COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

Fiscal Year Ended

June 30, 2014

COUNTY OF CAROLINE, VIRGINIA

COMPREHENSIVE ANNUAL
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Fiscal Year Ended June 30, 2014

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

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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

Caroline County, VA
All-America City
2009

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, 2014 is herewith submitted. Section 15.2-2511 of the *Code of Virginia* essentially requires 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 the underlying financial information on which the report is based is also accurate and reliable. To that end, County management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance the financial statements will be free from material misstatement. As management, we assert, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

of the County for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unmodified opinion the County's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

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

Public education in the County is provided by the Caroline County School Board. 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 dependency, the funds and activities of the Caroline County School Board have been included in this financial report in order to provide a comprehensive view of the County's financial status and activities. Information on the School Board has been presented in discrete columns in the financial statements to emphasize its separate legal identity.

Local Economy

Caroline County is located in east central Virginia and encompasses approximately 549 square miles with an estimated July 1, 2014 population of 29,481. The County seat, the Town of Bowling Green, is located approximately 35 miles north of the State capitol of Richmond and approximately 20 miles south of the City of Fredericksburg.

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

In recent years, its location along Interstate 95, the primary north-south transportation artery on the east coast, and increasing congestion in neighboring counties brought extensive development interest to the County. Three new mixed use development projects 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 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: $2,291,518 to complete construction to convert the Bowling Green Primary School to a PK-5 school for the eastern side of the County for a total of $10,172,516.

$739,261 to begin major renovations for two schools, Caroline High and Madison Elementary.

$3,842,066 to construct a new emergency radio system countywide to meet federal mandates for narrow banding radio service.

Sewer: $1,899,660 to complete construction on the expansion of the County's wastewater treatment plant.

$250,000 to add additional customers to the Dawn Wastewater system.

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

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

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

Respectfully submitted,

CHARLES M. CULLEY, JR.
County Administrator

FRANCES K. HATCHER
Finance Director

COUNTY OF CAROLINE, VIRGINIA

Directory of Principal Officials
June 30, 2014

Board of Supervisors

Floyd W. Thomas, Chairperson

Wayne A. Acors
Jeffrey S. Black
Jeffrey M. Sili
Calvin B. Taylor

Reginald L. Underwood

County Administrator

Charles M. Culley, Jr.

School Board

George L. Spaulding, Jr., Chairperson

Dr. Mary J. Anderson
Nancy G. Carson
Tinka B. Harris
Shawn M. Kelley

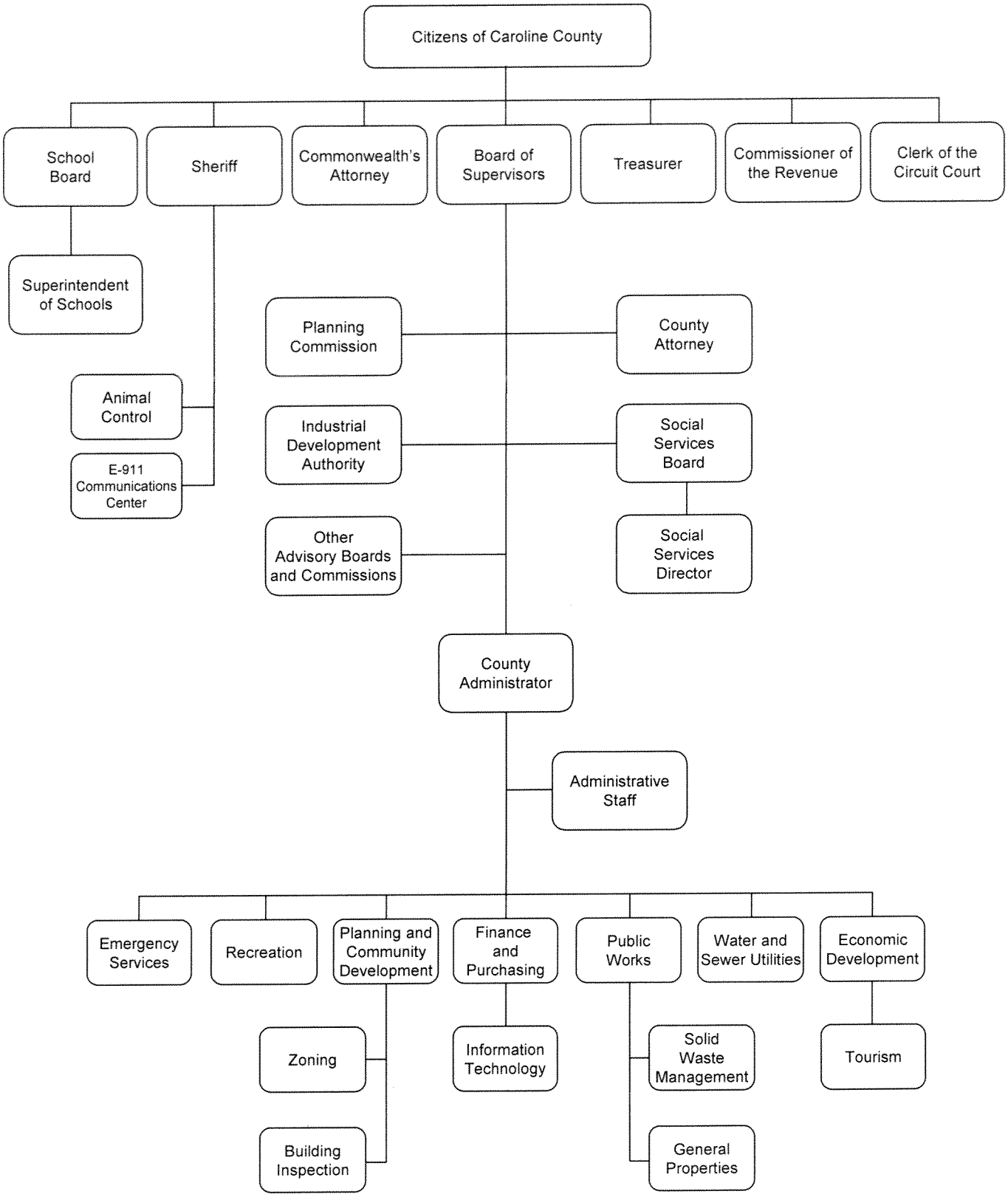
Mack A. Wright, Jr.

Other Officials

Assistant County Administrator	Alan L. Partin
Judge of the Circuit Court	Honorable Patricia Kelly
Clerk of the Circuit Court	Ray S. Campbell, Jr.
Commonwealth's Attorney	Anthony G. "Tony" Spencer
Commissioner of the Revenue	Sharon W. Carter
Treasurer	Elizabeth B. Curran
Judge of the General District Court	Honorable John R. Stevens
Judge of the Juvenile and Domestic Relations Court	Honorable Julian W. Johnson
Sheriff	Anthony "Tony" Lippa
Superintendent of Schools	Dr. Gregory Killough
Director of Social Services	Tonya J. Christian
County Attorney	Benjamin Emerson
Finance Director	Frances Hatcher
Director of Budget and Finance, Schools	Lifen Zhou
Interim Director of Public Utilities	Joseph C. Schiebel
Director of Economic Development and Tourism	Gary R. Wilson
Fire – EMS Chief	Jason Loftus
Director of Recreation	Donnell Howard
Director of Planning and Community Development	Michael Finchum
Director of Library	Maureen Dorosinski

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2014, 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 of the Governmental Activities to record a note payable and restated net position of the Caroline County Utility Fund and Business-Type Activities to write-off bond issue costs in accordance with GASB Statement No. 65.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-12 and 80-81, 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 December 13, 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
December 13, 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, 2014. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal.

Financial Highlights

Government-Wide Financial Statements

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $15,975,793 (total net position). The County is reporting a deficit in net investment in capital assets of $34,594,882, resulting from a deficit in the net investment in capital assets of $39,754,963 in the Governmental Activities.
- The County's total net position increased by $3,518,096, or 28.2%, for the fiscal year ended June 30, 2014.
- The County's total outstanding long-term debt reflects a net increase of $26,042,529 to $146,521,177 during the fiscal year ended June 30, 2014. $6,574,068 of new debt was issued for the equipping of a new county-wide radio system and $25,133,000 was issued for the major renovation of Caroline High and Madison Elementary Schools.

Fund Financial Statements

- Total fund balance of the County's Governmental Funds, reporting on a current financial resources basis, amounted to $46,641,662 at June 30, 2014. This was a net increase of $26,029,115 over the prior year. The General Fund increased 32.9% ($4,444,543) and the Capital Projects Fund increased 468.8% ($22,717,746). The increase for the Capital Projects Fund is due to the issuance of a capital lease and bonds for the radio system project and renovations of two schools, respectively. The increase in the General Fund is due to the increase in real estate, public service and personal property tax collections, as well as a real estate rate increase. Only the Comprehensive Services Fund has a deficit fund balance.
- During the fiscal year ended June 30, 2014, the unassigned fund balance in the General Fund increased by $3,396,721 to $14,297,822. This unassigned fund balance represents 35.7% of total General Fund expenditures and operating transfers, an increase of 9.5% over the previous fiscal year.

Overview of the Financial Statements

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

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

The S*tatement of Net Position* presents information on all of Caroline County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 intended to recover all or a significant portion of their costs through user fees and charges (business-type activities*)*. The governmental activities of Caroline County include general government, judicial support, public safety, sanitation, public facility maintenance, social services, education, community development, and culture and recreation. The business-type activities of Caroline County include the Caroline County Utility Fund, a public water and sewer utility, and the Dawn Wastewater System Fund, a public sewer utility.

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

Fund financial statements. A fund is a grouping of related accounts 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 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 as part of the Basic Financial Statements of this report to demonstrate compliance with this budget. Budgetary comparison statements for other governmental funds are also provided as Other Supplementary Information in the Financial Section of this report.

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

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

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

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

Other information. Following the basic financial statements and accompanying notes, this report also presents the combining financial statements referred to earlier in connection with nonmajor governmental funds and individual budgetary comparison statements for governmental funds except the General Fund. Combining financial statements and fund budgetary comparisons are also presented for the discretely presented Caroline County School Board. The School Board 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 and deferred outflows of resources exceed its short and long-term obligations and deferred inflows of resources 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 $15,975,793 at June 30, 2014. The following table summarizes the County's Statement of Net Position:

County of Caroline, Virginia
Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 74,380,415	$ 43,495,495	$ 3,118,554	$ 5,563,852	$ 77,498,969	$ 49,059,347
Capital assets, net	58,521,103	55,184,485	49,179,915	47,908,176	107,701,018	103,092,661
Total assets	$ 132,901,518	$ 98,679,980	$ 52,298,469	$ 53,472,028	$ 185,199,987	$ 152,152,008
Deferred outflows of resources	$ 97,000	$ -	$ 35,815	$ -	$ 132,815	$ -
Current liabilities	$ 7,810,383	$ 22,430,403	$ 1,233,961	$ 1,254,015	$ 9,044,344	$ 23,684,418
Long-term liabilities outstanding	102,390,317	70,545,303	44,130,860	45,464,590	146,521,177	116,009,893
Total liabilities	$ 110,200,700	$ 92,975,706	$ 45,364,821	$ 46,718,605	$ 155,565,521	$ 139,694,311
Deferred inflow of resources	$ 13,791,488	$ -	$ -	$ -	$ 13,791,488	$ -
Net position:						
Net investment in capital assets	$ (39,754,963)	$ (15,892,926)	$ 5,160,081	$ 2,505,703	$ (34,594,882)	$ (13,387,223)
Restricted	30,368,696	8,348,530	2,646,388	4,712,149	33,015,084	13,060,679
Unrestricted	18,392,597	13,248,670	(837,006)	(464,429)	17,555,591	12,784,241
Total Net Position	$ 9,006,330	$ 5,704,274	$ 6,969,463	$ 6,753,423	$ 15,975,793	$ 12,457,697

The County is reporting an increase in the balance of unrestricted net position primarily due to the increased revenues. A portion of the County's assets, $33,015,084, 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, increased from $25,374,929 to $68,454,625. The County's net investment in capital assets, decreased by $21,207,659, and its long-term liabilities increased by $30,511,284 over the same period.

As previously indicated, the County's net position increased $3,518,096. Net position of governmental activities increased by $3,302,056 and those of business-type activities, the County's water and sewer utility operations, increased $216,040. The following table summarizes the change in the County's net position as shown in the Statement of Activities:

County of Caroline, Virginia
Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Program Revenues:						
Charges for Services	$ 2,388,502	$ 2,432,696	$ 2,626,288	$ 2,536,553	$ 5,014,790	$ 4,969,249
Operating Grants and Contributions	6,437,297	5,435,809	579,689	638,344	7,016,986	6,074,153
Capital Grants and Contributions	-	158,272	1,115,502	1,354,591	1,115,502	1,512,863
Total Program Revenues	$ 8,825,799	$ 8,026,777	$ 4,321,479	$ 4,529,488	$ 13,147,278	$ 12,556,265
General Revenues:						
General Property Taxes	$ 32,695,438	$ 30,700,165	$ -	$ -	$ 32,695,438	$ 30,700,165
Local Sales and Use Taxes	1,672,694	1,521,998	-	-	1,672,694	1,521,998
Consumers Utility Taxes	89,448	85,816	-	-	89,448	85,816
Motor Vehicle Licenses	951,114	596,577	-	-	951,114	596,577
Other Local Taxes	3,048,428	2,979,025	-	-	3,048,428	2,979,025
Intergovernmental Revenues	3,824,977	3,763,107	-	-	3,824,977	3,763,107
Use of Money and Property	251,372	273,027	3,238	22,127	254,610	295,154
Miscellaneous	434,612	643,316	209,050	97,605	643,662	740,921
Transfers	(959,896)	(4,630,231)	959,896	4,630,231	-	-
Total General Revenues	$ 42,008,187	$ 35,932,800	$ 1,172,184	$ 4,749,963	$ 43,180,371	$ 40,682,763
Expenses:						
General Government						
Administration	$ 3,609,988	$ 3,504,203	$ -	$ -	$ 3,609,988	$ 3,504,203
Judicial Administration	1,407,147	1,559,830	-	-	1,407,147	1,559,830
Public Safety	12,143,942	12,005,540	-	-	12,143,942	12,005,540
Public Works	3,640,540	3,066,768	-	-	3,640,540	3,066,768
Health and Welfare	5,357,822	4,569,627	-	-	5,357,822	4,569,627
Education	12,874,519	16,789,588	-	-	12,874,519	16,789,588
Parks, Recreation, and Cultural	3,201,043	2,682,085	-	-	3,201,043	2,682,085
Community Development	1,521,500	1,545,447	-	-	1,521,500	1,545,447
Interest and Other fiscal charges	3,775,429	3,311,236	-	-	3,775,429	3,311,236
Public Utilities	-	-	5,277,623	4,708,177	5,277,623	4,708,177
Total Expenses	$ 47,531,930	$ 49,034,324	$ 5,277,623	$ 4,708,177	$ 52,809,553	$ 53,742,501
Change in Net Position	$ 3,302,056	$ (5,074,747)	$ 216,040	$ 4,571,274	$ 3,518,096	$ (503,473)
Net Position, Beginning, restated	5,704,274	10,779,021	6,753,423	2,182,149	12,457,697	12,961,170
Net Position, Ending	$ 9,006,330	$ 5,704,274	$ 6,969,463	$ 6,753,423	$ 15,975,793	$ 12,457,697

Expenses in the County's governmental activities decreased 3.1% over the prior year with expenses increasing in most functions except judicial administration, community development, and education. Education again consumed the largest share of the total combined expenses of the primary County government and its component units during the fiscal year ended June 30, 2014, at 56.9% of the total. Public safety spending represents 13.0% of the total. Program revenues, which include fees, charges for services and special purpose grants and contributions, funded 43.8% of total functional expenses in fiscal year 2014, a slightly decreased level as compared to fiscal year 2013. General property tax revenues rose 6.5% over the prior year and total general revenues for the County's governmental activities increased 16.9%. In the County's business type activities, expenses increased 12.1% and program revenues decreased 4.6% 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 these expenses are on a full accrual basis and, therefore, include depreciation expense on capital assets.

Financial Analysis of the County's Funds

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

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

In total, governmental funds reported fund balances of $46,641,662 at June 30, 2014, $30,398,696 of that balance is reserved by external restrictions, $1,995,298 is committed or assigned and the remaining $14,247,668 is unassigned. Fund balances in the governmental funds increased $26,029,115 during the fiscal year ended June 30, 2014. Fund balance in the General Fund increased by $4,444,543. Revenues obtained for the new emergency radio system and major renovations for two schools less the final construction costs of several other projects resulted in an increase of $22,717,746 in the fund balance of the County Capital Projects Fund.

In the General Fund, fund balance increased to $17,960,311, a 32.9% increase over the prior year. General property taxes remain the primary revenue source in the General Fund contributing 71.7% of the total revenues during fiscal year 2014, slightly more than in the prior year. Intergovernmental revenue from the Commonwealth of Virginia decreased slightly to 12.2%, and the share added by other local taxes increased slightly to 9.2% compared to the past three years. Education consumed a significant portion of the General Fund's expenditures (35.3%). Public Safety (35.5%) and Public Works (8.14%) 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 net position of $4,003,810 at June 30, 2014, a decrease of $295,674 from the previous year. The County has made significant investments in the utility system over the last ten plus years that have not yet been fully recovered through revenues in the fund. The County's main utility fund reported an operating loss for the fiscal year ended June 20, 2014 of $227,797, a 414.5% decrease from last fiscal year due to the increase in expenses. The Dawn Wastewater System Fund reported an operating loss of $139,555, an 11% decrease from last fiscal year. This year was the sixth full year of operation for the Dawn system and the fifth full year of depreciation of $129,580.

General Fund Budgetary Highlights

The original adopted budget of the General Fund was increased by 2.7% or $1,126,807. Following is a summary of these increases/reductions by function:

- $82,803 for General Government Administration
- $279,723 for Public Safety
- $45,841 for Public Works
- $11,000 for Health and Welfare
- $27,700 for Community Development
- $679,740 for Transfers to Other Funds

Actual revenue collections were $2,716,723 greater than the final budget estimates. Revenue from fines and forfeitures and charges for services were below revenue projections as was revenue from recovered costs. An eleven cent increase in the real estate rate contributed $1,277,193 of the increase.

Actual expenditures totaled $1,272,287 less than the amended budget appropriations, a variance of only 3.7%. Transfers out to other funds were $1,514,494 under budget, a variance of 18%. Actual expenditures fell under amended appropriations in all functions.

