's assets, \$10,907,123, 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 \$43,287,028 at June 30, 2012 to \$25,089,911. The County's net investment in capital assets decreased by \$18,083,566, and its long-term liabilities decreased by \$8,616,748 over the same period.

As previously indicated, the County's net position decreased \$503,473. Net position of governmental activities decreased by \$5,074,747 and those of business-type activities, the County's water and sewer utility operations, increased \$4,571,274. The following table summarizes the change in the County's net position as shown in the Statement of Activities:

**County of Caroline, Virginia  
Statement of Changes in Net Position**

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 2,432,696	\$ 2,529,052	\$ 3,891,144	\$ 2,879,029	\$ 6,323,840	\$ 5,408,081
Operating grants and contributions	5,435,809	5,931,154	638,344	380,573	6,074,153	6,311,727
Capital grants and contributions	158,272	83,646	-	-	158,272	83,646
Total program revenues	8,026,777	8,543,852	4,529,488	3,259,602	12,556,265	11,803,454
General revenues:						
General property taxes	30,700,165	30,377,123	-	-	30,700,165	30,377,123
Other sales and use taxes	1,521,998	1,527,122	-	-	1,521,998	1,527,122
Consumer utility taxes	85,816	79,963	-	-	85,816	79,963
Motor vehicle licenses	596,577	823,632	-	-	596,577	823,632
Other local taxes	2,979,025	2,833,908	-	-	2,979,025	2,833,908
Intergovernmental revenues-state	3,763,107	3,677,032	-	-	3,763,107	3,677,032
Use of money and property	273,027	218,274	22,127	44,154	295,154	262,428
Miscellaneous	643,316	259,275	971,605	151,939	740,921	411,214
Transfers	(4,630,231)	(1,079,642)	4,630,231	1,079,642	-	-
Total general revenues	35,932,800	38,716,687	4,749,963	1,275,735	40,682,763	39,992,422
Expenses:						
General government administration	3,504,203	3,373,633	-	-	3,504,203	3,373,633
Judicial administration	1,559,830	1,321,551	-	-	1,559,830	1,321,551
Public safety	12,005,540	12,399,082	-	-	12,005,540	12,399,082
Public works	3,066,768	2,488,278	-	-	3,066,768	2,488,278
Health and social services	4,569,627	4,678,442	-	-	4,569,627	4,678,442
Education	16,789,588	12,688,448	-	-	16,789,588	12,688,448
Parks, recreation and cultural	2,682,085	1,014,718	-	-	2,682,085	1,014,718
Community development	1,545,447	1,466,009	-	-	1,545,447	1,466,009
Interest and other fiscal charges	3,311,236	3,379,550	-	-	3,311,236	3,379,550
Water and sewer utilities	-	-	4,708,177	4,600,849	4,708,177	4,600,849
Total expenses	49,034,324	42,809,711	4,708,177	4,600,849	53,742,501	47,410,560
Change in net position	(5,074,747)	4,450,828	4,571,274	(65,512)	(503,473)	4,385,316
Net position, beginning	11,565,683	7,114,855	2,864,284	2,929,796	14,429,967	10,044,651
Net position, ending	\$ 6,490,936	\$ 11,565,683	\$ 7,435,558	\$ 2,864,284	\$ 13,926,494	\$ 14,429,967

Expenditures in the County's governmental activities increased 14.5% over the prior year with expenditures increasing in most functions except public safety, health and welfare 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, 2013 at 60.6% of the total. Public safety spending represents 12.8% of the total. Program revenues, which include fees, charges and special purpose grants and contributions, funded 23% of total functional expenditures in fiscal year 2013, a slightly decreased level as compared to fiscal year 2012. General property tax revenues rose 1% over the prior year and total general revenues for the County's governmental activities decreased 7.2%. In the County's business-type activities, expenditures increased 2.3% and program revenues increased 39% from the prior year. The County's water and sewer utility operations realized a slight growth 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 and amortization 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 \$20,612,547 at June 30, 2013, \$8,348,530 of that balance is reserved by external restrictions, \$1,406,781 is committed or assigned and the remaining \$10,857,236 is unassigned. Fund balances in the governmental funds decreased \$8,414,615 during the fiscal year ended June 30, 2013. Fund balance in the General Fund increased by \$368,061. Expenditures for the conversion of a primary school to a PK-5 school, construction of a YMCA, purchase of a solid waste roll-off truck and completion of construction of a new library were offset by the borrowing of funds for library and school debt in the prior year and capital leases, resulting in a decrease of \$8,996,914 in the fund balance of the County Capital Projects Fund.

In the General Fund, fund balance increased to \$13,515,768, a 2.8% increase over the prior year. General property taxes remain the primary revenue source in the General Fund contributing 71.2% of the total during fiscal year 2013, slightly more than in the prior year. Intergovernmental revenue from the Commonwealth of Virginia remained at 12.5%, as in the prior year and the share added by other local taxes remained at just under 9% for a third year. Education consumed the bulk of the General Fund's expenditures (34.8%). Public Safety (35.3%) and Public Works (8.4%) 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 Caroline County Utility Fund had a net position of \$4,981,619 at June 30, 2013, an increase over the previous year of \$4,052,709. The County made significant investments in the utility system over the last ten years that have not yet been fully recovered through revenues in the fund. The County's main utility fund reported a net operating gain for the fiscal year ended June 20, 2013 of \$72,440, a 30.9% improvement from last fiscal year due to the increase in user fees. The Dawn Wastewater System Fund reported a net operating loss of \$125,402, a 22% decrease from last fiscal year. This year was the fifth full year of operation for the Dawn system and the fourth full year of depreciation of \$123,614.

### **General Fund Budgetary Highlights**

The original adopted budget of the General Fund was increased by 8.9% or \$3,531,253. Following is a partial summary of these increases/reductions by function:

- \$ 40,059 for General Government Administration
- \$ 62,448 for Judicial Administration
- \$ 303,355 for Public Safety
- \$ 55,577 for Public Works
- \$ 10,900 for Parks, Recreation and Cultural
- \$ (24,350) for Community Development
- \$ (27,800) for Non-departmental
- \$3,111,064 for Transfers to Other Funds

Actual revenue collections were \$1,903,273 greater than the final budget estimates. Revenue from fines and forfeitures and charges for services were below revenue projections. An increase in the sale of foreclosed homes and increased collection efforts contributed \$1,276,434 of the increase for general property taxes.

Actual expenditures totaled \$613,374 less than the amended budget appropriations, a variance of only 1.9%. Transfers out to other funds were \$1,005,057 over budget, a variance of 9.1%. The function of general government administration exceeded the final amended budget appropriation by \$581. Actual expenditures fell under amended appropriations in all other functions.

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

**Capital Assets.** The County's total investment in capital assets for governmental and business-type activities amounted to \$103,092,661 as of June 30, 2013, net of accumulated depreciation and amortization. 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:

- \$ 133,840 for solid waste roll off truck
- \$ 8,063,368 for construction of Bowling Green Primary School to a PK-5 school
- \$ 42,863 for completion of the Dawn Library project
- \$ 8,707,515 in various water and wastewater system improvements and equipment

**Long-Term Debt.** At June 30, 2013, the County's total long-term debt amounted to \$122,164,832. This total is comprised of:

- \$37,202,629 in lease revenue bonds issued through the County's Industrial Development Authority for a variety of general government, school and business-type activity improvements and equipment acquisitions.
- \$44,842,473 in utility system revenue bonds for the improvement and expansion of the County's utility enterprise operations and landfill closure.
- \$32,908,260 in general obligation bonds issued for the construction and improvement of County public schools and utility projects.
- \$1,186,036 in capital lease obligations for general government radio and motor vehicle equipment.
- \$3,057,829 as the County's liability for post-closure care of the former County Sanitary Landfill.
- \$1,261,815 in accrued liabilities for leave benefits earned by County employees.
- \$1,705,790 for OPEB liabilities for County employees.

Payments made to retire County long-term debt totaled \$5,937,304 during the fiscal year ended June 30, 2013. Three long-term debt transactions were completed during the fiscal year: a \$1,085,447 VPSA Qualified School Construction bond and a \$1,450,000 VPSA School bond were issued to complete the conversion of a primary school to a PK-5 school; and a \$133,840 capital lease for the purchase of a solid waste roll-off truck.

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

- The population of Caroline County, based on the 2010 census has grown 3% since the April 2010 census to an estimated 29,115.
- The County conducted a real property reassessment during fiscal year 2010, effective January 2011, to ensure 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 increased from 6.7% to 6.9% and revenues were stable.
- 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, 2013 which is an increase of 36 permits over the fiscal year ended June 30, 2012. Commercial development has declined from 25 new commercial structures in fiscal year June 30, 2007 to four in fiscal year 2013, again an increase of three over the prior year.

These and many other factors were considered in preparing the County's budget for fiscal year 2014. The fiscal year 2014 General Fund budget (excluding capital investments) increased 4.5%. Fiscal year 2014 budget includes increased funding for schools, debt service payments and a 3% pay increase for all County employees, the first in five years. The fiscal year 2014 General Fund budget also includes increased funding for mandated services for the Comprehensive Services Act for At-Risk Youth and Families and increased transfers to both utility funds. Capital investments reflect a budget decrease of \$6,638,529 million due to funding restrictions. The adopted real estate rate for calendar year 2013 remained at \$0.72 per hundred dollars of assessed value. Personal property tax rates were increased to \$3.80 and the assessed values were changed from 100% of clean retail to 100% of trade-in value. Proration of personal property was also adopted for calendar tax year 2013.

### **Requests for Information**

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

# **BASIC FINANCIAL STATEMENTS**

COUNTY OF CAROLINE, VIRGINIA

Exhibit 1

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	IDA
<b>ASSETS</b>					
Cash, cash equivalents and temporary cash investments	\$ 14,918,109	\$ 524,408	\$ 15,442,517	\$ 1,530,200	\$ 314,014
Receivables, net:					
Property taxes	18,595,020	-	18,595,020	-	-
Other accounts	819,745	357,803	1,177,548	-	-
Due from other governments	2,568,189	331,758	2,899,947	3,650,703	-
Internal balances	399,458	(399,458)	-	-	-
Restricted cash	6,194,974	4,712,149	10,907,123	-	-
Financing costs, net of accumulated amortization	-	719,327	719,327	-	-
Capital assets, net of accumulated depreciation and amortization:					
Land	1,242,883	412,977	1,655,860	739,789	-
Buildings	54,098,939	987,624	55,086,563	17,142,246	-
Improvements other than buildings	5,518,793	34,533,199	40,051,992	92,806	-
Equipment	10,434,163	1,201,570	11,635,733	6,056,333	-
Intangibles	227,794	-	227,794	-	-
Construction in progress	8,954,923	19,696,825	28,651,748	-	-
Less: accumulated depreciation and amortization	(25,293,010)	(8,924,019)	(34,217,029)	(15,741,665)	-
<b>Total assets</b>	<b>98,679,980</b>	<b>54,154,163</b>	<b>152,834,143</b>	<b>13,470,412</b>	<b>314,014</b>

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	IDA
<b>LIABILITIES</b>					
Accounts payable	\$ 1,023,812	\$ 565,677	\$ 1,589,489	\$ 139,814	\$ -
Accrued payroll	359,177	20,917	380,094	3,459,211	-
Other accrued liabilities	619,849	20,368	640,217	-	-
Insurance and benefit claims	131,832	9,769	141,601	-	-
Accrued interest	1,011,288	545,176	1,556,464	17,103	-
Customer deposits	-	92,108	92,108	-	-
Unearned revenue	12,855,363	-	12,855,363	349,980	-
Due to other governments	1,960,327	-	1,960,327	-	-
Noncurrent liabilities:					
Due within one year:					
Bonds payable	4,125,996	962,304	5,088,300	-	-
Capital leases	273,719	-	273,719	48,423	-
Compensated absences	69,040	4,849	73,889	52,293	-
Due in more than one year:					
Bonds payable, net	65,424,893	44,440,169	109,865,062	-	-
Capital leases	466,141	-	466,141	397,753	-
Landfill obligation	3,057,829	-	3,057,829	-	-
Compensated absences	621,360	43,638	664,998	470,635	-
Other postemployment benefits	188,418	13,630	202,048	1,503,742	-
<b>Total liabilities</b>	<b>92,189,044</b>	<b>46,718,605</b>	<b>138,907,649</b>	<b>6,438,954</b>	<b>-</b>

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	IDA
<b>NET POSITION</b>					
Net investment in capital assets	\$ (15,106,264)	\$ 2,505,703	\$ (12,600,561)	\$ 7,843,333	\$ -
Restricted:					
Capital projects	4,947,509	4,712,149	9,659,658	-	-
Debt service	1,827,272	-	1,827,272	-	-
Social services	32,803	-	32,803	-	-
Law enforcement	1,000	-	1,000	-	-
Public safety grants	67,172	-	67,172	-	-
Fire/rescue	2,000	-	2,000	-	-
Fire/rescue grants	227,360	-	227,360	-	-
Housing	84,332	-	84,332	-	-
Courthouse maintenance	54,739	-	54,739	-	-
Tourism	22,026	-	22,026	-	-
Ladysmith Commons road improvements	37,499	-	37,499	-	-
Ladysmith library	122,222	-	122,222	-	-
Ladysmith recreation	132,707	-	132,707	-	-
Law library	668	-	668	-	-
YMCA construction	5,750	-	5,750	-	-
Road improvements	783,471	-	783,471	-	-
Unrestricted (deficit)	13,248,670	217,706	13,466,376	(811,875)	314,014
<b>Total net position</b>	<b>\$ 6,490,936</b>	<b>\$ 7,435,558</b>	<b>\$ 13,926,494</b>	<b>\$ 7,031,458</b>	<b>\$ 314,014</b>

See Notes to Financial Statements.

COUNTY OF CAROLINE, VIRGINIA

Exhibit 2

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

					Net (Expense) Revenue and Changes in Net Position					
		Program Revenues			Primary Government			Component Units		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	School Board	IDA	
Primary Government:										
Governmental activities:										
General government administration	\$ 3,504,203	\$ 1,116	\$ 248,901	\$ 53,975	\$ (3,200,211)	\$ -	\$ (3,200,211)	\$ -	\$ -	
Judicial administration	1,559,830	234,838	613,469	-	(711,523)	-	(711,523)	-	-	
Public safety	12,005,540	1,812,613	1,848,958	22,450	(8,321,519)	-	(8,321,519)	-	-	
Public works	3,066,768	26,262	-	-	(3,040,506)	-	(3,040,506)	-	-	
Health and welfare	4,569,627	-	2,676,028	-	(1,893,599)	-	(1,893,599)	-	-	
Education	16,789,588	-	-	-	(16,789,588)	-	(16,789,588)	-	-	
Parks, recreation and cultural	2,682,085	83,495	48,453	-	(2,550,137)	-	(2,550,137)	-	-	
Community development	1,545,447	274,372	-	81,847	(1,189,228)	-	(1,189,228)	-	-	
Interest	3,311,236	-	-	-	(3,311,236)	-	(3,311,236)	-	-	
<b>Total governmental activities</b>	<b>49,034,324</b>	<b>2,432,696</b>	<b>5,435,809</b>	<b>158,272</b>	<b>(41,007,547)</b>	<b>-</b>	<b>(41,007,547)</b>	<b>-</b>	<b>-</b>	
Business-type activities:										
Public utilities	4,708,177	3,891,144	638,344	-	-	(178,689)	(178,689)	-	-	
<b>Total business-type activities</b>	<b>4,708,177</b>	<b>3,891,144</b>	<b>638,344</b>	<b>-</b>	<b>-</b>	<b>(178,689)</b>	<b>(178,689)</b>	<b>-</b>	<b>-</b>	
<b>Total primary government</b>	<b>\$ 53,742,501</b>	<b>\$ 6,323,840</b>	<b>\$ 6,074,153</b>	<b>\$ 158,272</b>	<b>(41,007,547)</b>	<b>(178,689)</b>	<b>(41,186,236)</b>	<b>-</b>	<b>-</b>	
Component Units:										
Caroline County School Board	\$ 40,743,425	\$ 718,815	\$ 28,106,838	\$ -	-	-	-	(11,917,772)	-	
Industrial Development Authority	13,313	1,028	150,429	-	-	-	-	-	138,144	
<b>Total component units</b>	<b>\$ 40,756,738</b>	<b>\$ 719,843</b>	<b>\$ 28,257,267</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,917,772)</b>	<b>138,144</b>	

See Notes to Financial Statements.

General Revenues:					
Taxes:					
General property taxes	30,700,165	-	30,700,165	-	-
Other local taxes:					
Local sales and use	1,521,998	-	1,521,998	-	-
Consumer utility	85,816	-	85,816	-	-
Motor vehicle licenses and registration fees	596,577	-	596,577	-	-
Other	2,979,025	-	2,979,025	-	-
Grants and contributions not restricted to specific programs	-	-	-	15,612,548	-
Intergovernmental, non-categorical aid	3,763,107	-	3,763,107	-	-
Use of money and property	273,027	22,127	295,154	256	815
Miscellaneous	643,316	97,605	740,921	15,883	-
Transfers	(4,630,231)	4,630,231	-	-	-
<b>Total general revenues</b>	<b>35,932,800</b>	<b>4,749,963</b>	<b>40,682,763</b>	<b>15,628,687</b>	<b>815</b>
<b>Change in net position</b>	<b>(5,074,747)</b>	<b>4,571,274</b>	<b>(503,473)</b>	<b>3,710,915</b>	<b>138,959</b>
Net position, beginning, as restated	11,565,683	2,864,284	14,429,967	3,320,543	175,055
Net position, ending	<u>\$ 6,490,936</u>	<u>\$ 7,435,558</u>	<u>\$ 13,926,494</u>	<u>\$ 7,031,458</u>	<u>\$ 314,014</u>



COUNTY OF CAROLINE, VIRGINIA

Exhibit 3

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013**

	General	Debt Service	County Capital Projects	Proffers	Virginia Public Assistance	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash, cash equivalents and temporary cash investments	\$ 12,347,185	\$ 439,961	\$ 535,121	\$ 1,186,300	\$ 29,628	\$ 374,908	\$ 14,913,103
Receivables, net:							
Property taxes	18,595,020	-	-	-	-	-	18,595,020
Other accounts	672,533	126,077	-	-	-	21,135	819,745
Due from other governments	2,031,952	55,119	58,657	-	143,191	279,270	2,568,189
Due from other funds	574,512	-	-	-	-	-	574,512
Restricted cash	1,660,146	17	4,534,811	-	-	-	6,194,974
<b>Total assets</b>	<b>\$ 35,881,348</b>	<b>\$ 621,174</b>	<b>\$ 5,128,589</b>	<b>\$ 1,186,300</b>	<b>\$ 172,819</b>	<b>\$ 675,313</b>	<b>\$ 43,665,543</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 538,754	\$ -	\$ 282,731	\$ -	\$ 3,074	\$ 186,948	\$ 1,011,507
Accrued payroll	359,177	-	-	-	-	-	359,177
Other accrued liabilities	598,384	-	-	-	16,552	4,913	619,849
Insurance and benefit claims	115,476	-	-	-	16,356	-	131,832
Due to other governments	1,960,327	-	-	-	-	-	1,960,327
Due to other funds	-	-	-	-	-	175,054	175,054
Deferred revenue	18,793,462	1,788	-	-	-	-	18,795,250
<b>Total liabilities</b>	<b>22,365,580</b>	<b>1,788</b>	<b>282,731</b>	<b>-</b>	<b>35,982</b>	<b>366,915</b>	<b>23,052,996</b>
<b>FUND BALANCES</b>							
Restricted for:							
Capital projects	-	-	4,845,858	101,651	-	-	4,947,509
Debt service	1,827,272	-	-	-	-	-	1,827,272
Social services	-	-	-	-	32,803	-	32,803
Law enforcement	-	-	-	1,000	-	-	1,000
Public safety grants	-	-	-	-	-	67,172	67,172
Fire/rescue	-	-	-	2,000	-	-	2,000
Fire/rescue grants	-	-	-	-	-	227,360	227,360
Housing	-	-	-	-	-	84,332	84,332
Courthouse maintenance	-	-	-	-	-	54,739	54,739
Law library	-	-	-	-	-	668	668
Tourism	-	-	-	-	-	22,026	22,026
Ladysmith Commons road improvements	-	-	-	37,499	-	-	37,499
Ladysmith library	-	-	-	122,222	-	-	122,222
Ladysmith recreation	-	-	-	132,707	-	-	132,707
YMCA construction	-	-	-	5,750	-	-	5,750
Road improvements	-	-	-	783,471	-	-	783,471
Committed to:							
Capital projects	366,000	-	-	-	-	-	366,000
Assigned to:							
Operations	144,071	-	-	-	-	-	144,071
Capital projects	277,324	-	-	-	-	-	277,324
Debt service	-	619,386	-	-	-	-	619,386
Unassigned:							
General fund	10,901,101	-	-	-	-	-	10,901,101
Social services	-	-	-	-	104,034	-	104,034
Comprehensive services	-	-	-	-	-	(147,899)	(147,899)
<b>Total fund balances</b>	<b>13,515,768</b>	<b>619,386</b>	<b>4,845,858</b>	<b>1,186,300</b>	<b>136,837</b>	<b>308,398</b>	<b>20,612,547</b>
<b>Total liabilities and fund balances</b>	<b>\$ 35,881,348</b>	<b>\$ 621,174</b>	<b>\$ 5,128,589</b>	<b>\$ 1,186,300</b>	<b>\$ 172,819</b>	<b>\$ 675,313</b>	<b>\$ 43,665,543</b>

See Notes to Financial Statements.

