

# COUNTY OF CHARLES CITY, VIRGINIA



## ANNUAL FINANCIAL REPORT

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FOR FISCAL YEAR ENDED JUNE 30, 2016



COUNTY OF CHARLES CITY, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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# COUNTY OF CHARLES CITY, VIRGINIA

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## Board of Supervisors

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Floyd H. Miles, Sr., Chairperson

Gilbert Smith

William G. Coada, Vice Chairperson

## Board of Social Services

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Floyd H. Miles, Sr., Chairperson

Yvonne W. Bradby  
Edna M. Bates

Sylvia A. Owens, Vice Chairperson  
Elton R. Adkins

## County School Board

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Helen Payne-Jones, Chairperson

Martha Harris, Vice Chairperson  
Dr. Steve D. Fuhrmann

Herbert J. Johnson  
E. Preston Adkins

## Other Officials

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Chief Judge of the Circuit Court ..... Michael E. McGinty  
Clerk of the Circuit Court ..... Victoria E. Washington  
Commonwealth's Attorney ..... Robert H. Tyler  
Commissioner of the Revenue ..... Denise B. Smith  
Treasurer ..... Mindy Bradby  
Sheriff ..... Allan M. Jones, Sr.  
Superintendent of Schools ..... Dr. David W. Gaston  
Director of Social Services ..... Byron M. Adkins  
County Administrator ..... Zach Trogdon  
Chief Judge of the General District Court ..... Stephanie E. Merritt  
Chief Judge of the Juvenile and Domestic Relations Court.... George C. Fairbanks, IV  
County Attorney ..... B. Randolph Boyd

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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To the Honorable Members of the Board of Supervisors  
County of Charles City  
Charles City, Virginia

### Report on the Financial Statements

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

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

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

### *Auditors' Responsibility*

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

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

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

## *Opinions*

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

## *Change in Accounting Principle*

As described in Note 1 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 *Fair Value Measurement and Application*, 79 *Certain External Investment Pools and Pool Participants*, 82 *Pension Issues* - an amendment of GASB Statements No. 67, 68, and No. 73. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 76, and 77-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

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

*Other Information (continued)*

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

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016, on our consideration of County of Charles City, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Charles City, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia  
November 23, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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To the Honorable Members of the Board of Supervisors  
To the Citizens of Charles City County, Virginia

As management of the County of Charles City, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016. Please read it in conjunction with the County's basic financial statements, which follow this section.

### 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 \$14,161,498 (net position).

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other uses of \$306,270 (Exhibit 5) after making contributions totaling \$5,161,639 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$7,053,195, an increase of \$306,270 in comparison with the prior year.
- < At the end of the current fiscal year, the unassigned fund balance was \$2,942,657, or 19% of total general fund expenditures and other uses.
- < The combined long-term obligations increased \$61,990 during the current fiscal year.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

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

## Overview of the Financial Statements (Continued)

### Government-wide financial statements (Continued)

The statement of net position presents information on all of the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of Charles City, Virginia itself (known as the primary government), but also a legally separate school district and an industrial development authority for which the County of Charles City, Virginia is financially accountable. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

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

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

## Overview of the Financial Statements (Continued)

Proprietary funds - Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Sanitary District Fund provides a centralized source for water/sewer services to County residents.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is a custodian.

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 - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and pension and OPEB funding schedules. Other supplementary information includes combining financial statements for the discretely presented component unit - School Board and financial statements for the Economic Development Authority. The School Board and Economic Development Authority do not issue separate financial statements.

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## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,161,498 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Charles City, Virginia's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 7,843,896	\$ 10,294,079	\$ 101,695	\$ 90,129	\$ 7,945,591	\$ 10,384,208
Capital assets	<u>8,675,851</u>	<u>8,136,680</u>	<u>2,432,729</u>	<u>1,873,257</u>	<u>11,108,580</u>	<u>10,009,937</u>
Total assets	<u>\$ 16,519,747</u>	<u>\$ 18,430,759</u>	<u>\$ 2,534,424</u>	<u>\$ 1,963,386</u>	<u>\$ 19,054,171</u>	<u>\$ 20,394,145</u>
Deferred outflows of resources	<u>\$ 314,123</u>	<u>\$ 303,205</u>	<u>\$ 15,167</u>	<u>\$ 14,938</u>	<u>\$ 329,290</u>	<u>\$ 318,143</u>
Current liabilities	\$ 266,110	\$ 268,676	\$ 39,977	\$ 31,525	\$ 306,087	\$ 300,201
Long-term liabilities outstanding	<u>4,280,041</u>	<u>4,219,238</u>	<u>190,825</u>	<u>189,638</u>	<u>4,470,866</u>	<u>4,408,876</u>
Total liabilities	<u>\$ 4,546,151</u>	<u>\$ 4,487,914</u>	<u>\$ 230,802</u>	<u>\$ 221,163</u>	<u>\$ 4,776,953</u>	<u>\$ 4,709,077</u>
Deferred inflows of resources	<u>\$ 415,582</u>	<u>\$ 3,604,872</u>	<u>\$ 29,428</u>	<u>\$ 45,379</u>	<u>\$ 445,010</u>	<u>\$ 3,650,251</u>
Net investment in capital assets	\$ 7,197,123	\$ 6,430,665	\$ 2,381,031	\$ 1,812,931	\$ 9,578,154	\$ 8,243,596
Restricted	827,841	891,714	-	-	827,841	891,714
Unrestricted (deficit)	<u>3,847,173</u>	<u>3,318,799</u>	<u>(91,670)</u>	<u>(101,149)</u>	<u>3,755,503</u>	<u>3,217,650</u>
Total net position	<u>\$ 11,872,137</u>	<u>\$ 10,641,178</u>	<u>\$ 2,289,361</u>	<u>\$ 1,711,782</u>	<u>\$ 14,161,498</u>	<u>\$ 12,352,960</u>

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## Government-wide Financial Analysis (Continued)

During the current fiscal year, the County's net position increased by \$1,808,538. The following table summarizes the County's Statement of Activities

County of Charles City, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,562,445	\$ 3,572,262	\$ 84,869	\$ 80,697	\$ 2,647,314	\$ 3,652,959
Operating grants and contributions	1,985,462	1,944,606	-	-	1,985,462	1,944,606
<b>General revenues:</b>						
General property taxes	8,738,110	8,488,574	-	-	8,738,110	8,488,574
Other local taxes	952,052	954,554	-	-	952,052	954,554
Grants and other contributions not restricted	1,527,837	876,251	-	-	1,527,837	876,251
Other general revenues	250,110	291,277	-	-	250,110	291,277
Contribution to the water and sewer fund	(625,341)	-	625,341	-	-	-
Transfers	(494,423)	(572,715)	494,423	572,715	-	-
<b>Total revenues</b>	<b>\$ 14,896,252</b>	<b>\$ 15,554,809</b>	<b>\$ 1,204,633</b>	<b>\$ 653,412</b>	<b>\$ 16,100,885</b>	<b>\$ 16,208,221</b>
<b>Expenses:</b>						
General government administration	\$ 1,965,562	\$ 1,846,717	\$ -	\$ -	\$ 1,965,562	\$ 1,846,717
Judicial administration	713,982	775,554	-	-	713,982	775,554
Public safety	2,288,796	2,272,359	-	-	2,288,796	2,272,359
Public works	1,136,050	1,234,850	627,054	644,129	1,763,104	1,878,979
Health and welfare	1,396,921	1,286,666	-	-	1,396,921	1,286,666
Education	5,162,868	4,269,529	-	-	5,162,868	4,269,529
Parks, recreation, and cultural	563,736	544,669	-	-	563,736	544,669
Community development	375,828	255,424	-	-	375,828	255,424
Interest and other fiscal charges	61,550	72,458	-	-	61,550	72,458
<b>Total expenses</b>	<b>\$ 13,665,293</b>	<b>\$ 12,558,226</b>	<b>\$ 627,054</b>	<b>\$ 644,129</b>	<b>\$ 14,292,347</b>	<b>\$ 13,202,355</b>
Change in net position	\$ 1,230,959	2,996,583	577,579	9,283	1,808,538	\$ 3,005,866
Net position, beginning of year	10,641,178	7,644,595	1,711,782	1,702,499	12,352,960	9,347,094
Net position, end of year	\$ 11,872,137	\$ 10,641,178	\$ 2,289,361	\$ 1,711,782	\$ 14,161,498	\$ 12,352,960

### Financial Analysis of the County's Funds

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental fund reported fund balances of \$7,053,195, an increase of \$306,270 in comparison with the prior year.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to a deficit of \$91,670. Net position increased by \$577,579. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

### General Fund Budgetary Highlights

During the year, actual revenues and other financing sources exceeded budgetary estimates by \$628,204. Expenditures and other uses were less than budgetary estimates by \$968,176. The combination of both resulted in a net positive variance of \$1,596,380.

### Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2016 amounted to \$8,675,851 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$1,530,426. The County's debt is secured solely by specified revenue sources (i.e., lease/revenue bonds, capital leases and revenue bonds). During the current fiscal year, the County's total debt decreased by \$235,915. Additional information on the County of Charles City, Virginia's long-term debt can be found in Note 7 of this report.

### Economic Factors

Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2017 fiscal year.

The fiscal year 2017 budget decreased slightly in comparison to the adopted fiscal year 2016 budget. The real estate tax rate was increased to \$0.76 per \$100 of assessed value in the 2017 fiscal year.

Requests for Information This financial report is designed to provide a general overview of the County of Charles City, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 10900 Courthouse Road, Charles City, Virginia, 23030.

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*BASIC FINANCIAL STATEMENTS*

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*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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County of Charles City, Virginia  
Statement of Net Position  
June 30, 2016

	Primary Government			Component Units	
	Governmental	Business-type	Total	School Board	EDA
	<u>Activities</u>	<u>Activities</u>		<u>School Board</u>	<u>EDA</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,464,328	\$ 93,423	\$ 6,557,751	\$ 752,201	\$ 1,044,092
Receivables (net of allowance for uncollectibles):					
Taxes receivable	552,192	-	552,192	-	-
Accounts receivable	31,199	8,272	39,471	52,206	-
Due from other governmental units	391,766	-	391,766	627,492	-
Restricted assets:					
Cash and cash equivalents restricted for debt	404,411	-	404,411	-	-
Net pension asset	-	-	-	279,255	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	1,549,410	7,819	1,557,229	263,786	-
Buildings and improvements	5,371,969	1,689,517	7,061,486	7,601,339	-
Machinery and equipment	784,795	79,957	864,752	480,735	-
Construction in progress	969,677	655,436	1,625,113	-	-
Total assets	<u>\$ 16,519,747</u>	<u>\$ 2,534,424</u>	<u>\$ 19,054,171</u>	<u>\$ 10,057,014</u>	<u>\$ 1,044,092</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension contributions subsequent to measurement date	\$ 314,123	\$ 15,167	\$ 329,290	\$ 684,994	\$ -
Items related to measurement of net pension liability	-	-	-	13,000	-
Total deferred outflows of resources	<u>\$ 314,123</u>	<u>\$ 15,167</u>	<u>\$ 329,290</u>	<u>\$ 697,994</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 145,696	\$ 38,249	\$ 183,945	\$ 525,642	\$ -
Accrued liabilities	-	-	-	827,376	-
Customers' deposits	-	1,530	1,530	-	-
Accrued interest payable	4,208	198	4,406	-	-
Performance bonds	116,206	-	116,206	-	-
Long-term liabilities:					
Due within one year	536,617	10,096	546,713	9,917	-
Due in more than one year	3,743,424	180,729	3,924,153	7,252,253	-
Total liabilities	<u>\$ 4,546,151</u>	<u>\$ 230,802</u>	<u>\$ 4,776,953</u>	<u>\$ 8,615,188</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property taxes	\$ 96,999	\$ -	\$ 96,999	\$ -	\$ -
Items related to measurement of net pension liability	318,583	29,428	348,011	1,218,136	-
Total deferred inflows of resources	<u>\$ 415,582</u>	<u>\$ 29,428</u>	<u>\$ 445,010</u>	<u>\$ 1,218,136</u>	<u>\$ -</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 7,197,123	\$ 2,381,031	\$ 9,578,154	\$ 8,345,860	\$ -
Restricted	827,841	-	827,841	-	-
Unrestricted (deficit)	3,847,173	(91,670)	3,755,503	(7,424,176)	1,044,092
Total net position	<u>\$ 11,872,137</u>	<u>\$ 2,289,361</u>	<u>\$ 14,161,498</u>	<u>\$ 921,684</u>	<u>\$ 1,044,092</u>