Capital Assets and Debt Administration

Capital Assets. The County's total investment in capital assets for governmental and business-type activities amounted to $107,701,018 as of June 30, 2014, 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 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:

- $304,691 for sheriff vehicles
- $85,719 for emergency services equipment
- $2,291,518 for construction completion of Bowling Green Primary School to a PK-5 school
- $40,514 for replacement of chiller at County Administration
- $2,215,362 in various water and wastewater system improvements and equipment

Long-Term Debt. At June 30, 2014, the County's total long-term debt amounted to $146,526,860. This total, which does not include premiums and discounts, is comprised of:

- $34,044,355 in lease revenue bonds issued through the County's Economic Development Authority for a variety of general government, school and business-type activity improvements and equipment acquisitions.
- $41,849,519 in utility system revenue bonds for the improvement and expansion of the County's utility enterprise operations and landfill closure.
- $55,805,613 in general obligation bonds issued for the construction and improvement of County public schools and utility projects.
- $7,040,208 in capital lease obligations for general government radio and motor vehicle equipment.
- $786,662 in notes payable for the prior construction of the Ladysmith library.
- $786,605 in capital lease obligations for school buses.
- $3,086,122 as the County's liability for closure and post-closure care of the former County Sanitary Landfill.
- $742,991 in accrued liabilities for leave benefits earned by County employees; $538,823 in accrued liabilities for leave benefits for school employees.
- $263,349 for OPEB liabilities for retired County employees; $1,582,613 for retired school employees.

Payments made to retire County long-term debt totaled $5,645,454 during the fiscal year ended June 30, 2014. Three long-term debt transactions were completed during the fiscal year: a $25,133,000 general obligation school bond was issued for the major renovations to two County schools; a $6,574,068 capital lease for the equipping of a new county-wide radio system; and a $8,487,000 refunding of the 2002 lease revenue bond.

Economic Factors and Next Year's Budget and Tax Rates

- The population of Caroline County, based on the 2010 census has grown 3.3% since the April 2010 census to an estimated 29,481.
- The County conducted a real property reassessment during fiscal year 2010 to be effective January 2011 to be sure its values for tax purposes are in line with market values. Growth had pushed assessed values up for the January 2008 reassessment to almost $3 billion, but the housing market crash dropped values for 2011 by an estimated 18%. Growth in the County continues to be low.
- The County will be conducting a real property reassessment during fiscal year 2015 to be effective January 2016.
- The unemployment rate for the County decreased from 6.9% to 5.9% and revenues began to increase.
- The burst of population growth the County experienced several years ago has slowed dramatically as the nation-wide turnaround in real estate markets and recession 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 96 in the fiscal year ended June 30, 2014 which is a decrease of 16 permits over the fiscal year ended June 30, 2013. Commercial development has declined from 25 new commercial structures in fiscal year June 30, 2007 to two in fiscal year 2014, again a decrease of two over the prior year.

- The County issued $31,707,068 of new debt for mandated radio system upgrades and renovations to aging schools, requiring a significant increase in the real estate tax rate even though growth in the County continues to be low.

These and many other factors were considered in preparing the County's budget for fiscal year 2015. The fiscal year 2015 General Fund budget (excluding capital investments) increased 4.14%. Fiscal year 2015 budget includes a 3.1% increase in funding for schools and an increase of $1,742,674 in debt service payments; one new part-time position and no salary increases for County employees. The FY 2015 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 Caroline County Utility Fund. Capital investments reflect a budget for one small project in the amount of $187,371 due to funding restrictions. The adopted real estate rate for calendar year 2015 was increased from $0.72 per hundred dollars of assessed value to $0.83 per hundred dollars of assessed value. Personal property tax rates remained at $3.80. 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, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	EDA
ASSETS					
Cash, cash equivalents and temporary cash investments	$ 19,204,915	$ -	$ 19,204,915	$ 1,708,534	$ 96,692
Receivables, net:					
Property taxes	20,883,135	-	20,883,135	-	-
Other accounts	1,105,140	448,898	1,554,038	-	-
Due from other governments	2,758,244	120,690	2,878,934	3,674,361	-
Prepaid items	30,000	-	30,000	-	-
Internal balances	97,422	(97,422)	-	-	-
Restricted cash	30,301,559	2,646,388	32,947,947	-	-
Capital assets, net of accumulated depreciation and amortization:					
Land	1,242,883	442,861	1,685,744	849,553	-
Buildings	64,271,456	987,624	65,259,080	17,142,246	-
Improvements other than buildings	5,518,793	56,332,240	61,851,033	92,806	-
Equipment	10,880,203	1,284,832	12,165,035	6,574,717	-
Intangibles	227,794	-	227,794	-	-
Construction in progress	4,653,877	-	4,653,877	-	-
Less: accumulated depreciation and amortization	(28,273,903)	(9,867,642)	(38,141,545)	(16,518,584)	-
Total assets	132,901,518	52,298,469	185,199,987	13,523,633	96,692
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	97,000	35,815	132,815	-	-
Total deferred outflows of resources	97,000	35,815	132,815	-	-

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	EDA
LIABILITIES					
Accounts payable	$ 2,575,498	$ 564,607	$ 3,140,105	$ 232,980	$ -
Accrued payroll	424,044	26,934	450,978	4,118,092	-
Other accrued liabilities	259,908	205	260,113	-	-
Insurance and benefit claims	137,587	-	137,587	-	-
Accrued interest	1,412,360	536,832	1,949,192	26,589	-
Customer deposits	-	105,383	105,383	-	-
Unearned revenue	589,145	-	589,145	354,999	-
Due to other governments	2,411,841	-	2,411,841	-	-
Noncurrent liabilities:					
Due within one year:					
Note payable	393,400	-	393,400	-	-
Bonds payable	5,118,639	1,277,220	6,395,859	-	-
Capital leases	282,288	-	282,288	87,862	-
Compensated absences	68,539	5,760	74,299	53,882	-
Due in more than one year:					
Note payable	393,262	-	393,262	-	-
Bonds payable, net	85,427,557	42,778,429	128,205,986	-	-
Capital leases	6,757,920	-	6,757,920	698,743	-
Landfill obligation	3,086,122	-	3,086,122	-	-
Compensated absences	616,853	51,839	668,692	484,941	-
Other postemployment benefits	245,737	17,612	263,349	1,582,613	-
Total liabilities	110,200,700	45,364,821	155,565,521	7,640,701	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	13,791,488	-	13,791,488	-	-
Total deferred inflows of resources	13,791,488	-	13,791,488	-	-

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	EDA
NET POSITION					
Net investment in capital assets	$ (39,754,963)	$ 5,160,081	$ (34,594,882)	$ 7,354,133	$ -
Restricted:					
Capital projects	27,563,604	2,646,388	30,209,992	-	-
Debt service	1,846,264	-	1,846,264	-	-
Social services	32,803	-	32,803	-	-
Law enforcement	1,000	-	1,000	-	-
Public safety grants	81,397	-	81,397	-	-
Fire/rescue	2,000	-	2,000	-	-
Fire/rescue grants	164,246	-	164,246	-	-
Housing	36,224	-	36,224	-	-
Courthouse maintenance	81,495	-	81,495	-	-
Tourism	17,752	-	17,752	-	-
Ladysmith Commons road improvements	37,499	-	37,499	-	-
Ladysmith library	353,707	-	353,707	-	-
Ladysmith recreation	141,818	-	141,818	-	-
Law library	225	-	225	-	-
YMCA construction	3,250	-	3,250	-	-
Dawn library	5,412	-	5,412	-	-
Unrestricted (deficit)	18,392,597	(837,006)	17,555,591	(1,471,201)	96,692
Total net position	$ 9,006,330	$ 6,969,463	$ 15,975,793	$ 5,882,932	$ 96,692

See Notes to Financial Statements.

COUNTY OF CAROLINE, VIRGINIA **Exhibit 2**

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	School Board	EDA
Primary Government:									
Governmental activities:									
General government administration	$ 3,609,988	$ 1,261	$ 264,358	$ -	$ (3,344,369)	$ -	$ (3,344,369)	$ -	$ -
Judicial administration	1,407,147	71,942	632,862	-	(702,343)	-	(702,343)	-	-
Public safety	12,143,942	1,923,375	2,234,242	-	(7,986,325)	-	(7,986,325)	-	-
Public works	3,640,540	35,852	-	-	(3,604,688)	-	(3,604,688)	-	-
Health and welfare	5,357,822	-	3,281,095	-	(2,076,727)	-	(2,076,727)	-	-
Education	12,874,519	-	-	-	(12,874,519)	-	(12,874,519)	-	-
Parks, recreation and cultural	3,201,043	86,286	24,740	-	(3,090,017)	-	(3,090,017)	-	-
Community development	1,521,500	269,786	-	-	(1,251,714)	-	(1,251,714)	-	-
Interest	3,775,429	-	-	-	(3,775,429)	-	(3,775,429)	-	-
Total governmental activities	47,531,930	2,388,502	6,437,297	-	(38,706,131)	-	(38,706,131)	-	-
Business-type activities:									
Public utilities	5,277,623	2,626,288	579,689	1,115,502	-	(956,144)	(956,144)	-	-
Total business-type activities	5,277,623	2,626,288	579,689	1,115,502	-	(956,144)	(956,144)	-	-
Total primary government	$ 52,809,553	$ 5,014,790	$ 7,016,986	$ 1,115,502	(38,706,131)	(956,144)	(39,662,275)	-	-
Component Units:									
Caroline County School Board	$ 40,194,845	$ 679,437	$ 26,983,547	$ -	-	-	-	(12,531,861)	-
Economic Development Authority	218,369	663	-	-	-	-	-	-	(217,706)
Total component units	$ 40,413,214	$ 680,100	$ 26,983,547	$ -	-	-	-	(12,531,861)	(217,706)

See Notes to Financial Statements.

General Revenues:					
Taxes:					
General property taxes	32,695,438	-	32,695,438	-	-
Other local taxes:					
Local sales and use	1,672,694	-	1,672,694	-	-
Consumer utility	89,448	-	89,448	-	-
Motor vehicle licenses and registration fees	951,114	-	951,114	-	-
Other	3,048,428	-	3,048,428	-	-
Grants and contributions not restricted to specific programs	-	-	-	11,255,183	-
Intergovernmental, non-categorical aid	3,824,977	-	3,824,977	-	-
Use of money and property	251,372	3,238	254,610	90	384
Miscellaneous	434,612	209,050	643,662	128,062	-
Transfers	(959,896)	959,896	-	-	-
Total general revenues	42,008,187	1,172,184	43,180,371	11,383,335	384
Change in net position	3,302,056	216,040	3,518,096	(1,148,526)	(217,322)
Net position, beginning, as restated	5,704,274	6,753,423	12,457,697	7,031,458	314,014
Net position, ending	$ 9,006,330	$ 6,969,463	$ 15,975,793	$ 5,882,932	$ 96,692

COUNTY OF CAROLINE, VIRGINIA **Exhibit 3**

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Debt Service	County Capital Projects	Proffers	Virginia Public Assistance	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash, cash equivalents and temporary cash investments	$ 16,881,348	$ -	$ 539,649	$ 544,686	$ 29,690	$ 377,152	$ 18,372,525
Receivables, net:							
Property taxes	20,883,135	-	-	-	-	-	20,883,135
Other accounts	774,385	151,310	-	-	-	22,345	948,040
Due from other governments	2,248,745	57,746	-	-	176,668	275,085	2,758,244
Due from other funds	97,422	-	-	-	-	-	97,422
Prepaid items	30,000	-	-	-	-	-	30,000
Restricted cash	1,679,138	17	28,622,404	-	-	-	30,301,559
Total assets	$ 42,594,173	$ 209,073	$ 29,162,053	$ 544,686	$ 206,358	$ 674,582	$ 73,390,925
LIABILITIES							
Accounts payable	$ 524,040	$ -	$ 1,598,449	$ -	$ 735	$ 451,176	$ 2,574,400
Accrued payroll	424,044	-	-	-	-	-	424,044
Other accrued liabilities	204,302	-	-	-	50,869	4,737	259,908
Due to other governments	2,411,841	-	-	-	-	-	2,411,841
Unearned revenue	579,710	-	-	-	-	9,435	589,145
Total liabilities	4,143,937	-	1,598,449	-	51,604	465,348	6,259,338
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	20,489,925	-	-	-	-	-	20,489,925
Total deferred inflows of resources	20,489,925	-	-	-	-	-	20,489,925
FUND BALANCES							
Nonspendable:							
Prepaid items	30,000	-	-	-	-	-	30,000
Restricted for:							
Capital projects	-	-	27,563,604	-	-	-	27,563,604
Debt service	1,846,264	-	-	-	-	-	1,846,264
Social services	-	-	-	-	32,803	-	32,803
Law enforcement	-	-	-	1,000	-	-	1,000
Public safety grants	-	-	-	-	-	81,397	81,397
Fire/rescue	-	-	-	2,000	-	-	2,000
Fire/rescue grants	-	-	-	-	-	164,246	164,246
Housing	-	-	-	-	-	36,224	36,224
Courthouse maintenance	-	-	-	-	-	81,495	81,495
Law library	-	-	-	-	-	225	225
Tourism	-	-	-	-	-	17,752	17,752
Ladysmith Commons road improvements	-	-	-	37,499	-	-	37,499
Ladysmith library	-	-	-	353,707	-	-	353,707
Ladysmith recreation	-	-	-	141,818	-	-	141,818
Dawn library	-	-	-	5,412	-	-	5,412
YMCA construction	-	-	-	3,250	-	-	3,250
Committed to:							
Capital projects	366,000	-	-	-	-	-	366,000
Assigned to:							
Operations	727,617	-	-	-	-	-	727,617
Capital projects	692,608	-	-	-	-	-	692,608
Debt service	-	209,073	-	-	-	-	209,073
Unassigned:							
General fund	14,297,822	-	-	-	-	-	14,297,822
Social services	-	-	-	-	121,951	-	121,951
Comprehensive services	-	-	-	-	-	(172,105)	(172,105)
Total fund balances	17,960,311	209,073	27,563,604	544,686	154,754	209,234	46,641,662
Total liabilities and fund balances	$ 42,594,173	$ 209,073	$ 29,162,053	$ 544,686	$ 206,358	$ 674,582	$ 73,390,925

See Notes to Financial Statements.

COUNTY OF CAROLINE, VIRGINIA **Exhibit 4**

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014

		Governmental Funds
Total fund balances - total governmental funds		$ 46,641,662
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	$ 86,314,140	
Less accumulated depreciation and amortization	(27,848,012)	
Net capital assets		58,466,128
Unearned revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		6,698,437
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.		905,780
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	(90,546,196)	
Note payable	(786,662)	
Capital leases	(7,040,208)	
Landfill obligation	(3,086,122)	
Compensated absences	(685,392)	
Interest payable	(1,412,360)	
Deferred charge on refunding	97,000	
Other postemployment benefits	(245,737)	
		(103,705,677)
Net position of governmental activities		$ 9,006,330

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Debt Service	County Capital Projects	Proffers	Virginia Public Assistance	Other Governmental Funds	Total Governmental Funds
Revenues:							
General property taxes	$ 31,936,888	$ -	$ -	$ -	$ -	$ -	$ 31,936,888
Other local taxes	4,093,772	1,552,569	-	-	-	115,343	5,761,684
Permits, privilege fees and regulatory licenses	529,470	-	-	-	-	-	529,470
Fines and forfeitures	560,756	-	-	-	-	-	560,756
Use of money and property	62,456	148,888	24,242	4,226	-	11,560	251,372
Charges for services	966,153	-	-	-	-	31,706	997,859
Miscellaneous	240,509	-	-	145,881	2,824	45,398	434,612
Recovered costs	300,417	-	-	-	-	-	300,417
Reimbursement from component unit	-	493,743	-	-	-	-	493,743
Intergovernmental	5,834,364	642,651	-	-	1,887,344	1,897,915	10,262,274
Total revenues	44,524,785	2,837,851	24,242	150,107	1,890,168	2,101,922	51,529,075
Expenditures:							
Current:							
General government administration	3,151,105	-	-	-	-	-	3,151,105
Judicial administration	1,286,957	-	-	-	-	14,086	1,301,043
Public safety	11,827,584	-	-	-	-	555,396	12,382,980
Public works	2,713,043	-	-	-	-	-	2,713,043
Health and welfare	604,325	-	-	-	2,435,458	2,511,712	5,551,495
Education	11,748,926	-	-	-	-	-	11,748,926
Parks, recreation and cultural	678,432	-	-	-	-	-	678,432
Community development	1,237,446	-	-	-	-	143,899	1,381,345
Capital outlay	-	-	9,597,593	-	-	-	9,597,593
Debt service:							
Principal	-	4,399,722	-	-	-	-	4,399,722
Interest and fiscal charges	52,161	3,328,445	199,442	-	-	-	3,580,048
Total expenditures	33,299,979	7,728,167	9,797,035	-	2,435,458	3,225,093	56,485,732
Revenues over (under) expenditures	11,224,806	(4,890,316)	(9,772,793)	150,107	(545,290)	(1,123,171)	(4,956,657)
Other financing sources (uses):							
Issuance of debt	-	-	25,133,000	-	-	-	25,133,000
Refunding bonds issued	-	8,487,000	-	-	-	-	8,487,000
Payment to refunded bond escrow agent	-	(8,390,000)	-	-	-	-	(8,390,000)
Transfers in	115,476	4,383,003	783,471	-	563,207	1,070,283	6,915,440
Transfers out	(6,895,739)	-	-	(791,721)	-	(46,276)	(7,733,736)
Issuance of capital lease	-	-	6,574,068	-	-	-	6,574,068
Other financing sources (uses), net	(6,780,263)	4,480,003	32,490,539	(791,721)	563,207	1,024,007	30,985,772
Net change in fund balances	4,444,543	(410,313)	22,717,746	(641,614)	17,917	(99,164)	26,029,115
Fund balance, beginning	13,515,768	619,386	4,845,858	1,186,300	136,837	308,398	20,612,547
Fund balance, ending	$ 17,960,311	$ 209,073	$ 27,563,604	$ 544,686	$ 154,754	$ 209,234	$ 46,641,662

See Notes to Financial Statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

		Governmental Funds
Net change in fund balances - total governmental funds		$ 26,029,115
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	$ 6,550,348	
Less depreciation and amortization expense	(3,198,238)	
Excess of capital outlays over depreciation and amortization expense		3,352,110
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.		(1,748)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue		758,550
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	(25,133,000)	
Refunding bonds issued	(8,487,000)	
Capital leases	(6,574,068)	
Payment to refunded bond escrow agent	8,390,000	
Principal repayments:		
Bonds payable	4,126,002	
Capital leases	273,720	
Landfill obligation	(28,293)	
		(27,432,639)
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	(401,072)	
Compensated absences	5,008	
Other postemployment benefits	(57,319)	
Deferred charge on refunding	97,000	
Amortization of premium	108,691	
		(247,692)
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	1,371,087	
Total expenses	(526,727)	
		844,360
Change in net position of governmental activities		$ 3,302,056

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
General property taxes	$ 29,621,695	$ 30,213,140	$ 31,936,888	$ 1,723,748
Other local taxes	3,424,138	3,424,138	4,093,772	669,634
Permits, privilege fees and regulatory licenses	323,423	333,690	529,470	195,780
Fines and forfeitures	600,000	600,000	560,756	(39,244)
Use of money and property	60,298	60,298	62,456	2,158
Charges for services	1,027,980	1,027,980	966,153	(61,827)
Miscellaneous	83,600	83,600	240,509	156,909
Recovered costs	316,192	316,192	300,417	(15,775)
Intergovernmental	5,671,947	5,749,024	5,834,364	85,340
Total revenues	41,129,273	41,808,062	44,524,785	2,716,723
Expenditures:				
Current:				
General government administration	3,184,612	3,267,415	3,151,105	(116,310)
Judicial administration	1,334,196	1,334,196	1,286,957	(47,239)
Public safety	12,004,428	12,284,151	11,827,584	(456,567)
Public works	3,066,626	3,112,467	2,713,043	(399,424)
Health and welfare	620,084	631,084	604,325	(26,759)
Education	11,753,709	11,753,709	11,748,926	(4,783)
Parks, recreation and cultural	695,919	695,919	678,432	(17,487)
Community development	1,348,625	1,376,325	1,237,446	(138,879)
Debt service:				
Interest and fiscal charges	117,000	117,000	52,161	(64,839)
Total expenditures	34,125,199	34,572,266	33,299,979	(1,272,287)
Revenues over expenditures	7,004,074	7,235,796	11,224,806	3,989,010
Other financing sources (uses):				
Transfers in	20,000	20,000	115,476	95,476
Transfers out	(7,730,493)	(8,410,233)	(6,895,739)	1,514,494
Other financing uses, net	(7,710,493)	(8,390,233)	(6,780,263)	1,609,970
Net change in fund balance	(706,419)	(1,154,437)	4,444,543	5,598,980
Fund balance, beginning	706,419	1,154,437	13,515,768	12,361,331
Fund balance, ending	$ -	$ -	$ 17,960,311	$ 17,960,311

See Notes to Financial Statements.