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2013**

	Governmental Funds	
Total fund balances - total governmental funds	\$ 20,612,547	
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	\$ 79,996,629	
Less accumulated depreciation and amortization	(24,880,863)	
Net capital assets		55,115,766
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		
		5,939,887
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		
		61,420
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Bonds payable, including unamortized premiums	(69,550,889)	
Capital leases	(739,860)	
Landfill obligation	(3,057,829)	
Compensated absences	(690,400)	
Interest payable	(1,011,288)	
Other postemployment benefits	(188,418)	
		(75,238,684)
<b>Net position of governmental activities</b>		<b>\$ 6,490,936</b>

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	General	Debt Service	County Capital Projects	Proffers	Virginia Public Assistance	Other Governmental Funds	Total Governmental Funds
Revenues:							
General property taxes	\$ 29,981,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,981,769
Other local taxes	3,656,263	1,395,670	-	-	-	131,483	5,183,416
Permits, privilege fees and regulatory licenses	480,770	-	-	-	-	-	480,770
Fines and forfeitures	463,215	-	-	-	-	-	463,215
Use of money and property	71,247	111,617	25,858	8,261	-	56,044	273,027
Charges for services	989,277	-	-	-	-	28,495	1,017,772
Miscellaneous	256,139	46,712	-	294,776	13,237	32,452	643,316
Recovered costs	470,939	-	-	-	-	-	470,939
Intergovernmental	5,726,345	640,591	81,847	-	1,652,715	1,179,265	9,280,763
<b>Total revenues</b>	<b>42,095,964</b>	<b>2,194,590</b>	<b>107,705</b>	<b>303,037</b>	<b>1,665,952</b>	<b>1,427,739</b>	<b>47,794,987</b>
Expenditures:							
Current:							
General government administration	2,974,843	-	-	-	-	-	2,974,843
Judicial administration	1,256,005	-	-	-	-	15,499	1,271,504
Public safety	11,213,621	-	-	-	-	98,348	11,311,969
Public works	2,661,656	-	-	-	-	-	2,661,656
Health and welfare	621,484	-	-	-	2,137,499	1,837,275	4,596,258
Education	11,055,989	-	-	-	-	-	11,055,989
Parks, recreation and cultural	662,455	-	-	-	-	-	662,455
Community development	1,204,015	-	-	-	-	139,005	1,343,020
Capital outlay	-	-	10,279,612	-	-	-	10,279,612
Debt service:							
Principal	-	4,779,582	-	-	-	-	4,779,582
Interest and fiscal charges	87,650	3,267,372	75,808	-	-	-	3,430,830
<b>Total expenditures</b>	<b>31,737,718</b>	<b>8,046,954</b>	<b>10,355,420</b>	<b>-</b>	<b>2,137,499</b>	<b>2,090,127</b>	<b>54,367,718</b>
<b>Revenues over (under) expenditures</b>	<b>10,358,246</b>	<b>(5,852,364)</b>	<b>(10,247,715)</b>	<b>303,037</b>	<b>(471,547)</b>	<b>(662,388)</b>	<b>(6,572,731)</b>
Other financing sources (uses):							
Transfers in	-	4,809,135	44,588	-	594,980	602,327	6,051,030
Transfers out	(9,990,185)	-	(496,687)	(194,389)	-	-	(10,681,261)
Issuance of debt	-	1,085,447	1,450,000	-	-	-	2,535,447
Premium on issuance of debt	-	-	119,060	-	-	-	119,060
Issuance of capital lease	-	-	133,840	-	-	-	133,840
<b>Other financing sources (uses), net</b>	<b>(9,990,185)</b>	<b>5,894,582</b>	<b>1,250,801</b>	<b>(194,389)</b>	<b>594,980</b>	<b>602,327</b>	<b>(1,841,884)</b>
<b>Net change in fund balances</b>	<b>368,061</b>	<b>42,218</b>	<b>(8,996,914)</b>	<b>108,648</b>	<b>123,433</b>	<b>(60,061)</b>	<b>(8,414,615)</b>
Fund balance, beginning	13,147,707	577,168	13,842,772	1,077,652	13,404	368,459	29,027,162
Fund balance, ending	\$ 13,515,768	\$ 619,386	\$ 4,845,858	\$ 1,186,300	\$ 136,837	\$ 308,398	\$ 20,612,547

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$ (8,414,615)	
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		
Expenditures for capital assets	\$ 8,277,672	
Less depreciation and amortization expense	<u>(3,108,295)</u>	
Excess of capital outlays over depreciation and amortization expense		5,169,377
Transfer of joint tenancy assets, net, to the School Board Component Unit		(4,556,559)
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position.		45,671
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue		718,396
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt issued or incurred:		
Bond issuance	(2,535,447)	
Premium on bond issuance	(119,060)	
Capital leases	(133,840)	
Principal repayments:		
Bonds payable	4,432,327	
Capital leases	347,255	
Landfill obligation	<u>(34,900)</u>	
		1,956,335
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest	16,856	
Compensated absences	(32,876)	
Other postemployment benefits	(55,505)	
Amortization of premium	<u>102,738</u>	
		31,213
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.		
Total revenues	186,848	
Total expenses	<u>(211,413)</u>	
		(24,565)
<b>Change in net position of governmental activities</b>	<u><u>\$ (5,074,747)</u></u>	

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2013**

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
General property taxes	\$ 28,528,296	\$ 28,528,296	\$ 29,981,769	\$ 1,453,473
Other local taxes	3,286,987	3,286,987	3,656,263	369,276
Permits, privilege fees and regulatory licenses	305,795	328,143	480,770	152,627
Fines and forfeitures	594,507	594,507	463,215	(131,292)
Use of money and property	56,802	56,802	71,247	14,445
Charges for services	1,156,513	1,156,513	989,277	(167,236)
Miscellaneous	72,500	171,093	256,139	85,046
Recovered costs	418,822	426,948	470,939	43,991
Intergovernmental	5,374,859	5,643,402	5,726,345	82,943
<b>Total revenues</b>	<b>39,795,081</b>	<b>40,192,691</b>	<b>42,095,964</b>	<b>1,903,273</b>
Expenditures:				
Current:				
General government administration	2,934,203	2,974,262	2,974,843	581
Judicial administration	1,225,480	1,287,928	1,256,005	(31,923)
Public safety	10,991,527	11,294,882	11,213,621	(81,261)
Public works	2,758,254	2,813,831	2,661,656	(152,175)
Health and social services	621,984	621,984	621,484	(500)
Education	11,216,270	11,216,270	11,055,989	(160,281)
Parks, recreation and cultural	692,493	703,393	662,455	(40,938)
Community development	1,279,692	1,255,342	1,204,015	(51,327)
Debt service:				
Interest and fiscal charges	211,000	183,200	87,650	(95,550)
<b>Total expenditures</b>	<b>31,930,903</b>	<b>32,351,092</b>	<b>31,737,718</b>	<b>(613,374)</b>
<b>Revenues over expenditures</b>	<b>7,864,178</b>	<b>7,841,599</b>	<b>10,358,246</b>	<b>2,516,647</b>
Other financing sources (uses):				
Transfers in	20,000	20,000	-	(20,000)
Transfers out	(7,884,178)	(10,995,242)	(9,990,185)	1,005,057
<b>Other financing uses, net</b>	<b>(7,864,178)</b>	<b>(10,975,242)</b>	<b>(9,990,185)</b>	<b>985,057</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(3,133,643)</b>	<b>368,061</b>	<b>3,501,704</b>
Fund balance, beginning	-	3,133,643	13,147,707	10,014,064
Fund balance, ending	\$ -	\$ -	\$ 13,515,768	\$ 13,515,768

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - VIRGINIA PUBLIC ASSISTANCE FUND  
Year Ended June 30, 2013**

	Virginia Public Assistance Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Miscellaneous	\$ 500	\$ 500	\$ 13,237	\$ 12,737
Intergovernmental	1,590,414	1,590,414	1,652,715	62,301
<b>Total revenues</b>	1,590,914	1,590,914	1,665,952	75,038
Expenditures:				
Current:				
Health and welfare	2,182,639	2,182,639	2,137,499	(45,140)
<b>Total expenditures</b>	2,182,639	2,182,639	2,137,499	(45,140)
<b>Revenues under expenditures</b>	(591,725)	(591,725)	(471,547)	120,178
Other financing sources:				
Transfers in	591,725	591,725	594,980	3,255
<b>Net change in fund balance</b>	-	-	123,433	123,433
Fund balance, beginning	-	-	13,404	13,404
Fund balance, ending	\$ -	\$ -	\$ 136,837	\$ 136,837

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - PROFFERS FUND  
Year Ended June 30, 2013**

	Proffers Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Use of money and property	\$ 5,940	\$ 8,240	\$ 8,261	\$ 21
Miscellaneous	48,000	186,160	294,776	108,616
<b>Total revenues</b>	53,940	194,400	303,037	108,637
Other financing uses:				
Transfers out	(186,238)	(194,400)	(194,389)	11
<b>Net change in fund balance</b>	(132,298)	-	108,648	108,648
Fund balance, beginning	132,298	-	1,077,652	1,077,652
Fund balance, ending	\$ -	\$ -	\$ 1,186,300	\$ 1,186,300

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	
<b>ASSETS</b>				
Current Assets:				
Cash, cash equivalents and temporary cash investments	\$ 524,408	\$ -	\$ 524,408	\$ 5,006
Other accounts receivable, net	337,200	20,603	357,803	-
Due from other governments	94,143	237,615	331,758	-
<b>Total current assets</b>	<b>955,751</b>	<b>258,218</b>	<b>1,213,969</b>	<b>5,006</b>
Noncurrent Assets:				
Restricted cash	4,712,149	-	4,712,149	-
Financing costs, net of accumulated amortization	719,327	-	719,327	-
Capital assets:				
Land	262,977	150,000	412,977	-
Buildings	987,624	-	987,624	412,315
Improvements other than buildings	29,588,652	4,944,547	34,533,199	68,551
Equipment	1,201,570	-	1,201,570	-
Construction in progress	19,230,877	465,948	19,696,825	-
Less accumulated depreciation and amortization	(8,408,962)	(515,057)	(8,924,019)	(412,147)
<b>Total capital assets (net of accumulated depreciation and amortization)</b>	<b>42,862,738</b>	<b>5,045,438</b>	<b>47,908,176</b>	<b>68,719</b>
<b>Total noncurrent assets</b>	<b>48,294,214</b>	<b>5,045,438</b>	<b>53,339,652</b>	<b>68,719</b>
<b>Total assets</b>	<b>49,249,965</b>	<b>5,303,656</b>	<b>54,553,621</b>	<b>73,725</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	491,074	74,603	565,677	12,305
Compensated absences	4,849	-	4,849	-
Accrued payroll	20,917	-	20,917	-
Other accrued liabilities	20,368	-	20,368	-
Insurance and benefit claims	9,769	-	9,769	-
Accrued interest	545,176	-	545,176	-
Customer deposits	91,893	215	92,108	-
Due to other funds	-	399,458	399,458	-
Bonds payable	792,630	169,674	962,304	-
<b>Total current liabilities</b>	<b>1,976,676</b>	<b>643,950</b>	<b>2,620,626</b>	<b>12,305</b>
Noncurrent Liabilities:				
Compensated absences	43,638	-	43,638	-
Other postemployment benefits	13,630	-	13,630	-
Bonds payable, net	42,234,402	2,205,767	44,440,169	-
<b>Total noncurrent liabilities</b>	<b>42,291,670</b>	<b>2,205,767</b>	<b>44,497,437</b>	<b>-</b>
<b>Total liabilities</b>	<b>44,268,346</b>	<b>2,849,717</b>	<b>47,118,063</b>	<b>12,305</b>
<b>NET POSITION</b>				
Net investment in capital assets	(164,294)	2,669,997	2,505,703	68,719
Restricted	4,712,149	-	4,712,149	-
Unrestricted (deficit)	433,764	(216,058)	217,706	(7,299)
<b>Total net position</b>	<b>\$ 4,981,619</b>	<b>\$ 2,453,939</b>	<b>\$ 7,435,558</b>	<b>\$ 61,420</b>



**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2013**

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	Internal Service Fund
Operating revenues:				
Charges for services:				
Water	\$ 971,035	\$ -	\$ 971,035	\$ -
Sewer	1,492,018	73,500	1,565,518	-
Other revenue	97,605	-	97,605	186,848
<b>Total operating revenues</b>	<b>2,560,658</b>	<b>73,500</b>	<b>2,634,158</b>	<b>186,848</b>
Operating expenses:				
Personnel services	538,057	18,200	556,257	-
Fringe benefits	207,933	4,346	212,279	-
Contractual services	201,936	4,459	206,395	-
Other charges	802,088	48,283	850,371	197,669
Depreciation and amortization	738,204	123,614	861,818	13,744
<b>Total operating expenses</b>	<b>2,488,218</b>	<b>198,902</b>	<b>2,687,120</b>	<b>211,413</b>
<b>Operating gain (loss)</b>	<b>72,440</b>	<b>(125,402)</b>	<b>(52,962)</b>	<b>(24,565)</b>
Nonoperating revenues (expenses):				
Connection availability fees	1,333,221	21,370	1,354,591	-
Interest revenue	22,127	-	22,127	-
Federal revenue - BABs subsidy	376,573	-	376,573	-
Federal revenue - STAG grant	-	180,752	180,752	-
Revenue from the Commonwealth - DEQ grant	-	81,019	81,019	-
Interest expense	(1,793,965)	-	(1,793,965)	-
Loss on disposal of capital assets	(227,092)	-	(227,092)	-
<b>Total nonoperating revenues (expenses), net</b>	<b>(289,136)</b>	<b>283,141</b>	<b>(5,995)</b>	<b>-</b>
<b>Income (loss) before transfers</b>	<b>(216,696)</b>	<b>157,739</b>	<b>(58,957)</b>	<b>(24,565)</b>
Transfers in	4,269,405	360,826	4,630,231	-
<b>Change in net position</b>	<b>4,052,709</b>	<b>518,565</b>	<b>4,571,274</b>	<b>(24,565)</b>
Net position, beginning, as restated	928,910	1,935,374	2,864,284	85,985
Net position, ending	\$ 4,981,619	\$ 2,453,939	\$ 7,435,558	\$ 61,420

See Notes to Financial Statements.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2013**

	Business-type Activities - Enterprise Funds			Governmental
	Caroline	Dawn		Activity -
	County	Wastewater		Internal
	Utility	System		Service
	Fund	Fund	Totals	Fund
Cash Flows From Operating Activities:				
Receipts from customers	\$ 2,476,704	\$ 78,164	\$ 2,554,868	\$ -
Payments to suppliers for goods and services	(584,156)	80,974	(503,182)	10,009
Payments to employees for services	(743,993)	(22,546)	(766,539)	-
Internal activity - payments to other funds	-	-	-	(197,669)
Other receipts	97,605	-	97,605	186,848
<b>Net cash provided by (used in) operating activities</b>	<b>1,246,160</b>	<b>136,592</b>	<b>1,382,752</b>	<b>(812)</b>
Cash Flows from Noncapital Financing Activities:				
Transfers from other funds	4,269,405	360,826	4,630,231	-
<b>Net cash provided by noncapital financing activities</b>	<b>4,269,405</b>	<b>360,826</b>	<b>4,630,231</b>	<b>-</b>
Cash Flows From Capital and Related Financing Activities:				
Payment of advance from other funds	(5,124,011)	-	(5,124,011)	-
Advance from other funds	-	165,089	165,089	-
Grant revenue	376,573	24,156	400,729	-
Connection availability fees	1,333,221	21,370	1,354,591	-
Principal paid on bonds	(941,488)	(169,674)	(1,111,162)	-
Interest and other fiscal charges	(1,864,514)	-	(1,864,514)	-
Acquisition and construction of capital assets	(9,458,749)	(538,359)	(9,997,108)	-
<b>Net cash used in capital and related financing activities</b>	<b>(15,678,968)</b>	<b>(497,418)</b>	<b>(16,176,386)</b>	<b>-</b>
Cash Flows From Investing Activities:				
Interest received on investment securities	22,127	-	22,127	-
<b>Net cash provided by investing activities</b>	<b>22,127</b>	<b>-</b>	<b>22,127</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,141,276)</b>	<b>-</b>	<b>(10,141,276)</b>	<b>(812)</b>
Cash and Cash Equivalents:				
Beginning	15,377,833	-	15,377,833	5,818
Ending	\$ 5,236,557	\$ -	\$ 5,236,557	\$ 5,006

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental
	Caroline	Dawn		Activity -
	County	Wastewater		Internal
	Utility	System		Service
	Fund	Fund	Totals	Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 72,440	\$ (125,402)	\$ (52,962)	\$ (24,565)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	738,204	123,614	861,818	13,744
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(25,299)	4,664	(20,635)	-
Increase in:				
Accounts payable and deposits	401,372	133,651	535,023	10,009
Accrued liabilities	59,443	65	59,508	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,246,160</b>	<b>\$ 136,592</b>	<b>\$ 1,382,752</b>	<b>\$ (812)</b>
Schedule of Noncash Capital and Related Financing Activities:				
Capital assets acquired through incurrence of accounts payable	\$ 403,636	\$ 72,411	\$ 476,047	\$ -

**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2013**

	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash, cash equivalents and temporary cash investments	\$ 268,085
	<hr/>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 4,011
Amounts held for consortium	38,704
Refundable escrow deposits payable	225,370
	<hr/>
<b>Total liabilities</b>	\$ 268,085
	<hr/>

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies

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

The financial statements of the County of Caroline, Virginia (County), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As required by GAAP, these financial statements present the activities of the County and its component units. Blended component units, although legally separate entities, are in substance, part of the County's operations and, therefore, data from these units are combined with data of the primary government.

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

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

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

#### A. Reporting Entity

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

The County has no blended component units at June 30, 2013.

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### A. Reporting Entity (Continued)

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

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

##### B. Other Related Organizations

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

The Commission was created to enhance the region for protection of the citizens by the construction, equipping, maintenance, and operation of a new juvenile detention facility serving the 12 member jurisdictions. The Commission is fiscally independent of the County because substantially all of its income is generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. During the year, the County payments to the Commission totaled \$199,261. Separate audited financial statements are available from the Commission, c/o the County of James City, P. O. Box 8784, Williamsburg, VA 23187-8784.

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### B. Other Related Organizations (Continued)

The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the County is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. The County made per diem contributions totaling \$2,041,742 in fiscal year 2013. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

##### C. Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Budgetary comparison schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons.

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

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

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

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



## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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

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

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

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

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Internal Service Fund – accounts 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 fund is the Vehicle Maintenance Fund.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **E. Cash and Cash Equivalents**

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

##### **F. Investments**

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

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

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

##### **G. Receivables and Payables**

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$754,000 at June 30, 2013 and is comprised solely of property taxes.

##### Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 5/December 5 (50% each date)	June 5/December 5 (50% each date)
Lien Date	June 6/December 6	June 6/December 6

The County bills and collects its own property taxes. The County reassesses all existing real property every four to five years and the last reassessment was completed in 2011.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### H. Restricted Cash

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

##### I. Capital Assets

Capital assets are reported in the applicable column in the government-wide financial statements for both the County and the component unit – School Board. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. The Commonwealth of Virginia, not the County, has primary responsibility to construct and maintain infrastructure, such as streets and bridges, within the County. The County may, at its option, contribute to improvements to the road system. Such expenditures would be expensed during the year incurred. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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.

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

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

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

Assets	Years
Buildings	20-40
Motor vehicles and equipment	3-10
Improvements other than buildings	5-50

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **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 recognized for that portion of accumulated 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. 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, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### **L. Net Position**

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### M. Fund Equity

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

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

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

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

##### N. Use of Estimates

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

#### Note 2. Budgetary Data

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

1. Prior to March 1, the County Administrator submits to the Board of Supervisors a proposed operating capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. The Board of Supervisors conducts work sessions to review the budget and public hearings are required to be conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within the primary government's departments; however, the Component Unit – School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds of the County and Component Unit – School Board.
6. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
7. Appropriations lapse on June 30.
8. The original budget presented in the accompanying financial statements is the budget as provided in the Appropriation Resolution adopted by the Board of Supervisors. The final amended budget presented in the financial statements is the budget, amended as indicated above, as of the June 30 year end.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Deposits and Investments

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

#### Investments

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

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

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.



## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Deposits and Investments (Continued)

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 Virginia Security for Public Deposits Act. At year end, none of the County's deposits were exposed to custodial credit risk.

Custodial Credit Risk (Investments). The County's investment policy does not specifically address custodial credit risk.

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

The County's rated debt investments as of June 30, 2013 are presented in the following table using the Standard & Poor's rating scale.

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
Local Government Investment Pool	\$ 7,883,618	\$ -
Virginia State Non-Arbitrage Pool	7,618,120	-
U.S. Treasury Securities	2,810,806	-
Repurchase Agreements – Underlying: U.S. Agency Securities	-	5,221,027
Total	<u>\$ 18,312,544</u>	<u>\$ 5,221,027</u>

#### Investment Policy

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

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Deposits and Investments (Continued)

##### Deposits

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

The Act places certain guidelines upon deposits as follows:

- The amount of such deposits shall not exceed the current insured limits of the FDIC or FSLIC unless secured by eligible collateral equal to 50% of the deposits held by banks and 100% of deposits held by savings and loan association. Eligible collateral consists of securities authorized as legal investments for other public funds of the Commonwealth and securities acceptable under U. S. Treasury Department regulations. The collateral shall be deposited with the State Treasurer or with the approval of the Treasury Board, collateral may be deposited with the Federal Reserve Bank of Richmond, The Federal Home Loan Bank, or other national or state chartered bank.

The maturity of deposits in banks and savings and loan associations shall not exceed one year.