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

County of Charles City, Virginia  
Statement of Activities  
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total	Component Units
			Grants and Contributions	Capital Grants and Contributions				
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 1,965,562	\$ -	\$ 158,078	\$ -	\$ (1,807,484)	\$ -	\$ -	\$ -
Judicial administration	713,982	50,470	303,482	-	(360,030)	-	-	-
Public safety	2,288,796	222,745	606,836	-	(1,459,215)	-	-	-
Public works	1,136,050	2,236,173	-	-	1,100,123	-	-	-
Health and welfare	1,396,921	-	910,435	-	(486,486)	-	-	-
Education	5,162,868	-	-	-	(5,162,868)	-	-	-
Parks, recreation, and cultural	563,736	53,057	-	-	(510,679)	-	-	-
Community development	375,828	-	6,631	-	(369,197)	-	-	-
Interest on long-term debt	61,550	-	-	-	(61,550)	-	-	-
Total governmental activities	\$ 13,665,293	\$ 2,562,445	\$ 1,985,462	\$ -	\$ (9,117,386)	\$ -	\$ -	\$ -
Business-type activities:								
Sanitary District	\$ 627,054	\$ 84,869	\$ -	\$ -	\$ (542,185)	\$ (542,185)	\$ -	\$ -
Total primary government	\$ 14,292,347	\$ 2,647,314	\$ 1,985,462	\$ -	\$ (9,117,386)	\$ (9,659,571)	\$ -	\$ -
<b>COMPONENT UNITS:</b>								
School Board	\$ 10,356,426	\$ 94,410	\$ 5,241,129	\$ -	\$ -	\$ (5,020,887)	\$ -	\$ -
Economic Development Authority	93,979	51,225	-	-	-	-	-	(42,754)
Total component units	\$ 10,450,405	\$ 145,635	\$ 5,241,129	\$ -	\$ -	\$ (5,020,887)	\$ -	\$ (42,754)
General revenues:								
General property taxes					\$ 8,738,110	\$ -	\$ 8,738,110	\$ -
Local sales and use taxes					703,567	-	703,567	-
Consumer's utility taxes					152,791	-	152,791	-
Other local taxes					95,694	-	95,694	-
Unrestricted revenues from use of money and property					23,213	-	23,213	4,544
Miscellaneous					226,897	-	226,897	71,047
Grants and contributions not restricted to specific programs					1,527,837	-	1,527,837	-
Payment from Charles City County					-	625,341	-	5,161,639
Contribution to the water and sewer fund					(625,341)	494,423	-	-
Transfers					(494,423)	-	-	-
Total general revenues and transfers					\$ 10,348,345	\$ 1,119,764	\$ 11,468,109	\$ 5,237,230
Change in net position					\$ 1,230,959	\$ 577,579	\$ 1,808,538	\$ 216,343
Net position - beginning					10,641,178	1,711,782	12,352,960	705,341
Net position - ending					\$ 11,872,137	\$ 2,289,361	\$ 14,161,498	\$ 921,684

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

*FUND FINANCIAL STATEMENTS*

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County of Charles City, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2016

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	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,464,328
Receivables (net of allowance for uncollectibles):	
Taxes receivable	552,192
Accounts receivable	31,199
Due from other governmental units	391,766
Restricted assets:	
Cash and cash equivalents	404,411
Total assets	<u>\$ 7,843,896</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 145,696
Performance bonds	116,206
Total liabilities	<u>\$ 261,902</u>
Deferred inflows of resources:	
Unavailable revenue - property taxes	\$ 528,799
Total deferred inflows of resources	<u>\$ 528,799</u>
Fund balances:	
Restricted	\$ 827,841
Committed	2,179,497
Assigned	1,103,200
Unassigned	2,942,657
Total fund balances	<u>\$ 7,053,195</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,843,896</u>

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

County of Charles City, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	7,053,195
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 16,536,782	
Accumulated depreciation	<u>(7,860,931)</u>	8,675,851

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

Unavailable revenue - property taxes	\$ 431,800	
Items related to measurement of net pension liability	<u>(318,583)</u>	113,217

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		314,123
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Lease revenue bond	\$ (1,199,225)	
Compensated absences	(387,387)	
Capital leases	(279,503)	
Net pension liability	(2,178,326)	
Net OPEB obligation	(235,600)	
Accrued interest payable	<u>(4,208)</u>	(4,284,249)

Net position of governmental activities	\$	<u><u>11,872,137</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Charles City, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2016

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		<u>General</u>
<b>REVENUES</b>		
General property taxes	\$	8,721,012
Other local taxes		952,052
Permits, privilege fees, and regulatory licenses		2,317,438
Fines and forfeitures		33,132
Revenue from the use of money and property		23,213
Charges for services		211,875
Miscellaneous		226,897
Recovered costs		102,257
Intergovernmental:		
Commonwealth		2,370,462
Federal		1,142,837
Total revenues	\$	<u>16,101,175</u>
<b>EXPENDITURES</b>		
Current:		
General government administration	\$	1,888,944
Judicial administration		675,639
Public safety		2,249,616
Public works		1,116,457
Health and welfare		1,413,620
Education		5,162,868
Parks, recreation, and cultural		490,951
Community development		436,098
Capital projects		1,573,560
Debt service:		
Principal retirement		508,869
Interest and other fiscal charges		65,442
Total expenditures	\$	<u>15,582,064</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>519,111</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers out	\$	(494,423)
Issuance of capital leases		281,582
Total other financing sources (uses)	\$	<u>(212,841)</u>
Net change in fund balances	\$	306,270
Fund balances - beginning		6,746,925
Fund balances - ending	\$	<u><u>7,053,195</u></u>

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

County of Charles City, Virginia  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds \$ 306,270

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlay exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 1,022,210	
Depreciation expense	<u>(461,039)</u>	561,171

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

Property taxes	\$ 17,098	
Decrease (increase) in items related to measurement of net pension liability	<u>414,413</u>	431,511

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

Principal retirement on lease revenue bonds	\$ 382,455	
Principal retirement on capital leases	126,414	
Issuance of capital leases	<u>(281,582)</u>	227,287

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. The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences	\$ 3,420	
(Increase) decrease in net pension liability	(256,210)	
(Increase) decrease in deferred outflows related to pension payments subsequent to the measurement date	10,918	
(Increase) decrease in net OPEB obligation	(35,300)	
(Increase) decrease in accrued interest payable	<u>3,892</u>	(273,280)

Change in net position of governmental activities \$ 1,230,959

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

County of Charles City, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2016

	Enterprise Fund Sanitary District
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 93,423
Accounts receivable, net of allowance for uncollectibles	8,272
Total current assets	\$ 101,695
Noncurrent assets:	
Capital assets:	
Utility plant in service	\$ 4,073,644
Machinery and equipment	130,256
Accumulated depreciation	(2,434,426)
Construction in progress	655,436
Land and land improvements	7,819
Total net capital assets	\$ 2,432,729
Total noncurrent assets	\$ 2,432,729
Total assets	\$ 2,534,424
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contributions subsequent to measurement date	
Total deferred outflows of resources	\$ 15,167
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 38,249
Accrued interest payable	198
Customers' deposits	1,530
Bonds payable - current portion	9,069
Compensated absences - current portion	1,027
Total current liabilities	\$ 50,073
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 42,629
Net pension liability	128,858
Compensated absences - net of current portion	9,242
Total noncurrent liabilities	\$ 180,729
Total liabilities	\$ 230,802
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Items related to measurement of net pension liability	
Total deferred inflows of resources	\$ 29,428
<b>NET POSITION</b>	
Net investment in capital assets	\$ 2,381,031
Unrestricted	(91,670)
Total net position	\$ 2,289,361

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

County of Charles City, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2016

	Enterprise Fund
	Sanitary District
<b>OPERATING REVENUES</b>	
Charges for services:	
Water and sewer revenues	\$ 84,699
Connection fees	170
Total operating revenues	\$ 84,869
<b>OPERATING EXPENSES</b>	
Water	\$ 52,184
Wastewater	70,052
Industrial center	120,784
Government utility	267,913
Special projects	3,949
Depreciation	109,424
Total operating expenses	\$ 624,306
Operating income (loss)	\$ (539,437)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Capital contributions	\$ 625,341
Interest expense	(2,748)
Total nonoperating revenues (expenses)	\$ 622,593
Income (loss) before transfers	\$ 83,156
Transfers in	494,423
Change in net position	\$ 577,579
Total net position - beginning	1,711,782
Total net position - ending	\$ 2,289,361

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

County of Charles City, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2016

	Enterprise Fund <u>Sanitary District</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 88,312
Payments for operating activities	(512,833)
Net cash provided by (used for) operating activities	<u>\$ (424,521)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 494,423
Net cash provided by (used for) noncapital financing activities	<u>\$ 494,423</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	\$ (43,555)
Principal payments on bonds	(8,628)
Interest payments	(2,820)
Net cash provided by (used for) capital and related financing activities	<u>\$ (55,003)</u>
Net increase (decrease) in cash and cash equivalents	\$ 14,899
Cash and cash equivalents - beginning	78,524
Cash and cash equivalents - ending	<u><u>\$ 93,423</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (539,437)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>	
Depreciation	\$ 109,424
(Increase) decrease in accounts receivable	3,333
(Increase) decrease in pension contributions subsequent to measurement date	(229)
Increase (decrease) in customer deposits	110
Increase (decrease) in accounts payable	8,414
Increase (decrease) in items related to measurement of net pension liability	(15,951)
Increase (decrease) in net pension liability	9,861
Increase (decrease) in compensated absences	(46)
Total adjustments	<u>\$ 114,916</u>
Net cash provided by (used for) operating activities	<u><u>\$ (424,521)</u></u>

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

County of Charles City, Virginia  
 Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2016

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	Agency <u>Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 35,704
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 35,704

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

# COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016

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## Note 1—Summary of Significant Accounting Policies:

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County of Charles City, Virginia (the "County") is governed by an elected three member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, recreational activities, cultural events, education, and social services.

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

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

### Government-wide and Fund Financial Statements

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

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

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

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*Note 1—Summary of Significant Accounting Policies: (Continued)*

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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.

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

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

**A. Financial Reporting Entity**

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

*Note 1—Summary of Significant Accounting Policies: (Continued)*

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**B. Individual Component Units Disclosures**

*Blended Component Unit.* The County has no blended component units at June 30, 2016.

*Discretely Presented Component Units.* The School Board members are elected by the citizens of Charles City County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2016.

The Economic Development Authority of Charles City County is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2016. The Economic Development Authority of Charles City County does not issue a separate financial report.

**C. Other Related Organizations Excluded from the County's Annual Financial Report**

Riverside Regional Jail Authority

Riverside Regional Jail Authority is an intergovernmental (joint) venture, and therefore, its operations are not included in the County's financial statements. The participating jurisdictions provide the financial support for the Authority and appoint its governing board. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Separate audited financial statements are available from the Authority.

Middle Peninsula Detention Center

Middle Peninsula Juvenile Detention Commission was created to construct, equip, maintain and operate a juvenile detention facility serving nineteen member jurisdictions of which the County's Director of Finance serves as the County's representative on the board. 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. Separate audited financial statements are available from the Commission, c/o County of James City, Virginia. The County does not retain an ongoing financial interest in or responsibility for the Commission.

*Note 1—Summary of Significant Accounting Policies: (Continued)*

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

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

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

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

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

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*Note 1—Summary of Significant Accounting Policies: (Continued)*

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

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

Property taxes, franchise taxes, 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 expenditure. 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.

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*Note 1—Summary of Significant Accounting Policies: (Continued)*

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

1. Governmental Funds - Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund as a major governmental fund.

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

2. Proprietary Funds - 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.

Enterprise Funds -Distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The County's major enterprise fund consists of the Sanitary District.

3. Fiduciary Funds - (Trust and Agency Funds) - Fiduciary funds account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include the Special Welfare Fund. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation, but have no measurement focus. Fiduciary funds are not included in the government-wide financial statements.

E. Cash and Cash Equivalents

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

*Note 1—Summary of Significant Accounting Policies: (Continued)*

F. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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

G. Receivables and payables

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

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 \$127,468 at June 30, 2016 and is comprised of property taxes of \$114,040 and water and sewer charges of \$7,076.

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	July 1	January 1
Due Date	June 5/December 5	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

*Note 1—Summary of Significant Accounting Policies: (Continued)*

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. There was no interest capitalized in the year ended June 30, 2016.

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

<u>Assets</u>	<u>Years</u>
Plant, equipment and system	35-45
Motor vehicles	5-10
Equipment	2-15
Utility Plant	20-40
Buildings and improvements	20-40

I. Compensated Absences

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

J. Use of Estimates

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

*Note 1—Summary of Significant Accounting Policies: (Continued)*

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K. Net Position

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

L. Net Position Flow Assumption

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

M. Pensions

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

N. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

*Note 1—Summary of Significant Accounting Policies: (Continued)*

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O. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and amounts prepaid on the next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability (asset) are reported as deferred inflows of resources. These include the differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

P. Fund Equity

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

- Nonspendable fund balance - amounts that 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;

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 1—Summary of Significant Accounting Policies: (Continued)*

**P. Fund Equity (Continued)**

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

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

		General Fund
Fund Balances:		
Restricted:		
Indoor plumbing	\$	420,724
Forfeited assets		2,706
Debt service reserve		404,411
Total Restricted Fund Balance	\$	827,841
Committed:		
Public Safety	\$	155,319
Landfill closure		253,178
Stabilization fund		1,500,000
Economic Development		271,000
Total Committed Fund Balance	\$	2,179,497
Assigned:		
Capital projects	\$	1,103,200
Total Assigned Fund Balance	\$	1,103,200
Unassigned	\$	2,942,657
Total Fund Balances	\$	7,053,195

*Note 1—Summary of Significant Accounting Policies: (Continued)*

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**Q. Adoption of Accounting Principles**

**Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application***

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72.

**Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants***

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 18.

**Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73***

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

## COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

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### *Note 2—Stewardship, Compliance, and Accounting:*

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

1. On or before April 1<sup>st</sup>, the County Administrator submits to the Board of Supervisors a proposed operating and 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. Public hearings are 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 fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The Board of Supervisors is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

### Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2016.

### *Note 3—Deposits and Investments:*

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#### Deposits

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

#### Investments

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 3— Deposits and Investments: (Continued)*

**Credit Risk of Debt Securities**

The County's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	<u>County</u>	
	<u>AAAm</u>	
Local Government Investment Pool	\$	440
Money Market Mutual Fund		404,411
Total	\$	<u>404,851</u>

**Interest Rate Risk**

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>	
	<u>County</u>	
	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Money Market Mutual Funds	\$ 404,411	\$ 404,411
Total	\$ <u>404,411</u>	\$ <u>404,411</u>

**External Investment Pools**

The value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provision of GASB Statement No. 79. There are no withdrawal restrictions imposed on participants.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 4—Due to/from Other Governmental Units:*

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
Local sales tax	\$ 136,606	\$ -
Shared expenses	79,496	-
Recordation tax	4,116	-
VPA funds	17,625	-
PSAP grant	7,284	-
State sales tax	-	160,426
VPSA technology	-	252,600
Railroad rolling stock tax	6,857	-
Comprehensive services act	30,260	-
Communications tax	24,444	-
Federal Government:		
School fund grants	-	198,673
School food funds	-	15,793
Community development block grant	45,027	-
VPA funds	40,051	-
Total due from other governmental units	\$ <u>391,766</u>	\$ <u>627,492</u>

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 5—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Primary Government:				
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,549,410	\$ -	\$ -	\$ 1,549,410
Construction in progress	<u>355,149</u>	<u>636,528</u>	<u>22,000</u>	<u>969,677</u>
Total capital assets not subject to depreciation	\$ <u>1,904,559</u>	\$ <u>636,528</u>	\$ <u>22,000</u>	\$ <u>2,519,087</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 10,502,162	\$ -	\$ -	\$ 10,502,162
Machinery and equipment	<u>3,129,851</u>	<u>385,682</u>	<u>-</u>	<u>3,515,533</u>
Total capital assets being depreciated	\$ <u>13,632,013</u>	\$ <u>385,682</u>	\$ <u>-</u>	\$ <u>14,017,695</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,908,114	\$ 222,079	\$ -	\$ 5,130,193
Machinery and equipment	<u>2,491,778</u>	<u>238,960</u>	<u>-</u>	<u>2,730,738</u>
Total accumulated depreciation	\$ <u>7,399,892</u>	\$ <u>461,039</u>	\$ <u>-</u>	\$ <u>7,860,931</u>
Total capital assets subject to depreciation, net	\$ <u>6,232,121</u>	\$ <u>(75,357)</u>	\$ <u>-</u>	\$ <u>6,156,764</u>
Net capital assets governmental activities	\$ <u>8,136,680</u>	\$ <u>561,171</u>	\$ <u>22,000</u>	\$ <u>8,675,851</u>
	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Business-type activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 7,819	\$ -	\$ -	\$ 7,819
Construction in progress	<u>30,095</u>	<u>625,341</u>	<u>-</u>	<u>655,436</u>
Total capital assets not subject to depreciation	\$ <u>37,914</u>	\$ <u>625,341</u>	\$ <u>-</u>	\$ <u>663,255</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 4,073,644	\$ -	\$ -	\$ 4,073,644
Machinery and equipment	<u>86,701</u>	<u>43,555</u>	<u>-</u>	<u>130,256</u>
Total capital assets being depreciated	\$ <u>4,160,345</u>	\$ <u>43,555</u>	\$ <u>-</u>	\$ <u>4,203,900</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,282,286	\$ 101,841	\$ -	\$ 2,384,127
Machinery and equipment	<u>42,716</u>	<u>7,583</u>	<u>-</u>	<u>50,299</u>
Total accumulated depreciation	\$ <u>2,325,002</u>	\$ <u>109,424</u>	\$ <u>-</u>	\$ <u>2,434,426</u>
Total capital assets subject to depreciation, net	\$ <u>1,835,343</u>	\$ <u>(65,869)</u>	\$ <u>-</u>	\$ <u>1,769,474</u>
Net capital assets business-type activities	\$ <u>1,873,257</u>	\$ <u>559,472</u>	\$ <u>-</u>	\$ <u>2,432,729</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 5—Capital Assets: (Continued)*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Component Unit-School Board:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 263,786	\$ -	\$ -	\$ 263,786
Total capital assets not subject to depreciation	<u>\$ 263,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,786</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 18,774,482	\$ -	\$ -	\$ 18,774,482
Equipment	<u>2,259,288</u>	<u>395,309</u>	<u>94,530</u>	<u>2,560,067</u>
Total capital assets being depreciated	<u>\$ 21,033,770</u>	<u>\$ 395,309</u>	<u>\$ 94,530</u>	<u>\$ 21,334,549</u>
Accumulated depreciation:				
Buildings and improvements	\$ 10,712,849	\$ 460,294	\$ -	\$ 11,173,143
Equipment	<u>2,061,397</u>	<u>112,465</u>	<u>94,530</u>	<u>2,079,332</u>
Total accumulated depreciation	<u>\$ 12,774,246</u>	<u>\$ 572,759</u>	<u>\$ 94,530</u>	<u>\$ 13,252,475</u>
Total capital assets subject to depreciation, net	<u>\$ 8,259,524</u>	<u>\$ (177,450)</u>	<u>\$ -</u>	<u>\$ 8,082,074</u>
Net capital assets Component Unit-School Board	<u>\$ 8,523,310</u>	<u>\$ (177,450)</u>	<u>\$ -</u>	<u>\$ 8,345,860</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 117,169
Judicial administration	131,918
Public safety	123,751
Public works	47,256
Parks, recreation and cultural	40,945
Total Governmental activities	<u>\$ 461,039</u>
Business-type activities	<u>\$ 109,424</u>
Component Unit School Board	<u>\$ 572,759</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 6—Interfund Transfers:*

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 494,423
Sanitary District	<u>494,423</u>	<u>-</u>
Total	<u>\$ 494,423</u>	<u>\$ 494,423</u>

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

*Note 7—Long-Term Obligations:*

Primary Government:

The following is a summary of changes in long-term obligation transactions of the County for the fiscal year ended June 30, 2016:

	<u>Balance at July 1, 2015</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 390,807	\$ 35,661	\$ 39,081	\$ 387,387	\$ 38,739
Lease revenue bond	1,581,680	-	382,455	1,199,225	396,769
Capital leases (Note 8)	124,335	281,582	126,414	279,503	101,109
Net pension liability	1,922,116	1,248,907	992,697	2,178,326	-
Net OPEB obligation	<u>200,300</u>	<u>92,200</u>	<u>56,900</u>	<u>235,600</u>	<u>-</u>
Total Governmental Activities	<u>\$ 4,219,238</u>	<u>\$ 1,658,350</u>	<u>\$ 1,597,547</u>	<u>\$ 4,280,041</u>	<u>\$ 536,617</u>
Business-type Activities:					
Compensated absences	\$ 10,315	\$ 986	1,032	\$ 10,269	\$ 1,027
Net pension liability	118,997	48,067	38,206	128,858	-
Revenue bonds	<u>60,326</u>	<u>-</u>	<u>8,628</u>	<u>51,698</u>	<u>9,069</u>
Total Business-type Activities	<u>\$ 189,638</u>	<u>\$ 49,053</u>	<u>\$ 47,866</u>	<u>\$ 190,825</u>	<u>\$ 10,096</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 7—Long-Term Obligations: (Continued)*

Primary Government: (continued)

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

Year Ending June 30	Governmental Activities	
	Lease Revenue	
	Bond	
	Principal	Interest
2017	\$ 396,769	\$ 37,484
2018	411,619	22,634
2019	390,837	7,228
Total	\$ <u>1,199,225</u>	\$ <u>67,346</u>

Year Ending June 30	Business-type Activities	
	Revenue	Bonds
	Principal	Interest
2017	\$ 9,069	\$ 2,379
2018	9,533	1,915
2019	10,021	1,427
2020	10,533	915
2021	11,072	376
2022	1,470	6
Total	\$ <u>51,698</u>	\$ <u>7,018</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 7—Long-Term Obligations: (Continued)*

Primary Government: (Continued)

Details of long-term obligations:

Governmental Activities:

Incurred by County:

Lease Revenue Bond:

\$5,000,000 lease revenue bond payable issued through the Industrial Development Authority of Charles City County on May 15, 2003, payable in monthly installments of principal and interest totaling \$36,188 through May 1, 2019, interest payable annually at 3.68%. \$ 1,199,225

Capital Leases:

\$124,764 Document Imaging Hardware & Software lease issued on January 1, 2012, due in monthly installments of \$2,468 through February 2017. \$ 16,884

\$48,383 Two 2014 Dodge Chargers lease issued on December 9, 2010, due in annual installments of \$17,153 through December 2016. 16,106

\$29,094 One 2015 GMC Sierra lease issued on September 29, 2014, due in annual installments of \$10,281 through September 2016. 9,687

\$233,277 Phone system issued on July 1, 2015, due in monthly installments of \$4,439 through November 2020. 205,647

\$48,305 Two 2015 Dodge Chargers issued on July 14, 2015, due in annual installments of \$17,126 through July 2017. 31,179

Total capital leases \$ 279,503

Net pension liability \$ 2,178,326

Net OPEB obligation (payable from the General Fund) \$ 235,600

Compensated absences (payable from the General Fund) \$ 387,387

Total Governmental Activities \$ 4,280,041

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 7—Long-Term Obligations: (Continued)*

Primary Government: (continued)

Details of long-term obligations: (Continued)

Business-type Activities:

Revenue Bonds:

\$194,200 Water System Revenue Bonds Series 1982 issued April 14, 1982 payable in monthly principal and interest installments of \$954 through 2022, interest at 5.00%.

\$ 51,698

Net pension liability

\$ 128,858

Compensated absences (payable from the Enterprise Fund)

\$ 10,269

Total Business-type Activities

\$ 190,825

Component Unit-School Board:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2016:

	<u>Balance at July 1, 2015</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 82,935	\$ 24,529	\$ 8,294	\$ 99,170	\$ 9,917
Net pension liability	<u>7,513,000</u>	<u>1,522,000</u>	<u>1,872,000</u>	<u>7,163,000</u>	<u>-</u>
Total Component Unit-School Board	<u>\$ 7,595,935</u>	<u>\$ 1,546,529</u>	<u>\$ 1,880,294</u>	<u>\$ 7,262,170</u>	<u>\$ 9,917</u>

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 7—Long-Term Obligations: (Continued)*

Component Unit-School Board: (continued)

Details of long-term obligations:

Compensated absences (payable from the School Fund)	\$ <u>99,170</u>
Net pension liability	\$ <u>7,163,000</u>
Total Component Unit-School Board	\$ <u><u>7,262,170</u></u>

*Note 8—Capital Leases:*

The government has entered into lease agreements as lessee for financing the acquisition of document imaging hardware and software, four police vehicles, a public works vehicle, and a phone system. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Primary Government</u>
Capital Assets:	
Equipment	\$ 491,972
Less: accumulated depreciation	<u>(127,996)</u>
Total net capital assets	<u><u>\$ 363,976</u></u>

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

<u>Year Ended June 30</u>	<u>Primary Government</u>
2017	\$ 115,101
2018	70,392
2019	53,266
2020	53,266
2021	<u>17,755</u>
Total minimum lease payments	\$ 309,780
Less: amount representing interest	<u>(30,277)</u>
Present value of minimum lease payments	<u><u>\$ 279,503</u></u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

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*Note 9—Landfill Closure and Post-Closure Costs:*

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The County has contracted with a third party, USA Waste of Virginia, to operate a solid waste landfill site under a lease purchase agreement with the County. Under this agreement, USA Waste of Virginia is responsible for all closure and postclosure monitoring costs related to the landfill. USA Waste of Virginia is obligated to finance these costs through a trust fund mechanism. This trust fund is currently being monitored by the County. No amounts have been recorded in these financial statements for this liability because the third party has assumed all closure and postclosure obligations.