COUNTY OF CAROLINE, VIRGINIA **Exhibit 8**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - VIRGINIA PUBLIC ASSISTANCE FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
Miscellaneous	$ 500	$ 2,900	$ 2,824	$ (76)
Intergovernmental	1,744,452	1,810,624	1,887,344	76,720
Total revenues	1,744,952	1,813,524	1,890,168	76,644
Expenditures:				
Current:				
Health and welfare	2,326,011	2,440,014	2,435,458	(4,556)
Total expenditures	2,326,011	2,440,014	2,435,458	(4,556)
Revenues under expenditures	(581,059)	(626,490)	(545,290)	81,200
Other financing sources:				
Transfers in	581,059	626,490	563,207	(63,283)
Net change in fund balance	-	-	17,917	17,917
Fund balance, beginning	-	-	136,837	136,837
Fund balance, ending	$ -	$ -	$ 154,754	$ 154,754

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - PROFFERS FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
Use of money and property	$ 9,000	$ 9,000	$ 4,226	$ (4,774)
Miscellaneous	84,620	84,620	145,881	61,261
Total revenues	93,620	93,620	150,107	56,487
Other financing uses:				
Transfers out	(797,471)	(797,471)	(791,721)	5,750
Net change in fund balance	(703,851)	(703,851)	(641,614)	62,237
Fund balance, beginning	703,851	703,851	1,186,300	482,449
Fund balance, ending	$ -	$ -	$ 544,686	$ 544,686

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	
ASSETS				
Current Assets:				
Cash, cash equivalents and temporary cash investments	$ -	$ -	$ -	$ 832,390
Other accounts receivable, net	439,702	9,196	448,898	157,100
Due from other governments	120,690	-	120,690	-
Total current assets	560,392	9,196	569,588	989,490
Noncurrent Assets:				
Restricted cash	2,646,388	-	2,646,388	-
Capital assets:				
Land	292,861	150,000	442,861	-
Buildings	987,624	-	987,624	412,315
Improvements other than buildings	50,671,741	5,660,499	56,332,240	68,551
Equipment	1,284,832	-	1,284,832	-
Less accumulated depreciation and amortization	(9,223,005)	(644,637)	(9,867,642)	(425,891)
Total capital assets (net of accumulated depreciation and amortization)	44,014,053	5,165,862	49,179,915	54,975
Total noncurrent assets	46,660,441	5,165,862	51,826,303	54,975
Total assets	47,220,833	5,175,058	52,395,891	1,044,465
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	35,815	-	35,815	-
Total deferred outflows of resources	35,815	-	35,815	-
LIABILITIES				
Current Liabilities:				
Accounts payable	563,439	1,168	564,607	1,098
Compensated absences	5,760	-	5,760	-
Accrued payroll	26,934	-	26,934	-
Other accrued liabilities	-	205	205	-
Insurance and benefit claims	-	-	-	137,587
Accrued interest	536,832	-	536,832	-
Customer deposits	103,118	2,265	105,383	-
Due to other funds	97,422	-	97,422	-
Bonds payable	1,107,546	169,674	1,277,220	-
Total current liabilities	2,441,051	173,312	2,614,363	138,685
Noncurrent Liabilities:				
Compensated absences	51,839	-	51,839	-
Other postemployment benefits	17,612	-	17,612	-
Bonds payable, net	40,742,336	2,036,093	42,778,429	-
Total noncurrent liabilities	40,811,787	2,036,093	42,847,880	-
Total liabilities	43,252,838	2,209,405	45,462,243	138,685
NET POSITION				
Net investment in capital assets	2,199,986	2,960,095	5,160,081	54,975
Restricted	2,646,388	-	2,646,388	-
Unrestricted (deficit)	(842,564)	5,558	(837,006)	850,805
Total net position	$ 4,003,810	$ 2,965,653	$ 6,969,463	$ 905,780

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	
Operating revenues:				
Charges for services:				
Water	$ 1,058,931	$ -	$ 1,058,931	$ -
Sewer	1,505,258	62,099	1,567,357	-
Risk management	-	-	-	1,203,523
Other revenue	184,050	25,000	209,050	167,564
Total operating revenues	2,748,239	87,099	2,835,338	1,371,087
Operating expenses:				
Personnel services	655,298	14,991	670,289	-
Fringe benefits	268,624	3,392	272,016	-
Contractual services	208,770	48,640	257,410	186,593
Risk financing and benefit payments	-	-	-	28,403
Other charges	1,029,301	30,051	1,059,352	156,387
Depreciation and amortization	814,043	129,580	943,623	13,744
Total operating expenses	2,976,036	226,654	3,202,690	385,127
Operating income (loss)	(227,797)	(139,555)	(367,352)	985,960
Nonoperating revenues (expenses):				
Connection availability fees	1,109,960	5,542	1,115,502	-
Interest revenue	3,238	-	3,238	-
Federal revenue - BABs subsidy	349,460	-	349,460	-
Federal revenue - STAG grant	-	119,248	119,248	-
Revenue from the Commonwealth - VA WQIF grant	-	110,981	110,981	-
Interest expense	(2,064,747)	-	(2,064,747)	-
Loss on disposal of capital assets	(10,186)	-	(10,186)	-
Total nonoperating revenues (expenses), net	(612,275)	235,771	(376,504)	-
Income (loss) before transfers	(840,072)	96,216	(743,856)	985,960
Other financing sources (uses):				
Transfers in	544,398	415,498	959,896	-
Transfers out	-	-	-	(141,600)
Total other financing sources (uses), net	544,398	415,498	959,896	(141,600)
Change in net position	(295,674)	511,714	216,040	844,360
Net position, beginning, as restated	4,299,484	2,453,939	6,753,423	61,420
Net position, ending	$ 4,003,810	$ 2,965,653	$ 6,969,463	$ 905,780

See Notes to Financial Statements.

COUNTY OF CAROLINE, VIRGINIA

Exhibit 12
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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	Activity - Internal Service Funds
Cash Flows From Operating Activities:				
Receipts from customers	$ 2,472,912	$ 73,506	$ 2,546,418	$ 1,046,423
Claims and benefits paid	-	-	-	109,184
Payments to suppliers for goods and services	(1,241,843)	(150,076)	(1,391,919)	(354,187)
Payments to employees for services	(904,811)	(18,383)	(923,194)	-
Other receipts	184,050	25,000	209,050	167,564
Net cash provided by (used in) operating activities	510,308	(69,953)	440,355	968,984
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) other funds	544,398	415,498	959,896	(141,600)
Net cash provided by (used in) noncapital financing activities	544,398	415,498	959,896	(141,600)
Cash Flows From Capital and Related Financing Activities:				
Payment of advance from other funds	-	(399,458)	(399,458)	-
Advance from other funds	97,422	-	97,422	-
Grant revenue	322,913	467,844	790,757	-
Connection availability fees	1,109,960	5,542	1,115,502	-
Principal paid on bonds	(1,076,058)	(169,674)	(1,245,732)	-
Interest and other fiscal charges	(2,172,806)	205	(2,172,601)	-
Acquisition and construction of capital assets	(1,929,544)	(250,004)	(2,179,548)	-
Net cash used in capital and related financing activities	(3,648,113)	(345,545)	(3,993,658)	-
Cash Flows From Investing Activities:				
Interest received on investment securities	3,238	-	3,238	-
Net cash provided by investing activities	3,238	-	3,238	-
Net increase (decrease) in cash and cash equivalents	(2,590,169)	-	(2,590,169)	827,384
Cash and Cash Equivalents:				
Beginning	5,236,557	-	5,236,557	5,006
Ending	$ 2,646,388	$ -	$ 2,646,388	$ 832,390

COUNTY OF CAROLINE, VIRGINIA

Exhibit 12
Page 2

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	Activity - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (227,797)	$ (139,555)	$ (367,352)	$ 985,960
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	814,043	129,580	943,623	13,744
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(102,502)	11,407	(91,095)	(157,100)
Increase (decrease) in:				
Accounts payable and deposits	26,365	(73,435)	(47,070)	126,380
Accrued liabilities	199	2,050	2,249	-
Net cash provided by (used in) operating activities	$ 510,308	$ (69,953)	$ 440,355	$ 968,984
Schedule of Noncash Capital and Related Financing Activities:				
Capital assets acquired through incurrence of accounts payable	$ 46,000	$ -	$ 46,000	$ -

See Notes to Financial Statements.

COUNTY OF CAROLINE, VIRGINIA **Exhibit 13**

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Agency Funds
ASSETS	
Cash, cash equivalents and temporary cash investments	$ 290,328
LIABILITIES	
Amounts held for social services clients	$ 1,758
Amounts held for consortium	38,704
Refundable escrow deposits payable	249,866
Total liabilities	$ 290,328

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

A. Reporting Entity

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

The County has no blended component units at June 30, 2014.

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

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

B. Other Related Organizations

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

The Commission was created to enhance the region for protection of the citizens by the construction, equipping, maintenance, and operation of a new juvenile detention facility serving the 12 member jurisdictions. The Commission is fiscally independent of the County because substantially all of its income is generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. During the year, the County payments to the Commission totaled $239,933. 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.

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 $1,859,975 in fiscal year 2014. 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.

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.

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 unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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

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

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

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

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

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

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, 2014 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.

	Real Property	Personal Property
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.

Note 1. Summary of Significant Accounting Policies (Continued)

H. Restricted Cash

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

I. Capital Assets

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

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

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

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

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

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 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. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The County has only one item that qualifies for reporting in this category. It is the deferred charges on refunding reported in the proprietary funds Statement of Net Position, as well as the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. These amounts are deferred and amortized over the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The government funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.

Note 1. Summary of Significant Accounting Policies (Continued)

L. Long-Term Obligations

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

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

M. Net Position

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

N. Fund Equity

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Note 1. Summary of Significant Accounting Policies (Continued)

N. Fund Equity (Continued)

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the General Fund.

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

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

O. Use of Estimates

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

P. 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.

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.

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, 2014 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	$ 17,060,433	$ -
Virginia State Non-Arbitrage Pool	26,635,244	-
U.S. Treasury Securities	3,313,348	-
U.S. Agency Securities	-	3,193,171
Total	$ 47,009,025	$ 3,193,171

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."

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	$100,000 per unit
Commercial Paper	35%
Local Government Investment Pool	100%
State Non-Arbitrage Investment Funds	100% of Arbitrage Funds
Savings Account (Passbook)	100%
Master Note - Industrial Development Funds	$100,000 Limit
Automated Government Money Trust	50%

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	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, 2014, 94% 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	$ 3,313,348	$ 3,313,348
U.S. Agency Securities	3,193,171	3,193,171
Total	$ 6,506,519	$ 6,506,519

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, 2014, 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	$ -	$ -	$ 2,411,841
County of Hanover	55,554	-	-
Commonwealth of Virginia:			
Local sales tax	293,632	-	-
Communications tax	132,995	-	-
Mobile home titling tax	1,329	-	-
Victim witness grant	10,872	-	-
VPA funds	60,980	-	-
State sales tax	-	-	778,506
Constitutional officer reimbursements	155,097	-	-
Rolling stock tax	90,191	-	-
Comprehensive services	262,118	-	-
Personal property tax relief funds	1,147,226	-	-
Wireless funds	15,741	-	-
Soil conservationist reimbursement	145,587	-	-
Domestic violence grant	25,790	-	-
Recordation tax	18,903	-	-
School resource officer	7,993	-	-
Rental - Health Department	10,046	-	-
State fair reimbursement	-	26,547	-
Toughbook grant	48,380	-	-
Other state funds	35,246	-	-
Fire programs fund	12,967	-	-

Note 4. Due From Other Governments (Continued)

	Primary Government	Business-type Activities	Component Unit - School Board
Federal Government:			
School fund grants	$ -	$ -	$ 484,014
SAFER	84,437	-	-
VPA funds	114,708	-	-
FEMA funds	11,660	-	-
V-Stop Victim Witness	13,191	-	-
BAB's subsidy	-	94,143	-
Other federal grants	3,601	-	-
Total due from other governments	$ 2,758,244	$ 120,690	$ 3,674,361

Amounts due to other governments are as follows:

Other Local Governments:			
Caroline County School Board	$ 2,411,841	$ -	$ -

Note 5. Interfund Obligations

Details of the County's interfund receivables and payables as of June 30, 2014 are as follows:

	Interfund Receivable	Interfund Payable
General	$ 97,422	$ -
Total Governmental Funds	$ 97,422	$ -
Enterprise Funds:		
Caroline County Utility Fund	$ -	$ 97,422
Total All Funds	$ 97,422	$ 97,422

The outstanding balances between funds results from a temporary loan from the General Fund to eliminate a deficit cash balance in the Caroline County Utility Fund.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

Primary Government:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
General government:				
Capital assets, not being depreciated or amortized:				
Land	$ 1,242,883	$ -	$ -	$ 1,242,883
Construction in progress	8,954,923	6,053,841	(10,354,887)	4,653,877
Total capital assets, not being depreciated or amortized	10,197,806	6,053,841	(10,354,887)	5,896,760
Capital assets, being depreciated or amortized:				
Buildings	53,686,624	-	10,172,517	63,859,141
Improvements other than buildings	5,450,242	-	-	5,450,242
Intangibles	227,794	-	-	227,794
Equipment	10,434,163	496,507	(50,467)	10,880,203
Total capital assets being depreciated or amortized	69,798,823	496,507	10,122,050	80,417,380
Less accumulated depreciation or amortization for:				
Buildings	(14,259,206)	(2,098,661)	-	(16,357,867)
Improvements other than buildings	(2,617,244)	(206,368)	-	(2,823,612)
Intangibles	(77,929)	(45,559)	-	(123,488)
Equipment	(7,926,484)	(847,650)	231,089	(8,543,045)
Total accumulated depreciation or amortization	(24,880,863)	(3,198,238)	231,089	(27,848,012)
Total capital assets being depreciated or amortized, net	44,917,960	(2,701,731)	10,353,139	52,569,368
General government capital assets, net	$ 55,115,766	$ 3,352,110	$ (1,748)	$ 58,466,128
Internal Service Fund:				
Capital assets, being depreciated or amortized:				
Buildings	$ 412,315	$ -	$ -	$ 412,315
Improvements other than buildings	68,551	-	-	68,551
Total capital assets being depreciated or amortized	480,866	-	-	480,866
Less accumulated depreciation or amortization for:				
Buildings	(343,596)	(13,744)	-	(357,340)
Improvements other than buildings	(68,551)	-	-	(68,551)
Total accumulated depreciation or amortization	(412,147)	(13,744)	-	(425,891)
Internal Service Fund capital assets, net	$ 68,719	$ (13,744)	$ -	$ 54,975

Note 6. Capital Assets (Continued)

***Primary Government:* (Continued)**

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	$ 1,242,883	$ -	$ -	$ 1,242,883
Construction in progress	8,954,923	6,053,841	(10,354,887)	4,653,877
Total capital assets, not being depreciated or amortized	10,197,806	6,053,841	(10,354,887)	5,896,760
Capital assets, being depreciated or amortized:				
Buildings	54,098,939	-	10,172,517	64,271,456
Improvements other than buildings	5,518,793	-	-	5,518,793
Intangibles	227,794	-	-	227,794
Equipment	10,434,163	496,507	(50,467)	10,880,203
Total capital assets being depreciated or amortized	70,279,689	496,507	10,122,050	80,898,246
Less accumulated depreciation or amortization for:				
Buildings	(14,602,802)	(2,112,405)	-	(16,715,207)
Improvements other than buildings	(2,685,795)	(206,368)	-	(2,892,163)
Intangibles	(77,929)	(45,559)	-	(123,488)
Equipment	(7,926,484)	(847,650)	231,089	(8,543,045)
Total accumulated depreciation or amortization	(25,293,010)	(3,211,982)	231,089	(28,273,903)
Total capital assets being depreciated or amortized, net	44,986,679	(2,715,475)	10,353,139	52,624,343
Governmental activities capital assets, net	$ 55,184,485	$ 3,338,366	$ (1,748)	$ 58,521,103

Depreciation and amortization expense was charged as follows:

Governmental activities:	
General government administration	$ 621,212
Judicial administration	150,084
Public safety	628,239
Public works	213,677
Education	1,399,884
Parks, recreation and cultural	16,959
Community development	181,927
Total governmental activities	$ 3,211,982

Note 6. Capital Assets (Continued)

***Primary Government:* (Continued)**

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated or amortized:				
Land	$ 412,977	$ 29,884	$ -	$ 442,861
Construction in progress	19,696,825	2,149,664	(21,846,489)	-
Total capital assets, not being depreciated or amortized	20,109,802	2,179,548	(21,846,489)	442,861
Capital assets, being depreciated or amortized:				
Buildings	987,624	-	-	987,624
Improvements other than buildings	34,533,199	-	21,799,041	56,332,240
Equipment	1,201,570	46,000	37,262	1,284,832
Total capital assets being depreciated or amortized	36,722,393	46,000	21,836,303	58,604,696
Less accumulated depreciation or amortization for:				
Buildings	(188,826)	(23,133)	-	(211,959)
Improvements other than buildings	(7,855,060)	(825,952)	-	(8,681,012)
Equipment	(880,133)	(94,538)	-	(974,671)
Total accumulated depreciation or amortization	(8,924,019)	(943,623)	-	(9,867,642)
Total capital assets being depreciated or amortized, net	27,798,374	(897,623)	21,836,303	48,737,054
Business-type activities capital assets, net	$ 47,908,176	$ 1,281,925	$ (10,186)	$ 49,179,915

Depreciation and amortization expense was charged as follows:

Business-type activities:	
Caroline County Utility	$ 814,043
Dawn Wastewater System	129,580
Total business-type activities	$ 943,623

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, 2014 is that school financed assets in the amount of $41,850,000 and related accumulated depreciation and amortization of $8,684,789 are reported by the County for financial reporting purposes.