##### Investments

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

##### Diversification of Investments

Diversification by Instrument – percent of portfolio not to exceed:

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Deposits and Investments (Continued)

##### Diversification of Investments (Continued)

##### Diversification by Financial Institution:

Bankers' Acceptances	No more than 40% of the total portfolio with any one institution
Repurchase Agreements	No more than 25% of the total portfolio with any one institution
Certificates of Deposit – Commercial Banks	Up to 100% of the total portfolio with any one institution
Certificates of Deposit – Savings and Loan Associations	No more than \$100,000 with any one institution
Commercial Paper	No more than 5% of the total portfolio with any one institution
Automated Government Money Trust	50% of the total portfolio limit

##### Diversification of funds to be invested in any one issue:

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

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

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

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2013, 77% of the County's investments were invested in "AAAm" rated Money Market Funds. All credit ratings presented in this paragraph are Standard & Poor's ratings.

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than One Year
U.S. Treasury Securities	\$ 2,810,806	\$ 2,810,806
Repurchase Agreements – Underlying:		
U.S. Agency Securities	5,221,027	5,221,027
Total	<u>\$ 8,031,833</u>	<u>\$ 8,031,833</u>

# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Deposits and Investments (Continued)

External Investment Pools. The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the SNAP and LGIP is the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

### Note 4. Due From Other Governments

At June 30, 2013, the County had receivables due from other governments as follows:

	Primary Government	Business-type Activities	Component Unit - School Board
Other Local Governments:			
County of Caroline	\$ -	\$ -	\$ 1,960,327
Commonwealth of Virginia:			
Local sales tax	280,031	-	-
Communications tax	126,944	-	-
DEQ grant	-	56,863	-
Mobile home titling tax	8,737	-	-
Victim witness grant	10,623	-	-
School fund grants	-	-	25,307
VPA funds	51,061	-	-
State sales tax	-	-	744,197
Constitutional officer reimbursements	155,182	-	-
Rolling stock tax	3,876	-	-
Comprehensive services	201,386	-	-
Personal property tax relief funds	1,147,226	-	-
Wireless funds	15,796	-	-
Soil conservationist reimbursement	140,373	-	-
Domestic violence grant	25,851	-	-
DMV license agent fee	11,967	-	-
Recordation tax	60,693	-	-
School resource officer	32,978	-	-
Rental - Health Department	6,300	-	-
Other state funds	26,198	-	-
Fire programs fund	77,884	-	-

# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Due From Other Governments (Continued)

	Primary Government	Business-type Activities	Component Unit - School Board
Federal Government:			
School fund grants	\$ -	\$ -	\$ 920,872
SAFER	13,341	-	-
VPA funds	92,180	-	-
FEMA funds	12,120	-	-
TEA 21 – Tourism Center	58,758	-	-
BAB's subsidy	-	94,143	-
STAG grant	-	180,752	-
Other federal grants	8,785	-	-
Total due from other governments	\$ 2,568,189	\$ 331,758	\$ 3,650,703

Amounts due to other governments are as follows:

Other Local Governments:			
Caroline County School Board	\$ 1,960,327	\$ -	\$ -

### Note 5. Interfund Obligations

Details of the County's interfund receivables and payables as of June 30, 2013 are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 574,512	\$ -
Comprehensive Services	-	175,054
<b>Total Governmental Funds</b>	<b>\$ 574,512</b>	<b>\$ 175,054</b>
Enterprise Funds:		
Dawn Wastewater System	\$ -	\$ 399,458
<b>Total All Funds</b>	<b>\$ 574,512</b>	<b>\$ 574,512</b>

The outstanding balances between funds result from loans from the General Fund to eliminate a deficit cash balance in those funds.

# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

#### Primary Government:

	Beginning Balance, as Restated	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
General government:				
Capital assets, not being depreciated or amortized:				
Land	\$ 1,212,883	\$ 30,000	\$ -	\$ 1,242,883
Construction in progress	1,857,891	8,083,040	(986,008)	8,954,923
<b>Total capital assets, not being depreciated or amortized</b>	<b>3,070,774</b>	<b>8,113,040</b>	<b>(986,008)</b>	<b>10,197,806</b>
Capital assets, being depreciated or amortized:				
Buildings	61,851,864	-	(8,165,240)	53,686,624
Improvements other than buildings	5,426,267	23,975	-	5,450,242
Intangibles	213,294	14,500	-	227,794
Equipment	10,532,693	202,582	(301,112)	10,434,163
<b>Total capital assets being depreciated or amortized</b>	<b>78,024,118</b>	<b>241,057</b>	<b>(8,466,352)</b>	<b>69,798,823</b>
Less accumulated depreciation or amortization for:				
Buildings	(16,990,052)	(1,863,843)	4,594,689	(14,259,206)
Improvements other than buildings	(2,389,910)	(227,334)	-	(2,617,244)
Intangibles	(32,854)	(45,075)	-	(77,929)
Equipment	(7,224,799)	(972,043)	270,358	(7,926,484)
<b>Total accumulated depreciation or amortization</b>	<b>(26,637,615)</b>	<b>(3,108,295)</b>	<b>4,865,047</b>	<b>(24,880,863)</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>51,386,503</b>	<b>(2,867,238)</b>	<b>(3,601,305)</b>	<b>44,917,960</b>
General government capital assets, net	\$ 54,457,277	\$ 5,245,802	\$ (4,587,313)	\$ 55,115,766
Internal Service Fund:				
Capital assets, being depreciated or amortized:				
Buildings	\$ 412,315	\$ -	\$ -	\$ 412,315
Improvements other than buildings	68,551	-	-	68,551
<b>Total capital assets being depreciated or amortized</b>	<b>480,866</b>	<b>-</b>	<b>-</b>	<b>480,866</b>
Less accumulated depreciation or amortization for:				
Buildings	(329,852)	(13,744)	-	(343,596)
Improvements other than buildings	(68,551)	-	-	(68,551)
<b>Total accumulated depreciation or amortization</b>	<b>(398,403)</b>	<b>(13,744)</b>	<b>-</b>	<b>(412,147)</b>
<b>Internal Service Fund capital assets, net</b>	<b>\$ 82,463</b>	<b>\$ (13,744)</b>	<b>\$ -</b>	<b>\$ 68,719</b>

# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets (Continued)

#### Primary Government: (Continued)

	Beginning Balance, as Restated	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 1,212,883	\$ 30,000	\$ -	\$ 1,242,883
Construction in progress	1,857,891	8,083,040	(986,008)	8,954,923
<b>Total capital assets, not being depreciated or amortized</b>	<b>3,070,774</b>	<b>8,113,040</b>	<b>(986,008)</b>	<b>10,197,806</b>
Capital assets, being depreciated or amortized:				
Buildings	62,264,179	-	(8,165,240)	54,098,939
Improvements other than buildings	5,494,818	23,975	-	5,518,793
Intangibles	213,294	14,500	-	227,794
Equipment	10,532,693	202,582	(301,112)	10,434,163
<b>Total capital assets being depreciated or amortized</b>	<b>78,504,984</b>	<b>241,057</b>	<b>(8,466,352)</b>	<b>70,279,689</b>
Less accumulated depreciation or amortization for:				
Buildings	(17,319,904)	(1,877,587)	4,594,689	(14,602,802)
Improvements other than buildings	(2,458,461)	(227,334)	-	(2,685,795)
Intangibles	(32,854)	(45,075)	-	(77,929)
Equipment	(7,224,799)	(972,043)	270,358	(7,926,484)
<b>Total accumulated depreciation or amortization</b>	<b>(27,036,018)</b>	<b>(3,122,039)</b>	<b>4,865,047</b>	<b>(25,293,010)</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>51,468,966</b>	<b>(2,880,982)</b>	<b>(3,601,305)</b>	<b>44,986,679</b>
Governmental activities capital assets, net	\$ 54,539,740	\$ 5,232,058	\$ (4,587,313)	\$ 55,184,485

Depreciation and amortization expense was charged as follows:

Governmental activities:	
General government administration	\$ 537,679
Judicial administration	242,124
Public safety	682,158
Public works	325,897
Education	1,177,040
Parks, recreation and cultural	30,104
Community development	127,037
<b>Total governmental activities</b>	<b>\$ 3,122,039</b>

# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets (Continued)

#### Primary Government: (Continued)

	Beginning Balance, as Restated	Increases	(Deletions)/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 559,836	\$ -	\$ (146,859)	\$ 412,977
Construction in progress	13,192,042	9,521,061	(3,016,278)	19,696,825
<b>Total capital assets, not being depreciated or amortized</b>	<b>13,751,878</b>	<b>9,521,061</b>	<b>(3,163,137)</b>	<b>20,109,802</b>
Capital assets, being depreciated or amortized:				
Buildings	840,542	-	147,082	987,624
Improvements other than buildings	31,821,647	-	2,711,552	34,533,199
Equipment	1,124,159	-	77,411	1,201,570
<b>Total capital assets being depreciated or amortized</b>	<b>33,786,348</b>	<b>-</b>	<b>2,936,045</b>	<b>36,722,393</b>
Less accumulated depreciation or amortization for:				
Buildings	(165,830)	(22,996)	-	(188,826)
Improvements other than buildings	(7,109,505)	(745,555)	-	(7,855,060)
Equipment	(786,866)	(93,267)	-	(880,133)
<b>Total accumulated depreciation or amortization</b>	<b>(8,062,201)</b>	<b>(861,818)</b>	<b>-</b>	<b>(8,924,019)</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>25,724,147</b>	<b>(861,818)</b>	<b>2,936,045</b>	<b>27,798,374</b>
Business-type activities capital assets, net	\$ 39,476,025	\$ 8,659,243	\$ (227,092)	\$ 47,908,176

Depreciation and amortization expense was charged as follows:

Business-type activities:	
Caroline County Utility	\$ 738,204
Dawn Wastewater System	123,614
<b>Total business-type activities</b>	<b>\$ 861,818</b>



# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets (Continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the *Code of Virginia*, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by governments “on behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the current law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County for the year ended June 30, 2013 is that school financed assets in the amount of \$31,429,166 and related accumulated depreciation and amortization of \$7,243,608 are reported by the County for financial reporting purposes.

A summary of Component Unit – School Board property, plant and equipment at June 30, 2013 follows:

#### **Component Unit - School Board:**

	Beginning Balance, as Restated	Increases	(Deletions)/ Reclassifications	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 739,789	\$ -	\$ -	\$ 739,789
<b>Total capital assets, not being depreciated or amortized</b>	<b>739,789</b>	<b>-</b>	<b>-</b>	<b>739,789</b>
Capital assets, being depreciated or amortized:				
Buildings	7,990,998	-	9,151,248	17,142,246
Improvements other than buildings	92,806	-	-	92,806
Equipment	6,164,156	28,705	(136,528)	6,056,333
<b>Total capital assets being depreciated or amortized</b>	<b>14,247,960</b>	<b>28,705</b>	<b>9,014,720</b>	<b>23,291,385</b>
Less accumulated depreciation or amortization for:				
Buildings	(6,624,775)	(396,221)	(4,594,689)	(11,615,685)
Improvements other than buildings	(32,095)	(4,640)	-	(36,735)
Equipment	(3,901,036)	(322,423)	134,214	(4,089,245)
<b>Total accumulated depreciation or amortization</b>	<b>(10,557,906)</b>	<b>(723,284)</b>	<b>(4,460,475)</b>	<b>(15,741,665)</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>3,690,054</b>	<b>(694,579)</b>	<b>4,554,245</b>	<b>7,549,720</b>
School Board capital assets, net	\$ 4,429,843	\$ (694,579)	\$ 4,554,245	\$ 8,289,509

Depreciation and amortization expense was charged as follows:

Component Unit – School Board	<u>\$ 723,284</u>
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# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Interfund Transfers

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General	\$ -	\$ 9,990,185
Debt Service	4,809,135	-
County Capital Projects	44,588	496,687
Proffers	-	194,389
Virginia Public Assistance	594,980	-
Comprehensive Services	602,327	-
<b>Total Governmental Funds</b>	<b>\$ 6,051,030</b>	<b>\$ 10,681,261</b>
Enterprise Funds:		
Caroline County Utility	\$ 4,269,405	\$ -
Dawn Wastewater System	360,826	-
<b>Total Enterprise Funds</b>	<b>\$ 4,630,231</b>	<b>\$ -</b>
<b>Total All Funds</b>	<b>\$ 10,681,261</b>	<b>\$ 10,681,261</b>

The transfer to the Debt Service Fund of \$4,809,135 includes a transfer of \$4,162,647 from the General Fund to account for debt service payments, not funded by other revenue sources, and transfers of \$149,801 and \$496,687 from the Proffer Fund and County Capital Projects Fund, respectively, to account for debt service payments on the YMCA and School debt.

The transfer to the County Capital Projects Fund of \$44,588 from the Proffers Fund was to reimburse the County for additional expenses related to the Dawn Library project.

The transfer to the Virginia Public Assistance Fund and the Comprehensive Services Fund of \$594,980 and \$602,327, respectively, from the General Fund were to satisfy the local match requirement for these Funds.

The transfer to the Caroline County Utility Fund of \$4,269,405 from the General Fund was to cover debt service payments that were not generated by user charges in the Fund.

The transfer to the Dawn Wastewater System Fund of \$360,826 from the General Fund was to cover debt service payments and costs associated with the Dawn Phase II project, that were not generated by user charges in the Fund.

# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-Term Obligations

The following is a summary of long-term liability activity of the primary government for the year ended June 30, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government:					
Governmental activities:					
Bonds payable	\$ 68,580,699	\$ 2,535,447	\$ (4,313,704)	\$ 66,802,442	\$ 4,003,626
Capital leases	953,275	133,840	(347,255)	739,860	273,719
Unamortized premiums	1,348,597	119,060	(102,738)	1,364,919	-
Revenue bond debt allocable from business-type activities	1,502,151	-	(118,623)	1,383,528	122,370
	72,384,722	2,788,347	(4,882,320)	70,290,749	4,399,715
Compensated absences	657,524	578,376	(545,500)	690,400	69,040
Governmental activities long-term liabilities	\$ 73,042,246	\$ 3,366,723	\$ (5,427,820)	\$ 70,981,149	\$ 4,468,755
Component Unit - School Board:					
Capital lease	\$ 492,736	\$ -	\$ (46,560)	\$ 446,176	\$ 48,423
Compensated absences	510,351	51,087	(38,510)	522,928	52,293
Component Unit - School Board long-term liabilities	\$ 1,003,087	\$ 51,087	\$ (85,070)	\$ 969,104	\$ 100,716

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

Year Ending June 30,	Lease Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 2,487,770	\$ 1,617,031	\$ 1,638,226	\$ 1,308,641
2015	2,579,365	1,522,653	1,672,275	1,256,858
2016	2,687,259	1,410,763	1,695,903	1,202,901
2017	7,648,851	1,126,638	1,740,108	1,148,837
2018	1,544,061	872,989	1,771,954	1,089,149
2019-2023	5,390,771	4,063,822	7,846,478	4,015,534
2024-2028	4,926,006	2,897,130	8,155,530	2,579,548
2029-2033	6,103,561	1,625,988	5,911,690	1,086,918
2034-2038	2,522,484	430,078	1,318,678	32,635
2039-2041	545,000	27,353	-	-
	\$ 36,435,128	\$ 15,594,445	\$ 31,750,842	\$ 13,721,021

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Primary Government:

Year Ending June 30,	Capital Leases	
	Principal	Interest
2014	\$ 273,719	\$ 18,343
2015	282,288	10,286
2016	155,943	4,343
2017	27,910	600
	<u>\$ 739,860</u>	<u>\$ 33,572</u>

Component Unit – School Board

Year Ending June 30,	Capital Lease	
	Principal	Interest
2014	\$ 48,423	\$ 17,847
2015	50,359	15,911
2016	52,374	13,896
2017	54,469	11,801
2018	56,648	9,622
2019-2023	183,903	14,907
	<u>\$ 446,176</u>	<u>\$ 83,984</u>

Capital Lease Obligations:

\$1,100,000 capital lease obligation (payable from the General Fund) issued August 1, 2004, secured by equipment, principal due in various annual installments through 2015, interest payable semi-annually at 3.52%.	\$ 255,000
\$625,126 capital lease obligation (payable from the General Fund) issued April 1, 2011, secured by equipment, principal due in various annual installments through 2016, interest payable semi-annually at 2.30%.	377,820
\$133,840 capital lease obligation (payable from the General Fund) issued October 25, 2012, secured by equipment, principal due in various annual installments through 2017, interest payable semi-annually at 2.86%.	<u>107,040</u>
Total Capital Leases	<u>\$ 739,860</u>

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 8. Long-Term Obligations (Continued)

##### Lease Revenue Bonds:

\$9,240,000 lease revenue refunding bond payable in varying annual installments through 2039. Interest payable semi-annually at rates varying from 3.297% to 5.125%.	\$ 8,630,000
\$10,455,000 lease revenue bond payable in varying annual installments through 2034. Interest payable semi-annually at rates varying from 2.7% to 5.125%.	8,635,000
\$7,800,000 lease revenue bond payable in varying annual installments through 2033. Interest payable semi-annually at 3.90%.	5,903,600
\$3,540,000 lease revenue bond payable in varying annual installments through October 1, 2016. Interest payable semi-annually at rates varying from 2.2% to 4.501%.	2,425,000
\$795,000 lease revenue bond payable in varying annual installments through October 1, 2035. Interest payable semi-annually at rates varying from 4.20% to 6.157%.	775,000
\$8,400,000 IDA Revenue Anticipation Note (RAN) payable in varying annual installments, with a lump-sum payment of \$5,190,000 due in August 2016. Interest payable semi-annually at 4.00%.	7,305,000
\$1,685,000 2009 EDA lease revenue bonds issued September 1, 2009, maturing annually beginning October 1, 2012 with interest payable semi-annually at 4.60% through October 1, 2016.	<u>1,378,000</u>
Total lease revenue bonds	35,051,600
Revenue bond debt allocable from the Caroline County Utility Fund	<u>1,383,528</u>
Total incurred by County	<u>\$ 36,435,128</u>

##### General Obligation Bonds:

\$2,425,000 School Bonds (1993) issued 1994, maturing annually with interest payable semi-annually at rates varying from 4.475% to 5% through July 2013.	\$ 15,000
\$315,997 School Bonds (1994B) issued November 22, 1994, maturing annually with interest payable semi-annually at varying rates through July 2014.	39,594

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 8. Long-Term Obligations (Continued)

##### General Obligation Bonds: (Continued)

\$459,597 School Bonds (1996B) issued November 14, 1996, maturing annually with interest payable semi-annually at varying rates through July 2016.	\$ 105,438
\$1,179,008 Virginia Retirement System Obligation Refunding Bonds (Taxable Series 2003) issued July 1, 2003, maturing annually with interest payable annually at 4.61% through July 2018.	568,398
\$6,364,713 School Bonds (2007B) issued November 8, 2007, maturing annually with interest payable semi-annually at rates varying from 4.35% to 5.1% through July 15, 2027.	4,946,965
\$19,915,000 VPSA School Bonds issued December 11, 2008, maturing annually with interest payable semi-annually at rates varying from 3.6% to 5.35% through July 15, 2033.	17,540,000
\$6,000,000 2011 VPSA Direct Payment Qualified School Construction Bonds issued June 16, 2011, maturing annually beginning June 1, 2014 with interest payable semi-annually at an average coupon rate of 7.603% through June 1, 2027.	6,000,000
\$1,085,447 2012 A series VPSA Qualified School Construction Bonds issued October 31, 2012, maturing annually beginning December 1, 2013 with interest payable semi-annually at 3.84% through December 1, 2034.	1,085,447
\$1,450,000 2012 B series VPSA School Bonds issued November 15, 2012, maturing annually beginning July 15, 2013 with interest due semi-annually at rates varying from 2.05% to 5.05% through July 15, 2032.	<u>1,450,000</u>
Total general obligation bonds	<u>\$ 31,750,842</u>

##### Component Unit - School Board:

##### Capital Lease Obligation:

\$559,006 capital lease obligation issued July 15, 2011, secured by equipment, principal due in various installments through 2020, interest payable annually at 4%.	<u>\$ 446,176</u>
Total capital lease obligation	<u>\$ 446,176</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government:					
Business-type activities:					
Bonds payable	\$ 46,268,564	\$ -	\$ (1,229,785)	\$ 45,038,779	\$ 962,304
Revenue bond debt allocable from business-type activities	(1,502,151)	-	118,623	(1,383,528)	-
Unamortized discount	(49,453)	-	9,891	(39,562)	-
Unamortized premium	1,898,766	-	(111,982)	1,786,784	-
Compensated absences	49,495	59,321	(60,329)	48,487	4,849
Business-type activities long-term liabilities	\$ 46,665,221	\$ 59,321	\$ (1,273,582)	\$ 45,450,960	\$ 967,153

Business-type Activities					
Year Ending June 30,	Revenue Bonds		General Obligation Bonds		
	Principal	Interest	Principal	Interest	
2014	\$ 962,304	\$ 2,054,932	\$ -	\$ 24,749	
2015	1,142,969	1,733,093	130,000	22,245	
2016	1,330,083	1,543,942	135,000	16,907	
2017	1,364,734	1,495,184	145,000	10,708	
2018	1,261,045	1,598,086	150,000	3,671	
2019-2023	7,257,809	7,048,996	-	-	
2024-2028	8,406,307	5,095,810	-	-	
2029-2033	7,960,000	4,370,734	-	-	
2034-2038	7,825,000	2,095,901	-	-	
2039-2041	5,585,000	4,350,101	-	-	
	\$ 43,095,251	\$ 31,386,779	\$ 560,000	\$ 78,280	

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 8. Long-Term Obligations (Continued)

##### Revenue Bond Obligations:

\$4,291,207 revenue bond issued 1994, maturing annually with interest payable semi-annually at varying rates through October 2016.	\$ 428,337
\$3,310,000 refunding Virginia Pooled Financing Program bond issued November 4, 2010, maturing annually in 2026 through 2032 with interest payable semi-annually at varying rates of 4.828% through 4.845%.	3,310,000
\$2,495,000 infrastructure revenue bonds (2003 C/D) issued August 7, 2003, maturing annually with interest payable semi-annually at varying rates through October 2016.	830,000
\$3,366,314 revenue bond issued March 3, 2006, maturing in equal annual installments through 2025. No interest is payable on the bond.	2,375,442
\$2,060,000 VRA revenue bond issued 2009, maturing annually beginning October 2012 with interest payable semi-annually at varying rates through October 2019.	2,000,000
\$6,905,000 2009B VRA revenue bond issued November 2009, payable in various annual installments through October 1, 2025 with interest payable semi-annually at varying rates of 3.125% through 5.125%.	6,420,000
Less: Revenue bond debt allocable to general government	(1,383,528)
\$8,525,000 2009B pooled revenue bond issued May 25, 2010, payable in various annual installments through October 1, 2040 with interest payable semi-annually at varying rates of 2.20% - 5.20%.	8,510,000
\$20,655,000 2010CB pooled revenue bond issued November 4, 2010, payable in various annual installments through October 1, 2040 with interest payable semi-annually at varying rates of 4.200% through 6.142%.	<u>20,605,000</u>
Total revenue bond obligations	<u>\$ 43,095,251</u>

##### General Obligation Bonds:

\$560,000 VRA general obligation refunding bond issued 2009, maturing annually beginning October 2014 with interest payable semi-annually at varying rates through October 2017.	<u>\$ 560,000</u>
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## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 8. Long-Term Obligations (Continued)

##### Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Component Unit - School Board
Asset:		
Equipment	\$ 2,046,163	\$ 559,006
Less: accumulated depreciation and amortization	1,595,577	71,429
Net asset value	<u>\$ 450,586</u>	<u>\$ 487,577</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

Year Ending June 30,	Governmental Activities	Component Unit - School Board
2014	\$ 292,062	\$ 66,270
2015	292,574	66,270
2016	160,286	66,270
2017	28,510	66,270
2018	-	66,270
2019-2023	-	198,810
Total minimum lease payments	<u>773,432</u>	<u>530,160</u>
Less: amount representing interest	33,572	83,984
Present value of minimum lease payments	<u>\$ 739,860</u>	<u>\$ 446,176</u>

##### Revenue Anticipation Note

The County had a Revenue Anticipation Note (RAN) in the amount of \$4,000,000 during the fiscal year, under which the County borrowed on an unsecured basis at 1.26%, as of June 30, 2013. The RAN was used to provide interim financing for various general government operating expenditures. There were no amounts outstanding under this RAN at June 30, 2013.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 9. Landfill Postclosure Costs**

State and federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill operated by the County was certified by the Virginia Department of Environmental Quality as closed on December 8, 2003 and all obligations of the County with regard to closure have been met. The \$3,057,829 reported as landfill postclosure care liability at June 30, 2013, 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 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The County intends to fund these costs from general tax revenues and from any special revenue source that may become available for this purpose.

