Application to DHCD Submitted through CAMS

Caroline County

ABB VATI 2022

Application ID:	86509012021080351
Application Status:	Pending
Program Name:	Virginia Telecommunications Initiative 2022
Organization Name:	Caroline County
Organization Address:	212 N. Main St. Bowling Green, VA 22427
Profile Manager Name:	Tomeka Smith
Profile Manager Phone:	(804) 633-3494
Profile Manager Email:	tsmith@co.caroline.va.us

Project Name:	ABB VATI 2022
Project Contact Name:	David Sadler
Project Contact Phone:	(804) 633-1088
Project Contact Email:	dsadler@co.caroline.va.us
Project Location:	P.O. Box 447, 212 North Main St. Bowling Green, VA 22427-9416
Project Service Area:	Caroline County

Total Requested Amount: $20,654,959.82

Required Annual Audit Status: No Current Audits Found

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Budget Information:

Cost/Activity Category	DHCD Request	Other Funding	Total
Telecommunications	**$20,654,959.82**	**$10,583,915.00**	**$31,238,874.82**
Construction	$20,302,761.31	$10,402,388.51	$30,705,149.82
Construction Related Soft Costs	$352,198.51	$181,526.49	$533,725.00
Total:	**$20,654,959.82**	**$10,583,915.00**	**$31,238,874.82**

Budget Narrative:

This application comes out of a collaboration between Atlantic Broadband (Delmar) LLC (“ABB”) and Caroline County. This partnership was created because of the challenges Caroline faces as a rural community. Atlantic Broadband has a footprint throughout a significant portion of the County, being one of the only wireline ISPs to provide high-speed connectivity to most of the population centers. Caroline has put in a great deal of legwork to prepare for opportunities like VATI, as they understand the need for sufficient, equitable access to broadband holds for the future of their communities. They have a Broadband Advisory Committee that reports to their respective Board of Supervisors. Through their work, they have garnered support from local organizations who also see the need for digital equity, and have recently approved a plan for Universal Coverage. This project intends to serve a total of 3 project areas, with 3,863 passings built to 3,509 residences and 347 home and commercial business buildings. This results in 426.98 miles of new plant. The total VATI funding request is $20,654,959.82. Caroline will provide $1,200 per number of passes in the first two Phases, with ABB matching that amount.

Questions and Responses:

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1. **Project Description and Need**

   Describe why and how the project area(s) was selected. Describe the proposed geographic area including specific boundaries of the project area (e.g. street names, local and regional boundaries, etc.). Attach a copy of the map of your project area(s). Label map: Attachment 1 – Project Area Map.

Answer:

Caroline County is one of the last mostly rural counties located between the two large metropolitan areas of Washington D.C. and Richmond, Virginia. Those surrounding areas are also well known globally for being high tech data hubs that attract huge businesses for the quality of their connections, which can be challenging in many large portions of the county.

As broadband requirements increase over time with demand, and its importance are highlighted by events such as the COVID-19 pandemic forcing people to work and learn remotely, Caroline County has taken steps to seize the opportunity that has been provided by the deluge of state and federal funding as a response. With the recent announcement of the Governor's $700 million in funding for broadband infrastructure that aims to connect every last unserved Virginian by 2024, the County's broadband strategic plan for universal coverage finally has an opportunity to move forward.

By way of Caroline's Broadband Advisory Committee, as well as the Board of Supervisors' backing, the way to move forward with this plan is by encouraging the incumbent providers to expand their footprint. This can already be seen by Atlantic Broadband (Delmar) LLC's ("ABB ") action to partner with Caroline, as well as Mathews, Middlesex, and Lancaster County to submit a VATI grant for FY2021, which was awarded and is in progress. This project expands ABB's existing plant to areas along Rt 17 in the Northeast portion of the County, successfully serving the entire area. This new project proposed by ABB will greatly expand existing plant everywhere east of I-95 that are currently classified as unserved in two phases, as well as including ABB buildout into awarded RDOF areas as a phase three, greatly shortening the projected timeline that was originally planned for that area.

A successful award of this grant would prove a saving grace for these unserved communities, as the counties and ABB are prepared to contribute $1,200 per pass for all new construction. These projects can be seen in Attachment 1 – "Project Area Maps". The maps show ABB's phases 1-3, with planned expansion in RDOF areas in red (Phase 3).

The western portion of the project contains homes that are spread out over a wide area that surrounds Comcast territory. Comcast, with only a few exceptions, does not provide service in the county east of I-95. However, Comcast has also agreed to expand their service in the other portion of the County that this project does not cover, which means that these combined efforts are working toward universal coverage.

2. List existing providers in the proposed project area and the speeds offered. Please do not include satellite. Describe your outreach efforts to identify existing providers and how this information was compiled with source(s).

Answer:

The predominant wireline terrestrial service provider in Caroline is ABB. DSL coverage, as well as cell phone and satellite coverage, are available, but these media do not meet the existing standards of adequate broadband access. Caroline County has services from Comcast and Verizon FIOS in parts of the county, but not in the proposed project areas (except for two census blocks that are overrepresented).

Used for this analysis was the website BroadbandNow.com, which takes its data from current FCC Form 477 reporting. Census blocks in the project areas that have less than 10/3 (salmon) and between 10/3 and 25/3 (cantaloupe) are depicted in the attached map (see Attachment 4 – "Documentation Unserved VATI Criteria"). In this map, areas in green are census blocks that are considered served, but since ABB is the only incumbent in these blocks, the addresses declared can be seen as currently not having service. It is the blocks in red that have some sort of coverage from Comcast, but these addresses (80) contribute to a small percentage of the total project as overbuild.

Other providers in the area were Viasat and HughesNet, as well as Verizon High Speed DSL, which were all not suitable to be considered served.

3. Describe if any areas near the project have received funding from federal grant programs, including but not limited to Connect America Funds II (CAF II), ACAM, ReConnect, Community Connect, and Rural Digital Opportunity Funds (RDOF). If there have been federal funds awarded near the project area(s), provide a map showing these areas, verifying the proposed project area does not conflict with these areas. Do not include areas awarded to satellite broadband providers. Label Map: Attachment 2 – Documentation on Federal Funding Area.

Answer:

Attachment 2 shows all of the listed funded areas through web tools that aggregate this information in one source. The first is from the USDA's Telecommunications program. It displays Reconnect awards, Community Connect awards, and CAF2 awards, all which can be seen to have no polygons in any of the applying counties. The second is from the Universal Service Administrative Company, which administers the Universal Service Fund under guidance of the FCC. This presents both CAF2 and A-CAM awards, and in a similar fashion, no counties on this application have received funding from these programs. As mentioned earlier, Caroline has not received any money for providing access to unserved areas.

4. Describe if any blocks awarded in Rural Digital Opportunity Fund (RDOF), excluding those awarded to satellite internet service providers, are included in the VATI application area. If RDOF areas awarded to terrestrial internet service providers are included in the VATI application, provide a map of these areas and include information on number of passings in RDOF awarded areas within the VATI application area, and Census Block Group ID number for each block group in the project area. Label Attachment: Attachment 3 – RDOF Awarded Areas Form in VATI Area

Answer:

Attachment 3 shows RDOF awarded areas in the project zone. For the Route 17/ Woodford and Dawn areas, many of these fall under satellite awards, while the remaining phase 3 area is what was awarded to ABB which will be part of their buildout at the end of this project.

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5. Overlap: To be eligible for VATI, applicants must demonstrate that the proposed project area(s) is unserved. An unserved area is defined as an area with speeds below 25/3 mbps and with less than 25% service overlap within the project area for wireless projects and 10% for wireline projects. Describe any anticipated service overlap with current providers within the project area. Provide a detailed explanation as to how you determined the percentage overlap. Label Attachment: Attachment 4 – Documentation Unserved Area VATI Criteria.

Answer:

As seen in Attachment 4, the first two Phases of the project (Dawn and Woodford/Rt17) are mostly underserved according to FCC Form 477 reporting on the census block level. The pink areas show blocks receiving less than 10/1, and the orange corresponds to between 10/1 and 25/3. This accounts for the majority of the project areas. However, there are a few blocks that are considered served, depicted in green. Since ABB is the only reported wireline provider in these blocks, it goes to say that the proposed addresses do not currently have service from ABB, exemplifying the flaw in the overrepresentation that is inherent in the FCC's reporting method. For the eastern blocks in red, these addresses are supported to currently have Comcast service due to the same reporting, and since the extent of their service cannot be pinpointed, these 80 addresses can be considered a small percentage of overbuild. This service data can be corroborated through the link attached in the map.

Phase 3 consists of entirely RDOF census blocks that were awarded to ABB, which means that this whole area (seen in Attachments 1 and 3) has been considered unserved on the federal level.

6. Total Passings: Provide the number of total serviceable units in the project area. Applicants are encouraged to prioritize areas lacking 10 Megabits per second download and 1 Megabits per second upload speeds, as they will receive priority in application scoring. For projects with more than one service area, each service area must have delineated passing information. Label Attachment: Attachment 5 – Passings Form.
   a. Of the total number of VATI passings, provide the number of residential, business, non-residential, and community anchors in the proposed project area. (Up to 10 points for businesses and community anchor institutions)

   b. If applicable, of the total number of RDOF passings, provide the number of residential, business, non-residential, and community anchors in the proposed project area.

   c. If applicable, provide the number of passings that will require special construction costs, defined as a one-time fee above normal service connection fees required to provide broadband access to a premise . Describe the methodology used for these projections.

   d. If applicable, provide the number of passings included in the application that will receive broadband access because special construction costs have been budgeted in the VATI application. Describe the methodology used for determining which passings with special construction costs were budgeted in the application.

   e. Provide the number of passings in the project area that have 10/1 mbps or less. Describe the methodology used for these projections. (up to 15 points)

Answer:

There are a potential of 60 passings that have been included in the application that will require special construction costs (long drops) beyond the standard drop footage that ABB provides that can potentially qualify for the low to moderate-income ("LMI"). These passings are located in the existing ABB footprint but the location has an extended setback from the public right of way beyond the maximum distance between a network access point and the home. Shapefiles for these locations that use the LMI special construction cost funding will be provided at project close out, if successfully awarded.

To calculate the number of passings that currently have less than 10/1, we used FCC 477 reporting maps and overlaid those census blocks with the project area addresses. Because of the overrepresentation of service due to the method of reporting on block level, we estimate that the number provided on the passings form is lower than what is currently being experienced.

7. **For wireless projects only:** Please explain the ownership of the proposed wireless infrastructure. Please describe if the private co-applicant will own or lease the radio mast, tower, or other vertical structure onto which the wireless infrastructure will be installed.

Answer:

N/A

8. Speeds: Describe the internet service offerings, including download and upload speeds, to be provided after completion of the proposed project. Detail whether that speed is based on dedicated or shared bandwidth, and detail the technology that will be used. This description can be illustrated by a map or schematic diagram, as appropriate. List the private co-applicant's tiered price structure for all speed offerings in the proposed project area, including the lowest tiered speed offering at or above 25/3 mbps. (up to 10 points)

Answer:

Internet Assist 15/1 $9.99[1]

Base Internet 50/2 $69.99

Unlimited Fast 100/10 $89.99

Unlimited UltraFast 400/50 $109.99

Unlimited GigaFast 1G/50M $129.99

*Rates effective as of September 1, 2021.

1 In direct response to the COVID-19 pandemic and the increased need to connect to work and/or school from home, ABB is offering a 15 Mbps downstream / 1 Mbps upstream internet speed tier to those who live in 's serviceable area, do not currently have internet service in their home, and meet specific need-based qualifications. Potential customers who are in the following programs can apply: Medicaid, Public Housing Assistance, SNAP, NSLP, LIHEAP and WIC.

ABB provides broadband connectivity at discounted prices for financially struggling households through the Federal Communications Commission's ("FCC") Emergency Broadband Benefit Program. The program provides a discount of up to $50 per month towards broadband service for eligible households (and up to $75 per month for households on qualifying Tribal lands) so that they can be connected for distance learning, work from home, telehealth and other critical online destinations during the COVID-19 pandemic. ABB received Eligible Telecommunications Carrier (ETC) designation from the FCC as of June 8, 2021.

The above rates are the published ones reported to the FCC and Franchise Authorities. There are multiple discounted offers (door-to-door, call center, online) that are lower than these published rates. As these projects are completed, ABB's intention is to use door-to-door sales and Direct Mail with varying discount offers. A $10 per month discount is available if the customer signs up for AutoPay on select packages. Additionally, ABB has Enterprise level services via Direct Internet Access (DIA), with symmetrical speeds from 10 Mbps to 100 Gbps (determined by the end user). This service is scalable, and 100% fiber based, and proactively managed and monitored 24/7/ 365 and backed by competitive network and service SLAs. ABB utilizes fiber connectivity from a minimum of six Internet peering points: Ashburn, VA; Boston, MA; New York City, NY; Atlanta, GA; Pittsburgh, PA and Philadelphia, PA.

9. Network Design: Provide a description of the network system design used to deliver broadband service from the network's primary internet point(s) of presence to end users, including the network components that already exist and the ones that would be added by the proposed project. Provide a detailed explanation of how this information was determined with sources. Provide information on how capacity for scalability, or expansion, of how the network can adapt to future needs. If using a technology with shared bandwidth, describe how the equipment will handle capacity during peak intervals. For wireless projects, provide a propagation map for the proposed project area with a clearly defined legend for scale of map. Label Map: Attachment 6 – Propagation Map Wireless Project.

Answer:

Dawn, Woodford, Rt 17, Additional Project Areas & ABB RDOF:

The Network System Design will be as follows:

Caroline County's existing network consists of FTTH (Fiber-To-The-Home).

Proposed Network Design for Project Areas: FTTH (Fiber-To-The-Home)

Length: 426.98 Miles (2,254,454.4').

Passings: 3,863 total consisting of 3,509 residential + 347 identified home and residential businesses + 7 others.

ABB has a proven track record of network design and construction that allows for increased data capacity to meet consumer needs. The strength of our network is evidenced by ABB meeting the data transition needs during the ongoing COVID crisis. ABB has accomplished this robust and resilient network through strategic partnerships with contractors and ABB employees. With our strategic partnerships we are able to secure additional contractors as needed. Our advanced network has proven to be readily scalable, reliable and built for growth. This enables us to not only meet but also exceed customer demand.

10. Explain how the proposed project achieves universal broadband coverage for the locality or fits into a larger plan to achieve universal broadband coverage for the locality. If applicable, explain the remaining areas of need in the locality and a brief description of the plan to achieve universal broadband coverage. (up to 50 points)

Answer:

Caroline's Universal Coverage Plan, whose acceptance is in the additional attachment section, was adopted by the Board of Supervisors on September 7, 2021. This can be seen as Attachment 18. The general idea for this plan is for Caroline to partner with the incumbents, ABB and Comcast, to obtain state and federal funding combined with County and ISP contributions to build out the unserved areas in the County. This application, as well as the other being submitted by Comcast this round, are the two next steps to accomplish this. This application will completely serve all of Caroline east of I-95 through ABB's service, while the other application will be the first project of a sequence to serve the rest of the County.

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11. **Project Readiness**

    Describe the current state of project development, including but not limited to: planning, preliminary engineering, identifying easements/permits, status of MOU or MOA, and final design. Prepare a detailed project timeline or construction schedule, identifying specific tasks, staff, contractor(s) responsible, collection of data, etc., and estimated start and completion dates. Applicants must include Memorandums of Understanding (MOUs) or Memorandums of Agreement (MOAs) between applicants (drafts are allowable). Label Attachments: Attachment 7 – Timeline/Project Management Plan; Attachment 8 – MOU/MOA between Applicant/Co-Applicant; (up to 20 points)

Answer:

Attachment 7 is a project timeline developed by ABB that details the process of implementing the network expansion for the county. Once we receive notification of award and the contract has been executed, ABB will conduct a walkout of project areas to verify the pre-engineering and make the steps necessary to formulate a full engineering design. Construction is projected to start February 2023. The construction end date is estimated to be in August 2024. Once the construction phase is complete in project areas, ABB Direct Sales Representatives will begin to visit locations to review products and pricing in order to schedule installations. All ABB services will be available to residents by the project closeout projected date unless ABB encounters any unforeseen issues with pole owners or other third parties beyond its control.