*Note 10—Deferred/Unavailable Revenue:*

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

Unavailable Property Tax Revenue - Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$431,800 at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$96,999 at June 30, 2016.

*Note 11—Commitments and Contingencies:*

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

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

*Note 12—Litigation:*

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At June 30, 2016, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

*Note 13—Risk Management:*

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The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation and public officials' liability coverage with the Virginia Association of Counties Group Self Insurance Risk Pool. This program is administered by a servicing contractor, which furnishes claims review and processing.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

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*Note 13—Risk Management: (Continued)*

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Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association 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 continues to carry commercial insurance for all other risks of loss. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

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**Note 14—Pension Plan:**

**Plan Description**

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

**Note 14—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• School division employees</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**Note 14—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

**Note 14—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <u><b>Defined Benefit Component:</b></u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u><b>Defined Contributions Component:</b></u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**Note 14—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

*Note 14—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u>Defined Benefit Component:</u> See definition under Plan 1</p>

**Note 14—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit (Cont.)</b> 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.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

**Note 14—Pension Plan: (Continued)**

**Plan Description (Continued)**

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

**Note 14—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

**Note 14—Pension Plan: (Continued)**

**Plan Description (Continued)**

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

**Note 14—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><u>Defined Contribution Component:</u> Not applicable.</p>



**Note 14—Pension Plan: (Continued)**

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**Contributions (Continued)**

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$329,290 and \$313,501 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 7.33% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$20,203 and \$17,694 for the years ended June 30, 2016 and June 30, 2015, respectively.

**Net Pension Liability (Asset)**

The County's and Component Unit School Board's (nonprofessional) net pension liability (asset) were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

**Actuarial Assumptions - General Employees**

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

**Note 14—Pension Plan: (Continued)**

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**Actuarial Assumptions - General Employees (Continued)**

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

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

Largest 10 - Non-LEOS:

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

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

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

**Note 14—Pension Plan: (Continued)**

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**Actuarial Assumptions - Public Safety Employees**

The total pension liability for Public Safety employees in the County’s Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Mortality rates: 60% of deaths are assumed to be service related

**Largest 10 - Non-LEOS:**

**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

**Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

**Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

**Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

**Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

**Note 14—Pension Plan: (Continued)**

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**Actuarial Assumptions - Public Safety Employees (Continued)**

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

*The remainder of this page left blank intentionally.*

**Note 14—Pension Plan: (Continued)**

**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

**Note 14—Pension Plan: (Continued)**

**Discount Rate**

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

**Changes in Net Pension Liability**

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 14,656,143	\$ 12,615,030	\$ 2,041,113
Changes for the year:			
Service cost	\$ 289,033	\$ -	\$ 289,033
Interest	999,821	-	999,821
Differences between expected and actual experience	(6,787)	-	(6,787)
Contributions - employer	-	313,501	(313,501)
Contributions - employee	-	138,684	(138,684)
Net investment income	-	571,931	(571,931)
Benefit payments, including refunds of employee contributions	(745,982)	(745,982)	-
Administrative expenses	-	(8,000)	8,000
Other changes	-	(120)	120
Net changes	\$ 536,085	\$ 270,014	\$ 266,071
Balances at June 30, 2015	\$ 15,192,228	\$ 12,885,044	\$ 2,307,184

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

**Note 14—Pension Plan: (Continued)**

**Changes in Net Pension Liability (Asset)**

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at June 30, 2014	\$ 1,569,300	\$ 1,809,960	\$ (240,660)
Changes for the year:			
Service cost	\$ 33,907	\$ -	\$ 33,907
Interest	105,930	-	105,930
Differences between expected and actual experience	(69,141)	-	(69,141)
Contributions - employer	-	17,694	(17,694)
Contributions - employee	-	12,046	(12,046)
Net investment income	-	80,741	(80,741)
Benefit payments, including refunds of employee contributions	(112,037)	(112,037)	-
Administrative expenses	-	(1,172)	1,172
Other changes	-	(18)	18
Net changes	\$ (41,341)	\$ (2,746)	\$ (38,595)
Balances at June 30, 2015	\$ 1,527,959	\$ 1,807,214	\$ (279,255)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability (Asset)	\$ 4,225,926	\$ 2,307,184	\$ 709,931
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (126,795)	\$ (279,255)	\$ (409,805)

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

**Note 14—Pension Plan: (Continued)**

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

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$149,208 and \$(48,755) respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 4,673	\$	\$ 34,570
Net difference between projected and actual earnings on pension plan investments	-	343,338	-	49,566
Employer contributions subsequent to the measurement date	<u>329,290</u>	<u>-</u>	<u>20,203</u>	<u>-</u>
Total	<u>\$ 329,290</u>	<u>\$ 348,011</u>	<u>\$ 20,203</u>	<u>\$ 84,136</u>

\$329,290 and \$20,203 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2017	\$ (136,597)	\$ (53,960)
2018	(136,597)	(19,390)
2019	(134,927)	(19,392)
2020	60,110	8,606
Thereafter	-	-

**Note 14—Pension Plan: (Continued)**

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**Component Unit School Board (professional)**

***Plan Description***

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

***Contributions***

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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$664,791 and \$613,498 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$7,163,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.05691% as compared to 0.06217% at June 30, 2014.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

**Note 14—Pension Plan: (Continued)**

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2016, the school division recognized pension expense of \$394,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 99,000
Net difference between projected and actual earnings on pension plan investments	-	438,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,000	597,000
Employer contributions subsequent to the measurement date	664,791	-
Total	<u>\$ 677,791</u>	<u>\$ 1,134,000</u>

\$664,791 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2017	\$ (325,000)
2018	(325,000)
2019	(325,000)
2020	(72,000)
2021	(74,000)

**Note 14—Pension Plan: (Continued)**

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

**Actuarial Assumptions**

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

**Mortality rates:**

**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

**Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

**Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

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

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

**Note 14—Pension Plan: (Continued)**

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

**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

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

**Note 14—Pension Plan: (Continued)**

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

**Discount Rate**

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	10,482,000 \$	7,163,000 \$	4,430,000

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

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*Note 15 – Surety Bonds:*

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	<u>Amount</u>
Division of Risk Management Surety:	
Commonwealth Funds	
Victoria E. Washington, Clerk of the Circuit Court	\$ 265,000
Mindy Bradby, Treasurer	300,000
Denise B. Smith, Commissioner of the Revenue	3,000
Allan M. Jones, Sr., Sheriff	30,000
Fidelity and Deposit company of Maryland - Surety:	
Board of Supervisors and County Administrator	1,000
Association of Counties Group Self Insurance Risk Pool	
- Public Officials Liability	2,000,000
- Employee Dishonesty Policy	250,000

*Note 16– Other Postemployment Benefits - Health Insurance:*

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**A. Plan Description**

The County allows retirees that have at least 10 years of service with the County to remain on their health insurance plan after they retire with a pension benefit from the Virginia Retirement System. Health benefits include medical and dental coverage for retirees and eligible spouses/dependents. Coverage for the retiree and spouse ends at the earlier of the retiree’s death or the retiree’s attainment of age 65.

**B. Funding Policy**

The County pays 50% of the amount of the retiree - only premium for the Anthem POS value Advantage option and 50% of the retiree only dental premium. The retiree must pay the difference for any spouse or dependent. The County establishes contribution rates as part of its annual budget process. The County has 6 retirees and 1 spouse on its plan.

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

The County’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The County and School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 16-Other Postemployment Benefits - Health Insurance: (Continued)*

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The 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. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Retiree Health Plan:

	<u>COUNTY</u>
Annual required contribution	\$ 92,600
Interest on net OPEB obligation	7,000
Adjustment to annual required contribution	(7,400)
Annual OPEB cost (expense)	<u>\$ 92,200</u>
Contributions made	<u>(56,900)</u>
Increase in net OPEB obligation	35,300
Net OPEB obligation-beginning of year	200,300
Net OPEB obligation-end of year	<u><u>\$ 235,600</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County:			
6/30/2014	\$ 70,700	69.87%	\$ 163,500
6/30/2015	89,000	58.65%	200,300
6/30/2016	92,200	61.71%	235,600

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*Note 16–Other Postemployment Benefits - Health Insurance: (Continued)*

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**D. Funded Status and Funding Progress**

As of June 30, 2014, the most recent actuarial valuation, the County’s actuarial accrued liability for benefits was \$827,600, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,896,700, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.57 percent.

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

**E. Actuarial Methods and Assumptions**

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

The following simplifying assumptions were made:

*Retirement age for active employees*-Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

*Mortality*-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2009 using Scale AA.

*Coverage elections* -The actuarial assumed that 50% of eligible County retirees will elect coverage.

Based on the historical and expected returns of the County’s short-term investment portfolio, a discount of 3.5% 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 thirty years.

*Note 17–Other Postemployment Benefits - VRS Health Insurance Credit:*

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A. Plan Description

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

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$46,984, \$47,433, and \$50,120, respectively and equaled the required contributions for each year.

*Note 18–Fair Value Measurements:*

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

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements  
June 30, 2016 (Continued)

*Note 18–Fair Value Measurements: (Continued)*

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

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

(If there has been a change in valuation technique that has a significant effect on the result (e.g., changing from an expected cash flow technique or the use of an additional valuation technique), document that specific change, and the reason(s) for making it.)

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

Investment type	Balance June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Money market mutual fund:				
U.S. Government Obligations	\$ 404,411	\$ 404,411	\$ -	\$ -
	<u>\$ 404,411</u>	<u>\$ 404,411</u>	<u>\$ -</u>	<u>\$ -</u>

*Note 19–Upcoming Pronouncements:*

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

*Note 19—Upcoming Pronouncements: (Continued)*

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

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

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

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

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

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*REQUIRED SUPPLEMENTARY INFORMATION*

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County of Charles City, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final Appropriated	Actual Amounts	
<b>REVENUES</b>				
General property taxes	\$ 8,536,011	\$ 8,536,011	\$ 8,721,012	\$ 185,001
Other local taxes	895,837	895,837	952,052	56,215
Permits, privilege fees, and regulatory licenses	1,728,095	1,728,095	2,317,438	589,343
Fines and forfeitures	45,000	45,000	33,132	(11,868)
Revenue from the use of money and property	22,500	22,500	23,213	713
Charges for services	190,927	190,927	211,875	20,948
Miscellaneous	169,910	169,955	226,897	56,942
Recovered costs	26,164	26,164	102,257	76,093
Intergovernmental:				
Commonwealth	2,479,873	2,528,105	2,370,462	(157,643)
Federal	1,595,060	1,611,959	1,142,837	(469,122)
Total revenues	<u>\$ 15,689,377</u>	<u>\$ 15,754,553</u>	<u>\$ 16,101,175</u>	<u>\$ 346,622</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,606,550	\$ 1,979,170	\$ 1,888,944	\$ 90,226
Judicial administration	672,244	673,599	675,639	(2,040)
Public safety	2,331,685	2,371,062	2,249,616	121,446
Public works	1,202,704	1,205,922	1,116,457	89,465
Health and welfare	1,934,273	1,939,835	1,413,620	526,215
Education	5,372,845	5,372,845	5,162,868	209,977
Parks, recreation, and cultural	521,420	541,880	490,951	50,929
Community development	294,913	354,142	436,098	(81,956)
Nondepartmental	284,112	6,105	-	6,105
Capital projects	1,671,424	1,671,424	1,573,560	97,864
Debt service:				
Principal retirement	355,884	355,884	508,869	(152,985)
Interest and other fiscal charges	78,372	78,372	65,442	12,930
Total expenditures	<u>\$ 16,326,426</u>	<u>\$ 16,550,240</u>	<u>\$ 15,582,064</u>	<u>\$ 968,176</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (637,049)</u>	<u>\$ (795,687)</u>	<u>\$ 519,111</u>	<u>\$ 1,314,798</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (494,423)	\$ (494,423)	\$ (494,423)	\$ -
Issuance of capital leases	-	-	281,582	281,582
Total other financing sources (uses)	<u>\$ (494,423)</u>	<u>\$ (494,423)</u>	<u>\$ (212,841)</u>	<u>\$ 281,582</u>
Net change in fund balances	\$ (1,131,472)	\$ (1,290,110)	\$ 306,270	\$ 1,596,380
Fund balances - beginning	1,131,472	1,290,110	6,746,925	5,456,815
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,053,195</u>	<u>\$ 7,053,195</u>

County of Charles City, Virginia  
 Schedule of OPEB Funding Progress - Retiree Healthcare Plan  
 For the Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Payroll ((b-a)/c)
County:						
6/30/2009	\$ -	\$ 613,000	\$ 613,000	0.00%	\$ 2,667,500	22.98%
6/30/2011	-	624,400	624,400	0.00%	2,340,800	26.67%
6/30/2014	-	827,600	827,600	0.00%	2,896,700	28.57%