A summary of Component Unit – School Board property, plant and equipment at June 30, 2014 follows:

Component Unit - School Board:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	$ 739,789	$ 109,764	$ -	$ 849,553
Total capital assets, not being depreciated or amortized	739,789	109,764	-	849,553
Capital assets, being depreciated or amortized:				
Buildings	17,142,246	-	-	17,142,246
Improvements other than buildings	92,806	-	-	92,806
Equipment	6,056,333	476,991	41,393	6,574,717
Total capital assets being depreciated or amortized	23,291,385	476,991	41,393	23,809,769
Less accumulated depreciation or amortization for:				
Buildings	(11,615,685)	(396,221)	-	(12,011,906)
Improvements other than buildings	(36,735)	(4,641)	-	(41,376)
Equipment	(4,089,245)	(334,664)	(41,393)	(4,465,302)
Total accumulated depreciation or amortization	(15,741,665)	(735,526)	(41,393)	(16,518,584)
Total capital assets being depreciated or amortized, net	7,549,720	(258,535)	-	7,291,185
School Board capital assets, net	$ 8,289,509	$ (148,771)	$ -	$ 8,140,738

Depreciation and amortization expense was charged as follows:

Component Unit – School Board	$ 735,526

Note 7. Interfund Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Fund	Transfers In	Transfers Out
Governmental Activities:		
General	$ 115,476	$ 6,895,739
Debt Service	4,383,003	-
County Capital Projects	783,471	-
Proffers	-	791,721
Virginia Public Assistance	563,207	-
Comprehensive Services	1,070,283	-
Housing	-	46,276
Total Governmental Activities	$ 6,915,440	$ 7,733,736
Business-Type Activities:		
Caroline County Utility	$ 544,398	$ -
Dawn Wastewater System	415,498	-
Total Business-Type Activities	$ 959,896	$ -
Internal Service:		
Self-Insurance	$ -	$ 141,600
Total Internal Service	$ -	$ 141,600
Total All Funds	$ 7,875,336	$ 7,875,336

The transfer to the Debt Service Fund of $4,383,003 includes a transfer of $4,374,753 from the General Fund to account for debt service payments, not funded by other revenue sources, and a transfer of $8,250 from the Proffer Fund to account for debt service payments on the YMCA.

The transfer to the General Fund of $115,476 was to move the incurred but not recorded (IBNR) liability to the newly formed Self-Insurance Fund.

The transfer to the County Capital Projects Fund of $783,471 from the Proffers Fund was to reimburse the County for additional expenses related to the Rt. 639 Project.

The transfer to the Virginia Public Assistance Fund of $563,207 includes a transfer of $546,851 from the General Fund to satisfy the local match requirement for the Fund and a transfer of $16,356 to move the incurred but not recorded (IBNR) liability to the newly formed Self-Insurance Fund.

The transfer to the Comprehensive Services Fund of $1,070,283 from the General Fund was to satisfy the local match requirement for the Fund.

Note 7. Interfund Transfers (Continued)

The transfer to the Caroline County Utility Fund of $544,398 includes a transfer of $534,630 from the General Fund to cover debt service payments that were not generated by user charges in the Fund and a transfer of $9,768 to move the incurred but not recorded (IBNR) liability to the newly formed Self-Insurance Fund.

The transfer to the Dawn Wastewater System Fund of $415,498 includes a transfer of $369,222 from the General Fund to cover debt service payments and costs associated with the Dawn Phase II project, that were not generated by user charges in the Fund and a transfer of $46,276 from the Housing Fund to cover the matching portion of grants funds and additional system connections.

Note 8. Long-Term Obligations

The following is a summary of long-term liability activity of the primary government and Component Unit – School Board for the year ended June 30, 2014:

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government:					
Governmental activities:					
Bonds payable	$ 66,802,442	$ 33,620,000	$ (12,393,632)	$ 88,028,810	$ 4,991,275
Note payable	786,662	-	-	786,662	393,400
Capital leases	739,860	6,574,068	(273,720)	7,040,208	282,288
Unamortized premiums	1,364,919	-	(108,691)	1,256,228	-
Revenue bond debt allocable from business-type activities	1,383,528	-	(122,370)	1,261,158	127,364
	71,077,411	40,194,068	(12,898,413)	98,373,066	5,794,327
Compensated absences	690,400	696,464	(701,472)	685,392	68,539
Governmental activities long-term Liabilities	$ 71,767,811	$ 40,890,532	$ (13,599,885)	$ 99,058,458	$ 5,862,866
Component Unit - School Board:					
Capital leases	$ 446,176	$ 439,965	$ (99,536)	$ 786,605	$ 87,862
Compensated absences	522,928	55,348	(39,453)	538,823	53,882
Component Unit - School Board long-term liabilities	$ 969,104	$ 495,313	$ (138,989)	$ 1,325,428	$ 141,744

In the current fiscal year, the beginning balance was restated to record the effect of a note payable that had been previously omitted from the Statement of Net Position.

Note 8. Long-Term Obligations (Continued)

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

Year Ending June 30,	Lease Revenue Bonds		General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 2,611,364	$ 1,547,699	$ 2,507,275	$ 2,356,653	$ 393,400	$ 178,402
2016	2,756,259	1,399,051	2,647,903	2,185,490	393,262	178,540
2017	7,714,851	1,104,795	2,722,108	2,096,247	-	-
2018	1,606,061	950,972	2,784,954	2,000,430	-	-
2019	1,159,694	878,184	2,866,338	1,902,006	-	-
2020-2024	5,450,746	3,480,570	13,385,424	8,164,721	-	-
2025-2029	5,034,535	2,179,851	14,322,588	5,185,427	-	-
2030-2034	5,674,808	1,103,422	13,959,690	1,759,549	-	-
2035-2039	1,756,037	307,891	49,333	41,686	-	-
2040	280,000	6,931	-	-	-	-
	$ 34,044,355	$ 12,959,366	$ 55,245,613	$ 25,692,209	$ 786,662	$ 356,942

Primary Government:

Year Ending June 30,	Capital Leases	
	Principal	Interest
2015	$ 282,288	$ 176,610
2016	681,757	170,667
2017	567,026	153,620
2018	552,757	139,381
2019	566,741	125,396
2020-2024	3,056,179	404,510
2025-2026	1,333,460	50,816
	$ 7,040,208	$ 1,221,000

Component Unit – School Board:

Year Ending June 30,	Capital Leases	
	Principal	Interest
2015	$ 87,862	$ 29,521
2016	91,190	26,193
2017	94,643	22,740
2018	98,228	19,155
2019	101,949	15,434
2020-2023	312,733	24,258
	$ 786,605	$ 137,301

Note 8. Long-Term Obligations (Continued)

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 August 2014, interest payable semi-annually at 3.52%.	$	130,000
$625,126 capital lease obligation (payable from the General Fund) issued April 1, 2011, secured by equipment, principal due in various annual installments through August 2015, interest payable semi-annually at 2.30%.		254,733
$133,840 capital lease obligation (payable from the General Fund) issued October 25, 2012, secured by equipment, principal due in various annual installments through April 2017, interest payable semi-annually at 2.86%.		81,407
$6,574,068 capital lease obligation (payable from the General Fund) issued by July 1, 2013, secured by equipment, principal due in various annual installments through January 2026, interest payable semi-annually at 2.53%.		6,574,068
Total Capital Leases	$	7,040,208

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%.	$	7,925,000
$7,800,000 lease revenue bond payable in varying annual installments through 2033. Interest payable semi-annually at 3.90%.		5,439,197
$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%.		1,845,000
$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%.		755,000
$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%.		7,275,000
$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.		1,057,000
$8,487,000 EDA public facility lease revenue refunding bonds issued April 1, 2014, maturing annually beginning June 15, 2015 with interest payable semi-annually at 2.70% through June 2034.		8,487,000
Total lease revenue bonds		32,783,197
Revenue bond debt allocable from the Caroline County Utility Fund		1,261,158
Total incurred by County	$	34,044,355

Note 8. Long-Term Obligations (Continued)

General Obligation Bonds:

$315,997 School Bonds (1994B) issued November 22, 1994, maturing annually with interest payable semi-annually at varying rates through July 2014.	$	20,143
$459,597 School Bonds (1996B) issued November 14, 1996, maturing annually with interest payable semi-annually at varying rates through July 2016.		79,892
$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.		483,992
$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.		4,651,050
$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.		16,860,000
$6,000,000 2011 VPSA Direct Payment Qualified School Construction Bonds issued June 16, 2011, maturing annually with interest payable semi-annually at an average coupon rate of 7.603% through June 1, 2027.		5,571,428
$1,085,447 2012 A series VPSA Qualified School Construction Bonds issued October 31, 2012, maturing annually with interest payable semi-annually at 3.84% through December 1, 2034.		1,036,108
$1,450,000 2012 B series VPSA School Bonds issued November 15, 2012, maturing annually with interest due semi-annually at rates varying from 2.05% to 5.05% through July 15, 2032.		1,410,000
$25,133,000 2013 Series, General Obligation School Bonds, issued December 15, 2013, maturing annually beginning February 2015 with interest due semi-annually at 3.17% through February 2013.		25,133,000
Total general obligation bonds	$	55,245,613

Note 8. Long-Term Obligations (Continued)

Component Unit - School Board:

Capital Lease Obligations:

$559,006 capital lease obligation issued July 15, 2011, secured by equipment, principal due in various installments through July 2020, interest payable annually at 4%.	$ 397,754
$439,965 capital lease obligation issued August 1, 2013, secured by equipment, principal due in various installments through August 2022, interest payable annually at 3.50%.	388,851
Total capital lease obligations	$ 786,605

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government:					
Business-type activities:					
Bonds payable	$ 45,038,779	$ -	$ (1,368,102)	$ 43,670,677	$ 1,277,220
Revenue bond debt allocable from business-type activities	(1,383,528)	-	122,370	(1,261,158)	-
Unamortized discount	(39,562)	-	9,890	(29,672)	-
Unamortized premium	1,786,784	-	(110,982)	1,675,802	-
Compensated absences	48,487	48,302	(39,190)	57,599	5,760
Business-type activities long-term liabilities	$ 45,450,960	$ 48,302	$ (1,386,014)	$ 44,113,248	$ 1,282,980

	Business-type Activities			
Year Ending June 30,	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	$ 1,147,220	$ 2,104,077	$ 130,000	$ 22,245
2016	1,187,315	2,060,024	135,000	16,907
2017	1,219,823	2,013,048	145,000	10,908
2018	1,261,045	1,961,719	150,000	3,671
2019	1,447,299	1,904,187	-	-
2020-2024	7,212,793	8,586,298	-	-
2025-2029	8,139,024	6,847,679	-	-
2030-2034	8,250,000	4,568,855	-	-
2035-2039	8,180,000	2,320,229	-	-
2040-2041	3,805,000	221,865	-	-
	$ 41,849,519	$ 32,587,981	$ 560,000	$ 53,731

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.	$ 144,910
$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.	635,000
$3,366,314 revenue bond issued March 3, 2006, maturing in equal annual installments through 2025. No interest is payable on the bond.	2,205,767
$2,060,000 VRA revenue bond issued 2009, maturing annually with interest payable semi-annually at varying rates through October 2019.	1,940,000
$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%.	5,930,000
Less: Revenue bond debt allocable to general government	(1,261,158)
$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%.	8,490,000
$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%.	20,455,000
Total revenue bond obligations	$ 41,849,519

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.	$ 560,000

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Component Unit - School Board
Asset:		
Equipment	$ 2,046,163	$ 998,971
Less: accumulated depreciation and amortization	1,797,745	138,027
Net asset value	$ 248,418	$ 860,944

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year Ending June 30,	Governmental Activities	Component Unit - School Board
2015	$ 458,899	$ 117,383
2016	852,424	117,383
2017	720,647	117,383
2018	692,138	117,383
2019	692,138	117,383
2020-2024	3,460,689	336,991
2025-2026	1,384,273	-
Total minimum lease payments	8,261,208	923,906
Less: amount representing interest	1,221,000	137,301
Present value of minimum lease payments	$ 7,040,208	$ 786,605

Revenue Anticipation Note

The County had a Revenue Anticipation Note (RAN) in the amount of $3,500,000 during the fiscal year, under which the County borrowed on an unsecured basis at 0.89%, as of June 30, 2014. 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, 2014.

Note 8. Long-Term Obligations (Continued)

Current Refunding

In April 2014, the County issued $8,487,000 in Public Utility Facility Lease Revenue Refunding Bonds to refund the Series 2002 Lease Revenue Bonds. As a result, the Series 2002 Lease Revenue Bonds are considered defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the carrying amount of the old debt by $97,000. This amount is being included on the Statement of Net Position, under the deferred outflows of resources heading as deferred charges on refunding, and is being amortized over the remaining useful life of the refunding debt. The County refunded the Series 2002 Lease Revenue Bonds to reduce its total debt service payments by $2,415,349, and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of $1,704,662.

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 $3,086,122 reported as landfill postclosure care liability at June 30, 2014, 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 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The County intends to fund these costs from general tax revenues and from any special revenue source that may become available for this purpose.

Note 10. Unearned and Unavailable Revenue

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Unavailable revenue totaling $20,489,925 and unearned revenue of $589,145 are comprised of the following:

Unavailable Property Tax Revenue: Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled $20,489,925, of which $6,698,437 represents delinquent property taxes receivable at June 30, 2014.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled $579,710 at June 30, 2014, and are classified as unearned.

Unearned Grant Revenue: Unearned revenue representing amounts received for the Equitable Sharing Program (Asset Forfeiture funds), for which expenditures had not been incurred at June 30, 2014, totaled $9,435.

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.

Health Insurance

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

Based on the requirements of GASB Statement No. 10, the County records an estimated liability for indemnity healthcare claims. Prior to fiscal year 2014, the liability was recorded in the respective fund; however, during fiscal year 2014, the County established a separate Self-Insurance Fund to account for this activity. The following represents the change in the fund's claim liability for 2014 and 2013, respectively:

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2014	$ 141,600	$ 28,403	$ 32,416	$ 137,587

Note 11. Risk Management (Continued)

	Liability at June 30, 2013	Claims and Changes in Estimates	Liability at June 30, 2014
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	$ (1,873)	$ 9,768
Business-type activities	$ 11,641	$ (1,873)	$ 9,768

Note 12. Pension Plan

A. <u>Plan Description</u>

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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 they and their employer are 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 service credit in their plan.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid: Each plan has different eligibility and benefit structures as set out in the table below:

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About VRS Plan 2** VRS Plan 2 is a defined plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010 or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Eligible Members Employees are in the VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**Eligible Members** Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014 • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an ORP must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or Plan 2 (as applicable) or ORP.
Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.	**Hybrid Opt-In Election** VRS Plan 2 non-hazardous members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.	

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
		Vesting (Continued) **Defined Contributions Component (Continued)** • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 1/2.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under VRS Plan 1.	**Calculating the Benefit** **Defined Benefit Component** See definition under VRS Plan 1. **Defined Contribution Component** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component:** Same as VRS Plan 2. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) for a maximum COLA of 3%. **Eligibility:** Same as VRS Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as VRS Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as VRS Plan 1 and VRS Plan 2.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement (Continued)	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Exceptions to COLA Effective Dates:** Same as VRS Plan 1.	**Exceptions to COLA Effective Dates:** Same as VRS Plan 1 and VRS Plan 2.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP and VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as VRS Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as VRS Plan 1. **Defined Contribution Component:** Not applicable.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

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 www.varetire.org/pdf/publications/2013-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, 2014, 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, 2014, 2013, and 2012, total employer contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were $2,386,616, $1,776,015, and $1,812,374, respectively, and were equal to 100% of the required contribution for professional employees for each year.

Note 12. Pension Plan (Continued)

C. Annual Pension Cost (APC)

For fiscal year 2014, the County and the School Board's non-professional employees' annual pension costs of $1,259,795 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, 2014	$ 1,128,934	100%	$ -
June 30, 2013	979,402	100%	-
June 30, 2012	1,185,461	100%	-
School Board Non-Professional:			
June 30, 2014	$ 130,861	100%	$ -
June 30, 2013	92,851	100%	-
June 30, 2012	132,257	100%	-

The fiscal year 2014 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, 2011 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, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Note 12. Pension Plan (Continued)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the Plan was 80.92% funded. The actuarial accrued liability for benefits was $29,033,989, and the actuarial value of assets was $23,494,640, resulting in an unfunded actuarial accrued liability (UAAL) of $5,539,349. The covered payroll (annual payroll of active employees covered by the Plan) was $9,393,280, and ratio of the UAAL to the covered payroll was 58.97%.

At June 30, 2013, the most recent actuarial valuation date, the Plan for the School Board's non-professional employees was 89.68% funded. The actuarial accrued liability for benefits was $4,644,365, and the actuarial value of assets was $4,165,248, resulting in an unfunded actuarial accrued liability (UAAL) of $479,117. The covered payroll (annual payroll of active employees covered by the Plan) was $1,385,824, and ratio of the UAAL to the covered payroll was 34.57%.

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.

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 $260 to $1,243 per month, for retiree and family coverage. The employer contribution depends on whether the employee works part-time or full-time upon retirement. The retiree pays the remainder of the premium.