A Memorandum of Agreement has been drafted and will be signed by all parties after all terms of the agreement have been properly vetted by each signer, and a final version has been agreed upon. Included as Attachment 8 is the current draft of this agreement as of submittal. The finalized, signed version will be sent to DCHD upon completion.

12. Has the applicant or co-applicant received any VATI grants? If so, provide a list of these grants, with a detailed summary of the status of each.

Answer:

Caroline and Atlantic Broadband is part of the Four County project that was awarded VATI funding from FY2021, on behalf of Mathews County. For Caroline, this project serves areas along Rt 17 in the Northeast portion of the County, as well as residences centralized in the County at Balty and Penola Rd. The current application is built off of this awarded project, looking to extend plant from these areas into the major unserved portions of the County as part of Caroline's plan for universal coverage.

13. Matching funds: Complete the funding sources table indicating the cash match and inkind resources from the applicant, co-applicant, and any other partners investing in the proposed project (VATI funding cannot exceed 80 percent of total project cost). In-kind resources include, but are not limited to: grant management, acquisition of rights of way or easements, waiving permit fees, force account labor, etc. Please note that a minimum20% match is required to be eligible for VATI, the private sector provider must provide10% of the required match. If the private co-applicant cash match is below 10% of total project cost, applicants must provide financial details demonstrating appropriate private investment. Label Attachments: Attachment 9 - Funding Sources Table; Attachment 10 – Documentation of Match Funding

Answer:

Attached is a draft MOA and meeting minutes from the Board of Supervisors meeting on 9/7/2022 accepting the plan of universal coverage and committing to match funding for FY2022 VATI applications.

14. Leverage: Describe any leverage being provided by the applicant, co-applicant, and partner(s) in support of the proposed project. (up to 10 points)

Answer:

ABB and Caroline leverage a number of activities that pertain to providing high speed internet. Combined there are years of developing and mapping many of the datasets required to submit, manage, and maintain grant-funded infrastructure upgrades to the areas identified in Attachment 1 – “Project Area Maps”. In an effort to support grant submittals, county GIS Managers have created multiple datasets (e.g., student locations, parcel values by regions, ABB fiber/coaxial infrastructure, residents with copper/fiber, preliminary designs with costs, etc.) that can be used in this effort. Plenty of prior work has been done by Caroline’s broadband steering groups to provide studies and strategic plans for guiding the best approach to expand broadband services. There is also a plan for universal coverage that will be used as the baseline and updated for projects moving forward. The counties leverage their economic investment to provide a sizable match to ABB for their portion of this multimillion-dollar project. A significant investment by the county helps ensure that the project will be completed on time and within budget by utilizing county resources (i.e. administrative, management, financial) to execute the Contract.

As an in-kind contribution, Caroline offers the services of their broadband boards/authorities to continue throughout the project. They will also assist ABB with its marketing, as described in the next section. If requested by ABB, the counties will provide in-kind assistance. Board members are also exploring potential funding sources, such as the FCC’s Lifeline Program, which may help citizens afford the monthly connection cost. The county is currently working on establishing underground passings across four Railroad crossings. Currently, they are starting the permitting process to facilitate construction.

ABB is committed to begin the work upon a successful award of the grant. Upon execution and acceptance from DHCD of a Prior Authorization of Project Costs from Caroline County, ABB is prepared to begin the process of the start of the walkout phase.

15. Marketing: Describe the broadband adoption plan.

    a. Explain how you plan to promote customer take rate, including marketing activities, outreach plan, and other actions to reach the identified serviceable units within the project area. Provide the anticipated take rate and describe the basis for the estimate. (up to 10 points)

    b. Describe any digital literacy efforts to ensure residents and businesses in the proposed project area sufficiently utilize broadband. Please list any partnering organizations for digital literacy, such as the local library or cooperative extension office.

Answer:

ABB implements numerous activities to advertise broadband capabilities to residents. During the construction phase, ABB will place a door hanger at each home notifying residents of the construction planned in their area to offer ABB service. They will use various communication activities to notify residents of availability. These can include door hangers, direct mail pieces, and visits by an ABB Direct Sales Representative to residents' homes to review products and pricing and the option to subscribe to a service. If a Direct Sales Representative visits and the resident is not home, a door hanger will be left with the contact information of the Direct Sales Representative.

Once service is established, ABB may communicate through many media types such as video, radio, print (press releases, FSI & direct mail), and digital advertising (social media, web banners, landing pages). Because there is currently no service to the project area, this type of outreach should be effective in informing residents of the availability of broadband access. It is estimated by ABB, based on past trends, that there will be a 50-60% take rate in these project areas over two years from activation.

Caroline has its own approaches to community outreach and digital literacy. They will assist in marketing by providing the information needed to make contact with new potential subscribers and will mount outreach campaigns to inform the public at large of the VATI grant.

There are also general principles that have been outlined as a broad strategy that will serve to educate those who will positively benefit from the new access. First, schools must push to educate parents, students, and teachers in the intricacies of virtual remote learning. Teachers and students can facilitate this process by holding forums and sharing actions and findings. Hiring educators that can conduct training to other teachers and students while reaching out to other school systems who have had success to share strategies will also be implemented.

Second, citizens who work from home (those who do, those who have tried to, those who would like to); address them and the options in an open forum with all interested/concerned. Presenters will be those who actively do so successfully. Based on demand, organize training sessions, and ask companies that allow work from home to come in and do training.

Third, local businesses can meet with business owners of all sizes and explore their needs. What do they need to be able to work in a pandemic situation? What do they need to know to expand their business using broadband? Working with the Chamber of Commerce, sessions can be conducted for local business owners.

Fourth, for all citizens who are interested in tele-health: hold multiple forums with presenters from local home health care providers, pharmacists, and physicians. We will contact regional hospitals to bring in tele-health specialists to be presenters and to provide training.

This framework can be adapted to other rural counties that find themselves with increased access, or even an overwhelming interest from their constituents. One of the major outcomes of preparing a successful VATI application is that local organizations start mobilizing to fill the gaps in need for these types of endeavors.

A prime example of the aforementioned, Caroline has actively engaged for several years in digital literacy and training efforts through their local libraries. The County's IT plans to partner with The Caroline Library, a County-operated library system, and the Caroline County Sheriff's department to assist in offering online safety education to its citizens through a combination of in-person training when current COVID restrictions are lifted, and through remote webinars that can be viewed on smartphones where service is available.

16.

Project Management: Identify key individuals who will be responsible for the management of the project and provide a brief description of their role and responsibilities for the project. Present this information in table format. Provide a brief description of the applicant and co applicant's history and experience with managing grants and constructing broadband communication facilities. Please attach any letters of support from stakeholders. If the applicant is not a locality(s) in which the project will occur, please provide a letter of support from that locality. Attachment 11 – Letters of Support.

Answer:

Name

Organization

Role

William Newborg

Atlantic Broadband

Director of Grants and Funding

Crystal Duke

Atlantic Broadband

Grants and Funding Manager

Michael Scott

Atlantic Broadband

Construction Supervisor

David Sadler

Caroline County

County Representative

Bios for the Project Management Team can be viewed in Attachment 17 - "Personnel Bios".

Atlantic Broadband History and Experience in Constructing Broadband Facilities

ABB has been in operation since 2004, though it can trace its origins back many decades through the companies it has acquired. It is a subsidiary of Cogeco Cable Inc. (TSX: CCA), the 8th largest cable operator in the United States. The company provides TV, Internet, Phone and Enterprise business services to more than 450,000 business and residential customers located in eleven states: Connecticut, Delaware, Florida, Pennsylvania, Maine, Maryland, New Hampshire, New York, South Carolina, Virginia, and West Virginia.

ABB has successfully managed grants in New Hampshire and Maryland systems and is currently managing the grant for the VATI FY21 award of the Four County Regional Project with Caroline, Mathews, Middlesex, and Lancaster. It has extensive experience constructing, operating, and managing state-of-the-art broadband networks.

The company currently provides broadband connectivity in Caroline, Essex, King George, King William, King & Queen, Lancaster, Mathews, Middlesex, Northumberland, Richmond, and Westmoreland Counties. In addition, ABB provides commercial and enterprise services to many of the schools, government entities, as well as many of the small and medium-sized businesses in the local Virginia market.

ABB employees live and work in the communities where ABB operates and conducts business. ABB's customers and business clients are supported locally by their Regional Engineering Team and by their ABB Network Operations Center ("NOC") located in Rochester, NH. They are local with a dedicated team of experienced network professionals that will respond promptly and completely to address network needs. Their local Outside Plant Engineers, Electronic Engineers, Warehouse Personnel, and Maintenance Technicians are trained and focused on managing Broadband and highly complex fiber networks in their day-to-day responsibilities.

ABB will retain ownership of the network, supply the bandwidth and will be responsible for maintenance, repair and restoration as well as the upgrading of the network. ABB continually monitors and measures performance against our standards.

The ABB locally based regional team works diligently with the NOC to support the Network through monitoring that includes:

• 24x7x365 network coverage

• 24x7x365 US-based technical support

• Real-time Network elements and facilities monitoring

• Primary and redundant power sources

• Atlantic Broadband engineering support within their facilities

• Local field operations and support

• Alarm management and proactive response

• Key customer proactive notification

• Twice daily networking element and key customer CPE configuration backups to enable rapid recovery in the event of a failure

- Individual account management

The NOC provides critical support for their facilities with continuous provisioning, repair and engineering assistance, including:

- 24x7x365 network monitoring from the backbone to the Customer Premises Equipment ("CPE")

- Atlantic Broadband's on-net Disaster Recovery Site provides active real-time services in support of their primary Data Center in Rochester, NH

ABB monitors on a 24x7x365 basis, every CPE device that it provides to their customers. ABB is able to determine when a device loses connectivity to the system through the use of monitoring tools at their Network Operations Center, which is also accessible locally by their Technical Support personnel.

With Technical Support coverage available on a 24x7x365 basis, ABB customers are able to report service issues and interruptions directly to the Company's call centers on a round-the-clock basis. By combining customer input with network monitoring tools, ABB is able to determine the scope of the service interruption and focus their restoration efforts appropriately.

17. **Project Budget and Cost Appropriateness**

Budget: Applicants must provide a detailed budget that outlines how the grant funds will be utilized, including an itemization of equipment, construction costs, and a justification of proposed expenses. If designating more than one service area in a single application, each service area must have delineated budget information. For wireless projects, please include delineated budget information by each tower. Expenses should be substantiated by clear cost estimates. Include copies of vendor quotes or documented cost estimates supporting the proposed budget. Label Attachments: Attachment 12 – Derivation of Costs; Attachment 13 - Documentation of Supporting Cost Estimates. (up to 10 points)

Answer:

The Derivation of Costs has been included as Attachment 12 – Derivation of Costs and supporting cost estimates are attached in Attachment 12 - "Documentation of Supporting Cost Estimates". The costs are broken down by what is required for each individual project area.

18. The cost benefit index is comprised of state cost per unit passed. Individual cost benefit scores are calculated and averaged together to create a point scale for a composite score. Provide the following:
a. Total VATI funding request

b. Number of serviceable units
(up to 125 points)

Answer:

a. $20,654,959.82

b. 3,863

19.

Commonwealth Priorities (Up to 40 points)

Additional points will be awarded to proposed projects that reflect Commonwealth priorities. If applicable, describe the following:
a. Businesses, community anchors, or other passings in the proposed project area that will have a significant impact on the locality or region because of access to broadband.

b. Unique partnerships involved in the proposed project. Examples include electric utilities, universities, and federal/state agencies.

c. Digital equity efforts to ensure low to moderate income households in the proposed project area will have affordable access to speeds at or above 25/3 mbps.

Answer:

A big factor with rural connectivity is that it depends primarily on real estate taxes for revenue. With such limited funds, all the essential services that the county provides must be taken into consideration. This brings up a difficult problem in that either these counties must cut services to fund broadband or raise real estate taxes on those who are financially vulnerable. There is a similar problem for private entities that offer broadband services in that the customer base and revenue models are not sufficient enough to justify the very significant investment required to install a new physical plant. The opportunity of VATI support for collaborative efforts between these entities is one of the many steps that have been taken in a larger approach of addressing the unserved and upgrading overall infrastructure to be suitable for decades to come.

The BoS for both Caroline County has established a Broadband Committee to act in an advisory capacity. This group has established a Broadband Strategic Plan that evolved into a plan for universal coverage. It has also conducted its own outreach surveys that show overwhelming favor and enthusiasm for expanded access. Strategically, this expansion would also bring a quality backbone within reach of areas that are also in need of broadband service that will support ABB's next level of expansion.

Members of the Caroline Broadband Advisory committee will launch a Public Information Campaign to educate the public on options available to citizens in need of assistance in obtaining a broadband Connection. Members will attend community functions and provide information to the public on the Plan for Universal Coverage, as well as assistance offered by the private sector partners. Committee members will make themselves available to Board of Supervisors members to attend constituent meetings to answer questions and provide partner-produced literature on assistance programs.

Acknowledging the challenges of educating the public as to programs in an environment with limited broadband to obtain that information, the committee will continue to seek solutions that involve more available means of delivery, such as Facebook live events that are available to a higher number of citizens via cell phone. Members will organize and sponsor in person events at the Caroline Community Center to inform citizens of their options. This will be a huge challenge considering the constraints placed by the ongoing pandemic. Remote options will also be offered to those who do not feel comfortable attending in person.

Fortunately, many of Caroline’s main community anchor institutions are already served by ABB. However, this project will still connect one public school, two fire stations, one correctional facility, and nine day care centers that are currently underserved. Also, a total of 347 homes and residentials will receive new service. These new connections will be a driver of enhanced public safety functionality and economic growth.

From inception, ABB has been flexible in this initiative by considering the needs of each county in their approach. More so, ABB is considered a committed municipal and economic partner, and as part of that commitment ABB shall install extra backbone capacity throughout its system, in anticipation of future economic growth and projects within the partner counties.

ABB will be encouraged to make the most beneficial pricing available and to offer introductory rates. All parties are most interested in assisting low-income residents, particularly families with school age children, to afford internet service. ABB has an unpublished list of prices for internet service that is available for documented, qualified low-income residents. The counties' respective broadband groups will work to identify these residents to assist in their access to broadband.

Additionally, ABB provides broadband connectivity at discounted prices for financially struggling households through the Federal Communications Commission's Emergency Broadband Benefit Program. Under the program, ABB will provide a discount of up to $50 per month towards broadband service for eligible households (and up to $75 per month for households on qualifying Tribal lands) so that they can be connected for distance learning, work from home, telehealth and other critical online destinations during the COVID-19 pandemic.

New, existing and prior customers that meet financial eligibility requirements may choose from various internet packages with speeds designed to meet a range of household needs. The Emergency Broadband Benefit discount will be applied as a monthly credit against the cost of the internet service selected by each household.

The Emergency Broadband Benefit Program was created in December 2020 when Congress passed the Consolidated Appropriations Act of 2021, which provides $3.2 billion to fund the program. The program will conclude when the fund is expended or six months after the end of the COVID-19 public health emergency. It is the second major initiative undertaken by the FCC in partnership with U.S. internet service providers to help households during the COVID-19 pandemic. Last spring, ABB supported customers through the "Keep Americans Connected" program, launching an affordable "Internet Assist" internet package, temporarily suspending disconnects, waiving late fees, and making its WiFi hotspots available to the public during the early months of the pandemic.

20. **Additional Information**

Provide the two most recent Form 477 submitted to the FCC, or equivalent, as well as point, polygon, and, for wireless providers, RSSI shapefiles for the project area **in .zip file form**. With attachments 17 through 20, attach any other information that the applicant desires to include. Applicants are limited to four additional attachments.

Label Additional Attachments as:
a. Attachment 14 – Two most recent Form 477 submitted to the FCC or equivalent

b. Attachment 15 - Point and Polygon shapefiles, in.zip file form, showing proposed passings and project area

c. Attachment 16 - For wireless applicants: shapefiles, in .zip file form, indicating RSSI projections in the application area

d. Attachment 17 – XXXXXXX

e. Attachment 18 – XXXXXXX

f. Attachment 19 – XXXXXXX

g. Attachment 20 – XXXXXXX

Answer:

Attachment 17 – ABB Financials

Attachment 18 – Caroline Financials

Attachment 19 – Personnel Bios

Attachment 20 – Plan for Universal Coverage Acceptance

Attachments:

Map(s) of project area, including proposed infrastructure

Attachment1ProjectAreaMap914202195705.pdf

Documentation of Federal Funding (CAF/ACAM/USDA/RDOF, etc…) in and/or near proposed project area.