County of Charles City, Virginia  
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
 Primary Government  
 For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 289,033	\$ 299,955
Interest	999,821	965,592
Differences between expected and actual experience	(6,787)	-
Benefit payments, including refunds of employee contributions	(745,982)	(807,137)
Net change in total pension liability	\$ 536,085	\$ 458,410
Total pension liability - beginning	14,656,143	14,197,733
Total pension liability - ending (a)	\$ 15,192,228	\$ 14,656,143
Plan fiduciary net position		
Contributions - employer	\$ 313,501	\$ 353,605
Contributions - employee	138,684	144,425
Net investment income	571,931	1,745,021
Benefit payments, including refunds of employee contributions	(745,982)	(807,137)
Administrative expense	(8,000)	(9,570)
Other	(120)	92
Net change in plan fiduciary net position	\$ 270,014	\$ 1,426,436
Plan fiduciary net position - beginning	12,615,030	11,188,594
Plan fiduciary net position - ending (b)	\$ 12,885,044	\$ 12,615,030
County's net pension liability - ending (a) - (b)	\$ 2,307,184	\$ 2,041,113
Plan fiduciary net position as a percentage of the total pension liability	84.81%	86.07%
Covered payroll	\$ 2,830,453	\$ 2,877,718
County's net pension liability as a percentage of covered payroll	81.51%	70.93%

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

County of Charles City, Virginia  
 Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios  
 Component Unit School Board (nonprofessional)  
 For the Year Ended June 30, 2016

	2015	2014
<b>Total pension liability</b>		
Service cost	\$ 33,907	\$ 36,289
Interest	105,930	103,328
Differences between expected and actual experience	(69,141)	-
Benefit payments, including refunds of employee contributions	(112,037)	(92,875)
<b>Net change in total pension liability</b>	<b>\$ (41,341)</b>	<b>\$ 46,742</b>
Total pension liability - beginning	1,569,300	1,522,558
<b>Total pension liability - ending (a)</b>	<b>\$ 1,527,959</b>	<b>\$ 1,569,300</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 17,694	\$ 19,079
Contributions - employee	12,046	12,121
Net investment income	80,741	251,300
Benefit payments, including refunds of employee contributions	(112,037)	(92,875)
Administrative expense	(1,172)	(1,394)
Other	(18)	13
<b>Net change in plan fiduciary net position</b>	<b>\$ (2,746)</b>	<b>\$ 188,244</b>
Plan fiduciary net position - beginning	1,809,960	1,621,716
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,807,214</b>	<b>\$ 1,809,960</b>
 School Division's net pension liability (asset) - ending (a) - (b)	 \$ (279,255)	 \$ (240,660)
 Plan fiduciary net position as a percentage of the total pension liability	 118.28%	 115.34%
 Covered payroll	 \$ 242,427	 \$ 242,427
 School Division's net pension liability (asset) as a percentage of covered payroll	 -115.19%	 -99.27%

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

County of Charles City, Virginia  
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
 For the Year Ended June 30, 2016\*

	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.05691%	0.06217%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,163,000	\$ 7,513,000
Employer's Covered Payroll	4,231,021	4,534,871
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	169.30%	165.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

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

\* The amounts presented have a measurement date of the previous fiscal year end.

County of Charles City, Virginia  
 Schedule of Employer Contributions  
 For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2016	\$ 329,290	\$ 329,290	\$ -	\$ 2,929,624	11.24%
2015	313,501	313,501	-	2,830,453	11.08%
2014	354,247	354,247	-	2,877,718	12.31%
2013	353,132	353,132	-	2,868,658	12.31%
2012	262,944	262,944	-	2,770,744	9.49%
2011	264,762	264,762	-	2,789,901	9.49%
2010	244,480	244,480	-	2,823,100	8.66%
2009	241,987	241,987	-	2,794,309	8.66%
2008	208,884	208,884	-	2,929,650	7.13%
2007	208,336	208,336	-	2,921,965	7.13%
<b>Component Unit School Board (nonprofessional)</b>					
2016	\$ 20,203	\$ 20,203	\$ -	\$ 275,626	7.33%
2015	17,694	17,694	-	242,427	7.30%
2014	19,079	19,079	-	242,427	7.87%
2013	20,951	20,951	-	266,210	7.87%
2012	1,427	1,427	-	291,283	0.49%
2011	1,478	1,478	-	301,649	0.49%
2010	-	-	-	310,680	0.00%
2009	-	-	-	307,532	0.00%
2008	7,952	7,952	-	297,834	2.67%
2007	7,528	7,528	-	281,942	2.67%
<b>Component Unit School Board (professional)</b>					
2016	\$ 664,791	\$ 664,791	\$ -	\$ 4,728,243	14.06%
2015	613,498	613,498	-	4,231,021	14.50%
2014	528,766	528,766	-	4,534,871	11.66%
2013	524,292	524,292	-	4,496,501	11.66%
2012	289,741	289,741	-	4,577,267	6.33%
2011	183,084	183,084	-	4,658,626	3.93%
2010	316,337	316,337	-	3,590,658	8.81%
2009	423,054	423,054	-	4,801,975	8.81%
2008	532,697	532,697	-	5,171,816	10.30%
2007	456,986	456,986	-	4,967,239	9.20%

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

County of Charles City, Virginia  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2016

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In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

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*OTHER SUPPLEMENTARY INFORMATION*

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*INDIVIDUAL FUND FINANCIAL STATEMENTS  
AND SCHEDULES*

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County of Charles City, Virginia  
 Statement of Changes in Assets and Liabilities - Agency Funds  
 For the Year Ended June 30, 2016

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 37,401	\$ 4,981	\$ 6,678	\$ 35,704
Liabilities:				
Amounts held for social services clients	\$ 37,401	\$ 4,981	\$ 6,678	\$ 35,704

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*DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD*

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County of Charles City, Virginia  
 Balance Sheet - Governmental Funds  
 Discretely Presented Component Unit - School Board  
 June 30, 2016

	School Operating Fund	Textbook Fund	School Cafeteria Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 666,112	\$ 47,827	\$ 38,262	\$ 752,201
Receivables (net of allowance for uncollectibles):				
Accounts receivable	52,206	-	-	52,206
Due from other governmental units	611,699	-	15,793	627,492
Total assets	<u>\$ 1,330,017</u>	<u>\$ 47,827</u>	<u>\$ 54,055</u>	<u>\$ 1,431,899</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 518,571	\$ 2,322	\$ 4,749	\$ 525,642
Accrued liabilities	811,446	-	15,930	827,376
Total liabilities	<u>\$ 1,330,017</u>	<u>\$ 2,322</u>	<u>\$ 20,679</u>	<u>\$ 1,353,018</u>
Fund balances:				
Committed	\$ -	\$ 45,505	\$ 33,376	\$ 78,881
Total liabilities and fund balances	<u>\$ 1,330,017</u>	<u>\$ 47,827</u>	<u>\$ 54,055</u>	<u>\$ 1,431,899</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances per above \$ 78,881

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 21,598,335	
Accumulated depreciation	<u>(13,252,475)</u>	8,345,860

The net pension asset is not an available resource and, therefore, is not reported in the funds. 279,255

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

Items related to measurement of net pension liability		(1,218,136)
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Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. 684,994

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

Net pension liability	\$ (7,163,000)	
Compensated absences	(99,170)	
Adjustment for changes in proportionate share of net pension liability	<u>13,000</u>	(7,249,170)

Net position of governmental activities \$ 921,684

County of Charles City, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2016

	School Operating <u>Fund</u>	Textbook <u>Fund</u>	School Cafeteria <u>Fund</u>	<u>Total</u>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 4,544	\$ -	\$ -	\$ 4,544
Charges for services	-	-	94,410	94,410
Miscellaneous	71,047	-	-	71,047
Intergovernmental:				
Local government	5,133,067	28,572	-	5,161,639
Commonwealth	4,238,557	36,083	7,846	4,282,486
Federal	598,188	-	250,455	848,643
Total revenues	<u>\$ 10,045,403</u>	<u>\$ 64,655</u>	<u>\$ 352,711</u>	<u>\$ 10,462,769</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 10,045,403	\$ 62,330	\$ 339,044	\$ 10,446,777
Total expenditures	<u>\$ 10,045,403</u>	<u>\$ 62,330</u>	<u>\$ 339,044</u>	<u>\$ 10,446,777</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 2,325	\$ 13,667	\$ 15,992
Net change in fund balances	\$ -	\$ 2,325	\$ 13,667	\$ 15,992
Fund balances - beginning	-	43,180	19,709	62,889
Fund balances - ending	<u>\$ -</u>	<u>\$ 45,505</u>	<u>\$ 33,376</u>	<u>\$ 78,881</u>

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

Net change in fund balances - total governmental funds - per above \$ 15,992

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

Capital asset additions	\$ 395,309	
Depreciation expense	<u>(572,759)</u>	(177,450)

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

(Increase) decrease in items related to measurement of net pension liability 8,854

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

(Increase) decrease in compensated absences	\$ (16,235)	
Increase (decrease) in deferred outflows related to pension payments	587	
Increase (decrease) in deferred outflows related to measurement of net pension liability	(4,000)	
Increase (decrease) in net pension asset	38,595	
(Increase) decrease in net pension liability	<u>350,000</u>	368,947

Change in net position of governmental activities \$ 216,343

County of Charles City, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2016

	School Operating Fund				Textbook Fund				School Cafeteria Fund			
	Budgeted Amounts		Variance with Final Budget		Budgeted Amounts		Variance with Final Budget		Budgeted Amounts		Variance with Final Budget	
	Original	Appropriated	Actual	(Negative) / Positive	Original	Final	Original	Final	Original	Final	(Negative) / Positive	(Negative) / Positive
<b>REVENUES</b>												
Revenue from the use of money and property	\$ 4,200	\$ 4,200	\$ 4,544	\$ 344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	37,692	44,498	71,047	26,549	-	-	-	-	164,004	164,004	94,410	(69,594)
<b>Intergovernmental:</b>												
Local government	5,343,044	5,343,044	5,133,067	(209,977)	28,572	28,572	28,572	28,572	-	-	-	-
Commonwealth	4,080,623	4,215,295	4,238,557	23,262	35,895	35,895	36,083	188	7,032	7,032	7,846	814
Federal	882,366	1,108,279	598,188	(510,091)	-	-	-	-	169,045	186,941	250,455	63,514
Total revenues	\$ 10,347,925	\$ 10,715,316	\$ 10,045,403	\$ (669,913)	\$ 64,467	\$ 64,467	\$ 64,655	\$ 188	\$ 340,081	\$ 357,977	\$ 352,711	\$ (5,266)
<b>EXPENDITURES</b>												
<b>Current:</b>												
Education	\$ 10,347,925	\$ 10,715,316	\$ 10,045,403	\$ 669,913	\$ 64,467	\$ 64,467	\$ 62,330	\$ 2,137	\$ 340,081	\$ 357,977	\$ 339,044	\$ 18,933
Total expenditures	\$ 10,347,925	\$ 10,715,316	\$ 10,045,403	\$ 669,913	\$ 64,467	\$ 64,467	\$ 62,330	\$ 2,137	\$ 340,081	\$ 357,977	\$ 339,044	\$ 18,933
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,325	\$ 2,325	\$ -	\$ -	\$ 13,667	\$ 13,667
Fund balances - beginning	-	-	-	-	-	-	43,180	43,180	-	-	19,709	19,709
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,505	\$ 45,505	\$ -	\$ -	\$ 33,376	\$ 33,376

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*DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY*

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County of Charles City, Virginia  
 Statement of Net Position  
 Discretely Presented Component Unit - Economic Development Authority  
 June 30, 2016

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ASSETS

Current assets:

Cash and cash equivalents	\$ 1,044,092
Total assets	<u>\$ 1,044,092</u>

NET POSITION

Unrestricted	\$ 1,044,092
Total net position	<u><u>\$ 1,044,092</u></u>

County of Charles City, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Discretely Presented Component Unit - Economic Development Authority  
For the Year Ended June 30, 2016

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## OPERATING REVENUES

## Charges for services:

Bond fees	\$ 51,225
Total operating revenues	\$ 51,225

## OPERATING EXPENSES

Other expenses	\$ 93,979
Total operating expenses	\$ 93,979

Operating income (loss)	\$ (42,754)
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## NONOPERATING REVENUES (EXPENSES)

Investment income	\$ 11,515
Total nonoperating revenues (expenses)	\$ 11,515

Change in net position	\$ (31,239)
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Total net position - beginning	1,075,331
Total net position - ending	\$ 1,044,092

County of Charles City, Virginia  
 Statement of Cash Flows  
 Discretely Presented Component Unit - Economic Development Authority  
 For the Year Ended June 30, 2016