#### **Note 10. Deferred Revenue**

Deferred 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. Deferred revenue totaling \$18,795,250 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$18,284,186, of which \$5,939,887 represents delinquent property taxes receivable at June 30, 2013.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$509,276 at June 30, 2013.

Deferred Grant Revenue: Deferred revenue representing amounts received as contributions for the YMCA project, for which expenditures had not been incurred at June 30, 2013, totaled \$1,788.

#### **Note 11. Risk Management**

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

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

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

# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Risk Management (Continued)

#### 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. The following represents the change in the fund's claim liability for 2013 and 2012, respectively:

	Liability at June 30, 2012	Claims and Changes in Estimates	Liability at June 30, 2013
General Fund	\$ 137,604	\$ (22,128)	\$ 115,476
Virginia Public Assistance Fund	19,490	(3,134)	16,356
Governmental activities	\$ 157,094	\$ (25,262)	\$ 131,832
Caroline County Utility Fund	\$ 11,641	\$ (1,872)	\$ 9,769
Business-type activities	\$ 11,641	\$ (1,872)	\$ 9,769
	Liability at June 30, 2011	Claims and Changes in Estimates	Liability at June 30, 2012
General Fund	\$ -	\$ 137,604	\$ 137,604
Virginia Public Assistance Fund	-	19,490	19,490
Governmental activities	\$ -	157,094	\$ 157,094
Caroline County Utility Fund	\$ -	\$ 11,641	\$ 11,641
Business-type activities	\$ -	\$ 11,641	\$ 11,641

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 12. Defined Benefit Pension Plan

##### A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010, and Plan 1 members who were not vested on January 1, 2013, are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 12. Defined Benefit Pension Plan (Continued)

##### A. Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/pdf/publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA, 23218-2500.

##### B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the County and the School Board. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period up to five 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 elected to not phase in the increase, but rather provided a 5.00% salary increase to all employees on July 1, 2012. In addition, the County and the School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. For the fiscal year ended June 30, 2013, the contribution rate for the County was 11.56% and for the School Board's non-professional employees, 9.56% of annual covered payroll, exclusive of the employee's share.

For the years ended June 30, 2013, 2012, and 2011, total employer contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were \$1,776,015, \$1,812,374, and \$1,584,258, respectively, and were equal to 100% of the required contribution for professional employees for each year.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 12. Defined Benefit Pension Plan (Continued)

##### C. Annual Pension Cost (APC)

For fiscal year 2013, the County and the School Board's non-professional employees' annual pension costs of \$1,072,253 were equal to the required and actual contributions.

Three-year trend information for the County and the School Board non-professional is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2013	\$ 979,402	100%	\$ -
June 30, 2012	1,185,461	100%	-
June 30, 2011	1,160,321	100%	-
School Board Non-Professional:			
June 30, 2013	\$ 92,851	100%	\$ -
June 30, 2012	132,257	100%	-
June 30, 2011	76,901	100%	-

The fiscal year 2013 required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.0%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a COLA of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's non-professional employees' unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 12. Defined Benefit Pension Plan (Continued)

##### D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the Plan was 77.64% funded. The actuarial accrued liability for benefits was \$28,305,809, and the actuarial value of assets was \$21,976,311, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,329,498. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,999,279, and ratio of the UAAL to the covered payroll was 70.33%.

At June 30, 2012, the most recent actuarial valuation date, the Plan for the School Board's non-professional employees was 82.55% funded. The actuarial accrued liability for benefits was \$4,877,232, and the actuarial value of assets was \$4,026,027, resulting in an unfunded actuarial accrued liability (UAAL) of \$851,205. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,266,001, and ratio of the UAAL to the covered payroll was 67.24%.

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 liability (AAL) for benefits.

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

##### A. Plan Description

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

##### B. Funding Policy

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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

##### B. Funding Policy (Continued)

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 \$259.94 to \$1,243.11 for retiree and family coverage. The employer contribution depends on whether the employee works part-time or full-time upon retirement. The retiree pays the remainder of the premium.

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

##### C. Annual OPEB Cost and Net OPEB Obligation

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

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 System. The following table shows the components of the County's and School System's annual OPEB cost for the year, the estimated annual contributions to the Plan, and changes in the County's and School System's net OPEB obligation to the Plan:

	Primary Government	Component Unit - School Board
Annual required contribution	\$ 61,200	\$ 574,200
Interest on net OPEB obligation	4,985	50,187
Adjustment to annual required contribution	(5,267)	(77,964)
Annual OPEB cost (expense)	60,918	546,423
Contributions made	(1,300)	(476,600)
Increase in net OPEB obligation	59,618	69,823
Net OPEB obligation, beginning of year	142,430	1,433,919
Net OPEB obligation, end of year	\$ 202,048	\$ 1,503,742



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

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**Note 13. Other Postemployment Benefits – County and School Board Sponsored (Continued)****C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The County's and School System's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2011 through 2013 were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
June 30, 2013	\$ 60,918	2.13%	\$ 202,048
June 30, 2012	52,487	0.00%	142,430
June 30, 2011	49,543	37.74%	89,943
School Board:			
June 30, 2013	\$ 546,423	87.22%	\$ 1,503,742
June 30, 2012	578,583	87.73%	1,433,919
June 30, 2011	537,936	103.79%	1,362,936

**D. Funded Status and Funding Progress**

As of June 30, 2013, the County's actuarial accrued liability for benefits was \$433,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$9,179,800, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.72%.

As of June 30, 2013, the School System's actuarial accrued liability for benefits was \$5,395,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$18,930,600, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.50%.

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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

##### E. Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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.

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 assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality – Life expectancies were based on mortality tables from the RP-2000 Combined Healthy Mortality Tables for males and females projected to 2010 using Scale AA.

Coverage elections – The actuary assumed that 30% of current actives of Caroline County will elect medical coverage when they retire and that 30% of retirees who elect coverage will cover a spouse. The actuary also assumed that surviving spouses will decline COBRA. The actuary assumed that 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 System'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, 2013 was 30 years.

# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 14. Restatement of Net Position and Fund Balances

The following shows the change to beginning fund balances and net positions from the amounts previously reported:

	Component Unit - School Board	Proprietary Funds
	School Grant Fund	Caroline County Utility Fund
Fund balance (deficit)/net position (deficit), June 30, 2012, as previously reported	\$ 134,481	\$ (2,231,197)
Effect of correcting capital asset costs and related accumulated depreciation as of June 30, 2012	-	3,160,107
Effect of removing accrued liability for reimbursement request submitted in duplicate	113,430	-
Fund balance/net position, June 30, 2012, as restated	\$ 247,911	\$ 928,910

The following shows the change to beginning net position from the amounts previously reported:

	Primary Government		Component Unit -
	Governmental Activities	Business- type Activities	School Board
Net position (deficit), June 30, 2012, as previously reported	\$ 11,435,383	\$ (295,823)	\$ 3,164,486
Effect of correcting capital asset costs, and related accumulated depreciation, as of June 30, 2012	130,300	3,160,107	42,627
Effect of removing accrued liability for reimbursement request submitted in duplicate	-	-	113,430
Net position, June 30, 2012, as restated	\$ 11,565,683	\$ 2,864,284	\$ 3,320,543

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 15. Pending GASB Statements

At June 30, 2013, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. Statement No. 65 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 66, *Technical Corrections – 2012*, will improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 66 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

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

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 16. Subsequent Event and Contingencies**

##### Federal and State-Assisted Programs

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

In December 2013, the County issued General Obligation Bonds, Series 2013, for school projects in the amount of \$25,133,000. Principal payments are due in various installments from \$835,000 to \$1,669,000 and interest is due semi-annually at 3.17% through February 2034.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

COUNTY OF CAROLINE, VIRGINIA AND COMPONENT UNITS

Exhibit 14

Page 1

SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government employees:						
June 30, 2010	\$ 20,331,710	\$ 24,176,761	\$ 3,845,051	84.10%	\$ 8,720,641	44.09%
June 30, 2011	21,385,638	26,770,010	5,384,372	79.89%	8,717,300	61.77%
June 30, 2012	21,976,311	28,305,809	6,329,498	77.64%	8,999,279	70.33%
B. Component Unit - School Board non-professional employees:						
June 30, 2010	\$ 4,083,801	\$ 4,564,612	\$ 480,811	89.47%	\$ 1,254,169	38.34%
June 30, 2011	4,092,052	4,791,823	699,771	85.40%	1,251,179	55.93%
June 30, 2012	4,026,027	4,877,232	851,205	82.55%	1,266,001	67.24%

COUNTY OF CAROLINE, VIRGINIA AND COMPONENT UNITS

Exhibit 14

Page 2

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
June 30, 2009	\$ -	\$ 435,000	\$ 435,000	0.00%	\$ 7,779,900	5.59%
June 30, 2011	-	477,800	477,800	0.00%	8,642,900	5.53%
June 30, 2013	-	433,000	433,000	0.00%	9,179,800	4.72%
B. Component Unit - School Board employees:						
June 30, 2009	\$ -	\$ 9,698,700	\$ 9,698,700	0.00%	\$ 21,443,500	45.23%
June 30, 2011	-	5,501,400	5,501,400	0.00%	19,119,800	28.77%
June 30, 2013	-	5,395,900	5,395,900	0.00%	18,930,600	28.50%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
A. Primary Government:		
2011	\$ 49,300	37.93%
2012	52,000	0.00%
2013	61,200	2.12%
B. Component Unit - School Board employees:		
2011	\$ 562,600	99.24%
2012	571,200	88.87%
2013	574,200	83.00%



## **OTHER SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
Year Ended June 30, 2013**

	Debt Service Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Other local taxes	\$ 1,324,591	\$ 1,324,591	\$ 1,395,670	\$ 71,079
Use of money and property	111,600	111,600	111,617	17
Miscellaneous	70,902	59,818	46,712	(13,106)
Intergovernmental	638,230	638,230	640,591	2,361
<b>Total revenues</b>	<b>2,145,323</b>	<b>2,134,239</b>	<b>2,194,590</b>	<b>60,351</b>
Expenditures:				
Debt service:				
Principal	3,707,918	4,804,718	4,779,582	(25,136)
Interest and fiscal charges	3,240,472	3,242,237	3,267,372	25,135
<b>Total expenditures</b>	<b>6,948,390</b>	<b>8,046,955</b>	<b>8,046,954</b>	<b>(1)</b>
<b>Revenues under expenditures</b>	<b>(4,803,067)</b>	<b>(5,912,716)</b>	<b>(5,852,364)</b>	<b>60,352</b>
Other financing sources:				
Transfers in	4,803,067	4,827,269	4,809,135	(18,134)
Issuance of debt	-	1,085,447	1,085,447	-
<b>Other financing sources</b>	<b>4,803,067</b>	<b>5,912,716</b>	<b>5,894,582</b>	<b>(18,134)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>42,218</b>	<b>42,218</b>
Fund balance, beginning	-	-	577,168	577,168
Fund balance, ending	\$ -	\$ -	\$ 619,386	\$ 619,386

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - COUNTY CAPITAL PROJECTS FUND**

**Year Ended June 30, 2013**

	County Capital Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Use of money and property	\$ 7,047	\$ 25,867	\$ 25,858	\$ (9)
Intergovernmental	-	23,190	81,847	58,657
<b>Total revenues</b>	<b>7,047</b>	<b>49,057</b>	<b>107,705</b>	<b>58,648</b>
Expenditures:				
Capital outlay	1,500,000	10,280,300	10,279,612	(688)
Debt service:				
Interest and fiscal charges	-	128,000	75,808	(52,192)
<b>Total expenditures</b>	<b>1,500,000</b>	<b>10,408,300</b>	<b>10,355,420</b>	<b>(52,880)</b>
<b>Revenues under expenditures</b>	<b>(1,492,953)</b>	<b>(10,359,243)</b>	<b>(10,247,715)</b>	<b>111,528</b>
Other financing sources (uses):				
Transfers in	-	44,600	44,588	(12)
Transfers out	(487,000)	(496,700)	(496,687)	13
Issuance of debt	1,500,000	7,500,000	1,450,000	(6,050,000)
Premium on issuance of debt	-	-	119,060	119,060
Issuance of capital lease	-	133,840	133,840	-
<b>Other financing sources, net</b>	<b>1,013,000</b>	<b>7,181,740</b>	<b>1,250,801</b>	<b>(5,930,939)</b>
<b>Net change in fund balance</b>	<b>(479,953)</b>	<b>(3,177,503)</b>	<b>(8,996,914)</b>	<b>(5,819,411)</b>
Fund balance, beginning	479,953	3,177,503	13,842,772	10,665,269
Fund balance, ending	\$ -	\$ -	\$ 4,845,858	\$ 4,845,858

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2013**

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Comprehensive Services	Law Library	Courthouse Maintenance	Tourism	Sheriff's Grant	Fire/Rescue Grant	Housing		
<b>ASSETS</b>									
Cash, cash equivalents and temporary cash investments	\$ -	\$ 1,031	\$ 58,447	\$ 6,025	\$ 71,052	\$ 152,743	\$ 85,610	\$ 374,908	
Receivables, net	-	44	87	21,004	-	-	-	21,135	
Due from other governments	201,386	-	-	-	-	77,884	-	279,270	
<b>Total assets</b>	<b>\$ 201,386</b>	<b>\$ 1,075</b>	<b>\$ 58,534</b>	<b>\$ 27,029</b>	<b>\$ 71,052</b>	<b>\$ 230,627</b>	<b>\$ 85,610</b>	<b>\$ 675,313</b>	
<b>LIABILITIES</b>									
Accounts payable	\$ 174,231	\$ 407	\$ 3,795	\$ 1,368	\$ 3,880	\$ 3,267	\$ -	\$ 186,948	
Accrued liabilities	-	-	-	3,635	-	-	1,278	4,913	
Due to other funds	175,054	-	-	-	-	-	-	175,054	
<b>Total liabilities</b>	<b>349,285</b>	<b>407</b>	<b>3,795</b>	<b>5,003</b>	<b>3,880</b>	<b>3,267</b>	<b>1,278</b>	<b>366,915</b>	
<b>FUND BALANCES</b>									
Restricted for:									
Public safety grants	-	-	-	-	67,172	-	-	67,172	
Fire/rescue grants	-	-	-	-	-	227,360	-	227,360	
Housing	-	-	-	-	-	-	84,332	84,332	
Courthouse maintenance	-	-	54,739	-	-	-	-	54,739	
Law library	-	668	-	-	-	-	-	668	
Tourism	-	-	-	22,026	-	-	-	22,026	
Unassigned:									
Comprehensive services	(147,899)	-	-	-	-	-	-	(147,899)	
<b>Total fund balances</b>	<b>(147,899)</b>	<b>668</b>	<b>54,739</b>	<b>22,026</b>	<b>67,172</b>	<b>227,360</b>	<b>84,332</b>	<b>308,398</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 201,386</b>	<b>\$ 1,075</b>	<b>\$ 58,534</b>	<b>\$ 27,029</b>	<b>\$ 71,052</b>	<b>\$ 230,627</b>	<b>\$ 85,610</b>	<b>\$ 675,313</b>	

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Comprehensive Services	Law Library	Courthouse Maintenance	Tourism	Sheriff's Grant	Fire/Rescue Grant	Housing	
Revenues:								
Other local taxes	\$ -	\$ -	\$ -	\$ 131,483	\$ -	\$ -	\$ -	\$ 131,483
Use of money and property	-	-	-	-	-	-	56,044	56,044
Charges for services	-	5,421	23,074	-	-	-	-	28,495
Miscellaneous	16,820	-	-	10,549	5,083	-	-	32,452
Intergovernmental	1,012,313	-	-	-	16,087	150,865	-	1,179,265
<b>Total revenues</b>	<b>1,029,133</b>	<b>5,421</b>	<b>23,074</b>	<b>142,032</b>	<b>21,170</b>	<b>150,865</b>	<b>56,044</b>	<b>1,427,739</b>
Expenditures:								
Current:								
Judicial administration	-	4,449	-	-	11,050	-	-	15,499
Public safety	-	-	10,815	-	2,500	85,033	-	98,348
Health and welfare	1,837,275	-	-	-	-	-	-	1,837,275
Community development	-	-	-	137,914	-	-	1,091	139,005
<b>Total expenditures</b>	<b>1,837,275</b>	<b>4,449</b>	<b>10,815</b>	<b>137,914</b>	<b>13,550</b>	<b>85,033</b>	<b>1,091</b>	<b>2,090,127</b>
<b>Revenues over (under) expenditures</b>	<b>(808,142)</b>	<b>972</b>	<b>12,259</b>	<b>4,118</b>	<b>7,620</b>	<b>65,832</b>	<b>54,953</b>	<b>(662,388)</b>
Other financing sources:								
Transfers in	602,327	-	-	-	-	-	-	602,327
<b>Net change in fund balances</b>	<b>(205,815)</b>	<b>972</b>	<b>12,259</b>	<b>4,118</b>	<b>7,620</b>	<b>65,832</b>	<b>54,953</b>	<b>(60,061)</b>
Fund balance (deficit), beginning	57,916	(304)	42,480	17,908	59,552	161,528	29,379	368,459
Fund balance (deficit), ending	\$ (147,899)	\$ 668	\$ 54,739	\$ 22,026	\$ 67,172	\$ 227,360	\$ 84,332	\$ 308,398

COUNTY OF CAROLINE, VIRGINIA

Exhibit 19

Page 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS  
Year Ended June 30, 2013

	Comprehensive Services Fund				Law Library Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	5,890	5,890	5,421	(469)
Miscellaneous	15,000	15,000	16,820	1,820	-	-	-	-
Intergovernmental	1,286,526	1,242,985	1,012,313	(230,672)	-	-	-	-
<b>Total revenues</b>	<b>1,301,526</b>	<b>1,257,985</b>	<b>1,029,133</b>	<b>(228,852)</b>	<b>5,890</b>	<b>5,890</b>	<b>5,421</b>	<b>(469)</b>
Expenditures:								
Current:								
Judicial administration	-	-	-	-	5,890	5,890	4,449	(1,441)
Public safety	-	-	-	-	-	-	-	-
Health and welfare	1,759,983	1,868,288	1,837,275	(31,013)	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,759,983</b>	<b>1,868,288</b>	<b>1,837,275</b>	<b>(31,013)</b>	<b>5,890</b>	<b>5,890</b>	<b>4,449</b>	<b>(1,441)</b>
<b>Revenues over (under) expenditures</b>	<b>(458,457)</b>	<b>(610,303)</b>	<b>(808,142)</b>	<b>(197,839)</b>	<b>-</b>	<b>-</b>	<b>972</b>	<b>972</b>
Other financing sources:								
Transfers in	458,457	610,303	602,327	(7,976)	-	-	-	-
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(205,815)</b>	<b>(205,815)</b>	<b>-</b>	<b>-</b>	<b>972</b>	<b>972</b>
Fund balance (deficit), beginning	-	-	57,916	57,916	-	-	(304)	(304)
Fund balance (deficit), ending	\$ -	\$ -	\$ (147,899)	\$ (147,899)	\$ -	\$ -	\$ 668	\$ 668