Attachment2DocumentationofFederalFunding914202195714.pdf

RDOF Awarded Areas included in VATI Application (Use template provided)

Attachment3RDOFAwardedAreasIncludedinVATIApplication914202195723.pdf

Application to DHCD Submitted through CAMS

Caroline County

ABB VATI 2022

Documentation that proposed project area is unserved based on VATI criteria

Attachment4DocumentationUnservedAreaVATICriteria914202195754.pdf

Passings Form (Use template provided)

Attachment5PassingsForms914202195830.pdf

Timeline/Project Management Plan

Attachment7TimelineProjectManagementPlan914202195907.pdf

MOU/MOA between applicant/co-applicant (can be in draft form)

Attachment8DraftMOAbetweenCarolineABB9142021100018.pdf

Funding Sources Table (Use template provided)

Attachment9FundingSourcesTable9142021100120.pdf

Documentation of Match Funding

Attachment10DocumentationofMatchFunding9142021100225.pdf

Letters of Support

Attachment11LettersofSupport9142021100327.pdf

Derivation of Cost/Project Budget (Use template provided)

Attachment12DerivationofCostsVATIFY229142021110658.pdf

Documentation of Supporting Cost Estimates

Attachment13DocumentationofSupportingCostEstimates9142021100552.pdf

Two most recent Form 477 submitted to the FCC or equivalent

Attachment14TwoMostRecentForm477s9142021100704.pdf

Point and Polygon shapefiles, in.zip file form, showing proposed passings and project area

Attachment15PointandPolygonShapefiles9142021110710.zip

Application to DHCD Submitted through CAMS

Caroline County

ABB VATI 2022

Optional

Attachment17ABBFinancials9142021100956.pdf

Optional

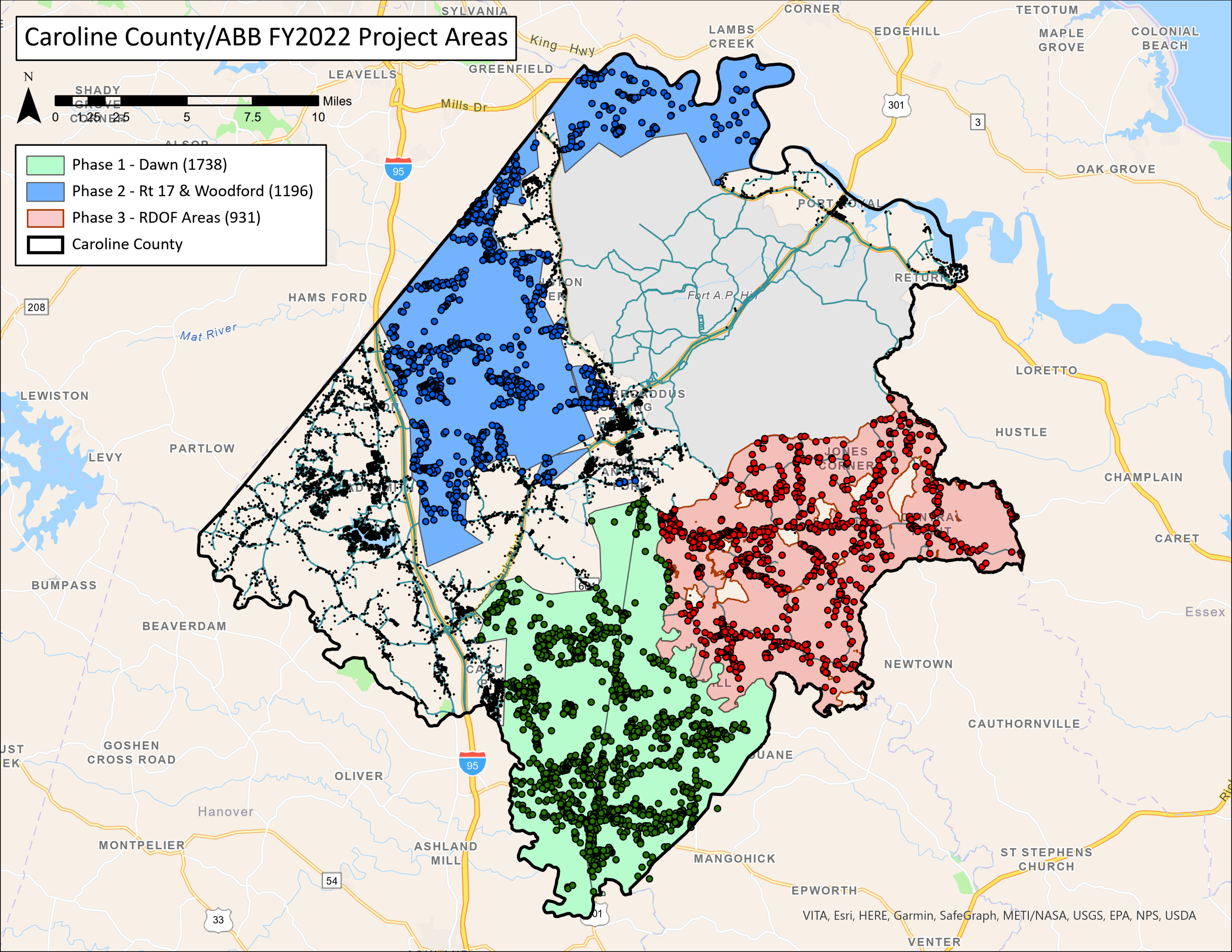
Attachment18CarolineFinancials9142021101119.pdf

Optional

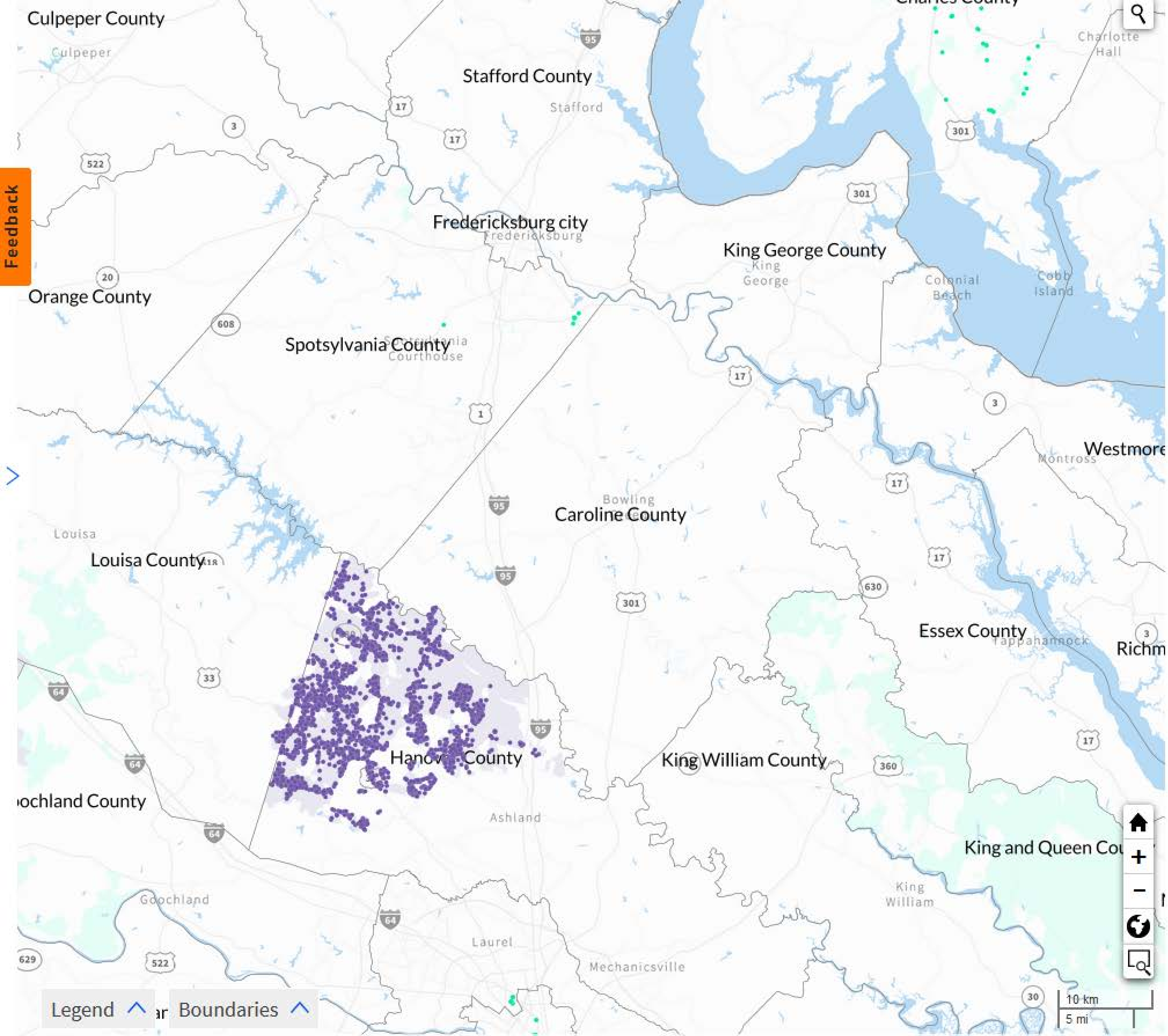
Attachment19PersonnelBios9142021101235.pdf

Optional

Attachment20PlanforUniversalCoverage9142021101347.pdf



Caroline County/ABB FY2022 Project Areas
N
0 1.25 2.5 5 7.5 10 Miles
Phase 1 - Dawn (1738)
Phase 2 - Rt 17 & Woodford (1196)
Phase 3 - RDOF Areas (931)
Caroline County
SYLVANIA
King Hwy
LAMBS CREEK
CORNER
EDGEHILL
TETOTUM
MAPLE GROVE
COLONIAL BEACH
LEAVELLS
GREENFIELD
SHADY GROVE
Mills Dr
95
301
3
OAK GROVE
PORT ROYAL
RETURN
Fort A.P. Hill
HAMS FORD
208
Mat River
LORETTO
LEWISTON
HUSTLE
JONES CORNER
LEVY
PARTLOW
CHAMPLAIN
CARET
BUMPASS
Essex
BEAVERDAM
NEWTOWN
CAUTHORNVILLE
GOSHEN CROSS ROAD
OLIVER
Hanover
MONTPELIER
ASHLAND MILL
MANGOHICK
ST STEPHENS CHURCH
EPWORTH
54
33
VENTER
VITA, Esri, HERE, Garmin, SafeGraph, METI/NASA, USGS, EPA, NPS, USDA



Fund

- ACAM
- ACAM II
- AK Plan
- CAF-BLS
- CAF II
- CAF II Auc
- RBE

State

All States

Company Name

Search Company Name

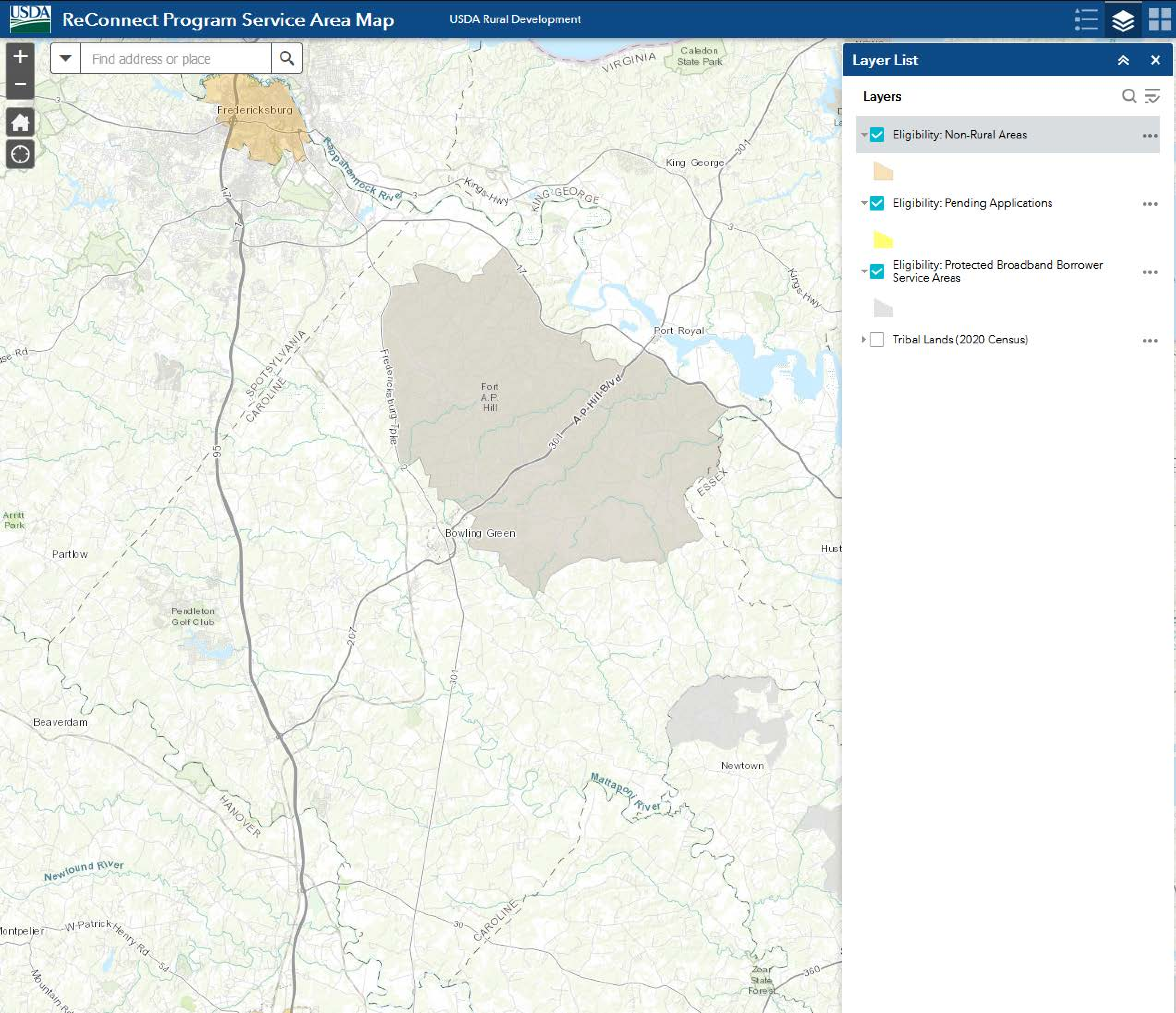
Speed (Applicable only to Local Data)

All Speeds

Deployment Year

All Years

Clear All Filters



USDA
ReConnect Program Service Area Map
USDA Rural Development
Find address or place
Layer List
Layers
Eligibility: Non-Rural Areas
Eligibility: Pending Applications
Eligibility: Protected Broadband Borrower Service Areas
Tribal Lands (2020 Census)
VIRGINIA
Caledon State Park
Fredericksburg
Rappahannock River
Kings-Hwy
KING GEORGE
King George
Port Royal
Fort A.P. Hill
A-P-Hill-Blvd
Fredericksburg-Tpke
SPOTSYLVANIA
CAROLINE
ESSEX
Bowling Green
Arritt Park
Partlow
Pendleton Golf Club
Beaverdam
HANOVER
Newtown
Mattaponi River
Newfound River
W-Patrick-Henry-Rd
Zoar State Forest

2022 Virginia Telecommunication Initiative (VATI)
RDOF Passings Form

Type of Passings	Total Number of Passings in the Project Area that lie within Preliminarily Awarded RDOF Areas [1]
Residential	847
Businesses (non-home based)	5
Businesses (home-based)	75
Community Anchors	4
Non-residential	0
Total Number of RDOF Passings	931

***Note**: The Total Number of RDOF Passings **MUST** be equal to the Residential, Business (non-home based), Non-residential and Community Anchors sum.*