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

C. Annual OPEB Cost and Net OPEB Obligation

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

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

	Primary Government	Component Unit - School Board
Annual required contribution	$ 65,000	$ 584,600
Interest on net OPEB obligation	7,072	52,631
Adjustment to annual required contribution	(7,471)	(81,760)
Annual OPEB cost (expense)	64,601	555,471
Contributions made	(3,300)	(476,600)
Increase in net OPEB obligation	61,301	78,871
Net OPEB obligation, beginning of year	202,048	1,503,742
Net OPEB obligation, end of year	$ 263,349	$ 1,582,613

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 Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2012 through 2014 were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
June 30, 2014	$ 64,601	5.11%	$ 263,349
June 30, 2013	60,918	2.13%	202,048
June 30, 2012	52,487	0.00%	142,430
School Board:			
June 30, 2014	$ 555,471	85.80%	$ 1,582,613
June 30, 2013	546,423	87.22%	1,503,742
June 30, 2012	578,583	87.73%	1,433,919

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, 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 most recent actuarial valuation date, the School Board'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.

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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

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

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

Based on the historical and expected returns of the County and School Board's short-term investment portfolio, a discount of 3.50% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was 29 years.

Note 14. Restatement of Net Position and Fund Balances

Change in Accounting

In accordance with the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the County removed debt issuance costs, previously recognized as amortizable assets, as if they had been recognized as expense in the period for which they had been incurred. The beginning fund balance in the Caroline County Utility Fund has been restated to reflect the expense previously reported as assets in prior years. In addition, the beginning net position for the Business-Type Activities has been restated to reflect this change in the entity-wide statements for fiscal year ended June 30, 2013.

	Caroline County Utility Fund	Business-Type Activities
Net position, June 30, 2013, as previously reported	$ 4,981,619	$ 7,435,558
Effect of write-off of debt issue costs	(682,135)	(682,135)
Net position, June 30, 2013, as restated	$ 4,299,484	$ 6,753,423

Omission of Note Payable

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

	Governmental Activities
Net position, June 30, 2013, as previously reported	$ 6,490,936
Effect of recording note payable previously omitted from the Statement of Net Position, as of June 30, 2013	(786,662)
Net position, June 30, 2013, as restated	$ 5,704,274

Note 15. Pending GASB Statements

At June 30, 2014, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 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. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68*, requires a state or local government employer (or nonemployer contributing entity in a special funding situation), to recognize a net pension liability measured as of a date (the measurement date), no earlier than the end of its prior fiscal year. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

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

Note 16. Subsequent Event and Contingencies

Federal and State-Assisted Programs

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

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, 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%
June 30, 2013	23,494,640	29,033,989	5,539,349	80.92%	9,393,280	58.97%
B. Component Unit - School Board non-professional employees:						
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%
June 30, 2013	4,165,248	4,644,365	479,117	89.68%	1,385,824	34.57%

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:		
2012	$ 52,000	0.00%
2013	61,200	2.12%
2014	65,000	5.08%
B. Component Unit - School Board employees:		
2012	$ 571,200	88.87%
2013	574,200	83.00%
2014	584,600	81.53%

OTHER SUPPLEMENTARY INFORMATION

COUNTY OF CAROLINE, VIRGINIA **Exhibit 15**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
Other local taxes	$ 1,369,243	$ 1,408,819	$ 1,552,569	$ 143,750
Use of money and property	312,800	312,800	148,888	(163,912)
Reimbursement from component unit	493,743	493,743	493,743	-
Intergovernmental	648,287	653,287	642,651	(10,636)
Total revenues	2,824,073	2,868,649	2,837,851	(30,798)
Expenditures:				
Debt service:				
Principal	4,399,716	4,399,716	4,399,722	6
Interest and fiscal charges	3,185,907	3,328,452	3,328,445	(7)
Total expenditures	7,585,623	7,728,168	7,728,167	(1)
Revenues under expenditures	(4,761,550)	(4,859,519)	(4,890,316)	(30,797)
Other financing sources (uses):				
Refunding bonds issued	-	8,487,969	8,487,000	(969)
Payment to refunded bond escrow agent	-	(8,390,000)	(8,390,000)	-
Transfers in	5,255,293	4,761,550	4,383,003	(378,547)
Other financing sources, net	5,255,293	4,859,519	4,480,003	(379,516)
Net change in fund balance	493,743	-	(410,313)	(410,313)
Fund balance, beginning	(493,743)	-	619,386	619,386
Fund balance, ending	$ -	$ -	$ 209,073	$ 209,073

COUNTY OF CAROLINE, VIRGINIA **Exhibit 16**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - COUNTY CAPITAL PROJECTS FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
Use of money and property	$ 7,047	$ 7,047	$ 24,242	$ 17,195
Total revenues	7,047	7,047	24,242	17,195
Expenditures:				
Capital outlay	848,471	9,687,381	9,597,593	(89,788)
Debt service:				
Interest and fiscal charges	-	200,000	199,442	(558)
Total expenditures	848,471	9,887,381	9,797,035	(90,346)
Revenues under expenditures	(841,424)	(9,880,334)	(9,772,793)	107,541
Other financing sources:				
Transfers in	783,471	783,471	783,471	-
Issuance of debt	-	4,656,096	25,133,000	20,476,904
Issuance of capital lease	-	-	6,574,068	6,574,068
Other financing sources	783,471	5,439,567	32,490,539	27,050,972
Net change in fund balance	(57,953)	(4,440,767)	22,717,746	27,158,513
Fund balance, beginning	57,953	4,440,767	4,845,858	405,091
Fund balance, ending	$ -	$ -	$ 27,563,604	$ 27,563,604

COUNTY OF CAROLINE, VIRGINIA **Exhibit 17**

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue Funds							
	Comprehensive Services	Law Library	Courthouse Maintenance	Tourism	Sheriff's Grant	Fire/Rescue Grant	Housing	Total Nonmajor Governmental Funds
ASSETS								
Cash, cash equivalents and temporary cash investments	$ -	$ 615	$ 81,393	$ 1,997	$ 93,921	$ 153,724	$ 45,502	$ 377,152
Receivables, net	-	30	102	22,213	-	-	-	22,345
Due from other governments	262,118	-	-	-	-	12,967	-	275,085
Total assets	$ 262,118	$ 645	$ 81,495	$ 24,210	$ 93,921	$ 166,691	$ 45,502	$ 674,582
LIABILITIES								
Accounts payable	$ 434,223	$ 420	$ -	$ 2,999	$ 3,089	$ 2,445	$ 8,000	$ 451,176
Accrued liabilities	-	-	-	3,459	-	-	1,278	4,737
Unearned revenue	-	-	-	-	9,435	-	-	9,435
Total liabilities	434,223	420	-	6,458	12,524	2,445	9,278	465,348
FUND BALANCES								
Restricted for:								
Public safety grants	-	-	-	-	81,397	-	-	81,397
Fire/rescue grants	-	-	-	-	-	164,246	-	164,246
Housing	-	-	-	-	-	-	36,224	36,224
Courthouse maintenance	-	-	81,495	-	-	-	-	81,495
Law library	-	225	-	-	-	-	-	225
Tourism	-	-	-	17,752	-	-	-	17,752
Unassigned:								
Comprehensive services	(172,105)	-	-	-	-	-	-	(172,105)
Total fund balances	(172,105)	225	81,495	17,752	81,397	164,246	36,224	209,234
Total liabilities and fund balances	$ 262,118	$ 645	$ 81,495	$ 24,210	$ 93,921	$ 166,691	$ 45,502	$ 674,582

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	Special Revenue Funds							
	Comprehensive Services	Law Library	Courthouse Maintenance	Tourism	Sheriff's Grant	Fire/Rescue Grant	Housing	Total Nonmajor Governmental Funds
Revenues:								
Other local taxes	$ -	$ -	$ -	$ 115,343	$ -	$ -	$ -	$ 115,343
Use of money and property	-	-	-	-	-	-	11,560	11,560
Charges for services	-	4,950	26,756	-	-	-	-	31,706
Miscellaneous	34,472	-	-	10,890	36	-	-	45,398
Intergovernmental	1,382,751	-	-	-	379,107	136,057	-	1,897,915
Total revenues	1,417,223	4,950	26,756	126,233	379,143	136,057	11,560	2,101,922
Expenditures:								
Current:								
Judicial administration	-	5,393	-	-	8,693	-	-	14,086
Public safety	-	-	-	-	356,225	199,171	-	555,396
Health and welfare	2,511,712	-	-	-	-	-	-	2,511,712
Community development	-	-	-	130,507	-	-	13,392	143,899
Total expenditures	2,511,712	5,393	-	130,507	364,918	199,171	13,392	3,225,093
Revenues over (under) expenditures	(1,094,489)	(443)	26,756	(4,274)	14,225	(63,114)	(1,832)	(1,123,171)
Other financing sources (uses):								
Transfers in	1,070,283	-	-	-	-	-	-	1,070,283
Transfers out	-	-	-	-	-	-	(46,276)	(46,276)
Other financing sources (uses), net	1,070,283	-	-	-	-	-	(46,276)	1,024,007
Net change in fund balances	(24,206)	(443)	26,756	(4,274)	14,225	(63,114)	(48,108)	(99,164)
Fund balance (deficit), beginning	(147,899)	668	54,739	22,026	67,172	227,360	84,332	308,398
Fund balance (deficit), ending	$ (172,105)	$ 225	$ 81,495	$ 17,752	$ 81,397	$ 164,246	$ 36,224	$ 209,234

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, 2014

	Comprehensive Services Fund				Law Library Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)	Original	Final	Amounts	(Under)
Revenues:								
Other local taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Use of money and property	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	5,890	5,890	4,950	(940)
Miscellaneous	22,000	15,000	34,472	19,472	-	-	-	-
Intergovernmental	1,246,385	1,515,804	1,382,751	(133,053)	-	-	-	-
Total revenues	1,268,385	1,530,804	1,417,223	(113,581)	5,890	5,890	4,950	(940)
Expenditures:								
Current:								
Judicial administration	-	-	-	-	5,890	5,890	5,393	(497)
Public safety	-	-	-	-	-	-	-	-
Health and welfare	1,862,500	2,287,513	2,511,712	224,199	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Total expenditures	1,862,500	2,287,513	2,511,712	224,199	5,890	5,890	5,393	(497)
Revenues over (under) expenditures	(594,115)	(756,709)	(1,094,489)	(337,780)	-	-	(443)	(443)
Other financing sources (uses):								
Transfers in	594,115	756,709	1,070,283	313,574	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Other financing sources (uses), net	594,115	756,709	1,070,283	313,574	-	-	-	-
Net change in fund balance	-	-	(24,206)	(24,206)	-	-	(443)	(443)
Fund balance (deficit), beginning	-	-	(147,899)	(147,899)	-	-	668	668
Fund balance (deficit), ending	$ -	$ -	$ (172,105)	$ (172,105)	$ -	$ -	$ 225	$ 225

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, 2014

	Courthouse Maintenance Fund				Tourism Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)	Original	Final	Amounts	(Under)
Revenues:								
Other local taxes	$ -	$ -	$ -	$ -	$ 160,961	$ 160,961	$ 115,343	$ (45,618)
Use of money and property	-	-	-	-	-	-	-	-
Charges for services	28,000	28,000	26,756	(1,244)	-	-	-	-
Miscellaneous	-	-	-	-	15,000	15,000	10,890	(4,110)
Intergovernmental	-	-	-	-	-	-	-	-
Total revenues	28,000	28,000	26,756	(1,244)	175,961	175,961	126,233	(49,728)
Expenditures:								
Current:								
Judicial administration	28,000	28,000	-	(28,000)	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Community development	-	-	-	-	167,961	167,961	130,507	(37,454)
Debt service:								
Principal	-	-	-	-	20,000	20,000	-	(20,000)
Total expenditures	28,000	28,000	-	(28,000)	187,961	187,961	130,507	(57,454)
Revenues over (under) expenditures	-	-	26,756	26,756	(12,000)	(12,000)	(4,274)	7,726
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Other financing sources (uses), net	-	-	-	-	-	-	-	-
Net change in fund balance	-	-	26,756	26,756	(12,000)	(12,000)	(4,274)	7,726
Fund balance (deficit), beginning	-	-	54,739	54,739	-	-	22,026	22,026
Fund balance (deficit), ending	$ -	$ -	$ 81,495	$ 81,495	$ (12,000)	$ (12,000)	$ 17,752	$ 29,752

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, 2014

	Sheriff's Grant Fund				Fire/Rescue Grant Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)	Original	Final	Amounts	(Under)
Revenues:								
Other local taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Use of money and property	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	36	36	-	-	-	-
Intergovernmental	10,542	374,000	379,107	5,107	121,367	129,567	136,057	6,490
Total revenues	10,542	374,000	379,143	5,143	121,367	129,567	136,057	6,490
Expenditures:								
Current:								
Judicial administration	-	8,950	8,693	(257)	-	-	-	-
Public safety	-	365,050	356,225	(8,825)	121,367	199,190	199,171	(19)
Health and welfare	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Total expenditures	-	374,000	364,918	(9,082)	121,367	199,190	199,171	(19)
Revenues over (under) expenditures	10,542	-	14,225	14,225	-	(69,623)	(63,114)	6,509
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Other financing sources (uses), net	-	-	-	-	-	-	-	-
Net change in fund balance	10,542	-	14,225	14,225	-	(69,623)	(63,114)	6,509
Fund balance (deficit), beginning	-	-	67,172	67,172	-	-	227,360	227,360
Fund balance (deficit), ending	$ 10,542	$ -	$ 81,397	$ 81,397	$ -	$ (69,623)	$ 164,246	$ 233,869

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, 2014

	Housing Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
Other local taxes	$ -	$ -	$ -	$ -
Use of money and property	11,700	11,700	11,560	(140)
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental	-	-	-	-
Total revenues	11,700	11,700	11,560	(140)
Expenditures:				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	11,700	13,400	13,392	(8)
Debt service:				
Principal	-	-	-	-
Total expenditures	11,700	13,400	13,392	(8)
Revenues over (under) expenditures	-	(1,700)	(1,832)	(132)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(46,350)	(46,276)	74
Other financing sources (uses), net	-	(46,350)	(46,276)	74
Net change in fund balance	-	(48,050)	(48,108)	(58)
Fund balance (deficit), beginning	-	-	84,332	84,332
Fund balance (deficit), ending	$ -	$ (48,050)	$ 36,224	$ 84,274

COUNTY OF CAROLINE, VIRGINIA

Exhibit 20

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2014

	Vehicle Maintenance	Self - Insurance	Total Internal Service Funds
ASSETS			
Current assets:			
Cash, cash equivalents and temporary cash investments	$ 4,976	$ 827,414	$ 832,390
Trade and other accounts receivable	-	157,100	157,100
Total current assets	4,976	984,514	989,490
Noncurrent assets:			
Capital assets:			
Buildings	412,315	-	412,315
Improvements other than buildings	68,551	-	68,551
Less accumulated depreciation and amortization	(425,891)	-	(425,891)
Total capital assets (net of accumulated depreciation and amortization)	54,975	-	54,975
Total noncurrent assets	54,975	-	54,975
Total assets	59,951	984,514	1,044,465
LIABILITIES			
Current liabilities:			
Accounts payable	1,098	-	1,098
Insurance and benefit claims	-	137,587	137,587
Total liabilities	1,098	137,587	138,685
NET POSITION			
Net investment in capital assets	54,975	-	54,975
Unrestricted	3,878	846,927	850,805
Total net position	$ 58,853	$ 846,927	$ 905,780

COUNTY OF CAROLINE, VIRGINIA

Exhibit 21

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2014

	Vehicle Maintenance	Self - Insurance	Total Internal Service Funds
Operating revenues:			
Charges for services	$ -	$ 1,203,523	$ 1,203,523
Other revenue	167,564	-	167,564
Total operating revenues	167,564	1,203,523	1,371,087
Operating expenses:			
Contractual services	-	186,593	186,593
Risk financing and benefit payments	-	28,403	28,403
Other charges	156,387	-	156,387
Depreciation and amortization	13,744	-	13,744
Total operating expenses	170,131	214,996	385,127
Income (loss) before transfers	(2,567)	988,527	985,960
Transfers out	-	(141,600)	(141,600)
Change in net position	(2,567)	846,927	844,360
Total net position, beginning	61,420	-	61,420
Total net position, ending	$ 58,853	$ 846,927	$ 905,780

COUNTY OF CAROLINE, VIRGINIA

Exhibit 22

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2014

	Vehicle Maintenance	Self - Insurance	Total Internal Service Funds
Cash Flows From Operating Activities:			
Receipts from interfund services provided	$ -	$ 1,046,423	$ 1,046,423
Claims and benefits paid	-	109,184	109,184
Payments to suppliers for goods and services	(167,594)	(186,593)	(354,187)
Other receipts	167,564	-	167,564
Net cash provided (used in) by operating activities	(30)	969,014	968,984
Cash Flows From Noncapital Financing Activities:			
Transfers to other funds	-	(141,600)	(141,600)
Net cash used in noncapital financing activities	-	(141,600)	(141,600)
Net increase (decrease) in cash and cash equivalents	(30)	827,414	827,384
Cash and Cash Equivalents:			
Beginning	5,006	-	5,006
Ending	$ 4,976	$ 827,414	$ 832,390
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	$ (2,567)	$ 988,527	$ 985,960
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	13,744	-	13,744
Change in assets and liabilities:			
Increase in:			
Accounts receivable	-	(157,100)	(157,100)
Increase (decrease) in:			-
Accounts payable	(11,207)	137,587	126,380
Net cash provided by operating activities	$ (30)	$ 969,014	$ 968,984

COUNTY OF CAROLINE, VIRGINIA **Exhibit 23**

COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Agency Funds			
	Special Welfare	Four Rivers Technology in Education Consortium	Deposit Escrow	Totals
ASSETS				
Cash, cash equivalents and temporary cash investments	$ 1,758	$ 38,704	$ 249,866	$ 290,328
LIABILITIES				
Amounts held for social services clients	$ 1,758	$ -	$ -	$ 1,758
Amounts held for consortium	-	38,704	-	38,704
Refundable escrow deposits payable	-	-	249,866	249,866
Total liabilities	$ 1,758	$ 38,704	$ 249,866	$ 290,328

COUNTY OF CAROLINE, VIRGINIA **Exhibit 24**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
SPECIAL WELFARE				
ASSETS				
Cash, cash equivalents and temporary cash investments	$ 4,011	$ 36,563	$ 38,816	$ 1,758
LIABILITIES				
Amounts held for social services clients	$ 4,011	$ 36,563	$ 38,816	$ 1,758
FOUR RIVERS TECHNOLOGY IN EDUCATION CONSORTIUM				
ASSETS				
Cash, cash equivalents and temporary cash investments	$ 38,704	$ -	$ -	$ 38,704
LIABILITIES				
Amounts held for consortium	$ 38,704	$ -	$ -	$ 38,704
DEPOSIT ESCROW				
ASSETS				
Cash, cash equivalents and temporary cash investments	$ 225,370	$ 94,152	$ 69,656	$ 249,866
LIABILITIES				
Refundable escrow deposits payable	$ 225,370	$ 94,152	$ 69,656	$ 249,866
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash, cash equivalents and temporary cash investments	$ 268,085	$ 130,715	$ 108,472	$ 290,328
LIABILITIES				
Amounts held for social services clients	$ 4,011	$ 36,563	$ 38,816	$ 1,758
Amounts held for consortium	38,704	-	-	38,704
Refundable escrow deposits payable	225,370	94,152	69,656	249,866
Total liabilities	$ 268,085	$ 130,715	$ 108,472	$ 290,328