COUNTY OF CAROLINE, VIRGINIA

Exhibit 19

Page 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS  
Year Ended June 30, 2013

	Courthouse Maintenance Fund				Tourism Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ 175,250	\$ 175,250	\$ 131,483	\$ (43,767)
Use of money and property	-	-	-	-	-	-	-	-
Charges for services	28,000	28,000	23,074	(4,926)	-	-	-	-
Miscellaneous	-	-	-	-	16,790	16,790	10,549	(6,241)
Intergovernmental	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>28,000</b>	<b>28,000</b>	<b>23,074</b>	<b>(4,926)</b>	<b>192,040</b>	<b>192,040</b>	<b>142,032</b>	<b>(50,008)</b>
Expenditures:								
Current:								
Judicial administration	-	-	-	-	-	-	-	-
Public safety	28,000	28,000	10,815	(17,185)	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Community development	-	-	-	-	174,188	174,188	137,914	(36,274)
Debt service:								
Principal	-	-	-	-	20,000	20,000	-	(20,000)
<b>Total expenditures</b>	<b>28,000</b>	<b>28,000</b>	<b>10,815</b>	<b>(17,185)</b>	<b>194,188</b>	<b>194,188</b>	<b>137,914</b>	<b>(36,274)</b>
<b>Revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>12,259</b>	<b>12,259</b>	<b>(2,148)</b>	<b>(2,148)</b>	<b>4,118</b>	<b>(13,734)</b>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>12,259</b>	<b>12,259</b>	<b>(2,148)</b>	<b>(2,148)</b>	<b>4,118</b>	<b>6,266</b>
Fund balance (deficit), beginning	-	-	42,480	42,480	2,148	2,148	17,908	15,760
Fund balance (deficit), ending	\$ -	\$ -	\$ 54,739	\$ 54,739	\$ -	\$ -	\$ 22,026	\$ 22,026

COUNTY OF CAROLINE, VIRGINIA

Exhibit 19

Page 3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS  
Year Ended June 30, 2013

	Sheriff's Grant Fund				Fire/Rescue Grant Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	5,083	5,083	-	-	-	-
Intergovernmental	-	14,000	16,087	2,087	122,650	122,650	150,865	28,215
<b>Total revenues</b>	-	14,000	21,170	7,170	122,650	122,650	150,865	28,215
Expenditures:								
Current:								
Judicial administration	-	11,500	11,050	(450)	-	-	-	-
Public safety	-	2,500	2,500	-	122,650	160,625	85,033	(75,592)
Health and welfare	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	-	14,000	13,550	(450)	122,650	160,625	85,033	(75,592)
<b>Revenues over (under) expenditures</b>	-	-	7,620	7,620	-	(37,975)	65,832	103,807
Other financing sources:								
Transfers in	-	-	-	-	-	-	-	-
<b>Net change in fund balance</b>	-	-	7,620	7,620	-	(37,975)	65,832	103,807
Fund balance (deficit), beginning	-	-	59,552	59,552	-	37,975	161,528	123,553
Fund balance (deficit), ending	\$ -	\$ -	\$ 67,172	\$ 67,172	\$ -	\$ -	\$ 227,360	\$ 227,360



COUNTY OF CAROLINE, VIRGINIA

Exhibit 19

Page 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS  
Year Ended June 30, 2013

	Housing Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	10,800	10,800	56,044	45,244
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental	-	-	-	-
<b>Total revenues</b>	10,800	10,800	56,044	45,244
Expenditures:				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	10,800	10,800	1,091	(9,709)
Debt service:				
Principal	-	-	-	-
<b>Total expenditures</b>	10,800	10,800	1,091	(9,709)
<b>Revenues over (under) expenditures</b>	-	-	54,953	54,953
Other financing sources:				
Transfers in	-	-	-	-
<b>Net change in fund balance</b>	-	-	54,953	54,953
Fund balance (deficit), beginning	-	-	29,379	29,379
Fund balance (deficit), ending	\$ -	\$ -	\$ 84,332	\$ 84,332

**COMBINING STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2013**

	Agency Funds			
	Four Rivers Technology in			
	Special Welfare	Education Consortium	Deposit Escrow	Totals
<b>ASSETS</b>				
Cash, cash equivalents and temporary cash investments	\$ 4,011	\$ 38,704	\$ 225,370	\$ 268,085
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 4,011	\$ -	\$ -	\$ 4,011
Amounts held for consortium	-	38,704	-	38,704
Refundable escrow deposits payable	-	-	225,370	225,370
<b>Total liabilities</b>	<b>\$ 4,011</b>	<b>\$ 38,704</b>	<b>\$ 225,370</b>	<b>\$ 268,085</b>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**Year Ended June 30, 2013**

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b><u>SPECIAL WELFARE</u></b>				
<b>ASSETS</b>				
Cash, cash equivalents and temporary cash investments	\$ 3,946	\$ 23,457	\$ 23,392	\$ 4,011
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 3,946	\$ 23,457	\$ 23,392	\$ 4,011
<b><u>FOUR RIVERS TECHNOLOGY IN EDUCATION CONSORTIUM</u></b>				
<b>ASSETS</b>				
Cash, cash equivalents and temporary cash investments	\$ 38,704	\$ -	\$ -	\$ 38,704
<b>LIABILITIES</b>				
Amounts held for consortium	\$ 38,704	\$ -	\$ -	\$ 38,704
<b><u>DEPOSIT ESCROW</u></b>				
<b>ASSETS</b>				
Cash, cash equivalents and temporary cash investments	\$ 206,997	\$ 121,465	\$ 103,092	\$ 225,370
<b>LIABILITIES</b>				
Refundable escrow deposits payable	\$ 206,997	\$ 121,465	\$ 103,092	\$ 225,370

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

## ALL AGENCY FUNDS

Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash, cash equivalents and temporary cash investments	\$ 249,647	\$ 144,922	\$ 126,484	\$ 268,085
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 3,946	\$ 23,457	\$ 23,392	\$ 4,011
Amounts held for consortium	38,704	-	-	38,704
Refundable escrow deposits payable	206,997	121,465	103,092	225,370
<b>Total liabilities</b>	<b>\$ 249,647</b>	<b>\$ 144,922</b>	<b>\$ 126,484</b>	<b>\$ 268,085</b>

**DISCRETELY PRESENTED COMPONENT UNIT –  
SCHOOL BOARD**

**COMBINING BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**June 30, 2013**

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents and temporary cash investments	\$ 69,178	\$ 444,850	\$ 563,800	\$ 452,372	\$ 1,530,200
Due from other governments	3,327,780	86,062	-	236,861	3,650,703
<b>Total assets</b>	<b>\$ 3,396,958</b>	<b>\$ 530,912</b>	<b>\$ 563,800</b>	<b>\$ 689,233</b>	<b>\$ 5,180,903</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 52,748	\$ 87,066	\$ -	\$ -	\$ 139,814
Accrued payroll	3,275,032	101,199	-	82,980	3,459,211
Deferred revenue	65,005	-	-	284,975	349,980
<b>Total liabilities</b>	<b>3,392,785</b>	<b>188,265</b>	<b>-</b>	<b>367,955</b>	<b>3,949,005</b>
<b>FUND BALANCES</b>					
Assigned to:					
Capital outlay	-	-	563,800	-	563,800
Cafeteria	-	342,647	-	-	342,647
School grants	-	-	-	321,278	321,278
Unassigned	4,173	-	-	-	4,173
<b>Total fund balances</b>	<b>4,173</b>	<b>342,647</b>	<b>563,800</b>	<b>321,278</b>	<b>1,231,898</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,396,958</b>	<b>\$ 530,912</b>	<b>\$ 563,800</b>	<b>\$ 689,233</b>	<b>\$ 5,180,903</b>

Total Fund balances \$ 1,231,898

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

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

Governmental capital assets	\$ 24,031,174	
Less accumulated depreciation and amortization	(15,741,665)	
Net capital assets		8,289,509

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

Capital leases	(446,176)	
Compensated absences	(522,928)	
Interest payable	(17,103)	
Other postemployment benefits	(1,503,742)	
		(2,489,949)
<b>Net position of governmental activities</b>		<b>\$ 7,031,458</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
Year Ended June 30, 2013**

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
<b>Revenues:</b>					
Use of money and property	\$ -	\$ 142	\$ 114	\$ -	\$ 256
Charges for services	3,220	715,595	-	-	718,815
Miscellaneous	15,257	126	-	500	15,883
Appropriation from Primary Government	11,055,989	-	-	-	11,055,989
Intergovernmental	24,550,787	1,220,955	-	2,335,096	28,106,838
<b>Total revenues</b>	<b>35,625,253</b>	<b>1,936,818</b>	<b>114</b>	<b>2,335,596</b>	<b>39,897,781</b>
<b>Expenditures:</b>					
Current:					
Education	35,710,145	1,964,838	-	2,262,229	39,937,212
Capital outlay	28,705	-	-	-	28,705
Debt service	46,560	-	-	-	46,560
<b>Total expenditures</b>	<b>35,785,410</b>	<b>1,964,838</b>	<b>-</b>	<b>2,262,229</b>	<b>40,012,477</b>
<b>Net change in fund balances</b>	<b>(160,157)</b>	<b>(28,020)</b>	<b>114</b>	<b>73,367</b>	<b>(114,696)</b>
Fund balances, beginning, as restated	164,330	370,667	563,686	247,911	1,346,594
Fund balances, ending	\$ 4,173	\$ 342,647	\$ 563,800	\$ 321,278	\$ 1,231,898
Net change in fund balances					\$ (114,696)
Reconciliation of amounts reported for governmental activities in the Statement of Activities:					
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization were more than capital outlays in the current period.					
Expenditure for capital assets				\$ 28,705	
Less depreciation and amortization expense				(723,284)	
Excess of depreciation and amortization over capital outlays					(694,579)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.					(2,314)
Net transfer of joint tenancy capital assets from the Primary Government to the School Board Component Unit					4,556,559
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.					
Principal repayments:					
Capital leases					46,560
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.					
Compensated absences				(12,577)	
Accrued interest				1,785	
Other postemployment benefits				(69,823)	
					(80,615)
<b>Change in net position of governmental activities</b>					<b>\$ 3,710,915</b>

COUNTY OF CAROLINE, VIRGINIA

Exhibit 24  
Page 1

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
Year Ended June 30, 2013**

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Use of money and property	\$ -	\$ -	\$ -	\$ -	\$ 150	\$ 150	\$ 142	\$ (8)
Charges for services	20,000	20,000	3,220	(16,780)	738,980	738,980	715,595	(23,385)
Miscellaneous	8,000	8,000	15,257	7,257	7,600	7,600	126	(7,474)
Appropriation from Primary Government	11,216,270	11,216,270	11,055,989	(160,281)	-	-	-	-
Intergovernmental	24,344,945	24,910,076	24,550,787	(359,289)	1,069,431	1,069,431	1,220,955	151,524
<b>Total revenues</b>	<b>35,589,215</b>	<b>36,154,346</b>	<b>35,625,253</b>	<b>(529,093)</b>	<b>1,816,161</b>	<b>1,816,161</b>	<b>1,936,818</b>	<b>120,657</b>
Expenditures:								
Education	35,589,215	36,154,346	35,710,145	(444,201)	1,816,161	1,816,161	1,964,838	148,677
Capital outlay	-	-	28,705	28,705	-	-	-	-
Debt service	-	-	46,560	46,560	-	-	-	-
<b>Total expenditures</b>	<b>35,589,215</b>	<b>36,154,346</b>	<b>35,785,410</b>	<b>(368,936)</b>	<b>1,816,161</b>	<b>1,816,161</b>	<b>1,964,838</b>	<b>148,677</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(160,157)</b>	<b>(160,157)</b>	<b>-</b>	<b>-</b>	<b>(28,020)</b>	<b>(28,020)</b>
Fund balance, beginning, as restated	-	-	164,330	164,330	-	-	370,667	370,667
Fund balance, ending	\$ -	\$ -	\$ 4,173	\$ 4,173	\$ -	\$ -	\$ 342,647	\$ 342,647



COUNTY OF CAROLINE, VIRGINIA

Exhibit 24

Page 2

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
Year Ended June 30, 2013**

	School Capital Projects Fund				School Grant Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Use of money and property	\$ -	\$ -	\$ 114	\$ 114	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-	-	-	500	500
Intergovernmental	-	-	-	-	3,052,540	3,417,125	2,335,096	(1,082,029)
<b>Total revenues</b>	-	-	114	114	3,052,540	3,417,125	2,335,596	(1,081,529)
Expenditures:								
Education	-	-	-	-	3,052,540	3,417,125	2,262,229	(1,154,896)
<b>Total expenditures</b>	-	-	-	-	3,052,540	3,417,125	2,262,229	(1,154,896)
<b>Net change in fund balance</b>	-	-	114	114	-	-	73,367	73,367
Fund balance, beginning, as restated	-	-	563,686	563,686	-	-	247,911	247,911
Fund balance, ending	\$ -	\$ -	\$ 563,800	\$ 563,800	\$ -	\$ -	\$ 321,278	\$ 321,278

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

**STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT - IDA**  
**June 30, 2013**

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<b>ASSETS</b>	
Current assets:	
Cash, cash equivalents and temporary cash investments	\$ 314,014
<b>Total assets</b>	<b>314,014</b>
<b>NET POSITION</b>	
Unrestricted	314,014
<b>Total net position</b>	<b>\$ 314,014</b>

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
DISCRETELY PRESENTED COMPONENT UNIT - IDA  
Year Ended June 30, 2013**

Operating revenues:	
Contributions from local governments	\$ 150,429
Other	1,028
<b>Total operating revenues</b>	<b>151,457</b>
Operating expenses:	
Other charges	13,313
<b>Total operating expenses</b>	<b>13,313</b>
<b>Operating income</b>	<b>138,144</b>
Nonoperating revenue:	
Interest revenue	815
<b>Total nonoperating revenue</b>	<b>815</b>
<b>Change in net position</b>	<b>138,959</b>
Net position, beginning	175,055
Net position, ending	\$ 314,014

## **SUPPLEMENTAL SCHEDULES**

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 16,981,400	\$ 16,981,400	\$ 17,720,813	\$ 739,413
Real and personal public service corporation property taxes	3,124,386	3,124,386	3,355,167	230,781
Personal property taxes	7,186,371	7,186,371	7,718,158	531,787
Mobile home taxes	33,256	33,256	38,489	5,233
Machinery and tools taxes	305,826	305,826	249,791	(56,035)
Motor vehicle carrier	169,057	169,057	165,067	(3,990)
Penalties	388,000	388,000	389,021	1,021
Interest	340,000	340,000	345,263	5,263
<b>Total general property taxes</b>	<b>28,528,296</b>	<b>28,528,296</b>	<b>29,981,769</b>	<b>1,453,473</b>
Other local taxes:				
Local sales and use taxes	1,554,374	1,554,374	1,521,998	(32,376)
Consumer utility taxes	80,000	80,000	85,816	5,816
Business license taxes	786,111	786,111	1,065,597	279,486
Bank stock taxes	58,854	58,854	55,673	(3,181)
Motor vehicle licenses and registration fees	631,774	631,774	596,577	(35,197)
Taxes on recordation and wills	175,874	175,874	330,602	154,728
<b>Total other local taxes</b>	<b>3,286,987</b>	<b>3,286,987</b>	<b>3,656,263</b>	<b>369,276</b>
Permits, privilege fees and regulatory licenses:				
Animal licenses	18,000	18,000	25,090	7,090
Permits and other licenses	287,795	310,143	455,680	145,537
<b>Total permits, privilege fees and       regulatory licenses</b>	<b>305,795</b>	<b>328,143</b>	<b>480,770</b>	<b>152,627</b>
Fines and forfeitures	594,507	594,507	463,215	(131,292)
Use of money and property:				
Revenue from use of money	13,800	13,800	21,330	7,530
Revenue from use of property	43,002	43,002	49,917	6,915
<b>Total use of money and property</b>	<b>56,802</b>	<b>56,802</b>	<b>71,247</b>	<b>14,445</b>

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
Charges for services:				
Charges for court costs	\$ 10,910	\$ 10,910	\$ 10,305	\$ (605)
Commonwealth attorney's fees	900	900	2,531	1,631
Courthouse security and protective services	216,467	216,467	147,174	(69,293)
Data processing	1,500	1,500	1,116	(384)
Parks and recreation	127,186	127,186	83,495	(43,691)
Sanitation and waste removal	72,300	72,300	26,262	(46,038)
Sale of publications and commemorative material	750	750	540	(210)
Ambulance recovery services	720,000	720,000	695,866	(24,134)
Other	6,500	6,500	21,988	15,488
<b>Total charges for services</b>	<b>1,156,513</b>	<b>1,156,513</b>	<b>989,277</b>	<b>(167,236)</b>
Miscellaneous	72,500	171,093	256,139	85,046
Recovered costs:				
Soil conservationist	272,599	272,599	273,832	1,233
School resource officer and criminal justice class	118,196	118,196	138,700	20,504
Postage reimbursement general district court	4,927	4,927	4,183	(744)
Jurors	20,000	28,126	50,624	22,498
Other	3,100	3,100	3,600	500
<b>Total recovered costs</b>	<b>418,822</b>	<b>426,948</b>	<b>470,939</b>	<b>43,991</b>
<b>Total revenue from local sources</b>	<b>34,420,222</b>	<b>34,549,289</b>	<b>36,369,619</b>	<b>1,820,330</b>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rolling stock tax	67,698	67,698	82,875	15,177
Communications sales and use taxes	462,486	462,486	454,289	(8,197)
Mobile home titling taxes	14,592	14,592	15,967	1,375
Rental vehicle taxes	2,500	2,500	2,683	183
Personal property tax relief	2,371,897	2,371,897	2,371,897	-
Recordation taxes	147,060	147,060	193,187	46,127
<b>Total non-categorical aid</b>	<b>3,066,233</b>	<b>3,066,233</b>	<b>3,120,898</b>	<b>54,665</b>

COUNTY OF CAROLINE, VIRGINIA

Schedule 1

Page 3

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

Year Ended June 30, 2013

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Shared costs:				
Commonwealth attorney	\$ 161,607	\$ 161,607	\$ 159,163	\$ (2,444)
Sheriff	1,144,864	1,144,864	1,090,487	(54,377)
Commissioner of the revenue	112,497	112,497	107,997	(4,500)
Treasurer	91,933	91,933	93,012	1,079
Registrar/Electoral Board	47,260	52,187	47,892	(4,295)
Clerk of circuit court	258,474	258,474	259,687	1,213
<b>Total shared costs</b>	<b>1,816,635</b>	<b>1,821,562</b>	<b>1,758,238</b>	<b>(63,324)</b>
Other categorical aid:				
Litter control	7,500	7,500	9,915	2,415
DMV license agent	28,000	28,000	30,320	2,320
Wireless E911 PSAP funding	73,934	73,934	121,838	47,904
Emergency services	12,852	12,852	-	(12,852)
CHINS	14,776	14,776	14,178	(598)
Victim witness	53,942	53,942	55,021	1,079
Social services quality initiative	10,000	10,000	11,000	1,000
Domestic violence	40,000	87,320	99,267	11,947
Forestry	-	-	26,124	26,124
Other	-	22,329	22,329	-
<b>Total other categorical aid</b>	<b>241,004</b>	<b>310,653</b>	<b>389,992</b>	<b>79,339</b>
<b>Total categorical aid</b>	<b>2,057,639</b>	<b>2,132,215</b>	<b>2,148,230</b>	<b>16,015</b>
<b>Total revenue from the Commonwealth</b>	<b>5,123,872</b>	<b>5,198,448</b>	<b>5,269,128</b>	<b>70,680</b>
Revenue from the federal government:				
Non-categorical aid:				
Payment for federal lands	1,606	1,606	1,618	12
Categorical aid:				
DMV ground transportation	21,000	27,619	27,619	-
FEMA	12,120	16,874	28,994	12,120
Bulletproof vest partnership	2,000	2,000	1,328	(672)
ARRA violence against women grants	47,320	-	-	-
Byrne justice assistance	-	-	2,317	2,317
Victim witness	26,065	26,065	26,153	88
SAFER	140,876	370,790	369,188	(1,602)
<b>Total categorical aid</b>	<b>249,381</b>	<b>443,348</b>	<b>455,599</b>	<b>12,251</b>
<b>Total revenue from the federal government</b>	<b>250,987</b>	<b>444,954</b>	<b>457,217</b>	<b>12,263</b>
<b>Total intergovernmental</b>	<b>5,374,859</b>	<b>5,643,402</b>	<b>5,726,345</b>	<b>82,943</b>
<b>Total General Fund</b>	<b>\$ 39,795,081</b>	<b>\$ 40,192,691</b>	<b>\$ 42,095,964</b>	<b>\$ 1,903,273</b>