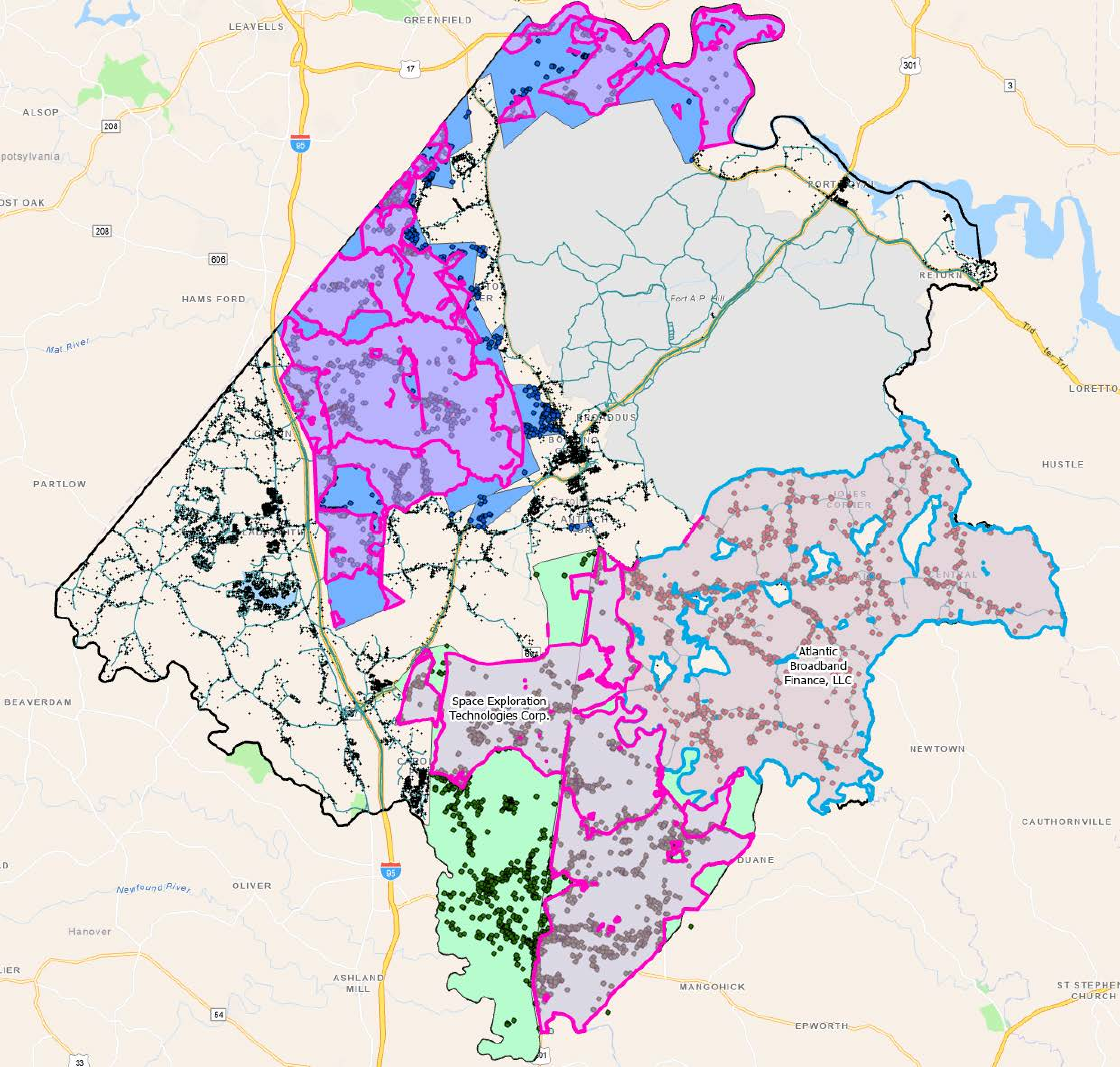
Definitions

Passing – any structure that can receive service. Multi-unit structures may be counted as more than 1 passing, provided individual connections and account are planned at that structure.

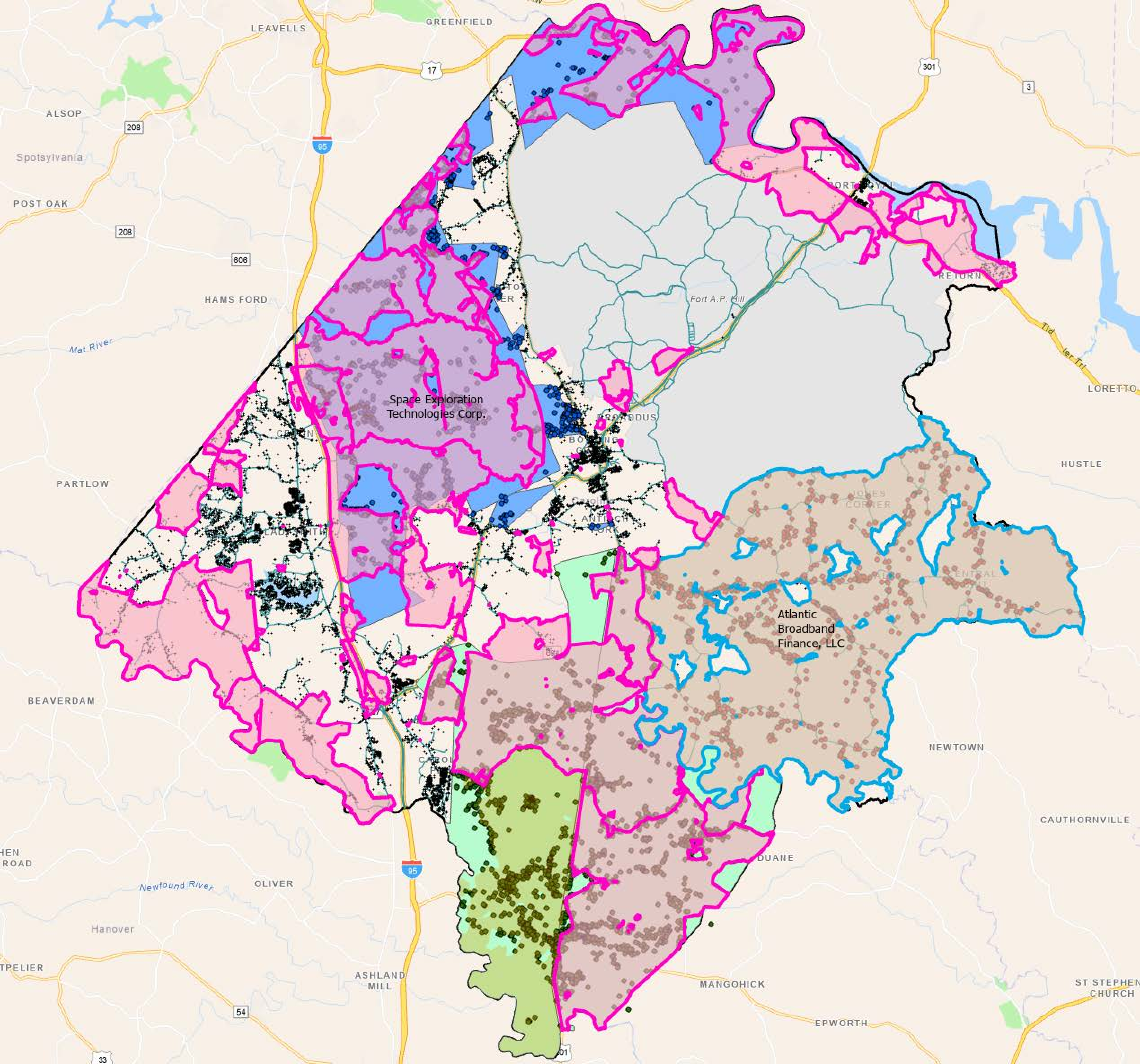
Business – An organization or entity that provides goods or services in order to generate profit. Businesses based in residential homes can count if they are a registered business (BPOL, LLC, etc.).

Community Anchor - schools, libraries, medical and health care providers, public safety entities, community colleges and other institutions of higher education, and other community support organizations and agencies that provide outreach, access, equipment, and support services to facilitate greater use of broadband service by vulnerable populations, including low-income, unemployed, and the aged.

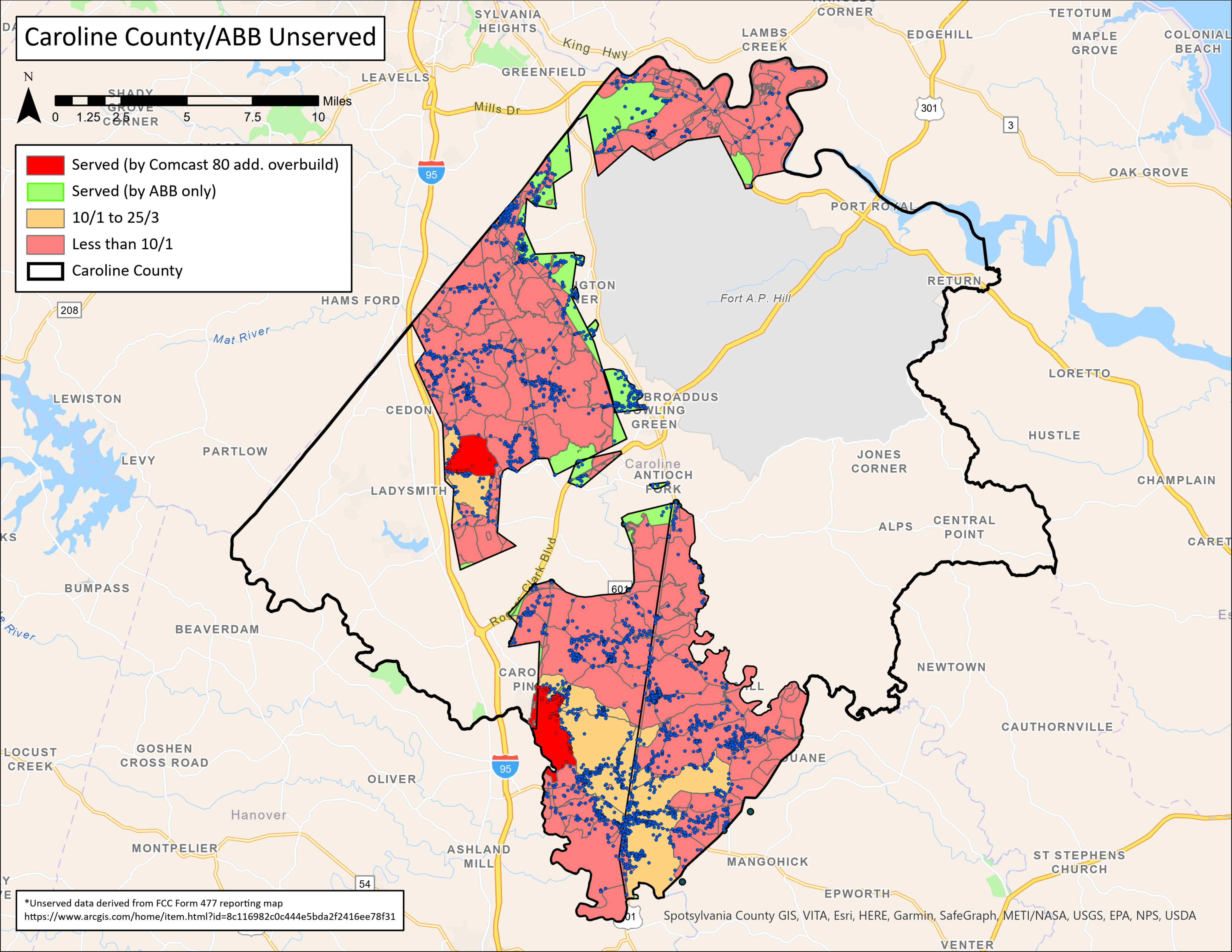
Non-Residential Passing – places of worship, federal, state, or local facilities or other potential customers that are neither a residence, business or a community anchor as defined above.



Atlantic Broadband Finance, LLC
Space Exploration Technologies Corp.
Fort A.P. Hill
LEAVELLS
GREENFIELD
ALSOP
HAMS FORD
PARTLOW
BEAVERDAM
OLIVER
Hanover
ASHLAND MILL
MANGOHICK
EPWORTH
DUANE
NEWTOWN
CAUTHORNVILLE
HUSTLE
LORETTO
RETURN
PORT ROYAL
ST STEPHENS CHURCH
Mat River
Newfound River



LEAVELLS
GREENFIELD
ALSOP
Spotsylvania
POST OAK
HAMS FORD
Mat River
PARTLOW
BEAVERDAM
OLIVER
Newfound River
Hanover
ASHLAND
MILL
MANGOHICK
EPWORTH
DUANE
NEWTOWN
CAUTHORNVILLE
HUSTLE
LORETTO
RETURN
ST STEPHENS
CHURCH
Fort A.P. Hill
BOWLING
Space Exploration
Technologies Corp.
Atlantic
Broadband
Finance, LLC
17
301
3
208
208
606
95
95
54
33


Caroline County/ABB Unserved
N
Miles
0 1.25 2.5 5 7.5 10
Served (by Comcast 80 add. overbuild)
Served (by ABB only)
10/1 to 25/3
Less than 10/1
Caroline County
SYLVANIA HEIGHTS
King Hwy
LAMBS CREEK
EDGEHILL
TETOTUM
MAPLE GROVE
COLONIAL BEACH
LEAVELLS
GREENFIELD
Mills Dr
SHADY GROVE CORNER
95
301
3
OAK GROVE
PORT ROYAL
RETURN
Fort A.P. Hill
HAMS FORD
208
Mat River
LORETTO
LEWISTON
CEDON
BROADDUS
BOWLING GREEN
HUSTLE
PARTLOW
LEVY
JONES CORNER
Caroline
ANTIOCH FORK
CHAMPLAIN
LADYSMITH
ALPS
CENTRAL POINT
BUMPASS
601
BEAVERDAM
NEWTOWN
CAUTHORNVILLE
LOCUST CREEK
GOSHEN CROSS ROAD
OLIVER
Hanover
MONTPELIER
ASHLAND MILL
MANGOHICK
ST STEPHENS CHURCH
54
EPWORTH
VENTER
*Unserved data derived from FCC Form 477 reporting map
https://www.arcgis.com/home/item.html?id=8c116982c0c444e5bda2f2416ee78f31
Spotsylvania County GIS, VITA, Esri, HERE, Garmin, SafeGraph, METI/NASA, USGS, EPA, NPS, USDA

2022 Virginia Telecommunication Initiative (VATI)
Passing Form - ABB/Caroline Phase 1 Dawn

Type of Passings	Total Number of Passings in the Project Area [1]	Passings in the Project Area, without Special Construction Costs Required[2]	Passings with Special Construction Costs budgeted in the Application [3]	Number of Passings with Speeds at 10/1 or below in Project Area [4]
Residential	1560	0	0	1101
Businesses (non-home based)	23	0	0	14
Businesses (home-based)	151	0	0	97
Community Anchors	1	0	0	0
Non-residential	1	0	0	1
Total	1736	0	0	1213

Note*: The Total Number of Passings* ***MUST*** *be equal to the Residential, Business (non-home based), Non-residential and Community Anchors sum.*

Note*: Do not include passings in RDOF awarded areas that were awarded to the co-applicant; these passings should be included in the RDOF Passings Form. Passings included in this application in RDOF awarded areas that were not awarded to the co-applicant, unless successfully challenged, are considered unserved and should be counted as passings in this form.*

[1] The total number of structures in the project area that can receive service. See definition of passing below for more detail.
[2] The number of structures in the project area that will not require special construction costs to provide service to. These passings fall within the broadband provider's standard service connection drop length and do not require nonstandard equipment or any additional fees above normal service connection fees required to provide broadband access to a premise.
[3] The number of structures in the project area with all construction costs budgeted in the application. These passings will not require any additional special construction costs beyond those budgeted for in the VATI application.
[4] The number of structures in the project area that do not have access to internet at speeds of at least 10 mbps download and 1mbps upload.

Definitions

Passing – any structure that can receive service. Multi-unit structures may be counted as more than 1 passing, provided individual connections and account are planned at that structure.

Business – An organization or entity that provides goods or services in order to generate profit. Businesses based in residential homes can count if they are a registered business (BPOL, LLC, etc.).

Community Anchor - schools, libraries, medical and health care providers, public safety entities, community colleges and other institutions of higher education, and other community support organizations and agencies that provide outreach, access, equipment, and support services to facilitate greater use of broadband service by vulnerable populations, including low-income, unemployed, and the aged.

Non-Residential Passing – places of worship, federal, state, or local facilities or other potential customers that are neither a residence, business or a community anchor as defined above.