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 51,225
Payments for operating activities	(93,979)
Net cash provided by (used for) operating activities	<u>\$ (42,754)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	\$ 11,515
Net cash provided by (used for) investing activities	<u>\$ 11,515</u>
Net increase (decrease) in cash and cash equivalents	\$ (31,239)
Cash and cash equivalents - beginning	1,075,331
Cash and cash equivalents - ending	<u><u>\$ 1,044,092</u></u>
 <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (42,754)
Total adjustments	<u>\$ -</u>
Net cash provided by (used for) operating activities	<u><u>\$ (42,754)</u></u>

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*SUPPORTING SCHEDULES*

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County of Charles City, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016

Schedule 1  
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,985,789	\$ 5,985,789	\$ 5,706,128	\$ (279,661)
Real and personal public service corporation taxes	615,600	615,600	893,697	278,097
Personal property taxes	1,573,310	1,573,310	1,750,214	176,904
Mobile home taxes	8,707	8,707	8,792	85
Machinery and tools taxes	150,479	150,479	180,522	30,043
Merchant's capital taxes	40,000	40,000	26,928	(13,072)
Penalties	95,000	95,000	95,584	584
Interest	67,126	67,126	59,147	(7,979)
Total general property taxes	<u>\$ 8,536,011</u>	<u>\$ 8,536,011</u>	<u>\$ 8,721,012</u>	<u>\$ 185,001</u>
Other local taxes:				
Local sales and use taxes	\$ 650,000	\$ 650,000	\$ 703,567	\$ 53,567
Consumers' utility taxes	149,610	149,610	152,791	3,181
Consumption tax	34,533	34,533	37,626	3,093
Cable television franchise license tax	5,000	5,000	8,357	3,357
Motor vehicle licenses	210	210	60	(150)
Taxes on recordation and wills	56,484	56,484	49,651	(6,833)
Total other local taxes	<u>\$ 895,837</u>	<u>\$ 895,837</u>	<u>\$ 952,052</u>	<u>\$ 56,215</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 9,500	\$ 9,500	\$ 6,324	\$ (3,176)
Transfer fees	250	250	247	(3)
Landfill host fees	1,651,320	1,651,320	2,218,825	567,505
Permits and other licenses	67,025	67,025	92,042	25,017
Total permits, privilege fees, and regulatory licenses	<u>\$ 1,728,095</u>	<u>\$ 1,728,095</u>	<u>\$ 2,317,438</u>	<u>\$ 589,343</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 45,000	\$ 45,000	\$ 33,132	\$ (11,868)
Revenue from use of money and property:				
Revenue from use of money	\$ 4,500	\$ 4,500	\$ 8,264	\$ 3,764
Revenue from use of property	18,000	18,000	14,949	(3,051)
Total revenue from use of money and property	<u>\$ 22,500</u>	<u>\$ 22,500</u>	<u>\$ 23,213</u>	<u>\$ 713</u>
Charges for services:				
Clerk's interest fees	\$ 300	\$ 300	\$ 823	\$ 523
Sheriff's fees	350	350	348	(2)
Courthouse maintenance fees	2,500	2,500	2,105	(395)
Courthouse security fees	12,000	12,000	9,032	(2,968)
Court fees	2,400	2,400	3,109	709
Commonwealth's attorney fees	500	500	617	117
Charges for parks and recreation	46,550	46,550	53,057	6,507
Charges for other protection	2,550	2,550	1,720	(830)
Document reproduction fees	1,652	1,652	1,652	-

County of Charles City, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016

Schedule 1  
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for EMS transport	\$ 95,000	\$ 95,000	\$ 122,064	\$ 27,064
Sale of gas byproducts	27,125	27,125	17,348	(9,777)
Total charges for services	<u>\$ 190,927</u>	<u>\$ 190,927</u>	<u>\$ 211,875</u>	<u>\$ 20,948</u>
Miscellaneous:				
Miscellaneous	\$ 155,110	\$ 155,110	\$ 203,438	\$ 48,328
Donations	14,800	14,845	23,459	8,614
Total miscellaneous	<u>\$ 169,910</u>	<u>\$ 169,955</u>	<u>\$ 226,897</u>	<u>\$ 56,942</u>
Recovered costs:				
Jurors	\$ 2,500	\$ 2,500	\$ 7,046	\$ 4,546
IPR recipient payments	-	-	41,320	41,320
Courthouse maintenance	-	-	32,000	32,000
School resource officer	23,664	23,664	21,891	(1,773)
Total recovered costs	<u>\$ 26,164</u>	<u>\$ 26,164</u>	<u>\$ 102,257</u>	<u>\$ 76,093</u>
Total revenue from local sources	<u>\$ 11,614,444</u>	<u>\$ 11,614,489</u>	<u>\$ 12,587,876</u>	<u>\$ 973,387</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ -	\$ -	\$ 177	\$ 177
Mobile home titling tax	8,037	8,037	10,991	2,954
Rolling stock tax	8,000	8,000	6,857	(1,143)
Communications tax	150,640	150,640	149,650	(990)
State recordation tax	14,076	14,076	13,047	(1,029)
Personal property tax relief funds	690,963	690,963	690,963	-
Total noncategorical aid	<u>\$ 871,716</u>	<u>\$ 871,716</u>	<u>\$ 871,685</u>	<u>\$ (31)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 159,284	\$ 159,284	\$ 159,085	\$ (199)
Sheriff	494,592	494,592	481,456	(13,136)
Commissioner of revenue	62,964	62,964	62,605	(359)
Treasurer	69,083	69,083	59,861	(9,222)
Registrar/electoral board	26,364	26,364	35,388	9,024
Clerk of the Circuit Court	144,660	144,660	144,397	(263)
Total shared expenses	<u>\$ 956,947</u>	<u>\$ 956,947</u>	<u>\$ 942,792</u>	<u>\$ (14,155)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 212,216	\$ 212,216	\$ 203,070	\$ (9,146)
Comprehensive services act program	362,460	362,460	186,754	(175,706)
Asset forfeiture	-	1,355	-	(1,355)
Litter control	-	6,427	6,427	-

County of Charles City, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Emergency services	\$ 51,534	\$ 51,534	\$ 32,739	\$ (18,795)
Art grant	5,000	5,000	-	(5,000)
School resource officer	-	-	49,882	49,882
PSAP grant	-	-	43,892	43,892
Agriculture grant	-	10,000	10,000	-
Fire programs fund	20,000	20,000	22,997	2,997
DMV animal friendly plates	-	-	24	24
Other state funds	-	30,450	200	(30,250)
Total other categorical aid	<u>\$ 651,210</u>	<u>\$ 699,442</u>	<u>\$ 555,985</u>	<u>\$ (143,457)</u>
 Total categorical aid	 <u>\$ 1,608,157</u>	 <u>\$ 1,656,389</u>	 <u>\$ 1,498,777</u>	 <u>\$ (157,612)</u>
 Total revenue from the Commonwealth	 <u>\$ 2,479,873</u>	 <u>\$ 2,528,105</u>	 <u>\$ 2,370,462</u>	 <u>\$ (157,643)</u>
 Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 1,000	\$ 1,000	\$ 1,270	\$ 270
Categorical aid:				
Public assistance and welfare administration	\$ 544,060	\$ 544,060	\$ 520,611	\$ (23,449)
Disaster relief	-	-	14,034	14,034
Community development block grant	600,000	600,000	595,000	(5,000)
Mt. Zion well project	450,000	450,000	-	(450,000)
Chesapeake Bay grant	-	-	204	204
Transportation safety	-	2,296	11,718	9,422
Other federal grants	-	14,603	-	(14,603)
Total categorical aid	<u>\$ 1,594,060</u>	<u>\$ 1,610,959</u>	<u>\$ 1,141,567</u>	<u>\$ (469,392)</u>
 Total revenue from the federal government	 <u>\$ 1,595,060</u>	 <u>\$ 1,611,959</u>	 <u>\$ 1,142,837</u>	 <u>\$ (469,122)</u>
 Total General Fund	 <u>\$ 15,689,377</u>	 <u>\$ 15,754,553</u>	 <u>\$ 16,101,175</u>	 <u>\$ 346,622</u>
 Total Primary Government	 <u>\$ 15,689,377</u>	 <u>\$ 15,754,553</u>	 <u>\$ 16,101,175</u>	 <u>\$ 346,622</u>
 Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 4,200	\$ 4,200	\$ 4,544	\$ 344

County of Charles City, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 37,692	\$ 44,498	\$ 71,047	\$ 26,549
Total revenue from local sources	<u>\$ 41,892</u>	<u>\$ 48,698</u>	<u>\$ 75,591</u>	<u>\$ 26,893</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 5,343,044	\$ 5,343,044	\$ 5,133,067	\$ (209,977)
Total revenues from local governments	<u>\$ 5,343,044</u>	<u>\$ 5,343,044</u>	<u>\$ 5,133,067</u>	<u>\$ (209,977)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 952,110	\$ 952,110	\$ 948,807	\$ (3,303)
Basic school aid	1,875,331	1,875,331	1,887,839	12,508
Gifted and talented	17,161	17,161	17,250	89
Remedial education	81,699	81,699	82,126	427
Compensation supplement	-	-	35,189	35,189
Special education	294,714	294,714	296,254	1,540
GED funding	7,859	7,859	7,859	-
Vocational education	102,963	102,963	103,501	538
English as a second language	10,752	10,752	8,296	(2,456)
School fringes	377,905	377,905	372,755	(5,150)
Technology grant	126,400	254,400	252,600	(1,800)
Early reading intervention	5,296	5,296	8,827	3,531
Remedial Ed-Summer School	5,379	5,379	-	(5,379)
Project graduation	-	6,672	83	(6,589)
At risk payments	48,598	48,598	48,791	193
Primary class size	73,938	73,938	67,896	(6,042)
Standards of Learning algebra readiness	5,475	5,475	7,239	1,764
Mentor teacher	1,226	1,226	210	(1,016)
Preschool initiative	90,202	90,202	86,861	(3,341)
Homebound	125	125	2,934	2,809
Vocational education	3,490	3,490	3,240	(250)
Total categorical aid	<u>\$ 4,080,623</u>	<u>\$ 4,215,295</u>	<u>\$ 4,238,557</u>	<u>\$ 23,262</u>
Total revenue from the Commonwealth	<u>\$ 4,080,623</u>	<u>\$ 4,215,295</u>	<u>\$ 4,238,557</u>	<u>\$ 23,262</u>

County of Charles City, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 153,717	\$ 233,635	\$ 120,205	\$ (113,430)
Vocational education	14,690	17,659	6,132	(11,527)
Title VI B	214,459	265,124	171,161	(93,963)
Preschool grant	7,837	16,682	2,610	(14,072)
Title II -- part a	41,616	54,284	44,260	(10,024)
Title III	2,570	2,006	1,646	(360)
21st Century learning	376,000	447,412	179,352	(268,060)
JROTC grant	71,477	71,477	72,822	1,345
Total categorical aid	<u>\$ 882,366</u>	<u>\$ 1,108,279</u>	<u>\$ 598,188</u>	<u>\$ (510,091)</u>
Total revenue from the federal government	<u>\$ 882,366</u>	<u>\$ 1,108,279</u>	<u>\$ 598,188</u>	<u>\$ (510,091)</u>
Total School Operating Fund	<u>\$ 10,347,925</u>	<u>\$ 10,715,316</u>	<u>\$ 10,045,403</u>	<u>\$ (669,913)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 164,004	\$ 164,004	\$ 94,410	\$ (69,594)
Total revenue from local sources	<u>\$ 164,004</u>	<u>\$ 164,004</u>	<u>\$ 94,410</u>	<u>\$ (69,594)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 7,032	\$ 7,032	\$ 7,846	\$ 814
Total revenue from the Commonwealth	<u>\$ 7,032</u>	<u>\$ 7,032</u>	<u>\$ 7,846</u>	<u>\$ 814</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 169,045	\$ 169,045	\$ 232,559	\$ 63,514
Commodities	-	17,896	17,896	-
Total categorical aid	<u>\$ 169,045</u>	<u>\$ 186,941</u>	<u>\$ 250,455</u>	<u>\$ 63,514</u>
Total revenue from the federal government	<u>\$ 169,045</u>	<u>\$ 186,941</u>	<u>\$ 250,455</u>	<u>\$ 63,514</u>
Total School Cafeteria Fund	<u>\$ 340,081</u>	<u>\$ 357,977</u>	<u>\$ 352,711</u>	<u>\$ (5,266)</u>

County of Charles City, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Textbook Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 28,572	\$ 28,572	\$ 28,572	\$ -
Total revenues from local governments	<u>\$ 28,572</u>	<u>\$ 28,572</u>	<u>\$ 28,572</u>	<u>\$ -</u>
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 35,895	\$ 35,895	\$ 36,083	\$ 188
Total revenue from the Commonwealth	<u>\$ 35,895</u>	<u>\$ 35,895</u>	<u>\$ 36,083</u>	<u>\$ 188</u>
Total Textbook Fund	<u>\$ 64,467</u>	<u>\$ 64,467</u>	<u>\$ 64,655</u>	<u>\$ 188</u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 10,752,473</u></u>	<u><u>\$ 11,137,760</u></u>	<u><u>\$ 10,462,769</u></u>	<u><u>\$ (674,991)</u></u>