COUNTY OF CAROLINE, VIRGINIA

Schedule 1

Page 4

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous	\$ 500	\$ 500	\$ 13,237	\$ 12,737
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	351,091	351,091	480,921	129,830
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	1,239,323	1,239,323	1,171,794	(67,529)
<b>Total intergovernmental</b>	<b>1,590,414</b>	<b>1,590,414</b>	<b>1,652,715</b>	<b>62,301</b>
<b>Total Virginia Public Assistance Fund</b>	<b>1,590,914</b>	<b>1,590,914</b>	<b>1,665,952</b>	<b>75,038</b>
Proffers Fund:				
Revenue from local sources:				
Revenue from use of money	5,940	8,240	8,261	(21)
Miscellaneous:				
Proffers	48,000	186,160	294,776	108,616
<b>Total revenue from local sources</b>	<b>53,940</b>	<b>194,400</b>	<b>303,037</b>	<b>108,595</b>
<b>Total Proffers Fund</b>	<b>53,940</b>	<b>194,400</b>	<b>303,037</b>	<b>108,595</b>
Comprehensive Services Fund:				
Revenue from local sources:				
Miscellaneous	15,000	15,000	16,820	1,820
Intergovernmental:				
Revenue from the Commonwealth:				
Comprehensive services act funds	1,286,526	1,242,985	983,218	(259,767)
Revenue from the federal government:				
Comprehensive services act funds	-	-	29,095	29,095
<b>Total intergovernmental</b>	<b>1,286,526</b>	<b>1,242,985</b>	<b>1,012,313</b>	<b>(230,672)</b>
<b>Total Comprehensive Services Fund</b>	<b>1,301,526</b>	<b>1,257,985</b>	<b>1,029,133</b>	<b>(228,852)</b>
Law Library Fund:				
Revenue from local sources:				
Charges for services:				
Law library fees	5,890	5,890	5,421	469
<b>Total Law Library Fund</b>	<b>5,890</b>	<b>5,890</b>	<b>5,421</b>	<b>469</b>
Courthouse Maintenance Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse maintenance fees	28,000	28,000	23,074	4,926
<b>Total Courthouse Maintenance Fund</b>	<b>28,000</b>	<b>28,000</b>	<b>23,074</b>	<b>4,926</b>

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Special Revenue Funds:				
Tourism Fund:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes	\$ 175,250	\$ 175,250	\$ 131,483	\$ (43,767)
Miscellaneous	16,790	16,790	10,549	(6,241)
<b>Total revenue from local sources</b>	<b>192,040</b>	<b>192,040</b>	<b>142,032</b>	<b>(50,008)</b>
<b>Total Tourism Fund</b>	<b>192,040</b>	<b>192,040</b>	<b>142,032</b>	<b>(50,008)</b>
Sheriff's Grant Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical:				
Public safety	-	14,000	16,087	2,087
Miscellaneous	-	-	5,083	5,083
<b>Total Sheriff's Grant Fund</b>	<b>-</b>	<b>14,000</b>	<b>21,170</b>	<b>7,170</b>
Fire/Rescue Grant Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical:				
Fire program fund	69,650	69,650	77,884	8,234
EMS vehicle registration grant	28,000	28,000	28,863	863
Radiological preparedness grant	25,000	25,000	25,000	-
<b>Total revenue from the Commonwealth</b>	<b>122,650</b>	<b>122,650</b>	<b>131,747</b>	<b>9,097</b>
Revenue from the federal government:				
Categorical:				
Assistance to firefighter grant	-	-	19,118	19,118
<b>Total intergovernmental</b>	<b>122,650</b>	<b>122,650</b>	<b>150,865</b>	<b>28,215</b>
<b>Total Fire/Rescue Grant Fund</b>	<b>122,650</b>	<b>122,650</b>	<b>150,865</b>	<b>28,215</b>
Housing Fund:				
Revenue from local sources:				
Revenue from use of money and property	10,800	10,800	56,044	45,244
<b>Total Housing Fund</b>	<b>10,800</b>	<b>10,800</b>	<b>56,044</b>	<b>45,244</b>
<b>Total Special Revenue Funds</b>	<b>\$ 3,305,760</b>	<b>\$ 3,416,679</b>	<b>\$ 3,396,728</b>	<b>\$ (9,203)</b>

COUNTY OF CAROLINE, VIRGINIA

Schedule 1

Page 6

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Debt Service Fund:				
Revenue from local sources:				
Other local taxes:				
Consumer utility	\$ 506,117	\$ 506,117	\$ 510,956	\$ 4,839
Meals	818,474	818,474	884,714	66,240
<b>Total other local taxes</b>	<b>1,324,591</b>	<b>1,324,591</b>	<b>1,395,670</b>	<b>71,079</b>
Revenue from use of money and property:				
Revenue from use of money	-	-	17	17
Revenue from use of property	111,600	111,600	111,600	-
<b>Total revenue from use of money and property</b>	<b>111,600</b>	<b>111,600</b>	<b>111,617</b>	<b>17</b>
Miscellaneous	70,902	59,818	46,712	(13,106)
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical:				
Communications tax	356,682	356,682	348,625	(8,057)
Revenue from the federal government:				
Non-categorical:				
Federal tax credit	270,000	270,000	280,418	10,418
BABs interest subsidy	11,548	11,548	11,548	-
<b>Total revenue from the federal government</b>	<b>281,548</b>	<b>281,548</b>	<b>291,966</b>	<b>10,418</b>
<b>Total intergovernmental</b>	<b>638,230</b>	<b>638,230</b>	<b>640,591</b>	<b>2,361</b>
<b>Total Debt Service Fund</b>	<b>\$ 2,145,323</b>	<b>\$ 2,134,239</b>	<b>\$ 2,194,590</b>	<b>\$ 60,351</b>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 7,047	\$ 25,867	\$ 25,858	\$ (9)
Revenue from the federal government:				
Categorical aid:				
Tourism center grant	-	-	58,657	58,657
Rural development grant	-	23,190	23,190	-
<b>Total intergovernmental</b>	<b>-</b>	<b>23,190</b>	<b>81,847</b>	<b>58,657</b>
<b>Total Capital Projects Fund</b>	<b>\$ 7,047</b>	<b>\$ 49,057</b>	<b>\$ 107,705</b>	<b>\$ 58,648</b>
<b>Grand Total Revenues - Primary Government</b>	<b>\$ 45,253,211</b>	<b>\$ 45,792,666</b>	<b>\$ 47,794,987</b>	<b>\$ 2,013,069</b>

COUNTY OF CAROLINE, VIRGINIA

Schedule 1

Page 7

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
Year Ended June 30, 2013

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services	\$ 20,000	\$ 20,000	\$ 3,220	\$ (16,780)
Miscellaneous	8,000	8,000	15,257	7,257
Appropriation from Primary Government	11,216,270	11,216,270	11,055,989	(160,281)
<b>Total revenue from local sources</b>	<b>11,244,270</b>	<b>11,244,270</b>	<b>11,074,466</b>	<b>(169,804)</b>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State sales tax receipts	4,299,151	4,299,151	4,309,168	10,017
Basic school aid	11,819,539	11,819,539	12,000,953	181,414
Other state school funds	7,050,699	7,050,699	7,089,889	39,190
<b>Total revenue from the Commonwealth</b>	<b>23,169,389</b>	<b>23,169,389</b>	<b>23,400,010</b>	<b>230,621</b>
Revenue from the federal government:				
Categorical aid:				
Title VIB	928,381	1,428,507	882,708	(545,799)
Other school funds	247,175	312,180	268,069	(44,111)
<b>Total revenue from the federal government</b>	<b>1,175,556</b>	<b>1,740,687</b>	<b>1,150,777</b>	<b>(589,910)</b>
<b>Total intergovernmental</b>	<b>24,344,945</b>	<b>24,910,076</b>	<b>24,550,787</b>	<b>(359,289)</b>
<b>Total School Operating Fund</b>	<b>35,589,215</b>	<b>36,154,346</b>	<b>35,625,253</b>	<b>(529,093)</b>
School Grant Fund:				
Miscellaneous	-	-	500	500
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Project graduation	13,930	28,782	19,975	(8,807)
Virginia performance pay incentives	322,950	322,950	230,909	(92,041)
Virginia tobacco settlement	42,168	42,168	-	(42,168)
Mentor teacher project	20,454	20,454	5,151	(15,303)
<b>Total revenue from the Commonwealth</b>	<b>399,502</b>	<b>414,354</b>	<b>256,035</b>	<b>(158,319)</b>
Revenue from the federal government:				
Categorical aid:				
Title I	1,090,121	1,254,379	1,044,925	(209,454)
ARRA - Education Jobs Fund	960,688	960,688	853,231	(107,457)
Other school funds	602,229	787,704	180,905	(606,799)
<b>Total revenue from the federal government</b>	<b>2,653,038</b>	<b>3,002,771</b>	<b>2,079,061</b>	<b>(923,710)</b>
<b>Total intergovernmental</b>	<b>3,052,540</b>	<b>3,417,125</b>	<b>2,335,096</b>	<b>(1,082,029)</b>
<b>Total School Grant Fund</b>	<b>3,052,540</b>	<b>3,417,125</b>	<b>2,335,596</b>	<b>(1,081,529)</b>

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 150	\$ 150	\$ 142	\$ (8)
Miscellaneous	7,600	7,600	126	(7,474)
Charges for services	738,980	738,980	715,595	(23,385)
<b>Total revenue from local sources</b>	<b>746,730</b>	<b>746,730</b>	<b>715,863</b>	<b>(30,867)</b>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	30,187	30,187	11,741	(18,446)
Revenue from the federal government:				
Categorical aid:				
School food program grant	1,039,244	1,039,244	1,209,214	169,970
<b>Total intergovernmental</b>	<b>1,069,431</b>	<b>1,069,431</b>	<b>1,220,955</b>	<b>151,524</b>
<b>Total School Cafeteria Fund</b>	<b>1,816,161</b>	<b>1,816,161</b>	<b>1,936,818</b>	<b>120,657</b>
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	114	114
<b>Total School Capital Projects Fund</b>	<b>-</b>	<b>-</b>	<b>114</b>	<b>114</b>
<b>Grand Total Revenues - Component Unit - School Board</b>	<b>\$ 40,457,916</b>	<b>\$ 41,387,632</b>	<b>\$ 39,897,781</b>	<b>\$ (1,489,851)</b>

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 171,583	\$ 171,583	\$ 172,005	\$ 422
General and financial:				
County administrator	456,001	456,001	446,096	(9,905)
Legal services	216,000	216,000	253,559	37,559
Commissioner of the revenue	748,396	755,396	741,894	(13,502)
Professional services	89,488	116,604	155,418	38,814
Treasurer	506,988	506,988	480,408	(26,580)
Finance	350,112	350,112	344,534	(5,578)
Information technology	222,534	223,550	210,068	(13,482)
<b>Total general and financial</b>	<b>2,589,519</b>	<b>2,624,651</b>	<b>2,631,977</b>	<b>7,326</b>
Board of elections:				
Electoral board and officials	173,101	178,028	170,861	(7,167)
<b>Total general government administration</b>	<b>2,934,203</b>	<b>2,974,262</b>	<b>2,974,843</b>	<b>581</b>
Judicial administration:				
Courts:				
Circuit court	83,955	91,955	91,945	(10)
General district court	32,307	32,307	16,277	(16,030)
Magistrate	1,263	1,263	805	(458)
Juvenile and domestic relations court	21,321	21,321	15,701	(5,620)
Clerk of the circuit court	573,399	605,908	611,541	5,633
Juvenile crime control	49,096	49,096	35,046	(14,050)
Victim witness program	95,486	95,486	94,916	(570)
<b>Total courts</b>	<b>856,827</b>	<b>897,336</b>	<b>866,231</b>	<b>(31,105)</b>
Commonwealth attorney	368,653	390,592	389,774	(818)
<b>Total judicial administration</b>	<b>1,225,480</b>	<b>1,287,928</b>	<b>1,256,005</b>	<b>(31,923)</b>
Public safety:				
Law enforcement and traffic control:				
Sheriff	4,388,836	4,423,509	4,140,049	(283,460)
E911 dispatch	916,180	916,180	842,728	(73,452)
<b>Total law enforcement and traffic control</b>	<b>5,305,016</b>	<b>5,339,689</b>	<b>4,982,777</b>	<b>(356,912)</b>
Fire and rescue services:				
Other fire and rescue	17,685	17,685	17,685	-
Emergency services	3,297,847	3,539,151	3,351,012	(188,139)
<b>Total fire and rescue services</b>	<b>3,315,532</b>	<b>3,556,836</b>	<b>3,368,697</b>	<b>(188,139)</b>

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Public safety:				
Correction and detention:				
Regional jail contributions	\$ 1,671,037	\$ 1,671,037	\$ 2,093,545	\$ 422,508
Juvenile probation and detention	154,011	154,011	199,261	45,250
<b>Total correction and detention</b>	<b>1,825,048</b>	<b>1,825,048</b>	<b>2,292,806</b>	<b>467,758</b>
Building inspections	256,747	279,095	276,880	(2,215)
Other protection:				
Animal control	288,884	293,914	292,301	(1,613)
Medical examiner	300	300	160	(140)
<b>Total other protection</b>	<b>289,184</b>	<b>294,214</b>	<b>292,461</b>	<b>(1,753)</b>
<b>Total public safety</b>	<b>10,991,527</b>	<b>11,294,882</b>	<b>11,213,621</b>	<b>(81,261)</b>
Public works:				
Maintenance of infrastructure:				
Public works administration	118,061	118,136	60,512	(57,624)
Streetlights	3,292	3,292	3,905	613
<b>Total maintenance of infrastructure</b>	<b>121,353</b>	<b>121,428</b>	<b>64,417</b>	<b>(57,011)</b>
Sanitation and waste removal:				
Refuse collection and disposal	1,341,562	1,348,545	1,213,261	(135,284)
<b>Total sanitation and waste removal</b>	<b>1,341,562</b>	<b>1,348,545</b>	<b>1,213,261</b>	<b>(135,284)</b>
Maintenance of general buildings and grounds:				
General properties	1,295,339	1,343,858	1,383,978	40,120
<b>Total maintenance of general buildings and grounds</b>	<b>1,295,339</b>	<b>1,343,858</b>	<b>1,383,978</b>	<b>40,120</b>
<b>Total public works</b>	<b>2,758,254</b>	<b>2,813,831</b>	<b>2,661,656</b>	<b>(152,175)</b>
Health and social services:				
Health:				
Supplement to local health department	308,450	308,450	308,450	-
Mental health and mental retardation:				
Community Services Board	90,000	90,000	90,000	-
Welfare:				
Contributions to outside welfare agencies	223,534	223,534	223,034	(500)
<b>Total health and welfare</b>	<b>621,984</b>	<b>621,984</b>	<b>621,484</b>	<b>(500)</b>

COUNTY OF CAROLINE, VIRGINIA

Schedule 2

Page 3

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2013

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Education:				
Appropriation to the Caroline County School Board	\$ 11,216,270	\$ 11,216,270	\$ 11,055,989	\$ (160,281)
<b>Total education</b>	11,216,270	11,216,270	11,055,989	(160,281)
Parks, recreation and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	390,955	401,855	353,537	(48,318)
Cultural:				
Contribution to County library	301,538	301,538	308,918	7,380
<b>Total parks, recreation and cultural</b>	692,493	703,393	662,455	(40,938)
Community development:				
Planning and community development:				
Planning development	578,793	554,443	532,836	(21,607)
Planning commission	28,807	28,807	29,566	759
Economic development	253,865	253,865	223,585	(30,280)
Planning regional	45,843	45,843	45,843	-
Industrial development authority	1,553	1,553	587	(966)
Board of zoning appeals	3,061	3,061	2,573	(488)
<b>Total planning and community development</b>	911,922	887,572	834,990	(52,582)
Environmental management:				
Soil and conservation district contribution	57,720	57,720	57,720	-
Environmental management	265,998	265,998	267,267	1,269
<b>Total environmental management</b>	323,718	323,718	324,987	1,269
Cooperative extension program:				
Extension office	44,052	44,052	44,038	(14)
<b>Total community development</b>	1,279,692	1,255,342	1,204,015	(51,327)
Debt service:				
Interest and fiscal charges	211,000	183,200	87,650	(95,550)
<b>Total debt service</b>	211,000	183,200	87,650	(95,550)
<b>Total General Fund</b>	\$ 31,930,903	\$ 32,351,092	\$ 31,737,718	\$ (613,374)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare administration	\$ 1,779,603	\$ 1,779,603	\$ 1,730,119	\$ (49,484)
Public assistance	208,675	208,675	219,516	10,841
Purchased services	179,355	179,355	172,991	(6,364)
Local only	2,631	2,631	2,498	(133)
Grants	12,375	12,375	12,375	-
<b>Total Virginia Public Assistance Fund</b>	2,182,639	2,182,639	2,137,499	(45,140)



**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2013**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Special Revenue Funds:				
Comprehensive Services Fund:				
Health and welfare:				
Comprehensive services act	\$ 1,759,983	\$ 1,868,288	\$ 1,837,275	\$ (31,013)
<b>Total Comprehensive Services Fund</b>	1,759,983	1,868,288	1,837,275	(31,013)
Law Library Fund:				
Judicial administration:				
Law library	5,890	5,890	4,449	(1,441)
<b>Total Law Library Fund</b>	5,890	5,890	4,449	(1,441)
Courthouse Maintenance Fund:				
Judicial administration:				
Courthouse maintenance	28,000	28,000	10,815	(17,185)
<b>Total Courthouse Maintenance Fund</b>	28,000	28,000	10,815	(17,185)
Tourism Fund:				
Community development:				
Planning and community development:				
Tourism	174,188	174,188	137,914	(36,274)
Debt service:				
Principal	20,000	20,000	-	(20,000)
<b>Total Tourism Fund</b>	194,188	194,188	137,914	(56,274)
Sheriff's Grant Fund:				
Judicial administration	-	11,500	11,050	(450)
Public safety	-	2,500	2,500	-
<b>Total Sheriff's Grant Fund</b>	-	14,000	13,550	(450)
Fire/Rescue Grant Fund:				
Public safety:				
Fire and rescue services:				
Fire/rescue program	122,650	160,625	85,033	(75,592)
<b>Total Fire/Rescue Grant Fund</b>	122,650	160,625	85,033	(75,592)
Housing Fund:				
Community development:				
Housing rehabilitation	10,800	10,800	1,091	(9,709)
<b>Total Housing Fund</b>	10,800	10,800	1,091	(9,709)
<b>Total Special Revenue Funds</b>	\$ 4,304,150	\$ 4,464,430	\$ 4,227,626	\$ (236,804)
Debt Service Fund:				
Debt service:				
Principal	\$ 3,707,918	\$ 4,804,718	\$ 4,779,582	\$ (25,136)
Interest and fiscal charges	3,240,472	3,242,237	3,267,372	25,135
<b>Total Debt Service Fund</b>	6,948,390	8,046,955	8,046,954	(1)

## GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

## SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2013

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Capital Projects Fund:				
County Capital Projects Fund:				
Capital outlay:				
Capital projects	\$ 1,500,000	\$ 10,280,300	\$ 10,279,612	\$ (688)
Debt service:				
Interest and fiscal charges	-	128,000	75,808	(52,192)
<b>Total Capital Projects Fund</b>	<b>\$ 1,500,000</b>	<b>\$ 10,408,300</b>	<b>\$ 10,355,420</b>	<b>\$ (52,880)</b>
<b>Grand Total Expenditures - Primary Government</b>	<b>\$ 44,683,443</b>	<b>\$ 55,270,777</b>	<b>\$ 54,367,718</b>	<b>\$ (903,059)</b>
Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 27,917,795	\$ 28,367,921	\$ 28,278,688	\$ (89,233)
Administration, attendance and health	1,152,417	1,152,417	1,134,787	(17,630)
Pupil transportation services	2,855,647	2,905,647	2,797,369	(108,278)
Operation and maintenance services	3,513,518	3,578,523	3,423,477	(155,046)
Facilities	149,838	149,838	75,824	(74,014)
<b>Total education</b>	<b>35,589,215</b>	<b>36,154,346</b>	<b>35,710,145</b>	<b>(444,201)</b>
Capital outlay:				
Capital projects	-	-	28,705	28,705
Debt service:				
Principal	-	-	46,560	46,560
<b>Total School Operating Fund</b>	<b>35,589,215</b>	<b>36,154,346</b>	<b>35,785,410</b>	<b>(368,936)</b>
School Grant Fund:				
Education:				
Instruction	3,052,540	3,417,125	2,262,229	(1,154,896)
<b>Total School Grant Fund</b>	<b>3,052,540</b>	<b>3,417,125</b>	<b>2,262,229</b>	<b>(1,154,896)</b>
School Cafeteria Fund:				
Education:				
School food services	1,816,161	1,816,161	1,964,838	148,677
<b>Total School Cafeteria Fund</b>	<b>1,816,161</b>	<b>1,816,161</b>	<b>1,964,838</b>	<b>148,677</b>
<b>Total Expenditures - Component Unit - School Board</b>	<b>\$ 40,457,916</b>	<b>\$ 41,387,632</b>	<b>\$ 40,012,477</b>	<b>\$ (1,375,155)</b>

## **STATISTICAL SECTION**

## COUNTY OF CAROLINE, VIRGINIA

### STATISTICAL SECTION TABLE OF CONTENTS

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

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

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

STATISTICAL SECTION

Comments Relative to Statistical Section

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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. The only restriction counties must follow is pursuant to Article VII, Section 10 (b) of the Constitution of Virginia, no debt shall be contracted by or on behalf of any county or district thereof unless approved by a majority vote of the qualified voters of said county.