2022 Virginia Telecommunication Initiative (VATI)

Passing Form - ABB/Caroline Phase 2 WFD RT 17

Type of Passings	Total Number of Passings in the Project Area [1]	Passings in the Project Area, without Special Construction Costs Required[2]	Passings with Special Construction Costs budgeted in the Application [3]	Number of Passings with Speeds at 10/1 or below in Project Area [4]
Residential	1102	0	0	843
Businesses (non-home based)	8	0	0	4
Businesses (home-based)	85	0	0	63
Community Anchors	1	0	0	0
Non-residential	0	0	0	0
Total	1196	0	0	910

***Note**: The Total Number of Passings **MUST** be equal to the Residential, Business (non-home based), Non-residential and Community Anchors sum.*

***Note**: Do not include passings in RDOF awarded areas that were awarded to the co-applicant; these passings should be included in the RDOF Passings Form. Passings included in this application in RDOF awarded areas that were not awarded to the co-applicant, unless successfully challenged, are considered unserved and should be counted as passings in this form.*

[1] The total number of structures in the project area that can receive service. See definition of passing below for more detail.
[2] The number of structures in the project area that will not require special construction costs to provide service to. These passings fall within the broadband provider's standard service connection drop length and do not require nonstandard equipment or any additional fees above normal service connection fees required to provide broadband access to a premise.
[3] The number of structures in the project area with all construction costs budgeted in the application. These passings will not require any additional special construction costs beyond those budgeted for in the VATI application.
[4] The number of structures in the project area that do not have access to internet at speeds of at least 10 mbps download and 1mbps upload.

Definitions

Passing – any structure that can receive service. Multi-unit structures may be counted as more than 1 passing, provided individual connections and account are planned at that structure.

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2022 Virginia Telecommunication Initiative (VATI)
RDOF Passings Form

Type of Passings	Total Number of Passings in the Project Area that lie within Preliminarily Awarded RDOF Areas [1]
Residential	847
Businesses (non-home based)	5
Businesses (home-based)	75
Community Anchors	4
Non-residential	0
Total Number of RDOF Passings	931

***Note**: The Total Number of RDOF Passings __MUST__ be equal to the Residential, Business (non-home based), Non-residential and Community Anchors sum.*

Definitions

Passing – any structure that can receive service. Multi-unit structures may be counted as more than 1 passing, provided individual connections and account are planned at that structure.

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Non-Residential Passing – places of worship, federal, state, or local facilities or other potential customers that are neither a residence, business or a community anchor as defined above.

VATI FY22 Caroline County Estimated Project Timeline

Milestone	Begin Date	End Date
All provided estimated dates are based upon a March 28, 2022 contract execution date with DHCD. 36 Months Timeline - Target Start Date: March 28, 2022 / Target End Date: March 28, 2025 deadline.	**March 28, 2022**	**March 24, 2025**
Milestone 1 - Design (Design Received)	**Date Issued to Walkout**	**Design Received**
Dawn Project - 168 miles	Mar 28, 2022	Aug 15, 2022
Woodford/Rt 17 & Additional Projects Areas - 139 miles	Apr 11, 2022	Aug 29, 2022
ABB RDOF CBG 510330302021 Project Area - 119 miles	Apr 25, 2022	Sep 12, 2022
Milestone 2 - Materials Management (Materials Issued to Field)	**Materials Ordered**	**Materials Issued to Field**
Dawn Project - 168 miles	Aug 29, 2022	Jan 16, 2023
Woodford/Rt 17 & Additional Projects Areas - 139 miles	Sep 12, 2022	Jan 30, 2023
ABB RDOF CBG 510330302021 Project Area - 119 miles	Sep 26, 2022	Feb 13, 2023
Milestone 3 - Permitting (Notice to Proceed Issued to Contractor)	**Begin Permit Application Process**	**Notice to Proceed Issued to Contractor**
Dawn Project - 168 miles	Sep 19, 2022	Feb 6, 2023
Woodford/Rt 17 & Additional Projects Areas - 139 miles	Oct 3, 2022	Feb 20, 2023
ABB RDOF CBG 510330302021 Project Area - 119 miles	Oct 17, 2022	Mar 6, 2023
Milestone 4 - Construction (Splicing Complete)	**Notice to Proceed Issued to Contractor**	**Splicing Completed**
Dawn Project - 168 miles	Feb 6, 2023	May 6, 2024
Woodford/Rt 17 & Additional Projects Areas - 139 miles	Feb 20, 2023	Jun 3, 2024
ABB RDOF CBG 510330302021 Project Area - 119 miles	Mar 6, 2023	Jul 1, 2024
Milestone 5 - Certification (OTDR / Certification)	**Splicing Completed**	**OTDR / Certification**
Dawn Project - 168 miles	May 6, 2024	May 27, 2024
Woodford/Rt 17 & Additional Projects Areas - 139 miles	Jun 3, 2024	Jun 24, 2024
ABB RDOF CBG 510330302021 Project Area - 119 miles	Jul 1, 2024	Jul 22, 2024
Milestone 6 - Release for Installs (Construction Complete)	**OTDR / Certification**	**Construction Complete**
Dawn Project - 168 miles	May 27, 2024	Jun 24, 2024
Woodford/Rt 17 & Additional Projects Areas - 139 miles	Jun 24, 2024	Jul 22, 2024
ABB RDOF CBG 510330302021 Project Area - 119 miles	Jul 22, 2024	Aug 19, 2024
Milestone 7 - Direct Sales/Installations	**Direct Sales & Installations**	**Project Close Out**
Dawn Project - 168 miles	Jun 24, 2024	Feb 3, 2025
Woodford/Rt 17 & Additional Projects Areas - 139 miles	Jul 22, 2024	Mar 3, 2025
ABB RDOF CBG 510330302021 Project Area - 119 miles	Aug 19, 2024	Mar 24, 2025
Any third party delays will be beyond the control of Atlantic Broadband.		

<u>MEMORANDUM OF AGREEMENT</u>

This Memorandum of Agreement sets forth the principal terms with respect to the intent of the county of Caroline within the Commonwealth of Virginia ("**County**") to partner with Atlantic Broadband (Delmar) LLC ("**ABB**"), to provide turnkey expansion, network management and other network-related services with respect to the proposed fiber network for cable video, high speed data, and other telecommunication services (the "**ABB Network Expansion**") to be designed and built by ABB with the proceeds of a grant jointly applied for by the County and ABB subject to the FY2022 Virginia Telecommunication Initiative ("**VATI**") grant managed by Virginia's Department of Housing and Community Development (the "**DHCD**").

Proposed Engagement: Following receipt of a FY 2022 VATI grant (**"VATI Grant"**) and compliance by the County with all applicable grant and legal requirements, the County intends to support ABB in its expansion to unserved areas identified in the VATI Grant application for FY2022 (**"2022 Application"**), and to provide the "**Network Expansion Services"** (as further described below). Such engagement may be structured as a public-private engagement and may be made by the County Broadband Authorities or established advisory group through a Board of Supervisors. If no VATI Grant, issued through the DHCD is awarded to the County, then neither party, to this Memorandum of Agreement, and/or to said grant will have any further obligations to the other. In the event that a partial VATI Grant is award to the parties, then the parties shall work together, in good faith, to identify and agree on revisions to the ABB Network Expansions and Network Expansion Services. Additionally, in the event that the County unilaterally removes itself from this Memorandum of Agreement and/or the VATI Grant, said County agrees that it shall not receive any of the funding from VATI and shall not be entitled to the benefits of this Memorandum of Agreement and/or the VATI Grant. It is understood and agreed by the parties that at all times relevant ABB shall own and control 100% of the cable, fiber, conduit, devices, and other equipment related to and as part of the ABB Network Expansion.

Network Expansion Services: The Network Expansion Services shall include:

design and construction to all proposed areas submitted in the FY2022 VATI grant that are classified unserved by the counties;

1. Turnkey design and construction plans for the following areas as set forth in the 2022 Application: (i) Universal Broadband

Coverage Project Areas (as defined below); and (ii) CBG #510330302021 (as defined below).

2. ABB to operate, maintain, repair and perform other network-related services as are necessary or desirable to properly operate and maintain the ABB Network Expansion; and
3. Providing such other network-related service and support as the County may reasonably require with respect to the ABB Network Expansion and services related thereto.

County Obligations and Financial Contribution:

The County's obligations in connection with the Network Services engagement shall include:

1. A matching commitment of $1,200.00 per each location passed located in the Universal Broadband Coverage Project Areas as set forth in the 2022 Application (in the interest of clarity, the County shall not be obligated to contribute any additional sum per pass to the CBG locations identified above);
2. Provide ABB and its representatives with: (i) reasonable access to any and all County information and personnel required for ABB to perform any work necessary for the ABB Network Expansion and its related services; and (ii) instruct such personnel to cooperate fully and timely with ABB and its representatives.

ABB Financial Contribution:

1. A matching commitment of $1,200.00 per each location passed as set forth "**Universal Broadband Coverage Project Areas"** pursuant to ABB's 2022 Application to include the following: (i) Dawn; (ii) Woodford / Route 17; and (iii) other additional project areas (2022 Application in relevant part attached hereto as Exhibit XX).
2. ABB will contribute $900 per passed location set forth in the Census Block Group (**"CBG"**) #510330302021 (attached hereto as Exhibit XX), of which federal grant funding was awarded to ABB as part of the Federal Communications Commission auction 904: Rural Digital Opportunity Fund Auction. The County shall not be obligated to contribute any additional sum per pass to the CBG locations identified above.

Payment and Expenses:

1. Each party shall bear its own expenses in preparing this 2022 Application Memorandum of Agreement and the execution of its revleent obligations therein.

2. As ABB shall bear 100% of the upfront design, installation and other costs, associated with the ABB Network Expansion, County shall pay its share of its relevant financial contributions by reimbursing ABB after its receipt of submitted applicable invoices, within 30 days, for related ABB Network Expansion services (in the interest of clarity, the parties hereto understand and agree that ABB shall be reimbursed by DHCD via payment from the County upon DHCD's receipt of applicable completed remittance and supporting documentation pursuant to the VATI Grant agreement).

Governing Law: The laws of the Commonwealth of Virginia shall govern this Memorandum of Agreement and all disputes between the parties arising with respect to it.

EXECUTED as of September __, 2021.

Caroline County By:______________________________ [Name/Title] Address: ____________________________ ____________________________ Attn:________________________ Email: _______________________
Atlantic Broadband (Delmar) LLC By:______________________________ [Name/Title] Address: ____________________________ ____________________________ Attn:________________________ Email: _______________________

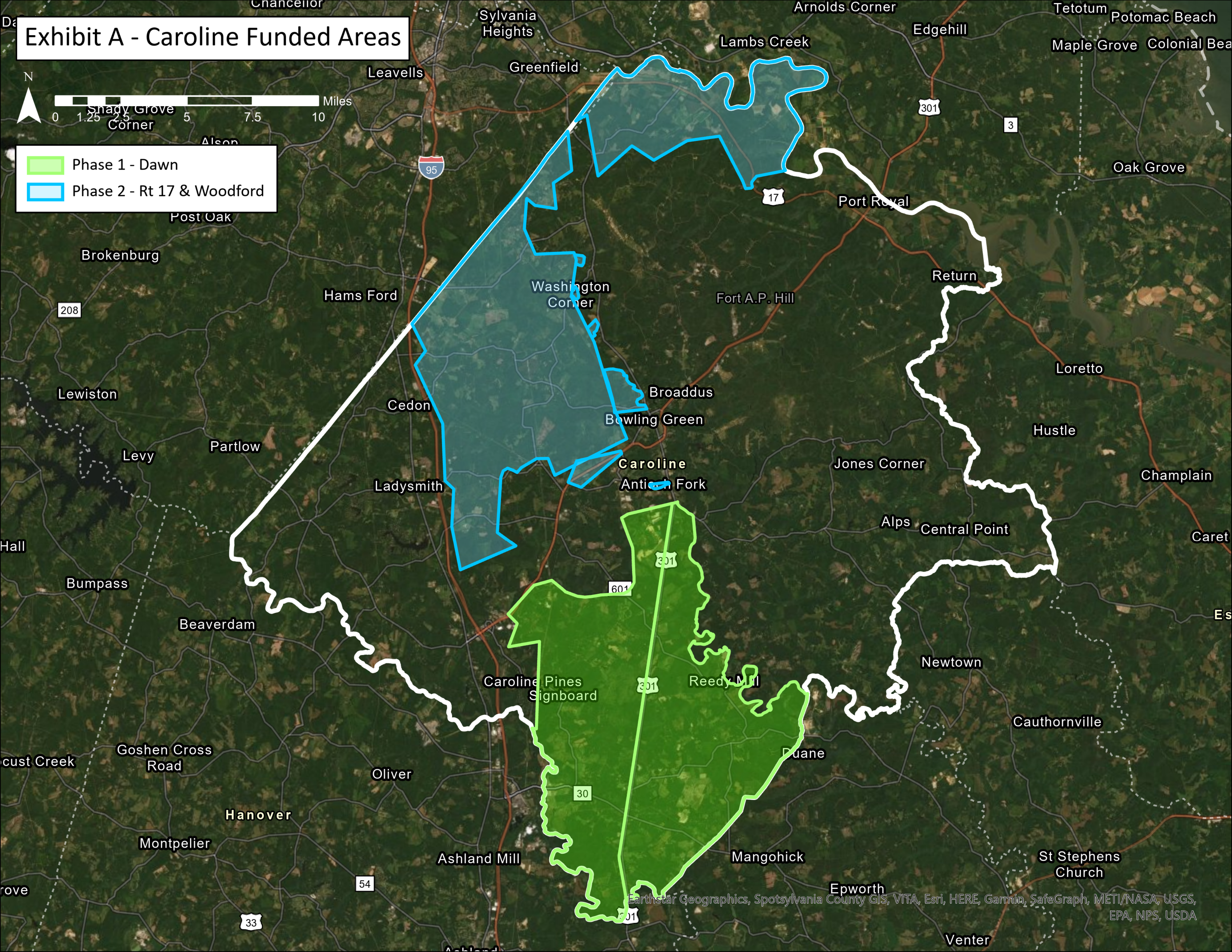
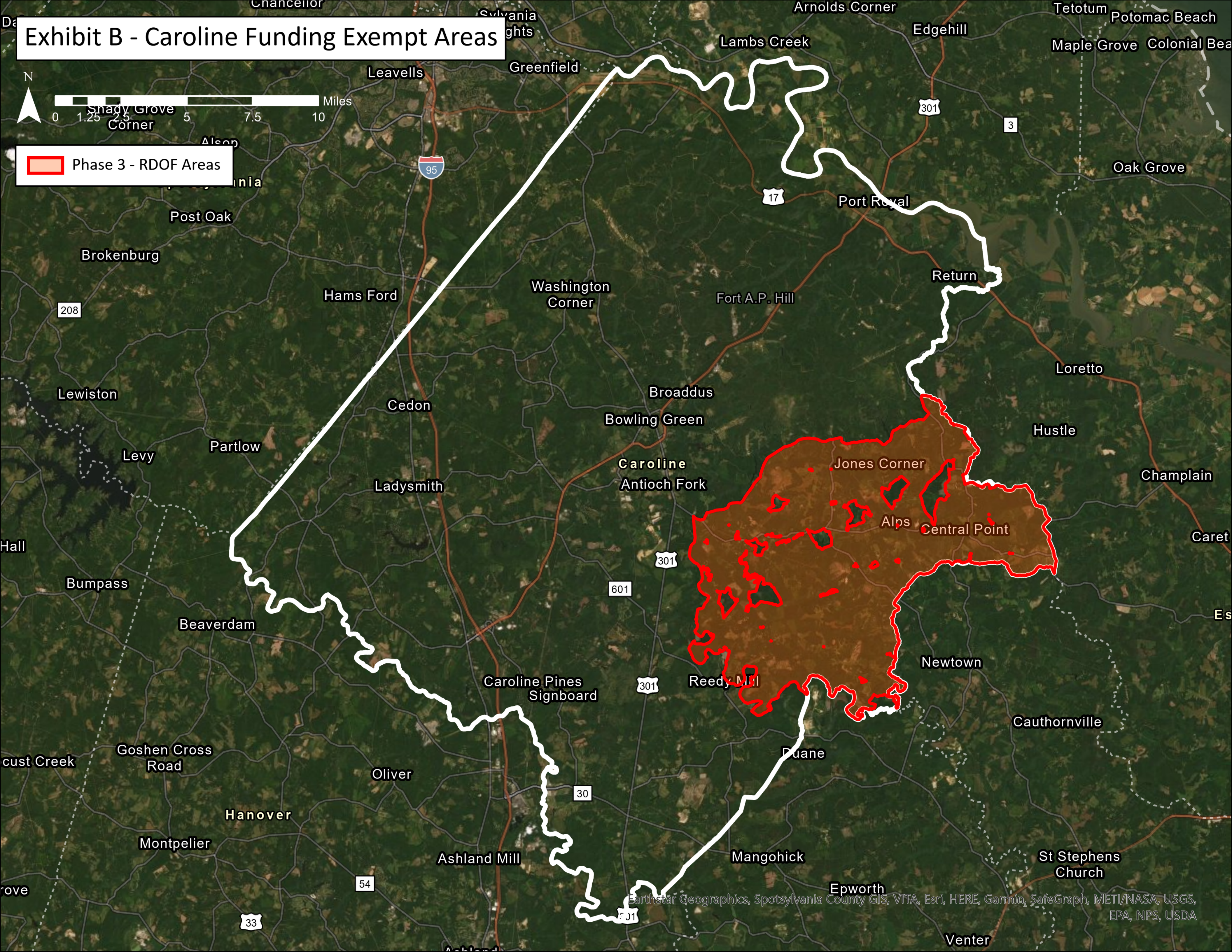