DISCRETELY PRESENTED COMPONENT UNIT –

SCHOOL BOARD

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2014

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
ASSETS					
Cash, cash equivalents and temporary cash investments	$ 835,867	$ 362,490	$ 70,129	$ 440,048	$ 1,708,534
Due from other governments	3,381,599	93,622	-	199,140	3,674,361
Total assets	$ 4,217,466	$ 456,112	$ 70,129	$ 639,188	$ 5,382,895
LIABILITIES					
Accounts payable	$ 163,084	$ 69,896	$ -	$ -	$ 232,980
Accrued payroll	3,952,286	99,656	-	66,150	4,118,092
Unearned revenue	103,277	-	-	251,722	354,999
Total liabilities	4,218,647	169,552	-	317,872	4,706,071
FUND BALANCES					
Assigned to:					
Capital outlay	-	-	70,129	-	70,129
Cafeteria	-	286,560	-	-	286,560
School grants	-	-	-	321,316	321,316
Unassigned	(1,181)	-	-	-	(1,181)
Total fund balances	(1,181)	286,560	70,129	321,316	676,824
Total liabilities and fund balances	$ 4,217,466	$ 456,112	$ 70,129	$ 639,188	$ 5,382,895

Total Fund balances		$ 676,824
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	$ 24,659,322	
Less accumulated depreciation and amortization	(16,518,584)	
Net capital assets		8,140,738
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	(786,605)	
Compensated absences	(538,823)	
Interest payable	(26,589)	
Other postemployment benefits	(1,582,613)	
		(2,934,630)
Net position of governmental activities		$ 5,882,932

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2014

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
Revenues:					
Use of money and property	$ -	$ 18	$ 72	$ -	$ 90
Charges for services	9,740	669,697	-	-	679,437
Miscellaneous	128,062	-	-	-	128,062
Appropriation from Primary Government	11,748,926	-	-	-	11,748,926
Intergovernmental	24,787,629	1,193,997	-	1,001,921	26,983,547
Total revenues	36,674,357	1,863,712	72	1,001,921	39,540,062
Expenditures:					
Current:					
Education	36,433,385	1,919,799	-	1,001,883	39,355,067
Reimbursement to primary government	-	-	493,743	-	493,743
Capital outlay	586,755	-	-	-	586,755
Debt service	99,536	-	-	-	99,536
Total expenditures	37,119,676	1,919,799	493,743	1,001,883	40,535,101
Revenues over (under) expenditures	(445,319)	(56,087)	(493,671)	38	(995,039)
Other financing sources:					
Proceeds from capital lease	439,965	-	-	-	439,965
Other financing sources	439,965	-	-	-	439,965
Net change in fund balances	(5,354)	(56,087)	(493,671)	38	(555,074)
Fund balances, beginning	4,173	342,647	563,800	321,278	1,231,898
Fund balances, ending	$ (1,181)	$ 286,560	$ 70,129	$ 321,316	$ 676,824

Net change in fund balances		$ (555,074)
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	$ 586,755	
Less depreciation and amortization expense	(735,526)	
Excess of depreciation and amortization over capital outlays		(148,771)
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.		
Debt issued or incurred:		
Capital leases issued	(439,965)	
Principal repayments:		
Capital leases	99,536	
		(340,429)
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	(15,895)	
Accrued interest	(9,486)	
Other postemployment benefits	(78,871)	
		(104,252)
Change in net position of governmental activities		$ (1,148,526)

COUNTY OF CAROLINE, VIRGINIA

Exhibit 27
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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2014

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)	Original	Final	Amounts	(Under)
Revenues:								
Use of money and property	$ -	$ -	$ -	$ -	$ 150	$ 150	$ 18	$ (132)
Charges for services	20,000	20,000	9,740	(10,260)	750,000	750,000	669,697	(80,303)
Miscellaneous	8,000	8,000	128,062	120,062	-	-	-	-
Appropriation from primary government	11,753,709	11,753,709	11,748,926	(4,783)	-	-	-	-
Intergovernmental	25,035,081	25,035,081	24,787,629	(247,452)	1,138,560	1,138,560	1,193,997	55,437
Total revenues	36,816,790	36,816,790	36,674,357	(142,433)	1,888,710	1,888,710	1,863,712	(24,998)
Expenditures:								
Education	36,816,790	36,816,790	36,433,385	(383,405)	1,888,710	1,888,710	1,919,799	31,089
Reimbursement to primary government	-	-	-	-	-	-	-	-
Capital outlay	-	439,965	586,755	146,790	-	-	-	-
Debt service	-	-	99,536	99,536	-	-	-	-
Total expenditures	36,816,790	37,256,755	37,119,676	(137,079)	1,888,710	1,888,710	1,919,799	31,089
Revenues over (under) expenditures	-	(439,965)	(445,319)	(5,354)	-	-	(56,087)	(56,087)
Other financing sources:								
Proceeds from capital lease	-	439,965	439,965	-	-	-	-	-
Transfer in	-	-	-	-	-	-	-	-
Other financing sources	-	439,965	439,965	-	-	-	-	-
Net change in fund balance	-	-	(5,354)	(5,354)	-	-	(56,087)	(56,087)
Fund balance, beginning	-	-	4,173	4,173	-	-	342,647	342,647
Fund balance, ending	$ -	$ -	$ (1,181)	$ (1,181)	$ -	$ -	$ 286,560	$ 286,560

COUNTY OF CAROLINE, VIRGINIA

Exhibit 27
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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2014

	School Capital Projects Fund				School Grant Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)	Original	Final	Amounts	(Under)
Revenues:								
Use of money and property	$ -	$ -	$ 72	$ 72	$ -	$ -	$ -	$ -
Miscellaneous	-	-	-	-	359,925	359,925	-	(359,925)
Intergovernmental	-	-	-	-	2,140,284	2,247,933	1,001,921	(1,246,012)
Total revenues	-	-	72	72	2,500,209	2,607,858	1,001,921	(1,605,937)
Expenditures:								
Education	-	-	-	-	2,500,209	2,607,858	1,001,883	(1,605,975)
Reimbursement to primary government	-	493,744	493,743	(1)	-	-	-	-
Total expenditures	-	493,744	493,743	(1)	2,500,209	2,607,858	1,001,883	(1,605,975)
Revenues over (under) expenditures	-	(493,744)	(493,671)	73	-	-	38	38
Other financing sources:								
Proceeds from capital lease	-	-	-	-	-	-	-	-
Transfer in	-	493,744	-	(493,744)	-	-	-	-
Other financing sources	-	493,744	-	(493,744)	-	-	-	-
Net change in fund balance	-	-	(493,671)	(493,671)	-	-	38	38
Fund balance, beginning	-	-	563,800	563,800	-	-	321,278	321,278
Fund balance, ending	$ -	$ -	$ 70,129	$ 70,129	$ -	$ -	$ 321,316	$ 321,316

DISCRETELY PRESENTED COMPONENT UNIT –

ECONOMIC DEVELOPMENT AUTHORITY

COUNTY OF CAROLINE, VIRGINIA **Exhibit 28**

STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - EDA
June 30, 2014

ASSETS	
Current assets:	
Cash, cash equivalents and temporary cash investments	$ 96,692
Total assets	96,692
NET POSITION	
Unrestricted	96,692
Total net position	$ 96,692

COUNTY OF CAROLINE, VIRGINIA **Exhibit 29**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - EDA
Year Ended June 30, 2014

Operating revenues:	
Other revenue	$ 663
Total operating revenues	663
Operating expenses:	
Other charges	218,369
Total operating expenses	218,369
Operating loss	(217,706)
Nonoperating revenue:	
Interest revenue	384
Total nonoperating revenue	384
Change in net position	(217,322)
Net position, beginning	314,014
Net position, ending	$ 96,692

SUPPLEMENTAL SCHEDULES

COUNTY OF CAROLINE, VIRGINIA

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GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 17,216,657	$ 17,716,657	$ 19,236,006	$ 1,519,349
Real and personal public service corporation property taxes	3,124,073	3,215,518	3,499,626	284,108
Personal property taxes	8,104,710	8,104,710	7,943,497	(161,213)
Mobile home taxes	32,500	32,500	42,551	10,051
Machinery and tools taxes	239,360	239,360	244,744	5,384
Motor vehicle carrier	174,395	174,395	154,606	(19,789)
Penalties	390,000	390,000	434,942	44,942
Interest	340,000	340,000	380,916	40,916
Total general property taxes	29,621,695	30,213,140	31,936,888	1,723,748
Other local taxes:				
Local sales and use taxes	1,500,860	1,500,860	1,672,694	171,834
Consumer utility taxes	77,000	77,000	89,448	12,448
Business license taxes	943,048	943,048	1,080,256	137,208
Bank stock taxes	57,252	57,252	58,856	1,604
Motor vehicle licenses and registration fees	631,774	631,774	951,114	319,340
Taxes on recordation and wills	214,204	214,204	241,404	27,200
Total other local taxes	3,424,138	3,424,138	4,093,772	669,634
Permits, privilege fees and regulatory licenses:				
Animal licenses	25,100	25,100	32,261	7,161
Permits and other licenses	298,323	308,590	497,209	188,619
Total permits, privilege fees and regulatory licenses	323,423	333,690	529,470	195,780
Fines and forfeitures	600,000	600,000	560,756	(39,244)
Use of money and property:				
Revenue from use of money	14,600	14,600	14,783	183
Revenue from use of property	45,698	45,698	47,673	1,975
Total use of money and property	60,298	60,298	62,456	2,158

COUNTY OF CAROLINE, VIRGINIA

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GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
Revenue from local sources:				
Charges for services:				
Charges for court costs	$ 4,910	$ 4,910	$ 10,057	$ 5,147
Commonwealth attorney's fees	1,200	1,200	3,048	1,848
Courthouse security and protective services	169,120	169,120	170,863	1,743
Data processing	1,000	1,000	1,261	261
Parks and recreation	103,300	103,300	86,286	(17,014)
Sanitation and waste removal	29,000	29,000	35,852	6,852
Sale of publications and commemorative material	750	750	100	(650)
Ambulance recovery services	700,000	700,000	643,910	(56,090)
Other	18,700	18,700	14,776	(3,924)
Total charges for services	1,027,980	1,027,980	966,153	(61,827)
Miscellaneous	83,600	83,600	240,509	156,909
Recovered costs:				
Soil conservationist	282,992	282,992	269,686	(13,306)
Postage reimbursement general district court	4,500	4,500	4,354	(146)
Jurors	25,000	25,000	22,777	(2,223)
Other	3,700	3,700	3,600	(100)
Total recovered costs	316,192	316,192	300,417	(15,775)
Total revenue from local sources	35,457,326	36,059,038	38,690,421	2,631,383
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rolling stock tax	78,116	78,116	177,140	99,024
Communications sales and use taxes	452,087	452,087	446,560	(5,527)
Mobile home titling taxes	14,592	14,592	12,559	(2,033)
Rental vehicle taxes	2,500	2,500	6,696	4,196
Personal property tax relief	2,371,897	2,371,897	2,371,897	-
Recordation taxes	188,000	188,000	165,588	(22,412)
Total non-categorical aid	3,107,192	3,107,192	3,180,440	73,248

COUNTY OF CAROLINE, VIRGINIA

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GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Shared costs:				
Commonwealth attorney	$ 159,391	$ 159,391	$ 163,625	$ 4,234
Sheriff	1,144,217	1,144,217	1,162,975	18,758
Commissioner of the revenue	107,690	112,617	123,740	11,123
Treasurer	96,578	96,578	99,180	2,602
Registrar/Electoral Board	47,260	47,260	41,438	(5,822)
Clerk of circuit court	258,235	258,235	278,490	20,255
Total shared costs	1,813,371	1,818,298	1,869,448	51,150
Other categorical aid:				
Litter control	8,000	8,000	8,747	747
DMV license agent	28,000	28,000	31,354	3,354
Wireless E911 PSAP funding	73,934	73,934	92,635	18,701
Emergency services	12,000	12,000	-	(12,000)
CHINS	14,776	14,776	14,869	93
Victim witness	55,021	55,021	55,021	-
Social services quality initiative	10,000	10,000	11,000	1,000
Domestic violence	89,000	89,000	94,669	5,669
Forestry	-	-	7,515	7,515
Toughbook computer grant	-	48,380	48,380	-
Other	15,750	19,000	17,225	(1,775)
Total other categorical aid	306,481	358,111	381,415	23,304
Total categorical aid	2,119,852	2,176,409	2,250,863	74,454
Total revenue from the Commonwealth	5,227,044	5,283,601	5,431,303	147,702
Revenue from the federal government:				
Non-categorical aid:				
Payment for federal lands	1,718	1,718	1,886	168
Categorical aid:				
DMV ground transportation	21,000	21,000	14,563	(6,437)
FEMA	12,120	12,120	12,110	(10)
Bulletproof vest partnership	3,000	3,000	3,129	129
LEMPG	-	14,690	-	(14,690)
Victim witness	26,065	26,065	26,188	123
SAFER	381,000	386,830	345,185	(41,645)
Total categorical aid	443,185	463,705	401,175	(62,530)
Total revenue from the federal government	444,903	465,423	403,061	(62,362)
Total intergovernmental	5,671,947	5,749,024	5,834,364	85,340
Total General Fund	$ 41,129,273	$ 41,808,062	$ 44,524,785	$ 2,716,723

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous	$ 500	$ 2,900	$ 2,824	$ (76)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	428,552	480,716	566,136	85,420
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	1,315,900	1,329,908	1,321,208	(8,700)
Total intergovernmental	1,744,452	1,810,624	1,887,344	76,720
Total Virginia Public Assistance Fund	1,744,952	1,813,524	1,890,168	76,644
Proffers Fund:				
Revenue from local sources:				
Revenue from use of money	9,000	9,000	4,226	(4,774)
Miscellaneous:				
Proffers	84,620	84,620	145,881	61,261
Total revenue from local sources	93,620	93,620	150,107	56,487
Total Proffers Fund	93,620	93,620	150,107	56,487
Comprehensive Services Fund:				
Revenue from local sources:				
Miscellaneous	22,000	15,000	34,472	19,472
Intergovernmental:				
Revenue from the Commonwealth:				
Comprehensive services act funds	1,246,385	1,515,804	1,325,580	(190,224)
Revenue from the federal government:				
Comprehensive services act funds	-	-	57,171	57,171
Total intergovernmental	1,246,385	1,515,804	1,382,751	(133,053)
Total Comprehensive Services Fund	1,268,385	1,530,804	1,417,223	(113,581)
Law Library Fund:				
Revenue from local sources:				
Charges for services:				
Law library fees	5,890	5,890	4,950	(940)
Total Law Library Fund	5,890	5,890	4,950	(940)
Courthouse Maintenance Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse maintenance fees	28,000	28,000	26,756	(1,244)
Total Courthouse Maintenance Fund	28,000	28,000	26,756	(1,244)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
Special Revenue Funds:				
Tourism Fund:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes	$ 160,961	$ 160,961	$ 115,343	$ (45,618)
Miscellaneous	15,000	15,000	10,890	(4,110)
Total revenue from local sources	175,961	175,961	126,233	(49,728)
Total Tourism Fund	175,961	175,961	126,233	(49,728)
Sheriff's Grant Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical:				
Public safety	-	24,350	37,862	13,512
Revenue from the federal government:				
Categorical:				
Public safety	10,542	349,650	341,245	(8,405)
Total intergovernmental	10,542	374,000	379,107	5,107
Miscellaneous	-	-	36	36
Total Sheriff's Grant Fund	10,542	374,000	379,143	5,143
Fire/Rescue Grant Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical:				
Fire program fund	69,650	69,650	82,014	12,364
EMS vehicle registration grant	26,717	34,917	29,043	(5,874)
Radiological preparedness grant	25,000	25,000	25,000	-
Total revenue from the Commonwealth	121,367	129,567	136,057	6,490
Total Fire/Rescue Grant Fund	121,367	129,567	136,057	6,490
Housing Fund:				
Revenue from local sources:				
Revenue from use of money and property	11,700	11,700	11,560	(140)
Total Housing Fund	11,700	11,700	11,560	(140)
Total Special Revenue Funds	$ 3,460,417	$ 4,163,066	$ 4,142,197	$ (20,869)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
Debt Service Fund:				
Revenue from local sources:				
Other local taxes:				
Consumer utility	$ 511,000	$ 526,000	$ 511,224	$ (14,776)
Meals	858,243	882,819	1,041,345	158,526
Total other local taxes	1,369,243	1,408,819	1,552,569	143,750
Revenue from use of money and property:				
Revenue from use of property	312,800	312,800	148,888	(163,912)
Total revenue from use of money and property	312,800	312,800	148,888	(163,912)
Reimbursement from component unit	493,743	493,743	493,743	-
Total revenue from local sources	2,175,786	2,215,362	2,195,200	(20,162)
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical:				
Communications tax	353,180	353,180	342,694	(10,486)
Revenue from the federal government:				
Non-categorical:				
Federal tax credit	284,565	289,565	289,240	(325)
BABs interest subsidy	10,542	10,542	10,717	175.00
Total revenue from the federal government	295,107	300,107	299,957	(150)
Total intergovernmental	648,287	653,287	642,651	(10,636)
Total Debt Service Fund	$ 2,824,073	$ 2,868,649	$ 2,837,851	$ (30,798)
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	$ 7,047	$ 7,047	$ 24,242	$ 17,195
Total Capital Projects Fund	$ 7,047	$ 7,047	$ 24,242	$ 17,195
Grand Total Revenues - Primary Government	$ 47,420,810	$ 48,846,824	$ 51,529,075	$ 2,682,251