COUNTY OF CAROLINE, VIRGINIA

Table 2

NET POSITION/ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary government:										
Governmental activities:										
Net investment in capital assets	\$ 3,569,798	\$ 4,459,976	\$ 4,779,287	\$ 6,625,002	\$ (64,888)	\$ (1,913,976)	\$ (1,516,215)	\$ (7,898,401)	\$ (2,885,427)	\$ (15,106,264)
Restricted	2,964,710	2,087,645	-	-	-	-	-	-	16,479,118	8,348,530
Unrestricted (deficit)	(2,567,832)	(535,374)	1,989,016	3,617,592	8,862,943	7,492,936	8,035,867	16,648,965	(2,158,308)	13,248,670
<b>Total governmental activities net assets</b>	<b>\$ 3,966,676</b>	<b>\$ 6,012,247</b>	<b>\$ 6,768,303</b>	<b>\$ 10,242,594</b>	<b>\$ 8,798,055</b>	<b>\$ 5,578,960</b>	<b>\$ 6,519,652</b>	<b>\$ 8,750,564</b>	<b>\$ 11,435,383</b>	
<b>Total governmental activities net position</b>										<b>\$ 6,490,936</b>
Business-type activities:										
Net investment in capital assets	\$ (1,895,187)	\$ (791,720)	\$ 10,797	\$ 5,729,267	\$ 5,713,730	\$ 4,995,360	\$ 1,798,327	\$ 3,409,348	\$ 5,078,025	\$ 2,505,703
Restricted	1,331,263	1,355,430	1,578,500	1,707,039	1,762,655	1,527,115	494,152	-	-	4,712,149
Unrestricted (deficit)	(166,578)	(434,342)	507,717	(7,286,288)	(4,270,848)	(4,590,859)	(1,792,297)	(4,238,484)	(5,373,848)	217,706
<b>Total business-type activities net assets (deficit)</b>	<b>\$ (730,502)</b>	<b>\$ 129,368</b>	<b>\$ 2,097,014</b>	<b>\$ 150,018</b>	<b>\$ 3,205,537</b>	<b>\$ 1,931,616</b>	<b>\$ 500,182</b>	<b>\$ (829,136)</b>	<b>\$ (295,823)</b>	
<b>Total business-type activities net position</b>										<b>\$ 7,435,558</b>
Primary government:										
Net investment in capital assets	\$ 1,674,611	\$ 3,668,256	\$ 4,790,084	\$ 12,354,269	\$ 5,648,842	\$ 3,081,384	\$ 282,112	\$ (4,489,053)	\$ 2,192,598	\$ (12,600,561)
Restricted	4,295,973	3,443,075	1,578,500	1,707,039	1,762,655	1,527,115	494,152	-	16,479,118	13,060,679
Unrestricted (deficit)	(2,734,410)	(969,716)	2,496,733	(3,668,696)	4,592,095	2,902,077	6,243,570	12,410,481	(7,532,156)	13,466,376
<b>Total primary government net assets</b>	<b>\$ 3,236,174</b>	<b>\$ 6,141,615</b>	<b>\$ 8,865,317</b>	<b>\$ 10,392,612</b>	<b>\$ 12,003,592</b>	<b>\$ 7,510,576</b>	<b>\$ 7,019,834</b>	<b>\$ 7,921,428</b>	<b>\$ 11,139,560</b>	
<b>Total primary government net position</b>										<b>\$ 13,926,494</b>

Note:

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

COUNTY OF CAROLINE, VIRGINIA

CHANGES IN NET POSITION/ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Table 3

Page 1

	June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary government:										
Expenses:										
Governmental activities:										
General government administration	\$ 2,197,847	\$ 2,489,287	\$ 2,948,940	\$ 3,074,553	\$ 3,568,313	\$ 3,709,879	\$ 4,078,076	\$ 3,834,523	\$ 3,373,633	\$ 3,504,203
Judicial administration	655,623	830,204	925,247	998,181	1,155,295	1,157,463	1,259,831	1,305,420	1,321,551	1,559,830
Public safety	5,806,787	5,940,634	9,091,489	8,517,661	11,871,594	10,097,879	10,062,297	10,851,996	12,399,082	12,005,540
Public works	2,709,049	3,091,796	3,859,700	3,984,895	1,992,373	3,303,085	3,096,165	3,224,196	2,488,278	3,066,768
Health and welfare	3,036,809	3,254,319	3,517,067	3,765,455	4,298,184	4,522,642	4,477,646	4,486,438	4,678,442	4,569,627
Education	10,702,390	9,630,301	10,508,385	11,325,718	13,677,703	13,585,341	12,155,229	12,473,709	12,688,448	16,789,588
Parks, recreation and cultural	472,143	469,739	627,846	958,698	652,192	960,018	631,053	593,795	1,014,718	2,682,085
Community development	1,111,428	1,169,139	1,543,534	2,139,000	1,802,204	1,946,999	1,683,340	1,357,445	1,466,009	1,545,447
Interest	1,600,211	1,394,472	1,375,847	2,015,260	2,384,813	3,495,641	3,271,332	2,770,309	3,379,550	3,311,236
<b>Total governmental activities</b>	<b>28,292,287</b>	<b>28,269,891</b>	<b>34,398,055</b>	<b>36,779,421</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>
Business-type activities:										
Public utilities	1,949,878	2,192,951	2,440,376	2,494,383	3,310,499	3,818,858	4,643,674	4,833,897	4,600,849	4,708,177
<b>Total business-type activities</b>	<b>1,949,878</b>	<b>2,192,951</b>	<b>2,440,376</b>	<b>2,494,383</b>	<b>3,310,499</b>	<b>3,818,858</b>	<b>4,643,674</b>	<b>4,833,897</b>	<b>4,600,849</b>	<b>4,708,177</b>
<b>Total primary government expenses</b>	<b>30,242,165</b>	<b>30,462,842</b>	<b>36,838,431</b>	<b>39,273,804</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>
Program revenue:										
Governmental activities:										
Charges for services:										
Public safety	1,003,771	1,059,624	1,268,305	1,215,852	676,456	669,213	360,507	354,880	1,931,399	1,812,613
Community development	417,754	504,831	731,767	312,581	1,701	1,299	289	209	259,936	274,372
All other activities	579,835	572,112	653,331	598,287	1,290,948	800,038	794,600	1,013,489	337,717	345,711
Operating grants and contributions	4,457,013	4,478,161	4,984,176	5,336,087	5,180,181	5,941,198	5,730,192	5,864,302	5,931,154	5,435,809
Capital grants and contributions	368,351	854,758	848,900	1,646,016	292,906	-	389,982	-	83,646	158,272
<b>Total governmental activities</b>	<b>6,826,724</b>	<b>7,469,486</b>	<b>8,486,479</b>	<b>9,108,823</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>

COUNTY OF CAROLINE, VIRGINIA

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

**Table 3**  
**Page 2**

	June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary government:										
Program revenue:										
Business-type activities:										
Charges for services:										
Public utilities	\$ 632,264	\$ 710,445	\$ 842,033	\$ 1,036,029	\$ 2,306,221	\$ 2,021,930	\$ 3,050,269	\$ 3,091,297	\$ 2,879,029	\$ 3,891,144
Operating grants and contributions:										
Public utilities	-	-	-	-	107,000	210,100	-	259,417	380,573	638,344
Capital grants and contributions:										
Public utilities	642,540	1,289,015	1,608,986	1,532,671	3,766,990	109,610	139,397	118,716	-	-
<b>Total business-type activities</b>	1,274,804	1,999,460	2,451,019	2,568,700	6,180,211	2,341,640	3,189,666	3,469,430	3,259,602	4,529,488
<b>Total primary government revenues</b>	8,101,528	9,468,946	10,937,498	11,677,523	13,622,403	9,753,388	10,465,236	10,702,310	11,803,454	12,556,265
Net (expense) revenue:										
Governmental activities	(21,465,563)	(20,800,405)	(25,911,576)	(27,670,598)	(33,960,479)	(35,367,199)	(33,439,399)	(33,664,951)	(34,265,859)	(41,007,547)
Business-type activities	(675,074)	(193,491)	10,643	74,317	2,869,712	(1,477,218)	(1,454,008)	(1,364,467)	(1,341,247)	(178,689)
<b>Total primary government, net expense</b>	(22,140,637)	(20,993,896)	(25,900,933)	(27,596,281)	(31,090,767)	(36,844,417)	(34,893,407)	(35,029,418)	(35,607,106)	(41,186,236)
Governmental activities:										
Taxes:										
General property taxes	15,080,385	15,503,785	17,119,607	19,696,597	21,721,562	23,380,063	25,617,843	26,968,633	30,377,123	30,700,165
Local sales and use	1,059,291	1,105,781	1,183,750	1,257,370	1,397,232	1,401,831	1,357,380	1,540,189	1,527,122	1,521,998
Other	3,578,591	4,266,350	5,005,663	4,753,642	4,748,727	4,400,956	3,313,411	3,510,347	3,749,268	3,661,418
State personal property tax reimbursement	2,239,607	2,313,961	2,837,405	2,386,780	2,371,896	2,371,897	2,371,897	2,371,897	2,371,897	2,371,897
Other state non-categorical shared revenues	386,032	436,742	537,927	402,015	404,287	234,421	115,890	250,235	694,417	749,001
Proffers from new development	420,000	-	1,487,475	166,655	186,929	84,347	260,996	208,409	111,314	294,776
Other unrestricted revenue	281,906	238,174	365,403	373,891	1,800,945	574,917	1,362,299	1,135,248	965,188	1,263,776
Transfers	(860,881)	(1,018,817)	(1,869,598)	(123,380)	(115,638)	(180,403)	(19,625)	-	(1,079,642)	(4,630,231)
<b>Total governmental activities</b>	22,184,931	22,845,976	26,667,632	28,913,570	32,515,940	32,268,029	34,380,091	35,984,958	38,716,687	35,932,800
Business-type activities:										
Use of money and property	21,758	34,530	58,515	-	-	22,894	2,949	35,149	44,154	22,127
Miscellaneous	14,913	14	28,890	86,626	70,169	-	-	-	151,939	97,605
Transfers	860,881	1,018,817	1,869,598	123,380	115,638	180,403	19,625	-	1,079,642	4,630,231
<b>Total business-type activities</b>	897,552	1,053,361	1,957,003	210,006	185,807	203,297	22,574	35,149	1,275,735	4,749,963
<b>Total primary government</b>	23,082,483	23,899,337	28,624,635	29,123,576	32,701,747	32,471,326	34,402,665	36,020,107	39,992,422	40,682,763
Changes in net assets:										
Governmental activities	719,368	2,045,571	756,056	1,242,972	(1,444,539)	(3,099,170)	940,692	2,320,007	4,450,828	
Business-type activities	222,478	859,870	1,967,646	284,323	3,055,519	(1,273,921)	(1,431,434)	(1,329,318)	(65,512)	
<b>Total primary government</b>	\$ 941,846	\$ 2,905,441	\$ 2,723,702	\$ 1,527,295	\$ 1,610,980	\$ (4,373,091)	\$ (490,742)	\$ 990,689	\$ 4,385,316	
Changes in net position:										
Governmental activities										(5,074,747)
Business-type activities										4,571,274
<b>Total primary government</b>										<u>\$ (503,473)</u>

Notes:

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

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



COUNTY OF CAROLINE, VIRGINIA

Table 4

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 366,000	\$ 472,800	\$ -	\$ -	\$ -
Unreserved	3,763,555	5,355,331	6,092,852	6,144,482	4,372,811	3,578,749	5,631,691	-	-	-
Restricted	-	-	-	-	-	-	-	-	1,176,599	1,827,272
Committed	-	-	-	-	-	-	-	444,987	366,000	366,000
Assigned	-	-	-	-	-	-	-	-	7,420	421,395
Unassigned	-	-	-	-	-	-	-	9,107,120	11,597,688	10,901,101
<b>Total General Fund</b>	<b>\$ 3,763,555</b>	<b>\$ 5,355,331</b>	<b>\$ 6,092,852</b>	<b>\$ 6,144,482</b>	<b>\$ 4,372,811</b>	<b>\$ 3,944,749</b>	<b>\$ 6,104,491</b>	<b>\$ 9,552,107</b>	<b>\$ 13,147,707</b>	<b>\$ 13,515,768</b>
All Other Governmental Funds:										
Reserved	\$ 4,834,328	\$ 2,791,392	\$ 2,128,594	\$ 6,658,745	\$ 5,151,438	\$ 4,818,961	\$ 1,967,647	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	266,312	533,024	1,160,366	2,303,062	1,193,460	1,006,694	1,806,036	-	-	-
Capital projects funds	650,264	(173,833)	265,639	(1,466,321)	-	-	-	-	-	-
Debt service funds	61,660	95,214	202,472	449,258	555,018	(107,903)	181,625	-	-	-
Restricted	-	-	-	-	-	-	-	6,924,638	15,302,519	6,521,258
Committed	-	-	-	-	-	-	-	1,496,793	-	-
Assigned	-	-	-	-	-	-	-	518,586	577,240	619,386
Unassigned	-	-	-	-	-	-	-	-	(304)	(43,865)
<b>Total all other governmental funds</b>	<b>\$ 5,812,564</b>	<b>\$ 3,245,797</b>	<b>\$ 3,757,071</b>	<b>\$ 7,944,744</b>	<b>\$ 6,899,916</b>	<b>\$ 5,717,752</b>	<b>\$ 3,955,308</b>	<b>\$ 8,940,017</b>	<b>\$ 15,879,455</b>	<b>\$ 7,096,779</b>

Note:

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

# COUNTY OF CAROLINE, VIRGINIA

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

### Last Ten Fiscal Years

*(modified accrual basis of accounting)*

**(Unaudited)**

	Fiscal Year		
	2004	2005	2006
Revenues:			
General property taxes	\$ 14,910,125	\$ 15,728,010	\$ 17,279,974
Other local taxes	4,637,882	5,372,131	6,189,413
Permits, privilege fees and regulatory licenses	698,264	980,498	1,210,530
Fines and forfeitures	438,430	331,418	543,371
Use of money and property	365,192	358,677	696,144
Charges for services	320,264	385,181	492,758
Other local	875,374	840,536	1,984,577
Intergovernmental	6,968,606	7,253,816	8,612,165
<b>Total revenues</b>	<b>29,214,137</b>	<b>31,250,267</b>	<b>37,008,932</b>
Expenditures:			
General government administration	1,812,264	2,112,532	2,413,514
Judicial administration	640,900	706,343	802,236
Public safety	5,116,302	5,776,501	6,931,020
Public works	2,232,552	2,626,375	3,354,485
Health and welfare	3,044,741	3,223,783	3,481,440
Education	9,210,707	9,366,387	10,187,065
Parks, recreation and cultural	443,000	439,872	602,858
Community development	1,140,011	1,123,087	1,465,769
Capital outlay	3,150,611	2,030,600	6,468,876
Debt service:			
Principal	1,766,976	1,847,529	1,826,813
Interest and fiscal charges	1,527,766	1,454,787	1,367,835
<b>Total expenditures</b>	<b>30,085,830</b>	<b>30,707,796</b>	<b>38,901,911</b>
<b>Revenues over (under) expenditures</b>	<b>(871,693)</b>	<b>542,471</b>	<b>(1,892,979)</b>
Other financing sources (uses):			
Transfers in	2,171,741	2,769,039	2,915,052
Transfers out	(2,282,539)	(3,162,715)	(3,029,349)
Issuance of debt	1,179,008	1,100,000	16,630,000
Early debt retirement	(1,171,508)	-	-
Premium on issuance of debt	-	-	-
Issuance of capital lease	-	-	-
<b>Total other financing sources (uses), net</b>	<b>(103,298)</b>	<b>706,324</b>	<b>16,515,703</b>
<b>Net change in fund balance</b>	<b>\$ (974,991)</b>	<b>\$ 1,248,795</b>	<b>\$ 14,622,724</b>

**Table 5**  
**Page 1**

June 30,							
2007		2008		2009		2010	

## COUNTY OF CAROLINE, VIRGINIA

### CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

#### Last Ten Fiscal Years

*(modified accrual basis of accounting)*

**(Unaudited)**

	Fiscal Year		
	2004	2005	2006
Debt Service as a percentage of noncapital expenditures:			
Primary government:			
Total debt service	\$ 3,294,742	\$ 3,302,316	\$ 3,194,648
Total expenditures	\$ 30,085,830	\$ 30,707,796	\$ 38,901,911
Less: Capital outlay - primary government (1)	n/a	n/a	n/a
<b>Noncapital expenditures</b>	<b>\$ 30,085,830</b>	<b>\$ 30,707,796</b>	<b>\$ 38,901,911</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

Note:

- (1) Prior to fiscal year 2007, capital outlay information was not segregated in the CAFR, and, therefore, prior information regarding this amount is unavailable and not presented.

**Table 5**  
**Page 2**

June 30,						
2007	2008	2009	2010	2011	2012	2013
<hr/>						
\$ 4,036,825	\$ 11,288,127	\$ 6,035,171	\$ 5,940,217	\$ 4,780,692	\$ 6,002,553	\$ 8,210,412
<hr/>						
\$ 49,894,226	\$ 69,311,313	\$ 48,520,781	\$ 44,099,012	\$ 42,728,175	\$ 43,656,802	\$ 54,367,718
(12,826,842)	(19,983,961)	(5,001,627)	(2,023,040)	(2,233,860)	(1,663,081)	(8,277,672)
<hr/>						
\$ 37,067,384	\$ 49,327,352	\$ 43,519,154	\$ 42,075,972	\$ 40,494,315	\$ 41,993,721	\$ 46,090,046
<hr/>						
10.89%	22.88%	13.87%	14.12%	11.81%	14.29%	17.81%
<hr/>						

COUNTY OF CAROLINE, VIRGINIA

Table 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Six Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	Property (1)	Local Sales and Use	Business License	Motor Vehicle Licenses	Recordation and Wills	Other	Total
2008	\$ 20,630,105	\$ 1,397,232	\$ 1,099,579	\$ 594,334	\$ 493,071	\$ 719,968	\$ 24,934,289
2009	22,347,916	1,401,831	1,090,071	578,311	296,348	703,577	26,418,054
2010	25,031,295	1,357,380	803,165	552,923	242,212	773,060	28,760,035
2011	26,013,620	1,540,189	905,568	667,779	217,128	881,244	30,225,528
2012	27,892,748	1,527,122	969,103	823,632	214,204	905,990	32,332,799
2013	29,247,485	1,521,998	1,065,597	596,577	330,602	875,773	33,638,032
Change 2008-2013	41.77%	8.93%	-3.09%	0.38%	-32.95%	21.64%	34.91%

Note:

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

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

Fiscal Year	Real Estate (1)	Personal Property (2)	Machinery and Tools	Public Utility (3)	Total Assessed Value	Total Taxable Assessed Value
2004	\$ 1,228,999,451	\$ 90,669,566	\$ 4,569,810	\$ 222,133,960	\$ 1,546,372,787	\$ 1,546,372,787
2005	1,319,012,605	99,141,899	4,957,600	157,948,727	1,581,060,831	1,581,060,831
2006	1,995,481,828	112,732,442	5,769,900	140,747,712	2,254,731,882	2,254,731,882
2007	2,698,539,731	127,775,732	6,270,660	165,825,263	2,998,411,386	2,998,411,386
2008	2,887,544,318	137,580,241	5,844,280	208,479,657	3,239,448,496	3,239,448,496
2009	2,921,646,044	146,037,606	5,999,560	210,375,646	3,284,058,856	3,284,058,856
2010	2,957,819,726	158,154,031	6,651,920	388,613,995	3,511,239,672	3,511,239,672
2011	2,438,863,853	150,301,120	7,303,910	434,199,114	3,030,667,997	3,030,667,997
2012	2,675,828,900	316,976,453	7,034,730	436,895,835	3,436,735,918	3,436,735,918
2013	2,690,621,100	254,081,388	7,045,530	447,027,197	3,398,775,215	3,398,775,215

## Notes:

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

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

Fiscal Year June 30,	Real Estate	Personal Property (1)(2)	Machinery and Tools	Public Service Corporations	
				Real Estate	Personal Property
2004	\$ 0.725	\$ 6.250	\$ 3.500	\$ 0.725	\$ 6.250
2005	0.805	6.250	3.500	0.805	6.250
2006	0.790	6.250	3.500	0.790	6.250
2007	0.480	6.250	3.500	0.480	6.250
2008	0.530	6.250	3.500	0.530	6.250
2009	0.530	6.250	3.500	0.530	6.250
2010	0.530	6.250	3.500	0.530	6.250
2011	0.680	6.250	3.500	0.680	6.250
2012	0.720	3.500	3.500	0.720	3.500
2013	0.720	3.800	3.500	0.720	3.800

Notes:

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

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



COUNTY OF CAROLINE, VIRGINIA

Table 9

**PRINCIPAL PROPERTY TAXPAYERS**  
**Current Year and Seven Years Ago**  
**(Unaudited)**

Taxpayer / Type of Business	Fiscal Year June 30,					
	2013			2006		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Dominion Virginia Power / Electric Utility	\$ 287,351,836	1	8.47%	\$ 100,991,188	1	3.29%
Rappahannock Electric Cooperative / Electric Utility	58,584,100	2	1.73%	39,606,726	2	1.29%
McKesson Corporation / Pharmaceutical Distributor	32,175,250	3	0.95%	-	-	-
Virginia Natural Gas, Inc. / Gas Utility	29,893,620	4	0.88%	-	-	-
Richmond, Fredericksburg and Potomac Railroad / Railroad	19,135,770	5	0.56%	12,867,084	5	0.42%
Verizon South / Telephone Utility	15,872,388	6	0.47%	19,713,323	3	0.64%
Carmel Church Properties / Bank	15,736,800	7	0.46%	-	-	-
Columbus Industrial Owner 1 LLC / Furniture Distribution	13,908,500	8	0.41%	-	-	-
Commonwealth Fairs & Events, LLC / Public Entertainment	13,404,140	9	0.39%	-	-	-
Pilot Travel Centers, LLC / Highway Service Commercial	11,425,490	10	0.34%	-	-	-
JLB Ruther Glen LLC / Furniture Distribution	-	-	-	14,153,500	4	0.46%
NNP IV-Ladysmith / Property Development	-	-	-	10,853,600	6	0.35%
Highway Service Ventures, Inc. / Highway Service Commercial	-	-	-	9,426,900	7	0.31%
Amber Farms Limited Partnership / Property Development	-	-	-	9,398,282	8	0.31%
Haymount	-	-	-	9,371,200	9	0.31%
Union Bank / Union Bankshares / Bank	-	-	-	8,822,600	10	0.29%
<b>Total</b>	<b>\$ 497,487,894</b>		<b>14.66%</b>	<b>\$ 235,204,403</b>		<b>7.67%</b>

Source:  
Caroline County Commissioner of Revenue

Note:

Under the State *Code of Virginia*, the Caroline County Commissioner of the Revenue is required to keep all assessment books for a term of six years. After six years have passed, the records may be destroyed, which is the reason fiscal year 2006 is shown instead of fiscal year 2004. Fiscal year 2004 information is not available.