Exhibit A - Caroline Funded Areas
N
0
1.25
2.5
5
7.5
10
Miles
Phase 1 - Dawn
Phase 2 - Rt 17 & Woodford
Chancellor
Sylvania Heights
Arnolds Corner
Tetotum
Potomac Beach
Edgehill
Lambs Creek
Maple Grove
Colonial Bea
Leavells
Greenfield
Shady Grove Corner
Alsop
Post Oak
Oak Grove
Port Royal
Brokenburg
Hams Ford
Washington Corner
Fort A.P. Hill
Return
Loretto
Lewiston
Cedon
Broaddus
Bowling Green
Hustle
Levy
Partlow
Caroline
Jones Corner
Champlain
Ladysmith
Antioch Fork
Hall
Alps
Central Point
Caret
Bumpass
Beaverdam
Newtown
Caroline Pines Signboard
Reedy Mill
Cauthornville
Goshen Cross Road
Duane
Oliver
Hanover
Montpelier
Ashland Mill
Mangohick
St Stephens Church
Epworth
Venter
95
301
3
17
208
601
30
54
33
Earthstar Geographics, Spotsylvania County GIS, VITA, Esri, HERE, Garmin, SafeGraph, METI/NASA, USGS, EPA, NPS, USDA

Exhibit B - Caroline Funding Exempt Areas



VATI FUNDING SOURCES TABLE

Please fill in the chart below with a description of the project funding source (local, federal, state, private, other), the amount from that source, the percentage of total project funding that source represents, and a description of the current status of the funds (pending, secured, etc.).

SOURCE	AMOUNT	%	STATUS
REQUESTED VATI	$20,654,959.82	66	Pending
ATLANTIC BROADBAND	$7,065,515.00	23	COMMITTED
CAROLINE COUNTY	$3,518,400.00	11	COMMITTED
	$		
	$		
	$		
	$		
TOTAL	**$ 31,238,874.82**	**100 %**	

Caroline County, Virginia
Board of Supervisors

Caroline County, VA
All-America City
2009

September 13, 2021

COUNTY OF CAROLINE, TO-WIT:

At a meeting of the Caroline County Board of Supervisors on September 7, 2021, at the Community Services Center, Milford, Virginia beginning at the hour of 6:00 p.m.

PRESENT: Reginald L. Underwood – Chairman
Jeffrey S. Black – Vice-Chair
Nancy L. Long
Jeffery M. Sili

ABSENT: Floyd W. Thomas
Clayton T. Forehand

Supervisor Sili moved and Vice-Chair Black seconded to authorize staff to move forward with the proposed plan for universal broadband coverage developed by the Caroline Broadband Advisory Committee and to submit a Fiscal Year 2022 VATI grant application for the following projects as presented:

- ***Project #1***
  Location: ***Jericho Road/ Anderson Mill Road and Nearby Vicinity***
  Service Provider: ***Comcast***
  Approximate Mileage: ***47.65 miles***
  Estimated Homes Passed: ***361***
  Estimated County Contribution: ***$433,200 ($1,200 per passing)***
  Comcast Contribution: ***$477,588.56 ($1,322.96 per passing)***

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

- ***<u>Project #2 (Phase 1)</u>***
  Location: ***Ruther Glen/Dawn***
  Service Provider: ***Atlantic Broadband***
  Approximate Mileage: ***168.29 miles***
  Estimated Homes Passed: ***1,738***
  Estimated County Contribution: ***$2,085,600 ($1,200 per passing)***
  Estimated Atlantic Broadband Contribution: ***$2,085,600 ($1,200 per passing)***

- ***<u>Project #2 (Phase 2)</u>***
  Location: ***Woodford, Route 17 & Additional Project Areas***
  Service Provider: ***Atlantic Broadband***
  Approximate Mileage: ***139.63 miles***
  Estimated Homes Passed: ***1,197***
  Estimated County Contribution: ***$1,436,400 ($1,200 per passing)***
  Estimated Atlantic Broadband Contribution: ***$1,436,400 ($1,200 per passing)***

- ***<u>Project #2 (Phase 3)</u>***
  Location: ***Sparta, Central Point, Passing (south of Fort. A.P. Hill to Rt. 600)***
  Service Provider: ***Atlantic Broadband***
  Approximate Mileage: ***119.06 miles***
  Estimated Homes Passed: ***931***
  Estimated County Contribution: ***$0***
  Estimated Atlantic Broadband Contribution: ***$837,900 ($900 per passing)***

  Note: This portion of the project is part of the RDOF auction awarded to Atlantic Broadband by the Federal Communications Commission. The Rural Digital Opportunity Fund (RDOF) is an FCC program designed to close the digital divide in the United States by investing billions of dollars in the construction of rural broadband networks.

Roll Call Vote:	***Black***	***Yea***
	Long	***Yea***
	Sili	***Yea***
	Underwood	***Yea***

Charles M. Culley, Jr.
Clerk to the Board

ROBERT J. WITTMAN
1st District, Virginia

HOUSE ARMED SERVICES COMMITTEE
Ranking Member, Seapower and Projection Forces
Tactical Air and Land Forces

NATURAL RESOURCES COMMITTEE
Water, Oceans, and Wildlife

CO-CHAIR, CONGRESSIONAL
SHIPBUILDING CAUCUS

CO-CHAIR, CONGRESSIONAL
CHESAPEAKE BAY WATERSHED TASK FORCE

CO-CHAIR, CONGRESSIONAL
PUBLIC HEALTH CAUCUS

CO-CHAIR, CONGRESSIONAL
RURAL BROADBAND CAUCUS

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON OFFICE:
2055 Rayburn House Office Building
Washington, DC 20515
(202) 225-4261

DISTRICT OFFICES:

Stafford Office
95 Dunn Drive Suite 201
Stafford, VA 22556
(540) 659-2734

Mechanicsville Office
6501 Mechanicsville Turnpike Suite 102
Mechanicsville, VA 23111
(804) 730-6595

Middle Peninsula Office
508 Church Lane
P.O. Box 3106
Tappahannock, VA 22560
(804) 443-0668

www.wittman.house.gov

September 7, 2021

Tamarah Holmes, Ph.D.
Director, Office of Broadband
Department of Housing and Community Development
600 East Main Street, Suite 300
Richmond, VA 23219

Dear Director Holmes:

I am writing in support of the Caroline County FY 2022 Virginia Department of Housing and Community Development Virginia Telecommunication Initiative (VATI) grant applications to expand high-speed broadband availability in the First Congressional District through a partnership with Comcast and Atlantic Broadband. Approval of this application would help meet the critical need to buildout high-speed broadband service to residents of Caroline County.

As we all know, broadband is now a necessity, not a luxury. With the ongoing threat of the COVID-19 pandemic causing a disruption to our daily lives, citizens need access to the internet now more than ever. I am proud to support the applications from Caroline County, and support the County's efforts to provide universal coverage to all its residents.

I appreciate the time and effort that Caroline County's leaders have devoted throughout the years to develop a plan to reach the entire county with broadband infrastructure in an effort to bridge the digital divide. Caroline County will greatly benefit from the broadband expansion outlined in the grant applications. Access to VATI grant funds will make it possible for Caroline residents to conduct business and access educational, telemedicine and economic development opportunities in a quickly changing environment.

With both Comcast and Atlantic Broadband as its partners, Caroline has devised an efficient and effective way to expand broadband access to over 4,500 homes that currently do not have an internet connection available. These are well-planned applications to finally bring an available broadband internet connection to everyone within the county. At times, our rural families have been overlooked.

Thank you for your consideration of the Caroline County applications. Moreover, if you have any concerns or questions, please do not hesitate to contact my office.

Sincerely,

Robert J. Wittman
Member of Congress

CAROLINE COUNTY SCHOOL BOARD

Caroline County Public Schools

George L. Spaulding, Jr.
Bowling Green

Nancy G. Carson
Mattaponi

JoWanda Rollins-Fells, Ph.D.
Reedy Church

Shawn M. Kelley
Madison

Calvin B. Taylor, Sr.
Port Royal

John I. Copeland
Western Caroline

Sarah Calveric, Ph.D.
Superintendent

16261 Richmond Turnpike
Bowling Green, VA 22427

Office (804) 633-5088
Fax (804) 633-5563

September 8, 2021

Tamarah Holmes Ph.D.
Director, Office of Broadband
600 East Man St. Suite 300
Richmond. VA 23219

Dear Dr. Holmes,

I am writing in reference to the grant applications submitted by Caroline County for the VATI 2022 grant cycle. As we all know, broadband is now a necessity, not a luxury. With the ongoing threat of the COVID-19 pandemic causing a disruption to our daily lives, it is clear that citizens need access to the internet now more than ever. I am proud to support the applications from Caroline County, and support the County's efforts to provide universal coverage to all of its residents.

I acknowledge and appreciate the time and effort that Caroline County's leaders have devoted throughout the years to develop a plan to reach the entire county with broadband infrastructure in an effort to bridge the digital divide. Caroline County and its citizens will greatly benefit from the broadband expansion outlined in the grant applications. Access to VATI grant funds will make it possible for Caroline citizens to conduct business and access educational, telemedicine and economic development opportunities in a quickly changing environment.

With both Comcast and Atlantic Broadband as its partners, Caroline has devised an efficient and effective way to expand broadband access to over 4,500 homes that currently do not have an internet connection available. This is a well-planned application to finally bring an available broadband internet connection to everyone within the county. At times, our rural families have been overlooked. Without assistance from VATI funding, Caroline County will not be able to complete this project for many years to come.

I wholeheartedly endorse the Caroline County VATI grant applications and offer my enthusiastic support.

Respectfully,

Sarah B. Calveric, Ph.D.

Dr. Sarah Calveric
Superintendent of Caroline County Public Schools

COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

HYLAND F. "BUDDY" FOWLER, JR.
116 NORTH RAILROAD AVENUE
SUITE 13
ASHLAND, VIRGINIA 23005

FIFTY-FIFTH DISTRICT

COMMITTEE ASSIGNMENTS:
GENERAL LAWS
FINANCE
HEALTH, WELFARE AND INSTITUTIONS

September 7, 2021

Tamarah Holmes Ph.D.
Director, Office of Broadband
600 East Man St. Suite 300
Richmond. VA 23219

Dear Dr. Holmes,

I am writing in reference to the grant applications submitted by Caroline County for the VATI 2022 grant cycle. As we all know, broadband is now a necessity, not a luxury. With the ongoing threat of the COVID-19 pandemic causing a disruption to our daily lives, it has become clear that citizens need access to the internet now more than ever. I am proud to support the applications from Caroline County and support the County's efforts to provide universal coverage to all of its residents.

I acknowledge and appreciate the time and effort that Caroline County's leaders have devoted throughout the years to develop a plan to reach the entire county with broadband infrastructure that is intended to bridge the digital divide. Caroline County and its citizens will greatly benefit from the broadband expansion outlined in the grant applications. Access to VATI grant funds will make it possible for Caroline citizens to conduct business and access educational, telemedicine and economic development opportunities in a rapidly changing environment.

With both Comcast and Atlantic Broadband as its partners, Caroline has devised an efficient and effective way to expand broadband access to over 4,500 homes that currently do not have an internet connection available. I believe Caroline County has submitted a well-planned application to finally bring an available broadband internet connection to everyone within the county. Virginia's rural families have faced nearly impossible challenges with respect to expanding Broadband coverage, until now. Without assistance from VATI funding, Caroline County will not be able to complete this project for many years to come. For this reason, I wholeheartedly endorse the Caroline County VATI grant applications and offer my enthusiastic support.

Respectfully,

Buddy

Hyland F. Fowler, Jr.

DISTRICT: (804) 305-8867 • RICHMOND: (804) 698-1055 • DELBFOWLER@HOUSE.VIRGINIA.GOV

GEORGE WASHINGTON
REGIONAL COMMISSION

George Washington Regional Commission
406 Princess Anne Street
Fredericksburg, Virginia 22401
(540) 373-2890
Fax (540) 899-4808
www.gwregion.org

September 9, 2021

Tamarah Holmes, Ph.D.
Director, Office of Broadband
Virginia Department of Housing & Community Development
600 East Main Street, Suite 300
Richmond, VA 23219

Dear Dr. Holmes,

I am writing in reference to the grant applications submitted by Caroline County for the VATI 2022 grant cycle. As we all know, broadband is now a necessity, not a luxury. With the ongoing threat of the COVID-19 pandemic causing a disruption to our daily lives, it is clear that citizens need access to the internet now more than ever. I wish to express support for the applications from Caroline County as well as the County's efforts to provide universal coverage to all of its residents.

The George Washington Regional Commission (GWRC) serves Virginia Planning District 16, which includes the City of Fredericksburg and Caroline, King George, Spotsylvania, and Stafford Counties. Our mission is to coordinate planning to ensure economic competitiveness, reduce redundancy in government, improve efficiency, enhance services, and improve implementation time of regional projects. One important duty of the Virginia Planning District Commissions is to create strategic plans for their regions of service. GWRC's current strategic plan identifies promoting rural broadband internet solutions as a major need and priority within the region.

I acknowledge and appreciate the time and effort that Caroline County's leaders have devoted throughout the years to develop a plan to reach the entire county with broadband infrastructure in an effort to bridge the digital divide. Caroline County and its citizens will greatly benefit from the broadband expansion outlined in the grant applications. Access to VATI grant funds will make it possible for Caroline citizens to conduct business and access educational, telemedicine, and economic development opportunities in a quickly changing environment.

With both Comcast and Atlantic Broadband as its partners, Caroline has devised an efficient and effective way to expand broadband access to over 4,500 homes that currently do not have an internet connection available, finally bringing an available broadband internet connection to everyone within the county. Without assistance from VATI funding, Caroline County will not be able to complete this project for many years to come.

The efforts of Caroline County in pursuit of achieving universal broadband coverage for all of its residents will further the goals of GWRC's strategic plan and be of great benefit to our region.

Sincerely,

KGibson

Kate Gibson
Interim Executive Director

September 7, 2021

Tamarah Holmes Ph.D.
Director, Office of Broadband
600 East Man St. Suite 300
Richmond. VA 23219

Dear Dr. Holmes,

I am writing in reference to the grant applications submitted by Caroline County for the VATI 2022 grant cycle. Broadband is a necessity, now more critically, with the ongoing threat of the COVID-19 pandemic causing a disruption in how we live. Essential shopping, off site employment, and education are required in normal times, and now essential during the global health crisis. I support the applications from Caroline County to provide universal internet coverage to all of its residents, and urge the complete funding of the application.

Caroline County and its citizens will greatly benefit from the broadband expansion outlined in the grant applications. Access to VATI grant funds will make it possible for Caroline citizens to conduct business and access educational, telemedicine and economic development opportunities in a quickly changing environment. As rural electrification spurred the American economy, and enhanced the quality of life for its citizens, so too will the equitable access to the internet for citizens outside urban centers. Currently excluded, Caroline citizens are especially in need of this utility.