County of Charles City, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 67,080	\$ 67,080	\$ 64,353	\$ 2,727
General and financial administration:				
County administrator	\$ 145,766	\$ 150,989	\$ 136,484	\$ 14,505
Legal services	54,000	54,000	61,208	(7,208)
Commissioner of revenue	205,163	219,213	213,109	6,104
Treasurer	170,736	176,791	175,833	958
Motor pool	82,930	125,130	62,939	62,191
Central gas	13,726	13,726	13,750	(24)
Memberships	2,550	2,550	2,472	78
Information technology	266,728	269,021	262,780	6,241
Management services	281,726	294,686	251,550	43,136
Other general and financial administration	239,867	512,693	550,514	(37,821)
Total general and financial administration	<u>\$ 1,463,192</u>	<u>\$ 1,818,799</u>	<u>\$ 1,730,639</u>	<u>\$ 88,160</u>
Board of elections:				
Electoral board and officials	\$ 21,856	\$ 21,856	\$ 27,194	\$ (5,338)
Registrar	54,422	71,435	66,758	4,677
Total board of elections	<u>\$ 76,278</u>	<u>\$ 93,291</u>	<u>\$ 93,952</u>	<u>\$ (661)</u>
Total general government administration	<u>\$ 1,606,550</u>	<u>\$ 1,979,170</u>	<u>\$ 1,888,944</u>	<u>\$ 90,226</u>
Judicial administration:				
Courts:				
Circuit court	\$ 32,046	\$ 32,046	\$ 23,311	\$ 8,735
General district court	7,070	7,070	3,822	3,248
Courthouse security fund	21,330	21,330	30,785	(9,455)
Special Magistrates	500	500	337	163
Sheriff	144,575	145,930	184,894	(38,964)
9th district court services	20,000	20,000	18,648	1,352
Crater Criminal Justice	6,447	6,447	6,446	1
Clerk of the circuit court	227,509	227,509	196,841	30,668
Total courts	<u>\$ 459,477</u>	<u>\$ 460,832</u>	<u>\$ 465,084</u>	<u>\$ (4,252)</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 212,767	\$ 212,767	\$ 210,555	\$ 2,212
Total commonwealth's attorney	<u>\$ 212,767</u>	<u>\$ 212,767</u>	<u>\$ 210,555</u>	<u>\$ 2,212</u>
Total judicial administration	<u>\$ 672,244</u>	<u>\$ 673,599</u>	<u>\$ 675,639</u>	<u>\$ (2,040)</u>

County of Charles City, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 919,796	\$ 936,695	\$ 837,679	\$ 99,016
E-911	71,127	71,127	90,656	(19,529)
Total law enforcement and traffic control	<u>\$ 990,923</u>	<u>\$ 1,007,822</u>	<u>\$ 928,335</u>	<u>\$ 79,487</u>
Fire and rescue services:				
Fire department	\$ 144,992	\$ 144,992	\$ 145,372	\$ (380)
Ambulance and rescue services	566,304	566,304	560,169	6,135
Total fire and rescue services	<u>\$ 711,296</u>	<u>\$ 711,296</u>	<u>\$ 705,541</u>	<u>\$ 5,755</u>
Correction and detention:				
Confinement and care of prisoners	\$ 335,300	\$ 335,300	\$ 298,334	\$ 36,966
Criminal justice planner	6,307	6,307	6,307	-
Total correction and detention	<u>\$ 341,607</u>	<u>\$ 341,607</u>	<u>\$ 304,641</u>	<u>\$ 36,966</u>
Other protection:				
Animal control	\$ 119,279	\$ 119,324	\$ 124,726	\$ (5,402)
Codes enforcement	130,235	132,775	128,315	4,460
Emergency services	28,645	48,538	48,618	(80)
VJCCCA	9,400	9,400	9,400	-
Medical examiner	300	300	40	260
Total other protection	<u>\$ 287,859</u>	<u>\$ 310,337</u>	<u>\$ 311,099</u>	<u>\$ (762)</u>
Total public safety	<u>\$ 2,331,685</u>	<u>\$ 2,371,062</u>	<u>\$ 2,249,616</u>	<u>\$ 121,446</u>
Public works:				
Sanitation and waste removal:				
Landfill monitoring	\$ 290,875	\$ 290,875	\$ 269,022	\$ 21,853
Maintenance of general buildings and grounds:				
General properties	\$ 911,829	\$ 915,047	\$ 847,435	\$ 67,612
Total public works	<u>\$ 1,202,704</u>	<u>\$ 1,205,922</u>	<u>\$ 1,116,457</u>	<u>\$ 89,465</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 104,465	\$ 110,027	\$ 108,527	\$ 1,500
Mental health and mental retardation:				
Henrico area community services	\$ 113,980	\$ 113,980	\$ 113,980	\$ -

County of Charles City, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 1,113,309	\$ 1,113,309	\$ 853,151	\$ 260,158
Comprehensive services act	518,100	518,100	253,543	264,557
Contributions	84,419	84,419	84,419	-
Total welfare	<u>\$ 1,715,828</u>	<u>\$ 1,715,828</u>	<u>\$ 1,191,113</u>	<u>\$ 524,715</u>
Total health and welfare	<u>\$ 1,934,273</u>	<u>\$ 1,939,835</u>	<u>\$ 1,413,620</u>	<u>\$ 526,215</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 1,229	\$ 1,229	\$ 1,229	\$ -
Contribution to County School Board	5,371,616	5,371,616	5,161,639	209,977
Total education	<u>\$ 5,372,845</u>	<u>\$ 5,372,845</u>	<u>\$ 5,162,868</u>	<u>\$ 209,977</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 429,023	\$ 449,483	\$ 411,683	\$ 37,800
Total parks and recreation	<u>\$ 429,023</u>	<u>\$ 449,483</u>	<u>\$ 411,683</u>	<u>\$ 37,800</u>
Cultural enrichment:				
Center for local history	\$ 17,450	\$ 17,450	\$ 4,321	\$ 13,129
Cultural alliance	5,000	5,000	5,000	-
Total cultural enrichment	<u>\$ 22,450</u>	<u>\$ 22,450</u>	<u>\$ 9,321</u>	<u>\$ 13,129</u>
Library:				
Library	\$ 69,947	\$ 69,947	\$ 69,947	\$ -
Total library	<u>\$ 69,947</u>	<u>\$ 69,947</u>	<u>\$ 69,947</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 521,420</u>	<u>\$ 541,880</u>	<u>\$ 490,951</u>	<u>\$ 50,929</u>
Community development:				
Planning and community development:				
Indoor plumbing rehab grant	\$ -	\$ -	\$ 105,554	\$ (105,554)
Planning commission	1,450	1,450	-	1,450
Department of development	211,823	234,175	228,518	5,657
IRS grant	-	200	200	-
Tourism grant	-	30,250	14,928	15,322
Community development contribution	23,970	23,970	23,956	14
Total planning and community development	<u>\$ 237,243</u>	<u>\$ 290,045</u>	<u>\$ 373,156</u>	<u>\$ (83,111)</u>
Environmental management:				
Litter control program	\$ -	\$ 6,427	\$ 7,562	\$ (1,135)
Conservation grant	18,800	18,800	18,800	-
Total environmental management	<u>\$ 18,800</u>	<u>\$ 25,227</u>	<u>\$ 26,362</u>	<u>\$ (1,135)</u>

County of Charles City, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 38,870	\$ 38,870	\$ 36,580	\$ 2,290
Total cooperative extension program	<u>\$ 38,870</u>	<u>\$ 38,870</u>	<u>\$ 36,580</u>	<u>\$ 2,290</u>
 Total community development	 <u>\$ 294,913</u>	 <u>\$ 354,142</u>	 <u>\$ 436,098</u>	 <u>\$ (81,956)</u>
 Nondepartmental:				
Contingency	\$ 284,112	\$ 6,105	\$ -	\$ 6,105
Total nondepartmental	<u>\$ 284,112</u>	<u>\$ 6,105</u>	<u>\$ -</u>	<u>\$ 6,105</u>
 Capital projects:				
County capital improvements	\$ 1,671,424	\$ 1,671,424	\$ 1,573,560	\$ 97,864
Total capital projects	<u>\$ 1,671,424</u>	<u>\$ 1,671,424</u>	<u>\$ 1,573,560</u>	<u>\$ 97,864</u>
 Debt service:				
Principal retirement	\$ 355,884	\$ 355,884	\$ 508,869	\$ (152,985)
Interest and other fiscal charges	78,372	78,372	65,442	12,930
Total debt service	<u>\$ 434,256</u>	<u>\$ 434,256</u>	<u>\$ 574,311</u>	<u>\$ (140,055)</u>
 Total General Fund	 <u>\$ 16,326,426</u>	 <u>\$ 16,550,240</u>	 <u>\$ 15,582,064</u>	 <u>\$ 968,176</u>
 Total Primary Government	 <u>\$ 16,326,426</u>	 <u>\$ 16,550,240</u>	 <u>\$ 15,582,064</u>	 <u>\$ 968,176</u>
 Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 896,647	\$ 896,647	\$ 892,013	\$ 4,634
Instruction costs	5,860,259	5,860,259	5,787,926	72,333
Pupil transportation	778,750	748,750	732,666	16,084
Grants	813,254	1,043,474	523,238	520,236
Operation and maintenance of school plant	1,067,566	1,076,737	1,057,026	19,711
Technology	394,973	677,573	647,588	29,985
Capital projects	536,476	411,876	404,946	6,930
 Total education	 <u>\$ 10,347,925</u>	 <u>\$ 10,715,316</u>	 <u>\$ 10,045,403</u>	 <u>\$ 669,913</u>
 Total School Operating Fund	 <u>\$ 10,347,925</u>	 <u>\$ 10,715,316</u>	 <u>\$ 10,045,403</u>	 <u>\$ 669,913</u>

County of Charles City, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 340,081	\$ 340,081	\$ 321,148	\$ 18,933
Commodities	-	17,896	17,896	-
	<hr/>			
Total School Cafeteria Fund	\$ 340,081	\$ 357,977	\$ 339,044	\$ 18,933
	<hr/> <hr/>			
Textbook Fund				
Education:				
Purchase of textbooks	\$ 64,467	\$ 64,467	\$ 62,330	\$ 2,137
	<hr/>			
Total Textbook Fund	\$ 64,467	\$ 64,467	\$ 62,330	\$ 2,137
	<hr/> <hr/>			
Total Discretely Presented Component Unit - School Board	\$ 10,752,473	\$ 11,137,760	\$ 10,446,777	\$ 690,983
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*STATISTICAL INFORMATION*

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Table 1

County of Charles City, Virginia  
Government-Wide Expenses by Function  
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Sanitary District	Total
2006-07	\$ 1,838,094	\$ 677,752	\$ 1,567,677	\$ 1,112,282	\$ 1,732,268	\$ 6,088,937	\$ 536,976	\$ 555,357	\$ 352,806	\$ 434,208	\$ 14,896,357
2007-08	1,862,735	643,074	1,691,980	1,002,415	1,993,208	6,453,624	500,508	460,901	302,479	452,988	15,363,912
2008-09	1,647,362	791,996	1,804,071	1,104,170	2,197,436	5,364,940	525,758	355,897	292,134	473,618	14,557,382
2009-10	1,739,638	738,957	2,055,534	1,084,483	1,877,355	5,490,863	414,432	612,185	199,819	448,855	14,662,121
2010-11	1,656,026	738,044	1,660,029	1,059,608	1,539,830	5,368,675	481,388	972,003	139,078	429,105	14,043,786
2011-12	1,767,309	774,788	2,056,551	1,061,341	1,359,051	5,033,080	535,238	635,421	117,319	393,013	13,733,111
2012-13	1,920,864	785,863	2,231,982	1,414,659	1,362,437	4,720,314	571,404	583,638	93,477	469,770	14,154,408
2013-14	1,897,055	814,653	2,321,388	1,602,108	1,270,786	4,400,292	605,196	388,732	88,355	512,061	13,900,626
2014-15	1,846,717	775,554	2,272,359	1,234,850	1,286,666	4,269,529	544,669	255,424	72,458	644,129	13,202,355
2015-16	1,965,562	713,982	2,288,796	1,136,050	1,396,921	5,162,868	563,736	375,828	61,550	627,054	14,292,347