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services	$ 20,000	$ 20,000	$ 9,740	$ (10,260)
Miscellaneous	8,000	8,000	128,062	120,062
Appropriation from Primary Government	11,753,709	11,753,709	11,748,926	(4,783)
Total revenue from local sources	11,781,709	11,781,709	11,886,728	105,019
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State sales tax receipts	4,555,135	4,555,135	4,406,231	(148,904)
Basic school aid	11,840,391	11,840,391	11,896,575	56,184
Other state school funds	7,503,957	7,503,957	7,408,187	(95,770)
Total revenue from the Commonwealth	23,899,483	23,899,483	23,710,993	(188,490)
Revenue from the federal government:				
Categorical aid:				
Title VIB	882,708	882,708	836,964	(45,744)
Other school funds	252,890	252,890	239,672	(13,218)
Total revenue from the federal government	1,135,598	1,135,598	1,076,636	(58,962)
Total intergovernmental	25,035,081	25,035,081	24,787,629	(247,452)
Total School Operating Fund	36,816,790	36,816,790	36,674,357	(142,433)
School Grant Fund:				
Miscellaneous	359,925	359,925	-	(359,925)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Project graduation	28,272	29,875	34,612	4,737
Mentor teacher project	5,151	6,245	6,225	(20)
Total revenue from the Commonwealth	33,423	36,120	40,837	4,717
Revenue from the federal government:				
Categorical aid:				
Title I	1,254,379	1,254,379	731,968	(522,411)
Other school funds	852,482	957,434	229,116	(728,318)
Total revenue from the federal government	2,106,861	2,211,813	961,084	(1,250,729)
Total intergovernmental	2,140,284	2,247,933	1,001,921	(1,246,012)
Total School Grant Fund	2,500,209	2,607,858	1,001,921	(1,605,937)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Component Unit - School Board:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money	$ 150	$ 150	$ 18	$ (132)
Charges for services	750,000	750,000	669,697	(80,303)
Total revenue from local sources	750,150	750,150	669,715	(80,435)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	32,912	32,912	32,961	49
Revenue from the federal government:				
Categorical aid:				
School food program grant	1,105,648	1,105,648	1,161,036	55,388
Total intergovernmental	1,138,560	1,138,560	1,193,997	55,437
Total School Cafeteria Fund	1,888,710	1,888,710	1,863,712	(24,998)
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	72	72
Total School Capital Projects Fund	-	-	72	72
Grand Total Revenues - Component Unit - School Board	$ 41,205,709	$ 41,313,358	$ 39,540,062	$ (1,773,296)

COUNTY OF CAROLINE, VIRGINIA

Schedule 2
Page 1

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Function, Activity and Elements	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	$ 172,400	$ 172,400	$ 172,180	$ (220)
General and financial:				
County administrator	493,520	493,520	469,513	(24,007)
Legal services	216,000	216,000	276,698	60,698
Commissioner of the revenue	818,146	818,146	774,773	(43,373)
Professional services	103,587	133,587	81,550	(52,037)
Treasurer	578,544	580,584	552,602	(27,982)
Finance	364,225	364,225	361,010	(3,215)
Information technology	247,603	247,603	238,876	(8,727)
Total general and financial	2,821,625	2,853,665	2,755,022	(98,643)
Board of elections:				
Electoral board and officials	190,587	241,350	223,903	(17,447)
Total general government administration	3,184,612	3,267,415	3,151,105	(116,310)
Judicial administration:				
Courts:				
Circuit court	88,444	88,444	81,307	(7,137)
General district court	32,380	32,380	19,912	(12,468)
Magistrate	933	933	1,739	806
Juvenile and domestic relations court	19,645	19,645	15,825	(3,820)
Clerk of the circuit court	627,502	627,502	629,428	1,926
Juvenile crime control	49,136	49,136	36,495	(12,641)
Victim witness program	100,422	100,422	95,646	(4,776)
Total courts	918,462	918,462	880,352	(38,110)
Commonwealth attorney	415,734	415,734	406,605	(9,129)
Total judicial administration	1,334,196	1,334,196	1,286,957	(47,239)
Public safety:				
Law enforcement and traffic control:				
Sheriff	4,398,116	4,573,258	4,574,494	1,236
E911 dispatch	959,750	967,530	819,824	(147,706)
Other protection services	145,681	145,681	152,050	6,369
Total law enforcement and traffic control	5,503,547	5,686,469	5,546,368	(140,101)
Fire and rescue services:				
Other fire and rescue	17,685	17,685	17,536	(149)
Emergency services	3,873,463	3,952,577	3,507,264	(445,313)
Total fire and rescue services	3,891,148	3,970,262	3,524,800	(445,462)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Function, Activity and Elements	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
Public safety:				
Correction and detention:				
Regional jail contributions	$ 1,805,448	$ 1,805,448	$ 1,911,828	$ 106,380
Juvenile probation and detention	188,207	188,207	239,933	51,726
Total correction and detention	1,993,655	1,993,655	2,151,761	158,106
Building inspections	264,406	274,673	274,668	(5)
Other protection:				
Animal control	351,372	358,792	329,747	(29,045)
Medical examiner	300	300	240	(60)
Total other protection	351,672	359,092	329,987	(29,105)
Total public safety	12,004,428	12,284,151	11,827,584	(456,567)
Public works:				
Maintenance of infrastructure:				
Public works administration	198,134	198,134	59,649	(138,485)
Streetlights	3,500	3,500	3,308	(192)
Total maintenance of infrastructure	201,634	201,634	62,957	(138,677)
Sanitation and waste removal:				
Refuse collection and disposal	1,375,268	1,379,433	1,251,120	(128,313)
Total sanitation and waste removal	1,375,268	1,379,433	1,251,120	(128,313)
Maintenance of general buildings and grounds:				
General properties	1,489,724	1,531,400	1,398,966	(132,434)
Total maintenance of general buildings and grounds	1,489,724	1,531,400	1,398,966	(132,434)
Total public works	3,066,626	3,112,467	2,713,043	(399,424)
Health and welfare:				
Health:				
Supplement to local health department	308,450	308,450	283,666	(24,784)
Mental health and mental retardation:				
Community Services Board	90,000	90,000	90,000	-
Welfare:				
Contributions to outside welfare agencies	221,634	232,634	230,659	(1,975)
Total health and welfare	620,084	631,084	604,325	(26,759)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Function, Activity and Elements	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
Education:				
Appropriation to the Caroline County School Board	$ 11,753,709	$ 11,753,709	$ 11,748,926	$ (4,783)
Total education	11,753,709	11,753,709	11,748,926	(4,783)
Parks, recreation and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	386,759	386,759	364,773	(21,986)
Cultural:				
Contribution to County library	309,160	309,160	313,659	4,499
Total parks, recreation and cultural	695,919	695,919	678,432	(17,487)
Community development:				
Planning and community development:				
Planning development	605,558	633,258	532,419	(100,839)
Planning commission	29,777	29,777	28,264	(1,513)
Economic development	254,600	254,600	239,110	(15,490)
Planning regional	51,257	51,257	51,257	-
Industrial development authority	1,553	1,553	666	(887)
Board of zoning appeals	2,993	2,993	503	(2,490)
Total planning and community development	945,738	973,438	852,219	(121,219)
Environmental management:				
Soil and conservation district contribution	57,720	57,720	57,720	-
Environmental management	276,392	276,392	272,656	(3,736)
Total environmental management	334,112	334,112	330,376	(3,736)
Cooperative extension program:				
Extension office	68,775	68,775	54,851	(13,924)
Total community development	1,348,625	1,376,325	1,237,446	(138,879)
Debt service:				
Interest and fiscal charges	117,000	117,000	52,161	(64,839)
Total debt service	117,000	117,000	52,161	(64,839)
Total General Fund	$ 34,125,199	$ 34,572,266	$ 33,299,979	$ (1,272,287)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare administration	$ 1,859,090	$ 1,912,966	$ 1,910,300	$ (2,666)
Public assistance	272,500	377,218	377,218	-
Purchased services	179,355	133,355	131,540	(1,815)
Local only	2,691	4,100	4,025	(75)
Grants	12,375	12,375	12,375	-
Total Virginia Public Assistance Fund	2,326,011	2,440,014	2,435,458	(4,556)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Function, Activity and Elements	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
Special Revenue Funds:				
Comprehensive Services Fund:				
Health and welfare:				
Comprehensive services act	$ 1,862,500	$ 2,287,513	$ 2,511,712	$ 224,199
Total Comprehensive Services Fund	1,862,500	2,287,513	2,511,712	224,199
Law Library Fund:				
Judicial administration:				
Law library	5,890	5,890	5,393	(497)
Total Law Library Fund	5,890	5,890	5,393	(497)
Courthouse Maintenance Fund:				
Judicial administration:				
Courthouse maintenance	28,000	28,000	-	(28,000)
Total Courthouse Maintenance Fund	28,000	28,000	-	(28,000)
Tourism Fund:				
Community development:				
Planning and community development:				
Tourism	167,961	167,961	130,507	(37,454)
Debt service:				
Principal	20,000	20,000	-	(20,000)
Total Tourism Fund	187,961	187,961	130,507	(57,454)
Sheriff's Grant Fund:				
Judicial administration	-	8,950	8,693	(257)
Public safety	-	365,050	356,225	(8,825)
Total Sheriff's Grant Fund	-	374,000	364,918	(9,082)
Fire/Rescue Grant Fund:				
Public safety:				
Fire and rescue services:				
Fire/rescue program	121,367	199,190	199,171	(19)
Total Fire/Rescue Grant Fund	121,367	199,190	199,171	(19)
Housing Fund:				
Community development:				
Housing rehabilitation	11,700	13,400	13,392	(8)
Total Housing Fund	11,700	13,400	13,392	(8)
Total Special Revenue Funds	$ 4,543,429	$ 5,535,968	$ 5,660,551	$ 124,583
Debt Service Fund:				
Debt service:				
Principal	$ 4,399,716	$ 4,399,716	$ 4,399,722	$ 6
Interest and fiscal charges	3,185,907	3,328,452	3,328,445	(7)
Total Debt Service Fund	7,585,623	7,728,168	7,728,167	(1)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2014

Entity, Fund, Function, Activity and Elements	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
Capital Projects Fund:				
County Capital Projects Fund:				
Capital outlay:				
Capital projects	$ 848,471	$ 9,687,381	$ 9,597,593	$ (89,788)
Debt service:				
Interest and fiscal charges	-	200,000	199,442	(558)
Total Capital Projects Fund	$ 848,471	$ 9,887,381	$ 9,797,035	$ (90,346)
Grand Total Expenditures - Primary Government	$ 47,102,722	$ 57,723,783	$ 56,485,732	$ (1,238,051)
Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	$ 28,938,642	$ 28,938,642	$ 29,062,506	$ 123,864
Administration, attendance and health	1,321,476	1,321,476	1,276,164	(45,312)
Pupil transportation services	2,985,640	2,985,640	2,863,393	(122,247)
Operation and maintenance services	3,491,744	3,491,744	3,170,230	(321,514)
Facilities	79,288	79,288	61,092	(18,196)
Total education	36,816,790	36,816,790	36,433,385	(383,405)
Capital outlay:				
Capital projects	-	439,965	586,755	146,790
Debt service:				
Principal	-	-	99,536	99,536
Total School Operating Fund	36,816,790	37,256,755	37,119,676	(137,079)
School Cafeteria Fund:				
Education:				
School food services	1,888,710	1,888,710	1,919,799	31,089
Total School Cafeteria Fund	1,888,710	1,888,710	1,919,799	31,089
School Capital Projects Fund:				
Reimbursement to primary government	-	493,744	493,743	(1)
Total School Capital Projects Fund	-	493,744	493,743	(1)
School Grant Fund:				
Education:				
Instruction	2,500,209	2,607,858	1,001,883	(1,605,975)
Total School Grant Fund	2,500,209	2,607,858	1,001,883	(1,605,975)
Total Expenditures - Component Unit - School Board	$ 41,205,709	$ 42,247,067	$ 40,535,101	$ (1,711,966)

STATISTICAL SECTION

COUNTY OF CAROLINE, VIRGINIA

STATISTICAL SECTION
TABLE OF CONTENTS

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

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

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

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, 2014									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Primary government:										
Governmental activities:										
Net investment in capital assets	$ 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)	$ (39,754,963)
Restricted	2,087,645	-	-	-	-	-	-	16,479,118	8,348,530	30,368,696
Unrestricted (deficit)	(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	18,392,597
Total governmental activities net assets	$ 6,012,247	$ 6,768,303	$ 10,242,594	$ 8,798,055	$ 5,578,960	$ 6,519,652	$ 8,750,564	$ 11,435,383		
Total governmental activities net position									$ 6,490,936	$ 9,006,330
Business-type activities:										
Net investment in capital assets	$ (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	$ 5,160,081
Restricted	1,355,430	1,578,500	1,707,039	1,762,655	1,527,115	494,152	-	-	4,712,149	2,646,388
Unrestricted (deficit)	(434,342)	507,717	(7,286,288)	(4,270,848)	(4,590,859)	(1,792,297)	(4,238,484)	(5,373,848)	217,706	(837,006)
Total business-type activities net assets (deficit)	$ 129,368	$ 2,097,014	$ 150,018	$ 3,205,537	$ 1,931,616	$ 500,182	$ (829,136)	$ (295,823)		
Total business-type activities net position									$ 7,435,558	$ 6,969,463
Primary government:										
Net investment in capital assets	$ 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)	$ (34,594,882)
Restricted	3,443,075	1,578,500	1,707,039	1,762,655	1,527,115	494,152	-	16,479,118	13,060,679	33,015,084
Unrestricted (deficit)	(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	17,555,591
Total primary government net assets	$ 6,141,615	$ 8,865,317	$ 10,392,612	$ 12,003,592	$ 7,510,576	$ 7,019,834	$ 7,921,428	$ 11,139,560		
Total primary government net position									$ 13,926,494	$ 15,975,793

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

Table 3
Page 1

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

	June 30, 2014									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Primary government:										
Expenses:										
Governmental activities:										
General government administration	$ 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	$ 3,609,988
Judicial administration	830,204	925,247	998,181	1,155,295	1,157,463	1,259,831	1,305,420	1,321,551	1,559,830	1,407,147
Public safety	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	12,143,942
Public works	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	3,640,540
Health and welfare	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	5,357,822
Education	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	12,874,519
Parks, recreation and cultural	469,739	627,846	958,698	652,192	960,018	631,053	593,795	1,014,718	2,682,085	3,201,043
Community development	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	1,521,500
Interest	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	3,775,429
Total governmental activities	28,269,891	34,398,055	36,779,421	41,402,671	42,778,947	40,714,969	40,897,831	42,809,711	49,034,324	47,531,930
Business-type activities:										
Public utilities	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	5,277,623
Total business-type activities	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	5,277,623
Total primary government expenses	30,462,842	36,838,431	39,273,804	44,713,170	46,597,805	45,358,643	45,731,728	47,410,560	53,742,501	52,809,553
Program revenue:										
Governmental activities:										
Charges for services:										
Public safety	1,059,624	1,268,305	1,215,852	676,456	669,213	360,507	354,880	1,931,399	1,812,613	1,923,375
Community development	504,831	731,767	312,581	1,701	1,299	289	209	259,936	274,372	269,786
All other activities	572,112	653,331	598,287	1,290,948	800,038	794,600	1,013,489	337,717	345,711	195,341
Operating grants and contributions	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	6,437,297
Capital grants and contributions	854,758	848,900	1,646,016	292,906	-	389,982	-	83,646	158,272	-
Total governmental activities	7,469,486	8,486,479	9,108,823	7,442,192	7,411,748	7,275,570	7,232,880	8,543,852	8,026,777	8,825,799

COUNTY OF CAROLINE, VIRGINIA

Table 3
Page 2

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

	June 30, 2014									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Primary government:										
Program revenue:										
Business-type activities:										
Charges for services:										
Public utilities	$ 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	$ 2,626,288
Operating grants and contributions:										
Public utilities	-	-	-	107,000	210,100	-	259,417	380,573	638,344	579,689
Capital grants and contributions:										
Public utilities	1,289,015	1,608,986	1,532,671	3,766,990	109,610	139,397	118,716	-	-	1,115,502
Total business-type activities	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	4,321,479
Total primary government revenues	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	13,147,278
Net (expense) revenue:										
Governmental activities	(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)	(38,706,131)
Business-type activities	(193,491)	10,643	74,317	2,869,712	(1,477,218)	(1,454,008)	(1,364,467)	(1,341,247)	(178,689)	(956,144)
Total primary government, net expense	(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)	(39,662,275)
Governmental activities:										
Taxes:										
General property taxes	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	32,695,438
Local sales and use	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	1,672,694
Other	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	4,088,990
State personal property tax reimbursement	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	2,371,897
Other state non-categorical shared revenues	436,742	537,927	402,015	404,287	234,421	115,890	250,235	694,417	749,001	808,543
Proffers from new development	-	1,487,475	166,655	186,929	84,347	260,996	208,409	111,314	294,776	145,881
Other unrestricted revenue	238,174	365,403	373,891	1,800,945	574,917	1,362,299	1,135,248	965,188	1,263,776	1,184,640
Transfers	(1,018,817)	(1,869,598)	(123,380)	(115,638)	(180,403)	(19,625)	-	(1,079,642)	(4,630,231)	(959,896)
Total governmental activities	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	42,008,187
Business-type activities:										
Use of money and property	34,530	58,515	-	-	22,894	2,949	35,149	44,154	22,127	3,238
Miscellaneous	14	28,890	86,626	70,169	-	-	-	151,939	97,605	209,050
Transfers	1,018,817	1,869,598	123,380	115,638	180,403	19,625	-	1,079,642	4,630,231	959,896
Total business-type activities	1,053,361	1,957,003	210,006	185,807	203,297	22,574	35,149	1,275,735	4,749,963	1,172,184
Total primary government	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	43,180,371
Changes in net assets:										
Governmental activities	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	859,870	1,967,646	284,323	3,055,519	(1,273,921)	(1,431,434)	(1,329,318)	(65,512)		
Total primary government	$ 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)	3,302,056
Business-type activities									4,571,274	216,040
Total primary government									$ (503,473)	$ 3,518,096

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, 2014									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Reserved	$ -	$ -	$ -	$ -	$ 366,000	$ 472,800	$ -	$ -	$ -	$ -
Unreserved	5,355,331	6,092,852	6,144,482	4,372,811	3,578,749	5,631,691	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	30,000
Restricted	-	-	-	-	-	-	-	1,176,599	1,827,272	1,846,264
Committed	-	-	-	-	-	-	444,987	366,000	366,000	366,000
Assigned	-	-	-	-	-	-	-	7,420	421,395	1,420,225
Unassigned	-	-	-	-	-	-	9,107,120	11,597,688	10,901,101	14,297,822
Total General Fund	$ 5,355,331	$ 6,092,852	$ 6,144,482	$ 4,372,811	$ 3,944,749	$ 6,104,491	$ 9,552,107	$ 13,147,707	$ 13,515,768	$ 17,960,311
All Other Governmental Funds:										
Reserved	$ 2,791,392	$ 2,128,594	$ 6,658,745	$ 5,151,438	$ 4,818,961	$ 1,967,647	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	533,024	1,160,366	2,303,062	1,193,460	1,006,694	1,806,036	-	-	-	-
Capital projects funds	(173,833)	265,639	(1,466,321)	-	-	-	-	-	-	-
Debt service funds	95,214	202,472	449,258	555,018	(107,903)	181,625	-	-	-	-
Restricted	-	-	-	-	-	-	6,924,638	15,302,519	6,521,258	28,522,432
Committed	-	-	-	-	-	-	1,496,793	-	-	-
Assigned	-	-	-	-	-	-	518,586	577,240	619,386	209,073
Unassigned	-	-	-	-	-	-	-	(304)	(43,865)	(50,154)
Total all other governmental funds	$ 3,245,797	$ 3,757,071	$ 7,944,744	$ 6,899,916	$ 5,717,752	$ 3,955,308	$ 8,940,017	$ 15,879,455	$ 7,096,779	$ 28,681,351