With both Comcast and Atlantic Broadband as its partners, Caroline can expand broadband access to over 4,500 homes that currently do not have an internet connection available. Without VATI funding, Caroline County will not be able to complete this project, limiting the future of its citizens.

I emphatically endorse the Caroline County VATI grant applications and offer my enthusiastic support, and the resources of my office.

Sincerely,

Gary R. Wilson
Director, Caroline County
Department of Economic Development

23724 Rogers Clark Blvd., Ruther Glen, VA 22546 804.633.4074 GWilson@co.caroline.va.us

TOTAL OF ALL PROJECTS IN CAROLINE COUNTY
DERIVATION OF COSTS VATI FY22

Product	Total	VATI	Non-VATI	Source of Estimate	Date
OSP Construction Labor, Materials & Pole Permits	**$ 29,718,710.80**	**$ 19,611,008.93**	**$ 10,107,701.86**	ABB Supporting Cost Estimate	9/9/2021
Hubsite and Headend Electronics	**$ 866,439.02**	**$ 571,752.37**	**$ 294,686.65**	ABB Supporting Cost Estimate	9/9/2021
Miscellaneous (Field Engineering, Design and Maps)	**$ 533,725.00**	**$ 352,198.51**	**$ 181,526.49**	ABB Supporting Cost Estimate	9/9/2021
Low to Moderate Income ("LMI") Potential Long Drops	**$ 120,000.00**	**$ 120,000.00**	**$ -**	ABB Supporting Cost Estimate	9/9/2021
	$ -	$ -	$ -		
	$ -	$ -	$ -		
	$ -	$ -	$ -		
	$ -	$ -	$ -		
	$ -	$ -	$ -		
	$ -	$ -	$ -		
	$ -	$ -	$ -		
	$ -	$ -	$ -		
	$ -	$ -	$ -		
	$ -	$ -	$ -		
TOTAL OF ALL PROJECTS	**$ 31,238,874.82**	**$ 20,654,959.82**	**$ 10,583,915.00**		

Total Percentage without LMI Special Construction Cost Ask	100.000%
VATI Percentage without LMI Special Construction Cost Ask	65.989%
Non-VATI Percentage (County and ABB) without LMI Special Construction Cost Ask	34.011%

Total Percentage with LMI Special Construction Cost Ask	100.000%
VATI Percentage with LMI Special Construction Cost Ask	66.104%
Non-VATI Percentage (County and ABB) with LMI Special Construction Cost Ask	33.896%

VATI Contribution	**$ 20,654,959.82**
ABB Contribution	**$ 7,065,515.00**
County Contribution	**$ 3,518,400.00**
Total	**$ 31,238,874.82**

DERIVATION OF COSTS VATI FY22 - CAROLINE COUNTY
Project Area: Dawn

Product	Total	VATI	Non-VATI	Source of Estimate	Date
OSP Construction Labor, Materials & Pole Permits	**$ 11,713,385.36**	**$ 7,744,371.76**	**$ 3,969,013.60**	ABB Supporting Cost Estimate	9/9/2021
Hubsite and Headend Electronics	**$ 372,165.85**	**$ 246,059.58**	**$ 126,106.27**	ABB Supporting Cost Estimate	9/9/2021
Miscellaneous (Field Engineering, Design and Maps)	**$ 210,362.50**	**$ 139,082.37**	**$ 71,280.13**	ABB Supporting Cost Estimate	9/9/2021
Low to Moderate Income ("LMI") Potential Long Drops (Special Construction Costs)	**$ 120,000.00**	**$ 120,000.00**	**$ -**	ABB Supporting Cost Estimate	9/9/2021
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
TOTALS	**$ 12,415,913.71**	**$ 8,249,513.71**	**$ 4,166,400.00**		

Total Percentage without LMI Special Construction Cost Ask	100.000%
VATI Percentage without LMI Special Construction Cost Ask	66.116%
Non-VATI Percentage (County and ABB) without LMI Special Construction Cost Ask	33.884%

Total Percentage with LMI Special Construction Cost Ask	100.000%
VATI Percentage with LMI Special Construction Cost Ask	66.443%
Non-VATI Percentage (County and ABB) with LMI Special Construction Cost Ask	33.557%

VATI Contribution	$ 8,249,513.71
ABB Contribution	$ 2,083,200.00
County Contribution	$ 2,083,200.00
Total	**$ 12,415,913.71**

DERIVATION OF COSTS VATI FY22 - CAROLINE COUNTY
Project Area: Woodford & Rt 17 & Additional Project Areas

Product	Total	VATI	Non-VATI	Source of Estimate	Date
OSP Construction Labor, Materials & Pole Permits	**$ 9,718,396.83**	**$ 6,974,009.57**	**$ 2,744,387.26**	ABB Supporting Cost Estimate	9/9/2021
Hubsite and Headend Electronics	**$ 271,697.56**	**$ 194,972.63**	**$ 76,724.93**	ABB Supporting Cost Estimate	9/9/2021
Miscellaneous (Field Engineering, Design and Maps)	**$ 174,537.50**	**$ 125,249.69**	**$ 49,287.81**	ABB Supporting Cost Estimate	9/9/2021
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
TOTALS	**$ 10,164,631.89**	**$ 7,294,231.89**	**$ 2,870,400.00**		

Total Percentage	100.000%
VATI Percentage	71.761%
Non-VATI Percentage (County and ABB)	28.239%

VATI Contribution	$ 7,294,231.89
ABB Contribution	$ 1,435,200.00
County Contribution	$ 1,435,200.00
Total	$ 10,164,631.89

DERIVATION OF COSTS VATI FY22 - CAROLINE COUNTY
Project Area - ABB RDOF CBG 510330302021

Product	Total	VATI	Non-VATI	Source of Estimate	Date
OSP Construction Labor, Materials & Pole Permits	**$ 8,286,928.61**	**$ 4,891,967.76**	**$ 3,394,960.86**	ABB Supporting Cost Estimate	9/9/2021
Hubsite and Headend Electronics	**$ 222,575.61**	**$ 131,391.59**	**$ 91,184.02**	ABB Supporting Cost Estimate	9/9/2021
Miscellaneous (Field Engineering, Design and Maps)	**$ 148,825.00**	**$ 87,854.88**	**$ 60,970.12**	ABB Supporting Cost Estimate	9/9/2021
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
	$ -	**$ -**	**$ -**		
TOTALS	**$ 8,658,329.22**	**$ 5,111,214.22**	**$ 3,547,115.00**		

Total Percentage	100.000%
VATI Percentage	59.032%
Non-VATI Percentage (ABB Only)	40.968%

VATI Contribution	$ 5,111,214.22
ABB Contribution	$ 3,547,115.00
County Contribution	$ -
Total	$ 8,658,329.22

Dawn Project Area
& LMI Special Construction Cost
VATI FY22 Cost Estimate

County, State	Caroline County, VA	**Total HP**
		1736

Construction		
Cable Materials	$	4,653,568.54
Electronics	$	372,165.85
Permits/Design	$	289,826.50
Labor	$	6,980,352.81
LMI Special Construction Long Drop Cost (in Existing ABB Footprint)	$	120,000.00
Total Construction Costs	**$**	**12,415,913.71**
Total Mileage		**168.29**

ATLANTIC broadband

CABLE MATERIALS COST ESTIMATE

Item Description	Quantity	Cost
Aerial Materials - Cable and Hardware	1	$ 2,174,697.23
OSP Underground Materials - Conduict, Fiber, Materials, Peds, etc.	1	$ 2,478,871.31
		$ 4,653,568.54
	TOTAL	**$ 4,653,568.54**

ELECTRONICS COST ESTIMATE

Item Description	Quantity	Cost
Hubsite	1	$ 50,000.00
CALIX Units	1	$ 322,165.85
	TOTAL	**$ 372,165.85**

PERMITS/DESIGN COST ESTIMATE

Item Description	Cost
Permits	$ 79,464.00
Design	$ 210,362.50
Total	**$ 289,826.50**

LABOR COST ESTIMATE

Item Description	Quantity	Total
Aerial	1	$ 3,262,045.85
Trenching Up to 36" >600'	1	$ 2,352,764.88
Dir Boring up to 2" Prior Approval	1	$ 1,365,542.08
	TOTAL	**$ 6,980,352.81**

ATLANTIC broadband

Low to Moderate Income ("LMI") Long Drops "Special Construction Cost" off Existing ABB Footprint

Item Description	Cost
LMI Special Construction Cost - 60 homes	$ 120,000.00
Total	**$ 120,000.00**

Woodford/Rt 17/Additional Project Areas
VATI FY22 Cost Estimate

County, State	Caroline County, VA
Total HP	1196

Construction

Cable Materials	$	3,861,059.94
Electronics	$	271,697.56
Permits/Design	$	240,284.50
Labor	$	5,791,589.89
Total Construction Costs	**$**	**10,164,631.89**
Total Mileage		**139.63**

ATLANTIC broadband

CABLE MATERIALS COST ESTIMATE

Item Description	Quantity	Total
Aerial Materials - Cable and Hardware	1	$ 1,804,343.55
OSP Underground Materials - Conduict, Fiber, Materials, Peds, etc.	1	$ 2,056,716.39
		$ 3,861,059.94
	Total	$ 3,861,059.94

ELECTRONICS COST ESTIMATE

Item Description	Quantity	Total
Hubsite	1	$ 50,000.00
CALIX Units	1	$ 221,697.56
	Total	**$ 271,697.56**

PERMITS/DESIGN COST ESTIMATE

Item Description	Total
Permits	$ 65,747.00
Design	$ 174,537.50
Total	**$ 240,284.50**

LABOR COST ESTIMATE

Item Description	Quantity	Total
Aerial	1	$ 2,706,515.31
Trenching Up to 36" >600'	1	$ 1,952,086.04
Dir Boring up to 2" Prior Approval	1	$ 1,132,988.54
	Total	$ 5,791,589.89

ABB RDOF CBG 510330302021 Project Area
VATI FY22 Cost Estimate

County, State	Caroline County, VA	**Total HP**
		931

Construction

Cable Materials	$	3,292,256.64
Electronics	$	222,575.61
Permits/Design	$	205,112.00
Labor	$	4,938,384.97
Total Construction Costs	**$**	**8,658,329.22**
Total Mileage		**119.06**

ATLANTIC
broadband

ATLANTIC broadband

CABLE MATERIALS COST ESTIMATE

Item Description	Quantity	Total
Aerial Materials - Cable and Hardware	1	$ 1,538,531.42
OSP Underground Materials - Conduict, Fiber, Materials, Peds, etc.	1	$ 1,753,725.23
		$ 3,292,256.64
	Total	$ 3,292,256.64

ELECTRONICS COST ESTIMATE

Item Description	Quantity	Total
Hubsite	1	$ 50,000.00
CALIX Units	1	$ 172,575.61
	Total	**$ 222,575.61**

ATLANTIC broadband

PERMITS/DESIGN COST ESTIMATE

Item Description	Total
Permits	$ 56,287.00
Design	$ 148,825.00
Total	**$ 205,112.00**

ATLANTIC broadband

LABOR COST ESTIMATE

Item Description	Quantity	Total
Aerial	1	$ 966,079.03
Trenching Up to 36" >600'	1	$ 1,664,508.81
Dir Boring up to 2" Prior Approval	1	$ 2,307,797.13
	Total	$ 4,938,384.97

VATI FY22 Caroline County Cost Estimates

Project	Description	Cost	Percentage
Dawn Project			
Mileage	168.29		
Passings	1,736 (Not including LMI Long Drops)		
Total Dawn Project Cost (Excluding LMI Long Drops)		$12,295,913.71	
LMI Long Drop Ask to VATI	60 passings at $2,000 per HP	$120,000.00	
Total of Dawn and LMI Potential Long Drops Project		**$12,415,913.71**	100%
County Contribution @ $1,200 per passing		$2,083,200.00	16.78%
ABB Contribution @ $1,200 per passing		$2,083,200.00	16.78%
Remaining Ask to VATI		$8,249,513.71	66.44%
Woodford/Rt 17 & Additional Projects Areas			
Mileage	139.63		
Passings	1196		
Total of Woodford/Rt 17 & Additional Projects Areas		**$10,164,631.89**	100%
County Contribution @ $1,200 per passing		$1,435,200.00	14.12%
ABB Contribution @ $1,200 per passing		$1,435,200.00	14.12%
Remaining Ask to VATI		$7,294,231.89	71.76%
ABB RDOF CBG 510330302021			
Mileage	119.06		
Passings	931		
Total of ABB RDOF CBG 510330302021 Project		**$8,658,329.22**	100%
County Contribution		$0.00	0%
ABB Contribution @ $900 per passing (931 passings with RDOF)		$837,900.00	9.68%
ABB RDOF Subsidy (will be combined and listed as ABB Contribution)		$2,709,215.00	31.29%
Remaining Ask to VATI		$5,111,214.22	59.03%
Total of All Projects-Dawn, Woodford, Rt 17 & ABB RDOF & LMI			
Total Mileage	426.98		
Total Passings	3,863 (not including 60 LMI locations)		
Total of All Projects-Dawn, Woodford, Rt 17 & ABB RDOF (including LMI)		**$31,238,874.82**	100%
County Contribution @ $1,200 per passing	Based on 2,932 passings (excluding RDOF)	$3,518,400.00	11.26%
ABB Contribution @ $1,200 per passing and $900 per passing in RDOF	Based on 3,863 passings total (including RDOF)	$4,356,300.00	13.95%
ABB RDOF Subsidy (will be combined and listed as ABB Contribution)		$2,709,215.00	8.67%
Total Ask to VATI		**$20,654,959.82**	**66.12%**
Total County Contribution with All Projects, ABB RDOF & LMI		**$3,518,400.00**	**11.26%**
Total ABB Contribution with All Projects, ABB RDOF & LMI		**$7,065,515.00**	**22.62%**

OMB 3060-0816

Form 477 Filing Summary

FRN:	Data as of:	Operations:	Submission Status:	Last Updated:
0015336449	Dec 31, 2020	Non-ILEC	Revised - Submitted	Apr 21, 2021 07:40 AM

Filer Identification

Section	Field	Response
Filer Information	Company Name	Atlantic Broadband Finance, LLC
	Holding Company Name	Acquisitions Cogeco Cable Holdings II Inc.
	Filing Type	Non-ILEC
	SAC ID	N/A
	499 ID	826014
Data Contact Information	Data Contact Name	**CONFIDENTIAL**
	Data Contact Phone Number	**CONFIDENTIAL**
	Data Contact E-mail	**CONFIDENTIAL**
Emergency Operations Contact Information	Emergency Operations Name	**CONFIDENTIAL**
	Emergency Operations Phone Number	**CONFIDENTIAL**
	Emergency Operations E-mail	**CONFIDENTIAL**
Certifying Official Contact Information	Certifying Official Name	**CONFIDENTIAL**
	Certifying Official Phone Number	**CONFIDENTIAL**
	Certifying Official E-mail	**CONFIDENTIAL**

Data Submitted

Form Section	File Name	Date & Time	Number of Rows
Fixed Broadband Deployment	UPLOAD Broadband Deployment File - Revised.csv	Apr 21, 2021 07:32 AM	74,919
Fixed Broadband Subscription	UPLOAD Broadband Subscription File - Revised 04.21.21.csv	Apr 21, 2021 07:36 AM	11,940
Fixed Voice Subscription	UPLOAD Voice Subscription File.csv	Apr 21, 2021 07:32 AM	654

Fixed Broadband Deployment

Census Block Counts by State, DBA Name and Technology

State	DBA Name	Technology	Blocks

State	DBA Name	Technology	Blocks
Connecticut	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	3,583
		Optical Carrier/Fiber to the End User	2,644
Delaware	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	548
		Optical Carrier/Fiber to the End User	548
Florida	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	2,355
		Optical Carrier/Fiber to the End User	2,355
Maine	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	857
		Optical Carrier/Fiber to the End User	857
Maryland	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	5,176
		Optical Carrier/Fiber to the End User	5,176
New Hampshire	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	3,978
		Optical Carrier/Fiber to the End User	3,978
New York	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	291
		Optical Carrier/Fiber to the End User	291
Pennsylvania	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	14,983
		Optical Carrier/Fiber to the End User	14,983
South Carolina	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	1,235
		Optical Carrier/Fiber to the End User	1,235
Virginia	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	3,850
		Optical Carrier/Fiber to the End User	3,850
West Virginia	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	1,073
		Optical Carrier/Fiber to the End User	1,073
Total			**74,919**