**COUNTY OF CAROLINE, VIRGINIA**

**Table 10**

**REAL PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Six 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		
2008	\$ 23,498,734	\$ 22,316,200	94.97%	\$ 685,801	\$ 23,002,001	97.89%	\$ 3,325,041	14.15%
2009	24,851,549	23,668,549	95.24%	659,143	24,327,692	97.89%	3,369,927	13.56%
2010	27,443,283	26,455,233	96.40%	947,959	27,403,192	99.85%	3,565,280	12.99%
2011	28,430,141	27,337,561	96.16%	1,047,956	28,385,517	99.84%	3,659,723	12.87%
2012	30,790,303	29,222,222	94.91%	955,058	30,177,280	98.01%	4,021,078	13.06%
2013	31,992,621	30,609,324	95.68%	963,110	31,572,434	98.69%	4,478,787	14.00%

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.
- (4) Information not available in this format in all prior years.

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

**Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2004	23,000	\$ 1,546,372,787	\$ 25,274,920	1.63%	\$ 1,099
2005	23,800	1,581,060,831	23,513,221	1.49%	988
2006	25,109	2,254,731,882	38,496,655	1.71%	1,533
2007	27,399	2,998,411,386	38,406,383	1.28%	1,402
2008	27,838	3,239,448,496	57,424,550	1.77%	2,063
2009	28,245	3,284,058,856	60,745,642	1.85%	2,151
2010	28,245	3,511,239,672	58,740,612	1.67%	2,080
2011	28,545	3,030,667,997	64,916,686	2.14%	2,274
2012	28,890	3,436,735,918	70,082,850	2.04%	2,426
2013	29,115	3,398,775,215	68,185,970	2.01%	2,342

Notes:

(1) Population and personal income data can be found in table 12.

(2) See table 7 for property value data.

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

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

Calendar Year	(1) Population	(2) Personal Income (000's)	(2) Per Capita Personal Income	(3) School Enrollment	(4) Unemployment Rate
2004	23,000	\$ 599,701	\$ 25,924	3,651	4.2%
2005	23,800	657,599	27,482	3,786	3.9%
2006	25,109	765,262	28,289	3,937	3.7%
2007	27,399	821,575	31,047	4,084	3.3%
2008	27,838	895,756	32,825	4,061	4.8%
2009	28,245	939,641	33,923	4,244	8.5%
2010	28,245	940,026	33,729	4,277	8.6%
2011	28,545	989,854	34,574	4,257	7.7%
2012	28,890	1,086,741	37,510	4,317	6.7%
2013	29,115	N/A	N/A	4,340	6.9%

Sources:

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

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

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

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

N/A - Information unavailable at fiscal year end

## COUNTY OF CAROLINE, VIRGINIA

### NUMBER OF BUDGETED FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	Fiscal Year			
	2004	2005	2006	2007
General government administration:				
General and financial:				
County Administrator	3	3	3	3
Commissioner of the revenue	8	8	9	10
Treasurer	6	6	6	6
Finance	4	4	5	5
Judicial administration:				
Courts:				
Clerk of the circuit court	5	6	6	7
Commonwealth attorney	2	2	2	2
Public safety:				
Sheriff	44	46	52	54
Fire and rescue	20	21	23	28
Public works	14	14	16	17
Parks, recreation and cultural	2	2	2	3
Community development:				
Planning and community development	12	14	21	21
Economic development	3	3	3	3
Water and sewer:				
Utilities/water treatment	7	8	8	9
Social services	25	25	25	25
<b>Totals</b>	<b>155</b>	<b>162</b>	<b>181</b>	<b>193</b>

Source:

Caroline County Budgets

**Table 13**

June 30,						
	2008	2009	2010	2011	2012	2013
	3	3	3	3	3	4
	11	11	11	11	12	13
	7	7	7	7	7	8
	6	6	6	4	4	3
	8	8	8	8	8	8
	4	4	5	5	5	5
	68	70	70	71	71	71
	29	26	26	26	26	26
	16	16	15	13	13	13
	3	3	3	3	3	3
	19	19	13	10	10	10
	3	3	3	2	2	2
	16	16	16	15	15	15
	25	25	25	25	25	25
	218	217	211	203	204	206

## **COMPLIANCE SECTION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2013**

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:			
<u>Direct payments:</u>			
<u>Department of Agriculture:</u>			
Community Facilities Loans and Grants		10.766	\$ 23,190
<u>Pass-through payments:</u>			
<u>Department of Social Services:</u>			
State Administered Matching Grants for the Supplemental Nutrition Assistance Progra	Not Provided	10.561	344,313
<u>Department of Agriculture and Consumer Services:</u>			
<u>Child Nutrition Cluster:</u>			
Commodity Distributions	17901-45707	10.555	125,424
<u>Department of Education:</u>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	17901-40591	10.553	316,166
National School Lunch Program	17901-40623	10.555	873,536
			1,189,702
<b>Total Department of Agriculture</b>			<b>1,682,629</b>
DEPARTMENT OF TRANSPORTATION:			
<u>Pass-through payments:</u>			
<u>Department of Transportation:</u>			
Highway Planning and Construction	TEA-016-6(019)	20.205	58,657
<u>Department of Motor Vehicles:</u>			
Alcohol Open Container Requirements	60507-50246/51356	20.607	27,619
<b>Total Department of Transportation</b>			<b>86,276</b>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<u>Pass-through payments:</u>			
<u>Department of Social Services:</u>			
Promoting Safe and Stable Families	Not Provided	93.556	11,833
Temporary Assistance to Needy Families	Not Provided	93.558	249,607
Refugee and Entrant Assistance - State Administered Programs	Not Provided	93.566	908
Low-Income Home Energy Assistance	Not Provided	93.568	11,968
<u>CCDF Cluster:</u>			
Child Care and Development Block Grant	Not Provided	93.575	(37)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Not Provided	93.596	27,661
Chafee Education and Training Vouchers Program (ETV)	Not Provided	93.599	1,708
Child Welfare Services - State Grants	Not Provided	93.645	964
Foster Care - Title IV-E	Not Provided	93.658	122,241
Adoption Assistance	Not Provided	93.659	52,474
Social Services Block Grant	Not Provided	93.667	161,978
Chafee Foster Care Independent Living	Not Provided	93.674	2,465
State Children's Insurance Program	Not Provided	93.767	7,580
Medical Assistance Program (Medicaid; Title XIX)	Not Provided	93.778	205,227
<b>Total Department of Health and Human Services</b>			<b>856,577</b>



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2013**

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:			
<u>Direct payments:</u>			
<u>Department of Criminal Justice:</u>			
Bulletproof Vest Partnership Program		16.607	\$ 1,328
<u>Pass-through payments:</u>			
<u>Department of Criminal Justice Services:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	Not Provided	16.738	2,317
Violence Against Women Formula Grants	39001-99001	16.588	26,153
			28,470
<b>Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance</b>			<b>29,798</b>
DEPARTMENT OF DEFENSE:			
<u>Direct payments:</u>			
ROTC Instruction		12.000	59,932
<b>Total Department of Defense</b>			<b>59,932</b>
DEPARTMENT OF EDUCATION:			
<u>Pass-through payments:</u>			
<u>Department of Education:</u>			
Title I Grants to Local Educational Agencies	Not Provided	84.010	972,527
Special Education Cluster:			
Special Education - Grants to States	Not Provided	84.027	882,708
Special Education - Preschool Grants	Not Provided	84.173	16,075
Career and Technical Education - Basic Grants to States	Not Provided	84.048	74,678
Twenty-First Century Community Learning Centers	Not Provided	84.287	59,652
Education Technology State Grants	Not Provided	84.318	793
English Language Acquisition State Grants	Not Provided	84.365	13,144
Improving Teacher Quality State Grants	Not Provided	84.367	143,166
School Improvement Grants	Not Provided	84.377	20,796
ARRA - State Fiscal Stabilization Fund - Education State Grants	Not Provided	84.394	44,267
ARRA - Education Jobs Fund	Not Provided	84.410	853,231
<b>Total Department of Education</b>			<b>3,081,037</b>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2013**

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY:			
<u>Direct payments:</u>			
<u>Federal Emergency Management Agency:</u>			
Assistance for Firefighters		97.044	\$ 19,118
Staffing for Adequate Fire and Emergency Response		97.083	369,189
			<u>388,307</u>
<u>Pass-through payments:</u>			
<u>Department of Emergency Management:</u>			
Emergency Management Performance Grants	77501-52749	97.042	<u>28,994</u>
<b>Total Department of Homeland Security</b>			<u>417,301</u>
DEPARTMENT OF THE INTERIOR:			
<u>Direct payments:</u>			
<u>Bureau of Land Management:</u>			
Payments in Lieu of Taxes		15.226	<u>1,618</u>
<b>Total Department of the Interior</b>			<u>1,618</u>
ENVIRONMENTAL PROTECTION AGENCY			
<u>Pass-through payments:</u>			
<u>Department of Environmental Quality:</u>			
Congressionally Mandated Projects	XP96312101-1	66.202	<u>180,752</u>
<b>Total Environmental Protection Agency</b>			<u>180,752</u>
<b>Total Federal Awards Expended</b>			<u>\$ 6,395,920</u>

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

---

#### Note 1. Significant Accounting Policies

##### Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County of Caroline, Virginia and the component unit – School Board under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

*Federal Financial Assistance* – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

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

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

*Major Programs* – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the County of Caroline, Virginia and the component unit were determined using a risk-based approach in accordance with OMB Circular A-133.

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

*Cluster of Programs* – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of Caroline, Virginia and its component units: Child Nutrition, Special Education, and CCDF.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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#### **Note 2. Non-Cash Assistance**

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$125,424 at the time received were consumed during the year ended June 30, 2013. These commodities were included in the determination of federal awards expended during the year ended June 30, 2013.

#### **Note 3. Relationship to the Basic Financial Statements.**

In the current fiscal year, \$72,398 of revenue was recognized in the financial statements associated with the Title I Grants to Local Educational Agencies (CFDA #84.010). The corresponding expenditures associated with the Title I Grants to Local Educational Agencies were recorded in the prior year and reported in the prior year's Schedule of Expenditures of Federal Awards. When the County recognized the expenditures in the SEFA in the prior year, a corresponding receivable and revenue amount was never recorded. Therefore, this revenue was recognized in the current year's financial statements.

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Caroline, Virginia (County) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 24, 2014.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as determined in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-01 to be a material weakness.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

PBMares, LLP

Harrisonburg, Virginia  
February 24, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the County of Caroline, Virginia's (County) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, OMB Circular A-133, and specifications 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 the County'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 the County's compliance.

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

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia  
February 24, 2014



**COUNTY OF CAROLINE, VIRGINIA**

**Page 1**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u>  √  </u> Yes	<u>      </u> No
Significant deficiencies identified?	<u>      </u> Yes	<u>  √  </u> No
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  √  </u> No

**Federal awards**

Internal control over major programs:

Material weaknesses identified?	<u>      </u> Yes	<u>  √  </u> No
Significant deficiencies identified?	<u>      </u> Yes	<u>  √  </u> No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

<u>      </u> Yes	<u>  √  </u> No
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.561	State Administered Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)
84.010	Title I Grants to Local Educational Agencies
84.410	Education Jobs Fund – ARRA

**Child Nutrition Cluster:**

10.553	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.555	Commodities

COUNTY OF CAROLINE, VIRGINIA

Page 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

I. SUMMARY OF AUDITOR'S RESULTS (Continued)

Identification of major programs: (Continued)

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      √ No

II. FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2013-01: Material Weakness due to Material Audit Adjustments and Restatements

Requirement: The financial statement amounts obtained from the County to be audited should be final and free of material misstatements.

Condition: Upon auditing the County's year end balances, there were instances of material adjustments identified, including entries to restate prior periods. These restatements were to adjust capital asset accounts for omissions of developer donated capital assets, which had not been identified upon receipt by the County several years prior to the current year.

Effect: The financial statements have been corrected to include the identified audit adjustments and restated in order to properly reflect beginning fund balance and net position, as described in Note 14 to the financial statements. The necessary entries and restatements were material to the financial statements, and were included as adjustments in order to more accurately represent the County's financial position. Failure to record the items noted above is a departure from Governmental Accounting Standards.

Recommendation: We recommend the County continue to use increased levels of due diligence in maintaining proper schedules to support accurate balances. We also recommend the County continue to properly identify and record developer donated assets, as they are contributed to the County, so as to prevent the occurrence of future restatements. This is a necessary practice, in an effort to further ensure more accurate financial reporting.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**COUNTY OF CAROLINE, VIRGINIA**

**CORRECTIVE ACTION PLAN  
Year Ended June 30, 2013**

Identifying Number: 2013-01

Finding

Upon auditing the County's year end balances, there were instances of material adjustments identified, including entries to restate prior periods. These restatements were to adjust capital asset accounts for omissions of developer donated capital assets, which had not been identified upon receipt by the County several years prior to the current year.

Corrective Action Taken or Planned

The County has strengthened its reviews of general ledger accounts to verify accuracy in the balances. The County has also identified resources to assist in understanding questionable or confusing accounting.

**COUNTY OF CAROLINE, VIRGINIA**

**Page 1**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2013**

**12-01 Material Weakness Due to Material Audit Adjustments and Restatements**

Finding

Upon auditing the County's year-end balances, there were instances of material adjustments identified, including entries to restate prior periods.

Corrective Action Taken or Planned

The County has strengthened its reviews of general ledger accounts to verify accuracy in the balances. The County has also identified resources to assist in understanding questionable or confusing accounting.

**12-02: Significant Deficiency in Segregating Duties of the Treasurer's Office**

Finding:

In documenting procedures relating to wire transfers, we noted wires were both initiated and authorized by the Treasurer or Deputy Treasurer, with no secondary approval required. Additionally, it was noted there were other segregation of duties issues, in that the Treasurer received bank statements, completed reconciliations, maintained checks and had signature authority.

Corrective Action Taken or Planned:

**Wire Transfers**

In response to the finding concerning the controls related to wire transfers being sufficient to prevent unauthorized transfers, there are only two employees in the Treasurer's office responsible for wire transfers, the Treasurer and Chief Deputy Treasurer. If one of these two people is out of the office and a wire is necessary, either person could initiate the wire and approve it. However, both individuals are automatically notified by the bank by email that the wire has been initiated. Additionally, there is a bank confirmation notice sent by mail to the Treasurer's office with the details of the wire. Our procedure for documenting wires is to attach the mailed copy to the debt service accounts payable check as support and wires to and from the LGIP are attached to the LGIP statement to support the transfer. Wires from SNAP are initiated by the Finance Director and the mailed confirmation is filed with the appropriate SNAP statement to support the incoming wire. We were trying to limit the number of Treasurer's employees with access to the online banking system to the Treasurer and Chief Deputy to reduce the possibility of errors.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2013**

**12-02: Significant Deficiency in Segregating Duties of the Treasurer's Office (Continued)**

Based on the finding, we established procedures to document that wires are initiated by one employee and approved by another. We are also in the process of hiring a Customer Service Agent who will have access to the banking system to initiate direct debit transactions for customers. They will be trained to initiate wires under the direction of the Treasurer or Chief Deputy Treasurer for the debt service or LGIP transfers. Approval authority will remain with the Treasurer and Chief Deputy Treasurer. If the required personnel are not available, we will email the Finance Director for confirmation that the wire is required and request her approval so the wire can be transferred. As an additional control, we are providing the Finance Director with the original mailed copy of the wire transfer from the bank for her records. The Treasurer's office will maintain a copy for our files.

**Bank Reconciliations**

In response to the finding of additional segregation of duties issues related to the Treasurer receiving the bank statements, completing the bank reconciliations, maintaining checks and having signature authority, the Treasurer's office will establish additional controls to compensate for the lack of additional personnel to perform these duties. There are inherent limitations due to the size of our staff. As mentioned above, only the Treasurer and Chief Deputy Treasurer have access to the online banking system to download the transactions necessary to complete the transactions. The Chief Deputy Treasurer is responsible for preparing the daily deposits and updating the general ledger, and the Treasurer is responsible for reconciling the deposits to the bank reconciliations. Although the Treasurer prepares the bank reconciliations, the files are maintained in the Chief Deputy Treasurer's office and are maintained in a file that is accessible by the Chief Deputy Treasurer. As a compensating control, we have provided access to the online banking system to the Finance Director and will provide the Finance Director with a copy of the bank reconciliation when the general ledger is closed monthly.

**12-03: Significant Deficiency in Internal Control over Journal Entries**

Finding:

During our audit of the County, we selected journal entries posted during fiscal year 2012, and tested for proper initiation and approval, as well as for reasonableness. In doing so, there were instances in which the individual initiating the entry was also the individual that posted the entry, with no secondary approval being noted.

Corrective Action Taken or Planned:

In response to the finding regarding journal entries initiated and approved by the same individual, the Treasurer's office has implemented procedures to ensure that each journal entry is documented both by the initiating individual and the approving individual. However, the Treasurer's office only has two employees with general ledger access, the Treasurer and Deputy Treasurer, so in the event one of these two employees is not available to approve and post a journal entry, the documentation will be provided to the Finance Department for approval and posting to the general ledger.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2013**

**12-04: Significant Deficiency in Lacking Documented Internal Control Policies and Procedures**

Finding:

The County is responsible under the aforementioned Standard, to assess and maintain documentation of the internal controls in place, in an effort to mitigate instances of errors or defalcation to the extent possible. The County has not formally documented these policies and procedures, and in turn lacks the ability to identify weaknesses or deficiencies in said controls.

Corrective Action Taken or Planned:

The County is in the process of developing a written accounting procedures manual for the Finance Department. The County has undocumented controls in place.

**12-05: Significant Deficiency in Lacking Anti-fraud Programs**

Finding:

The County does not currently have in place formalized anti-fraud programs, such as those noted directly above.

Corrective Action Taken or Planned:

The County has developed and implemented an anti-fraud policy for the Finance Department.

**12-06: Social Services Specifications of the Auditor of Public Accounts**

Finding:

Per the *Specifications for Audits of Cities, Counties and Towns*, the section relating to Local Departments of Social Services (LDSS), there are numerous requirements of local governments, for which suggested audit procedures have been suggested to be performed in conjunction with the financial statement audits. In performing the audit during fiscal year 2012, we performed the audit procedures referred to here, and noted that there were deviations from the requirements established by these Specifications.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2013**

**12-06: Social Services Specifications of the Auditor of Public Accounts (Continued)**

Among these deviations, there were two instances noted in which employees' access privileges were not removed from the systems within the acceptable window, upon their finality of employment with the LDSS. A second instance noted, was that the "Continuity of Operations" or "Business Continuity Plan" had not been updated within the given time period specified. It was also noted that the Local Security Officer's Training certification had not been completed in the given timeline. Lastly, it was noted that the Information Security Policy Acknowledgment, signifying compliance with the Security Policy and Standards was not kept current, as designated by the requirements.

Corrective Action Taken or Planned:

**Employee Access.** The County is aware of the requirement of removing employee computer privileges within three days of termination of employment. The County had two employees die unexpectedly and the County was unable to remove their access in the required timeframe because of the large number of cases attached to their access. The County is working to ensure this timeframe is met in the future.

**Business Continuity Plan.** The County's plan was updated in June 2012 and is now on the Social Services Board agenda for update every April to be in compliance.

**Security Officers Training.** The security officer completed the required training and will now complete this training on an annual basis.

**Information Security Policy Acknowledgement.** The County is unaware of any requirements that this document be signed on an annual basis. All staff complete the required training annually. All new hires sign the acknowledgement and complete the training at the time of hire. The County has signed forms for all staff members. Matt Teasdale, Virginia DSS Chief Information Security Officer, stated there is no requirement to sign this form annually and that all employees are to sign the form at the time of hire and were again required to sign the form in October 2012 when the security standard changed.

**12-07: Comprehensive Services Act of the Auditor of Public Accounts**

Finding:

Per the *Specifications for Audits of Cities, Counties and Towns*, the section relating to the Comprehensive Services Act, there are requirements of local governments for which suggested audit procedures have been suggested, as noted above with Social Services. In performing these procedures for the audit during fiscal year 2012, we noted instances in which current contracts and/or service agreements were not available for certain disbursements that were selected for testing.

**COUNTY OF CAROLINE, VIRGINIA**

**Page 5**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2013**

**12-07: Comprehensive Services Act of the Auditor of Public Accounts (Continued)**

Corrective Action Taken or Planned:

The CSA Coordinator resigned in October 2011 and was not replaced. At the time of the audit, contracts could not be located. As of May 2012, all vendors receiving payments from CSA funds have valid contracts in place.