Table 2

County of Charles City, Virginia  
Government-Wide Revenues  
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Gain on Disposal of Capital Assets		
2006-07	\$ 3,261,270	\$ 2,241,386	\$ -	\$ 5,776,256	\$ 846,451	\$ 298,119	\$ 204,708	\$ 747,470	\$ 18,124	\$ 13,393,784		
2007-08	3,222,283	2,572,482	-	6,373,816	851,971	204,194	197,301	749,543	-	14,171,590		
2008-09	3,114,550	2,950,534	-	6,450,632	755,316	185,085	206,711	724,303	-	14,387,131		
2009-10	2,893,295	2,756,479	343,256	6,651,861	625,777	26,038	222,205	702,501	55,500	14,276,912		
2010-11	3,091,665	2,698,173	-	6,943,710	692,967	14,926	161,279	882,985	55,327	14,541,032		
2011-12	3,082,016	2,247,585	-	7,305,508	721,386	23,341	227,354	884,612	17,474	14,509,276		
2012-13	3,000,008	2,279,861	-	7,456,501	889,625	24,459	188,867	883,286	-	14,722,607		
2013-14	2,240,451	2,209,143	-	7,897,223	1,178,872	64,037	180,066	882,192	-	14,651,984		
2014-15	3,652,959	1,944,606	-	8,488,574	954,554	21,755	133,304	876,251	136,218	16,208,221		
2015-16	2,647,314	1,985,462	-	8,738,110	952,052	23,213	226,897	1,527,837	-	16,100,885		

County of Charles City, Virginia  
General Governmental Expenditures by Function (1)  
Last Ten Fiscal Years

Fiscal Year	General Government Administration				Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total (3)
	Administration	Judicial Administration	Public Safety	Public Works									
2006-07	\$ 1,904,866	\$ 488,797	\$ 1,592,741	\$ 1,034,972	\$ 1,667,864	\$ 11,205,424	\$ 482,327	\$ 551,372	\$ 47,682	\$ 1,185,668	\$ 20,161,713		
2007-08	1,939,120	557,295	1,625,252	1,019,792	1,967,938	12,552,537	458,689	493,780	165,547	1,203,297	21,983,247		
2008-09	1,672,398	655,982	1,817,459	1,068,700	2,113,520	11,849,174	487,283	364,286	18,143	1,251,056	21,298,001		
2009-10	1,676,350	606,158	2,023,606	1,056,667	1,852,837	11,897,241	476,678	669,925	20,649	1,247,240	21,527,351		
2010-11	1,619,203	607,375	1,621,518	1,046,797	1,524,240	10,820,904	497,944	992,238	1,185	1,145,983	19,877,387		
2011-12	1,599,706	635,502	2,052,116	972,931	1,339,500	10,519,014	537,786	627,515	-	1,092,964	19,377,034		
2012-13	1,717,109	649,772	2,167,817	1,137,354	1,354,067	10,498,290	517,637	621,719	-	475,464	19,139,229		
2013-14	1,859,467	679,325	2,420,561	1,303,923	1,263,042	9,691,034	545,073	415,686	-	541,956	18,720,067		
2014-15	1,778,812	649,049	2,285,098	1,269,162	1,298,581	9,567,303	544,818	316,659	-	539,673	18,249,155		
2015-16	1,888,944	675,639	2,249,616	1,116,457	1,413,620	10,448,006	490,951	436,098	-	574,311	19,293,642		

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

(3) Excludes capital projects expenditures.

County of Charles City, Virginia  
General Governmental Revenues by Source (1)  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2006-07	\$ 5,752,817	\$ 846,451	\$ 3,060,535	\$ 36,323	\$ 320,690	\$ 292,542	\$ 223,653	\$ 258,008	\$ 8,965,592	\$ 19,756,611
2007-08	6,354,328	851,971	3,119,343	927	230,520	321,518	359,524	419,584	9,413,231	21,070,946
2008-09	6,498,076	755,316	2,811,953	8,137	185,085	350,930	272,665	126,053	10,218,831	21,227,046
2009-10	6,713,249	625,777	2,652,175	1,616	57,861	340,307	254,759	191,348	10,372,397	21,209,489
2010-11	6,947,917	692,967	2,837,442	6,818	29,486	334,967	179,577	114,394	9,439,113	20,582,681
2011-12	7,246,242	721,386	2,746,988	1,202	25,470	399,660	266,737	260,840	8,897,618	20,566,143
2012-13	7,494,925	889,625	2,656,407	54,685	24,684	330,019	227,016	298,924	8,572,939	20,549,224
2013-14	7,865,938	1,178,872	1,905,919	44,463	65,694	366,007	210,598	259,432	8,074,928	19,971,851
2014-15	8,699,478	954,554	3,332,388	50,725	23,135	277,187	215,006	155,605	7,884,890	21,592,968
2015-16	8,721,012	952,052	2,317,438	33,132	27,757	306,285	297,944	102,257	8,644,428	21,402,305

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

Table 5

County of Charles City, Virginia  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)		
2006-07	\$ 6,575,203	\$ 6,303,617	95.87%	\$ 73,926	\$ 6,377,543	96.99%	\$ 598,669	9.10%	
2007-08	7,134,528	6,632,327	92.96%	272,984	6,905,311	96.79%	675,186	9.46%	
2008-09	7,332,724	6,955,920	94.86%	121,905	7,077,825	96.52%	553,342	7.55%	
2009-10	7,264,395	6,919,265	95.25%	236,066	7,155,331	98.50%	682,660	9.40%	
2010-11	7,705,043	7,223,716	93.75%	272,961	7,496,677	97.30%	729,005	9.46%	
2011-12	7,915,274	7,476,887	94.46%	300,303	7,777,190	98.26%	792,435	10.01%	
2012-13	8,159,392	7,720,167	94.62%	301,807	8,021,974	98.32%	750,599	9.20%	
2013-14	8,866,386	8,115,767	91.53%	278,136	8,393,903	94.67%	772,137	8.71%	
2014-15	9,227,999	8,767,376	95.01%	391,118	9,158,494	99.25%	621,511	6.74%	
2015-16	9,195,464	9,002,438	97.90%	254,806	9,257,244	100.67%	577,152	6.28%	

(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 tax year.

(3) Does not include land redemptions.

Table 6

County of Charles City, Virginia  
Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2006-07	\$ 584,292,131	\$ 46,119,510	\$ 8,682,662	\$ 798,598	\$ 37,001,751	\$ 676,894,652
2007-08	580,077,477	54,829,767	5,500,042	787,449	33,233,074	674,427,809
2008-09	589,551,974	58,210,197	3,659,829	805,521	28,920,474	681,147,995
2009-10	597,928,422	59,492,001	6,351,653	820,569	26,054,623	690,647,268
2010-11	765,790,469	55,409,143	3,052,807	809,342	27,769,101	852,830,862
2011-12	783,055,397	55,156,017	4,385,891	784,140	54,891,549	898,272,994
2012-13	760,354,950	58,619,679	6,189,565	799,942	60,307,748	886,271,884
2013-14	770,185,362	61,739,681	6,498,282	1,109,586	66,079,189	905,612,100
2014-15	800,468,341	70,476,897	4,302,865	1,038,516	82,706,970	958,993,589
2015-16	801,527,679	78,994,920	4,051,269	975,709	117,744,746	1,003,294,323

(1) Real estate is assessed at 100% of fair market value.

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

Table 7

County of Charles City, Virginia  
Property Tax Rates (1)  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
2006-07	\$ 0.75	\$ 0.75	\$ 3.40	\$ 2.80	\$ 2.50
2007-08	0.82	0.75	3.50	2.80	2.50
2008-09	0.82	0.82	3.50	2.80	2.50
2009-10	0.68	0.68	3.50	2.80	2.50
2010-11	0.68	0.68	3.50	2.80	2.50
2011-12	0.70	0.68	3.50	2.80	2.50
2012-13	0.70	0.70	3.50	2.80	2.50
2013-14	0.72	0.70	3.50	2.80	2.50
2014-15	0.72	0.72	3.75	2.80	3.00
2015-16	0.72	0.72	3.75	2.80	3.00

(1) Per \$100 of assessed value.

Table 8

County of Charles City, Virginia  
 Ratio of Net General Obligation Bonded Debt to  
 Assessed Value and Net Bonded Debt Per Capita  
 Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of	
					Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2006-07	6,926	\$ 676,894,652	\$ 2,769,811	\$ 2,769,811	0.41%	\$ 400
2007-08	6,926	674,427,809	2,247,874	2,247,874	0.33%	325
2008-09	6,926	681,147,995	1,709,337	1,709,337	0.25%	247
2009-10	6,926	690,647,268	1,158,660	1,158,660	0.17%	167
2010-11	7,256	852,830,862	589,448	589,448	0.07%	81
2011-12	7,256	898,272,994	-	-	0.00%	-
2012-13	7,256	886,271,884	-	-	0.00%	-
2013-14	7,256	905,612,100	-	-	0.00%	-
2014-15	7,256	958,993,589	-	-	0.00%	-
2015-16	7,256	1,003,294,323	-	-	0.00%	-

(1) Weldon Cooper Center for Public Service.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loan  
 Excludes revenue bonds, capital leases, and compensated absences.

*COMPLIANCE*

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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To the Honorable Members of the Board of Supervisors  
County of Charles City  
Charles City, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Charles City Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Charles City, Virginia's basic financial statements and have issued our report thereon dated November 23, 2016.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

### Purpose of this Report

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

A handwritten signature in black ink, appearing to read 'D. F. C.', followed by a long horizontal line extending to the right.

Richmond, Virginia  
November 23, 2016

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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To the Honorable Members of the Board of Supervisors  
County of Charles City  
Charles City, Virginia

### Report on Compliance for Each Major Federal Program

We have audited County of Charles City, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Charles City, Virginia's major federal programs for the year ended June 30, 2016. County of Charles City, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Auditors' Responsibility*

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

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

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

In our opinion, County of Charles City, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

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

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

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

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



Richmond, Virginia  
November 23, 2016

County of Charles City, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

Federal Grantor/State Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115/0950116	\$ 5,506
Temporary Assistance for Needy Families	93.558	0400115/0400116	104,964
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116	114
Low Income Home Energy Assistance	93.568	0600415/0600416	11,868
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760115/0760116	15,288
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/090116	518
Foster Care - Title IV-E	93.658	1100115/1100116	40,885
Adoption Assistance	93.659	1120115/11201116	7,232
Social Services Block Grant	93.667	1000115/1000116	83,949
Chafee Foster Care Independence Program	93.674	9150115/9150116	576
Children's Health Insurance Program	93.767	0540115/0540116	3,830
Medical Assistance Program	93.778	1200115/1200116	<u>131,940</u>
Total Department of Health and Human Services			<u>\$ 406,670</u>
Department of Homeland Security:			
Pass-Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	77501-52749	<u>\$ 14,034</u>
Department of Agriculture:			
Pass-Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 17,896
Department of Education:			
National School Lunch Program	10.555	17901-40623	168,094
Total CFDA# 10.555			<u>\$ 185,990</u>
Department of Education:			
School Breakfast Program	10.553	17901-40591	<u>64,465</u> \$ 250,455
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115/0010116	<u>113,941</u>
Total Department of Agriculture			<u>\$ 364,396</u>

County of Charles City, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2016

Federal Grantor/State Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass-Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	60507-52230	<u>\$ 11,718</u>
Department of Housing and Urban Development:			
Pass-Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	53305-50798	<u>\$ 595,000</u>
Environmental Protection Agency:			
Direct Payments:			
Chesapeake Bay Program	66.466	N/A	<u>\$ 204</u>
Department of Education:			
Pass-Through Payments:			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 120,205
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	\$ 171,161
Special Education - Preschool Grants	84.173	17901-62521	<u>2,610</u> 173,771
Career and Technical Education - Basic Grants to States	84.048	17901-61095	6,132
Supporting Effective Instruction State Grant	84.367	17901-61480	44,260
English Language Acquisition State Grants	84.365	17901-60512	1,646
Twenty-First Century Community Learning Centers	84.287	17901-60565	<u>179,352</u>
Total Department of Education			<u>\$ 525,366</u>
Department of Defense:			
Direct Payments:			
Junior ROTC	12.xxx	N/A	<u>\$ 72,822</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,990,210</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

County of Charles City, Virginia

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

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Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of County of Charles City, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of County of Charles City, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of County of Charles City, Virginia.

Note B - Summary of Significant Accounting Policies

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

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

Note C - Subrecipients

No awards were passed through to subrecipients.

Note D - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received or disbursed.

Note E - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,142,837
Total primary government	\$ <u>1,142,837</u>

Component Unit School Board:

School Operating Fund	\$ 598,188
School Cafeteria Fund	250,455
Total component unit school board	\$ <u>848,643</u>

Total federal expenditures per basic financial statements	\$ <u>1,991,480</u>
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Payment in lieu of taxes	\$ <u>(1,270)</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,990,210</u></u>
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County of Charles City, Virginia  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2016

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Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified  
 Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_  no  
 Significant deficiency(ies) identified? \_\_\_\_\_ yes \_\_\_\_\_  none reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_  no

Federal Awards

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_  no  
 Significant deficiency(ies) identified? \_\_\_\_\_ yes \_\_\_\_\_  none reported

Type of auditors' report issued on compliance  
 for major programs: unmodified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? \_\_\_\_\_  yes \_\_\_\_\_ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

**County of Charles City, Virginia  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2016**

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There were no prior year findings.

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