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	2007
Revenues:				
General property taxes	$ 14,910,125	$ 15,728,010	$ 17,279,974	$ 19,824,011
Other local taxes	4,637,882	5,372,131	6,189,413	6,011,012
Permits, privilege fees and regulatory licenses	698,264	980,498	1,210,530	804,556
Fines and forfeitures	438,430	331,418	543,371	512,551
Use of money and property	365,192	358,677	696,144	1,066,241
Charges for services	320,264	385,181	492,758	415,825
Other local	875,374	840,536	1,984,577	412,759
Intergovernmental	6,968,606	7,253,816	8,612,165	9,028,179
Total revenues	29,214,137	31,250,267	37,008,932	38,075,134
Expenditures:				
General government administration	1,812,264	2,112,532	2,413,514	2,528,049
Judicial administration	640,900	706,343	802,236	868,544
Public safety	5,116,302	5,776,501	6,931,020	8,032,002
Public works	2,232,552	2,626,375	3,354,485	3,409,213
Health and welfare	3,044,741	3,223,783	3,481,440	3,749,469
Education	9,210,707	9,366,387	10,187,065	10,833,145
Parks, recreation and cultural	443,000	439,872	602,858	941,251
Community development	1,140,011	1,123,087	1,465,769	2,130,914
Capital outlay	3,150,611	2,030,600	6,468,876	13,364,814
Debt service:				
Principal	1,766,976	1,847,529	1,826,813	2,001,211
Interest and fiscal charges	1,527,766	1,454,787	1,367,835	2,035,614
Total expenditures	30,085,830	30,707,796	38,901,911	49,894,226
Revenues over (under) expenditures	(871,693)	542,471	(1,892,979)	(11,819,092)
Other financing sources (uses):				
Transfers in	2,171,741	2,769,039	2,915,052	4,197,280
Transfers out	(2,282,539)	(3,162,715)	(3,029,349)	(4,320,660)
Issuance of debt	1,179,008	1,100,000	16,630,000	1,600,000
Early debt retirement	(1,171,508)	-	-	-
Premium on issuance of debt	-	-	-	-
Refunding bonds issued		-	-	-
Payment to refunded bond escrow agent		-	-	-
Issuance of capital lease	-	-	-	-
Total other financing sources (uses), net	(103,298)	706,324	16,515,703	1,476,620
Net change in fund balance	$ (974,991)	$ 1,248,795	$ 14,622,724	$ (10,342,472)

Table 5
Page 1

June 30, 2008	2009	2010	2011	2012	2013	2014
$ 21,215,391	$ 22,927,993	$ 25,663,790	$ 26,749,352	$ 28,661,523	$ 29,981,769	$ 31,936,888
6,145,959	5,802,787	4,670,791	5,050,536	5,264,625	5,183,416	5,761,684
673,791	456,535	393,905	343,737	311,443	480,770	529,470
600,158	648,731	447,048	599,320	702,704	463,215	560,756
1,497,444	246,362	181,995	196,662	218,274	273,027	251,372
509,375	365,284	314,443	425,521	369,300	1,017,772	997,859
1,130,002	1,391,767	1,794,807	1,770,522	1,404,880	1,114,255	1,228,772
8,249,270	8,547,516	10,377,324	9,196,070	9,691,832	9,280,763	10,262,274
40,021,390	40,386,975	43,844,103	44,331,720	46,624,581	47,794,987	51,529,075
2,977,098	2,881,704	3,279,185	2,942,718	2,742,445	2,974,843	3,151,105
902,588	1,092,853	1,155,276	1,216,950	1,196,313	1,271,504	1,301,043
9,949,724	9,776,859	9,869,467	11,072,836	11,147,753	11,311,969	12,382,980
2,975,759	2,998,159	2,870,377	2,837,204	2,822,731	2,661,656	2,713,043
4,268,077	4,511,382	4,476,028	4,479,507	4,683,615	4,596,258	5,551,495
11,876,574	12,008,417	11,904,385	11,000,000	11,096,989	11,055,989	11,748,926
752,265	695,232	604,610	616,506	655,308	662,455	678,432
2,016,011	2,104,952	1,828,518	1,181,333	1,299,804	1,343,020	1,381,345
22,305,090	6,416,052	2,170,949	2,600,429	2,009,291	10,279,612	9,597,593
9,479,351	2,267,766	2,848,100	1,897,834	2,459,712	4,779,582	4,399,722
1,808,776	3,767,405	3,092,117	2,882,858	3,542,841	3,430,830	3,580,048
69,311,313	48,520,781	44,099,012	42,728,175	43,656,802	54,367,718	56,485,732
(29,289,923)	(8,133,806)	(254,909)	1,603,545	2,967,779	(6,572,731)	(4,956,657)
4,472,496	4,159,249	5,713,435	4,106,070	4,759,372	6,051,030	6,915,440
(4,588,134)	(4,339,652)	(5,733,060)	(4,106,070)	(5,839,014)	(10,681,261)	(7,733,736)
26,589,062	30,067,107	5,407,593	6,828,780	8,400,000	2,535,447	25,133,000
-	(23,243,199)	(4,735,761)	-	-	-	-
-	-	-	-	114,912	119,060	-
-	-	-	-	-	-	8,487,000
-	-	-	-	-	-	(8,390,000)
-	-	-	-	625,126	133,840	6,574,068
26,473,424	6,643,505	652,207	6,828,780	8,060,396	(1,841,884)	30,985,772
$ (2,816,499)	$ (1,490,301)	$ 397,298	$ 8,432,325	$ 11,028,175	$ (8,414,615)	$ 26,029,115

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	2007
Debt Service as a percentage of noncapital expenditures:				
Primary government:				
Total debt service	$ 3,294,742	$ 3,302,316	$ 3,194,648	$ 4,036,825
Total expenditures	$ 30,085,830	$ 30,707,796	$ 38,901,911	$ 49,894,226
Less: Capital outlay - primary government (1)	n/a	n/a	n/a	(12,826,842)
Noncapital expenditures	$ 30,085,830	$ 30,707,796	$ 38,901,911	$ 37,067,384
Debt service as a percentage of noncapital expenditures	n/a	n/a	n/a	10.89%

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, 2008	2009	2010	2011	2012	2013	2014
$ 11,288,127	$ 6,035,171	$ 5,940,217	$ 4,780,692	$ 6,002,553	$ 8,210,412	$ 7,979,770
$ 69,311,313	$ 48,520,781	$ 44,099,012	$ 42,728,175	$ 43,656,802	$ 54,367,718	$ 56,485,732
(19,983,961)	(5,001,627)	(2,023,040)	(2,233,860)	(1,663,081)	(8,277,672)	(6,550,348)
$ 49,327,352	$ 43,519,154	$ 42,075,972	$ 40,494,315	$ 41,993,721	$ 46,090,046	$ 49,935,384
22.88%	13.87%	14.12%	11.81%	14.29%	17.81%	15.98%

COUNTY OF CAROLINE, VIRGINIA

Table 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
Last Seven Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Fiscal Year June 30,	Property (1)	Local Sales and Use	Business License	Motor Vehicle Licenses	Recordation and Wills	Other	Total
2008	$ 20,630,105	$ 1,397,232	$ 1,099,579	$ 594,334	$ 493,071	$ 719,968	$ 24,934,289
2009	22,347,916	1,401,831	1,090,071	578,311	296,348	703,577	26,418,054
2010	25,031,295	1,357,380	803,165	552,923	242,212	773,060	28,760,035
2011	26,013,620	1,540,189	905,568	667,779	217,128	881,244	30,225,528
2012	27,892,748	1,527,122	969,103	823,632	214,204	905,990	32,332,799
2013	29,247,485	1,521,998	1,065,597	596,577	330,602	875,773	33,638,032
2014	31,121,030	1,672,694	1,080,256	951,114	241,404	964,162	36,030,660
Change 2008-2014	50.85%	19.71%	-1.76%	60.03%	-51.04%	33.92%	44.50%

Note:

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

COUNTY OF CAROLINE, VIRGINIA **Table 7**

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

Fiscal Year	Real Estate (1)	Personal Property (2)	Machinery and Tools	Public Utility (3)	Total Assessed Value	Total Taxable Assessed Value
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
2014	2,721,992,100	277,283,818	7,742,330	444,342,422	3,451,360,670	3,451,360,670

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	Public Service Corporations Personal Property
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
2014	0.830	3.800	3.500	0.830	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 Eight Years Ago
(Unaudited)

	Fiscal Year June 30,					
	2014			2006		
Taxpayer / Type of Business	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	$ 294,565,991	1	8.53%	$ 100,991,188	1	3.29%
Rappahannock Electric Cooperative / Electric Utility	68,425,008	2	1.98%	39,606,726	2	1.29%
McKesson Corporation / Pharmaceutical Distributor	32,237,340	3	0.93%	-		-
Virginia Natural Gas, Inc. / Gas Utility	31,822,356	4	0.92%	-		-
Richmond, Fredericksburg and Potomac Railroad / Railroad	20,245,517	5	0.59%	12,867,084	5	0.42%
Carmel Church Properties/Bank	15,736,800	6	0.46%	-		-
Columbus Industrial Owner 1 LLC/Furniture Distribution	13,908,600	7	0.40%	-		-
Commonwealth Fairs & Events, LLC/Public Entertainment	13,404,140	8	0.39%	-		-
Pilot Travel Centers, LLC/Highway Service Commercial	12,369,560	9	0.36%	-		-
Verizon South/Telephone Utility	11,735,973	10	0.34%	19,713,323	3	0.64%
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%
Total	$ 514,451,285		14.90%	$ 226,381,803		7.67%

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 2005. Fiscal year 2005 information is not available.

COUNTY OF CAROLINE, VIRGINIA

Table 10

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

		Collected Within the Fiscal Year of the Levy			Total Collections to Date			
Fiscal Year	Taxes Levied for the Fiscal Year (1,3)	Amount (1,3)	Percentage of Levy	Delinquent Tax Collections	Amount	Percentage of Levy	Outstanding Delinquent Taxes (1,2)	Percentage of Delinquent Taxes to Tax 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%
2014	33,707,074	31,483,184	93.40%	1,132,536	32,615,720	96.76%	4,799,184	14.24%

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.

COUNTY OF CAROLINE, VIRGINIA

Table 11

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
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
2014	29,481	3,451,360,670	89,289,968	2.59%	3,029

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
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%
2014	29,481	N/A	N/A	4,386	5.9%

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)

	Fiscal Year			
Function/Program	2005	2006	2007	2008
General government administration:				
General and financial:				
County Administrator	3	3	3	3
Commissioner of the revenue	8	9	10	11
Treasurer	6	6	6	7
Finance	4	5	5	6
Judicial administration:				
Courts:				
Clerk of the circuit court	6	6	7	8
Commonwealth attorney	2	2	2	4
Public safety:				
Sheriff	46	52	54	68
Fire and rescue	21	23	28	29
Public works	14	16	17	16
Parks, recreation and cultural	2	2	3	3
Community development:				
Planning and community development	14	21	21	19
Economic development	3	3	3	3
Water and sewer:				
Utilities/water treatment	8	8	9	16
Social services	25	25	25	25
Totals	162	181	193	218

Source:

Caroline County Budgets

Table 13

June 30,					
2009	2010	2011	2012	2013	2014
3	3	3	3	4	4
11	11	11	12	13	13
7	7	7	7	8	8
6	6	4	4	3	3
8	8	8	8	8	8
4	5	5	5	5	5
70	70	71	71	71	71
26	26	26	26	26	30
16	15	13	13	13	13
3	3	3	3	3	3
19	13	10	10	10	10
3	3	2	2	2	2
16	16	15	15	15	15
25	25	25	25	25	28
217	211	203	204	206	213

COMPLIANCE SECTION

COUNTY OF CAROLINE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass-through payments:			
Department of Social Services:			
State Administered Matching Grants for the Supplemental Nutrition Assistance Program	Not Provided	10.561	$ 298,276
Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
Commodity Distributions	17901-45707	10.555	113,141
Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	17901-40591	10.553	293,796
National School Lunch Program	17901-40623	10.555	867,278
Total Child Nutrition Cluster			1,274,215
Schools and Roads - Grants to States	43841	10.665	98,257
Total Department of Agriculture			1,670,748
DEPARTMENT OF DEFENSE:			
Direct payments:			
ROTC Instruction		12.000	51,207
Total Department of Defense			51,207
DEPARTMENT OF THE INTERIOR:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes		15.226	1,886
Total Department of the Interior			1,886
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:			
Direct payments:			
Department of Criminal Justice:			
Bulletproof Vest Partnership Program		16.607	3,129
Pass-through payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	39001-99001	16.588	26,188
Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance			29,317

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF TRANSPORTATION:			
Pass-through payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	60507-50246/51356	20.607	$ 14,563
Total Department of Transportation			14,563
DEPARTMENT OF THE TREASURY:			
Pass-through payments:			
Office of the Attorney General:			
Equitable Sharing Program	Not Provided	21.000	341,245
Total Department of the Treasury			341,245
ENVIRONMENTAL PROTECTION AGENCY			
Pass-through payments:			
Department of Environmental Quality:			
Congressionally Mandated Projects	XP96312101-1	66.202	119,248
Total Environmental Protection Agency			119,248
DEPARTMENT OF EDUCATION:			
Pass-through payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	Not Provided	84.010	731,968
Special Education Cluster:			
Special Education - Grants to States	Not Provided	84.027	836,964
Special Education - Preschool Grants	Not Provided	84.173	4,685
Total Special Education Cluster			841,649
Career and Technical Education - Basic Grants to States	Not Provided	84.048	70,578
Twenty-First Century Community Learning Centers	Not Provided	84.287	75,326
Advanced Placement Program	Not Provided	84.330	360
English Language Acquisition State Grants	Not Provided	84.365	26,445
Improving Teacher Quality State Grants	Not Provided	84.367	141,820
Grants for State Assessments and Related Activities	Not Provided	84.369	72
Total Department of Education			1,888,218

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-through payments:			
Department of Social Services:			
Promoting Safe and Stable Families	Not Provided	93.556	$ 15,252
Temporary Assistance to Needy Families	Not Provided	93.558	247,288
Refugee and Entrant Assistance - State Administered Programs	Not Provided	93.566	1,652
Low-Income Home Energy Assistance	Not Provided	93.568	24,295
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Not Provided	93.596	36,460
Child Welfare Services - State Grants	Not Provided	93.645	1,561
Foster Care - Title IV-E	Not Provided	93.658	222,451
Adoption Assistance	Not Provided	93.659	47,639
Social Services Block Grant	Not Provided	93.667	155,719
Chafee Foster Care Independent Living	Not Provided	93.674	3,537
State Children's Insurance Program	Not Provided	93.767	8,423
Medical Assistance Program (Medicaid; Title XIX)	Not Provided	93.778	258,654
Total Department of Health and Human Services			1,022,931
DEPARTMENT OF HOMELAND SECURITY:			
Direct payments:			
Federal Emergency Management Agency:			
Staffing for Adequate Fire and Emergency Response		97.083	345,185
			345,185
Pass-through payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	77501-52749	97.042	12,110
Total Department of Homeland Security			357,295
Total Federal Awards Expended			$ 5,496,658

See Notes to Schedule of Expenditures of Federal Awards.

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, 2014. 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 and Special Education.

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 $113,141 at the time received were consumed during the year ended June 30, 2014. These commodities were included in the determination of federal awards expended during the year ended June 30, 2014.

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 13, 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 2014-01 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-02.

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
December 13, 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, 2014. 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 we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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 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
December 13, 2014

COUNTY OF CAROLINE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	√ Yes	___ No
Significant deficiencies identified?	___ Yes	√ No
Noncompliance material to financial statements noted?	___ Yes	√ No

Federal awards

Internal control over major programs:

Material weaknesses identified?	___ Yes	√ No
Significant deficiencies identified?	___ Yes	√ 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? ___ Yes √ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
21.000	Equitable Sharing Program
84.010	Title I Grants to Local Educational Agencies
Child Nutrition Cluster:	
10.553	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.555	Commodity Distributions
Special Education Cluster:	
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

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

2014-01: 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 long-term debt accounts for omissions of a note payable, 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 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 long-term debt liabilities as they are incurred, so as to prevent the occurrence of future restatements. This is a necessary practice, in an effort to further ensure more accurate financial reporting.

B. Compliance Finding.

2014-02: Lack of Interest Allocation for Special Welfare and Dedicated SSI Accounts

The *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia* require the special welfare and dedicated SSI account ledgers maintained by the Local Department of Social Services and/or treasurer must be properly credited interest as it is earned. This results in earned interest amounts being calculated and credited monthly to these accounts. During the audit of fiscal year 2014, it was determined interest for these accounts was calculated using the accounts' balance at year end and only being credited annually.

We recommend the County implement a monthly process to allocate interest for these accounts to be in compliance with the specifications of the Auditor of Public Accounts and the *Code of Virginia*, in an effort to properly credit interest when earned.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

COUNTY OF CAROLINE, VIRGINIA

CORRECTIVE ACTION PLAN
Year Ended June 30, 2014

Identifying Number: 2014-01

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 a note payable, 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.

Identifying Number: 2014-02

Finding

The *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia* require the special welfare and dedicated SSI account ledgers maintained by the Local Department of Social Services and/or treasurer must be properly credited interest as it is earned. This results in earned interest amounts being calculated and credited monthly to these accounts. During the audit of fiscal year 2014, it was determined interest for these accounts was calculated using the accounts' balance at year end and only being credited annually.

We recommend the County implement a monthly process to allocate interest for these accounts to be in compliance with the specifications of the Auditor of Public Accounts and the *Code of Virginia*, in an effort to properly credit interest when earned.

Corrective Action Taken or Planned

The Treasurer's office will separate the SSI receipts and disbursements from other Special Welfare entries, so interest earned each month may be allocated accordingly. A copy of the entry will be sent monthly to the Department of Social Services, so the appropriate funds may be credited in a timely manner.

COUNTY OF CAROLINE, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

2013-01 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.