Fixed Broadband Subscription

Fixed Broadband Subscriptions by State, Technology and End User Type

			Subscriptions		
State	**Technology**	**Census Tracts**	**Consumer**	**Business/Govt.**	**Total**
Connecticut	Cable Modem	1,005	39,041	2,947	41,988
Delaware	Cable Modem	214	3,012	257	3,269
Florida	Cable Modem	1,989	90,286	3,917	94,203
Maine	Cable Modem	162	13,261	599	13,860

State	Technology	Census Tracts	Subscriptions		
			Consumer	Business/Govt.	Total
Maryland	Cable Modem	1,617	75,569	5,064	80,633
	Optical Carrier/Fiber to the End User	16	0	39	39
New Hampshire	Cable Modem	884	61,768	3,319	65,087
New York	Cable Modem	154	2,964	230	3,194
Pennsylvania	Cable Modem	4,274	128,974	9,967	138,941
	Optical Carrier/Fiber to the End User	2	0	2	2
South Carolina	Cable Modem	548	26,842	2,747	29,589
Virginia	Cable Modem	540	31,079	1,881	32,960
	Optical Carrier/Fiber to the End User	53	0	281	281
West Virginia	Cable Modem	482	8,661	688	9,349
Total		**11,940**	**481,457**	**31,938**	**513,395**

Fixed Broadband Subscriptions by Bandwidths and End User Type

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
1.000	0.227	0	1	1
1.000	0.517	125	65	190
2.000	0.453	0	3	3
2.000	0.680	0	6	6
2.000	1.000	1,828	3	1,831
3.000	0.517	0	2	2
5.000	0.767	1	71	72
5.000	1.000	19	0	19
5.000	2.000	1	0	1
6.000	1.000	15	37	52
7.000	0.680	0	4	4
7.000	1.000	792	12	804
8.000	1.000	5	17	22
10.000	1.000	3,545	650	4,195
10.000	2.000	755	0	755
12.000	1.000	25	0	25
15.000	1.000	1,233	202	1,435
15.000	2.000	4	0	4
15.000	3.000	63	0	63

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
17.000	1.000	5	0	5
18.000	1.000	22	0	22
18.000	3.000	0	58	58
19.000	1.000	27	187	214
20.000	2.000	7,181	7	7,188
21.000	2.000	1	11	12
22.000	2.000	131	0	131
23.000	4.000	18	14	32
25.000	2.000	24	1,291	1,315
25.000	5.000	1,542	2,687	4,229
25.000	6.000	2	0	2
25.000	10.000	17	2,312	2,329
27.000	5.000	1,522	0	1,522
27.000	7.000	9	40	49
30.000	2.000	52	92	144
30.000	3.000	304	4	308
30.000	5.000	23,603	32	23,635
30.000	6.000	4	0	4
31.000	5.000	2	0	2
37.000	5.000	0	2	2
40.000	4.000	524	6	530
40.000	5.000	0	5	5
41.000	3.000	0	1	1
45.000	5.000	39	0	39
45.000	6.000	17	0	17
46.000	8.000	0	1	1
50.000	2.000	82	1	83
50.000	3.000	5	340	345
50.000	4.000	28	1,730	1,758
50.000	5.000	1,310	2	1,312
50.000	6.000	34,027	45	34,072
50.000	10.000	19	1,864	1,883
53.000	7.000	0	200	200

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
55.000	10.000	0	2	2
56.000	4.000	0	5	5
60.000	3.000	16	0	16
60.000	4.000	0	1	1
60.000	5.000	1,420	3	1,423
60.000	6.000	41,884	56	41,940
60.000	8.000	235	0	235
60.000	10.000	0	63	63
61.000	6.000	61	0	61
64.000	8.000	61	0	61
65.000	5.000	1	0	1
66.000	8.000	0	2	2
70.000	4.000	0	3	3
70.000	6.000	3	0	3
70.000	10.000	6,400	0	6,400
71.000	4.000	0	1	1
74.000	9.000	8	0	8
75.000	5.000	1	118	119
75.000	6.000	4	621	625
75.000	8.000	0	1	1
77.000	8.000	1	0	1
80.000	6.000	1	47	48
80.000	10.000	0	32	32
81.000	5.000	0	1	1
81.000	6.000	0	1	1
85.000	4.000	0	2	2
85.000	5.000	17	0	17
85.000	10.000	6,007	8	6,015
95.000	7.000	0	2	2
100.000	5.000	38,139	0	38,139
100.000	10.000	1,092	4,583	5,675
100.000	15.000	46,081	36	46,117
100.000	20.000	16	4,708	4,724

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
105.000	5.000	22	0	22
105.000	7.000	12	0	12
105.000	20.000	0	1	1
110.000	9.000	0	1	1
114.000	10.000	11	0	11
120.000	5.000	21	0	21
120.000	6.000	2,726	8	2,734
120.000	8.000	5,290	2	5,292
120.000	9.000	11	0	11
120.000	10.000	21,853	712	22,565
120.000	11.000	3	0	3
120.000	12.000	22	0	22
120.000	14.000	0	44	44
120.000	15.000	5	558	563
121.000	10.000	25	1	26
124.000	10.000	0	91	91
125.000	10.000	22	0	22
134.000	14.000	1	0	1
136.000	14.000	0	208	208
144.000	11.000	0	1	1
150.000	1.000	1	0	1
155.000	20.000	0	14	14
156.000	19.000	0	1	1
158.000	17.000	0	8	8
160.000	9.000	4	1	5
160.000	17.000	3	0	3
180.000	14.000	1	3	4
200.000	10.000	18,319	16	18,335
200.000	15.000	11,606	715	12,321
200.000	30.000	6	1,346	1,352
215.000	13.000	319	0	319
215.000	17.000	28	0	28
235.000	7.000	5	0	5

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
235.000	8.000	62	0	62
235.000	17.000	20	0	20
240.000	8.000	4	0	4
245.000	20.000	1	0	1
250.000	10.000	4,716	4	4,720
250.000	20.000	136,160	97	136,257
250.000	23.000	0	22	22
250.000	24.000	309	7	316
250.000	25.000	0	165	165
250.000	26.000	8	0	8
250.000	27.000	161	0	161
250.000	28.000	0	1	1
260.000	20.000	1	0	1
260.000	23.000	1	0	1
270.000	21.000	863	0	863
275.000	15.000	1	0	1
300.000	20.000	6,641	749	7,390
300.000	25.000	10	0	10
300.000	29.000	6	0	6
300.000	30.000	7	0	7
300.000	300.000	2	0	2
320.000	30.000	2,193	0	2,193
330.000	20.000	3,261	10	3,271
350.000	20.000	23	0	23
380.000	22.000	6	0	6
385.000	17.000	3	0	3
400.000	20.000	24,685	10	24,695
400.000	25.000	617	0	617
400.000	30.000	2	0	2
400.000	35.000	70	0	70
400.000	40.000	117	0	117
400.000	50.000	1,525	2	1,527
450.000	25.000	7	0	7

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
450.000	34.000	443	0	443
470.000	35.000	1,302	0	1,302
500.000	20.000	57	0	57
500.000	40.000	0	701	701
525.000	35.000	1	0	1
550.000	25.000	128	0	128
550.000	35.000	10	0	10
600.000	30.000	3	0	3
600.000	34.000	12	0	12
620.000	35.000	220	0	220
660.000	20.000	0	3	3
750.000	30.000	3	0	3
750.000	40.000	11	13	24
750.000	50.000	483	0	483
880.000	40.000	34	0	34
900.000	35.000	2	0	2
1,000.000	20.000	422	4	426
1,000.000	45.000	0	1	1
1,000.000	50.000	15,782	3,990	19,772
1,000.000	51.000	51	0	51
1,000.000	53.000	24	0	24
1,000.000	55.000	11	100	111
1,000.000	59.000	103	0	103
1,000.000	884.000	180	0	180
1,000.000	1,000.000	1	27	28
Total		**481,457**	**31,938**	**513,395**

Fixed Broadband Subscriptions by Technology, Bandwidths and End User Type

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
Cable Modem	1.000	0.227	0	1	1
	1.000	0.517	125	65	190
	2.000	0.453	0	3	3
	2.000	0.680	0	6	6

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	2.000	1.000	1,828	3	1,831
	3.000	0.517	0	2	2
	5.000	0.767	1	71	72
	5.000	1.000	19	0	19
	5.000	2.000	1	0	1
	6.000	1.000	15	37	52
	7.000	0.680	0	4	4
	7.000	1.000	792	12	804
	8.000	1.000	5	17	22
	10.000	1.000	3,545	650	4,195
	10.000	2.000	755	0	755
	12.000	1.000	25	0	25
	15.000	1.000	1,233	202	1,435
	15.000	2.000	4	0	4
	15.000	3.000	63	0	63
	17.000	1.000	5	0	5
	18.000	1.000	22	0	22
	18.000	3.000	0	58	58
	19.000	1.000	27	187	214
	20.000	2.000	7,181	7	7,188
	21.000	2.000	1	11	12
	22.000	2.000	131	0	131
	23.000	4.000	18	14	32
	25.000	2.000	24	1,291	1,315
	25.000	5.000	1,542	2,632	4,174
	25.000	6.000	2	0	2
	25.000	10.000	17	2,281	2,298
	27.000	5.000	1,522	0	1,522
	27.000	7.000	9	40	49
	30.000	2.000	52	92	144
	30.000	3.000	304	4	308
	30.000	5.000	23,603	32	23,635

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	30.000	6.000	4	0	4
	31.000	5.000	2	0	2
	37.000	5.000	0	2	2
	40.000	4.000	524	6	530
	40.000	5.000	0	5	5
	41.000	3.000	0	1	1
	45.000	5.000	39	0	39
	45.000	6.000	17	0	17
	46.000	8.000	0	1	1
	50.000	2.000	82	1	83
	50.000	3.000	5	340	345
	50.000	4.000	28	1,730	1,758
	50.000	5.000	1,310	2	1,312
	50.000	6.000	34,027	45	34,072
	50.000	10.000	19	1,864	1,883
	53.000	7.000	0	200	200
	55.000	10.000	0	2	2
	56.000	4.000	0	5	5
	60.000	3.000	16	0	16
	60.000	4.000	0	1	1
	60.000	5.000	1,420	3	1,423
	60.000	6.000	41,884	56	41,940
	60.000	8.000	235	0	235
	60.000	10.000	0	63	63
	61.000	6.000	61	0	61
	64.000	8.000	61	0	61
	65.000	5.000	1	0	1
	66.000	8.000	0	2	2
	70.000	4.000	0	3	3
	70.000	6.000	3	0	3
	70.000	10.000	6,400	0	6,400
	71.000	4.000	0	1	1

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	74.000	9.000	8	0	8
	75.000	5.000	1	118	119
	75.000	6.000	4	621	625
	75.000	8.000	0	1	1
	77.000	8.000	1	0	1
	80.000	6.000	1	47	48
	80.000	10.000	0	32	32
	81.000	5.000	0	1	1
	81.000	6.000	0	1	1
	85.000	4.000	0	2	2
	85.000	5.000	17	0	17
	85.000	10.000	6,007	8	6,015
	95.000	7.000	0	2	2
	100.000	5.000	38,139	0	38,139
	100.000	10.000	1,092	4,467	5,559
	100.000	15.000	46,081	36	46,117
	100.000	20.000	16	4,646	4,662
	105.000	5.000	22	0	22
	105.000	7.000	12	0	12
	105.000	20.000	0	1	1
	110.000	9.000	0	1	1
	114.000	10.000	11	0	11
	120.000	5.000	21	0	21
	120.000	6.000	2,726	8	2,734
	120.000	8.000	5,290	2	5,292
	120.000	9.000	11	0	11
	120.000	10.000	21,853	712	22,565
	120.000	11.000	3	0	3
	120.000	12.000	22	0	22
	120.000	14.000	0	44	44
	120.000	15.000	5	558	563
	121.000	10.000	25	1	26

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	124.000	10.000	0	91	91
	125.000	10.000	22	0	22
	134.000	14.000	1	0	1
	136.000	14.000	0	208	208
	144.000	11.000	0	1	1
	150.000	1.000	1	0	1
	155.000	20.000	0	14	14
	156.000	19.000	0	1	1
	158.000	17.000	0	8	8
	160.000	9.000	4	1	5
	160.000	17.000	3	0	3
	180.000	14.000	1	3	4
	200.000	10.000	18,319	16	18,335
	200.000	15.000	11,606	693	12,299
	200.000	30.000	6	1,337	1,343
	215.000	13.000	319	0	319
	215.000	17.000	28	0	28
	235.000	7.000	5	0	5
	235.000	8.000	62	0	62
	235.000	17.000	20	0	20
	240.000	8.000	4	0	4
	245.000	20.000	1	0	1
	250.000	10.000	4,716	4	4,720
	250.000	20.000	136,160	97	136,257
	250.000	23.000	0	22	22
	250.000	24.000	309	7	316
	250.000	25.000	0	165	165
	250.000	26.000	8	0	8
	250.000	27.000	161	0	161
	250.000	28.000	0	1	1
	260.000	20.000	1	0	1
	260.000	23.000	1	0	1

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	270.000	21.000	863	0	863
	275.000	15.000	1	0	1
	300.000	20.000	6,641	736	7,377
	300.000	25.000	10	0	10
	300.000	29.000	6	0	6
	300.000	30.000	7	0	7
	300.000	300.000	2	0	2
	320.000	30.000	2,193	0	2,193
	330.000	20.000	3,261	10	3,271
	350.000	20.000	23	0	23
	380.000	22.000	6	0	6
	385.000	17.000	3	0	3
	400.000	20.000	24,685	10	24,695
	400.000	25.000	617	0	617
	400.000	30.000	2	0	2
	400.000	35.000	70	0	70
	400.000	40.000	117	0	117
	400.000	50.000	1,525	2	1,527
	450.000	25.000	7	0	7
	450.000	34.000	443	0	443
	470.000	35.000	1,302	0	1,302
	500.000	20.000	57	0	57
	500.000	40.000	0	693	693
	525.000	35.000	1	0	1
	550.000	25.000	128	0	128
	550.000	35.000	10	0	10
	600.000	30.000	3	0	3
	600.000	34.000	12	0	12
	620.000	35.000	220	0	220
	660.000	20.000	0	3	3
	750.000	30.000	3	0	3
	750.000	40.000	11	13	24

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	750.000	50.000	483	0	483
	880.000	40.000	34	0	34
	900.000	35.000	2	0	2
	1,000.000	20.000	422	4	426
	1,000.000	50.000	15,782	3,985	19,767
	1,000.000	51.000	51	0	51
	1,000.000	53.000	24	0	24
	1,000.000	55.000	11	100	111
	1,000.000	59.000	103	0	103
	1,000.000	884.000	180	0	180
	1,000.000	1,000.000	1	27	28
Optical Carrier/Fiber to the End User	25.000	5.000	0	55	55
	25.000	10.000	0	31	31
	100.000	10.000	0	116	116
	100.000	20.000	0	62	62
	200.000	15.000	0	22	22
	200.000	30.000	0	9	9
	300.000	20.000	0	13	13
	500.000	40.000	0	8	8
	1,000.000	45.000	0	1	1
	1,000.000	50.000	0	5	5
Total			**481,457**	**31,938**	**513,395**

Fixed Voice Subscription

VGE Lines and VoIP Subscriptions by State and End User Type

State	Total VGE Lines	Consumer VGE Lines	Total VoIP Subscriptions	Consumer VoIP Subscriptions
Connecticut	0	0	11,579	10,031
Delaware	0	0	1,394	1,291
Florida	0	0	16,783	15,116
Maine	0	0	2,860	2,614
Maryland	0	0	21,089	18,973

State	Total VGE Lines	Consumer VGE Lines	Total VoIP Subscriptions	Consumer VoIP Subscriptions
New Hampshire	0	0	16,188	15,028
New York	0	0	776	692
Pennsylvania	0	0	49,462	45,092
South Carolina	0	0	7,885	6,604
Virginia	0	0	7,567	6,556
West Virginia	0	0	3,848	3,534
Total	**0**	**0**	**139,431**	**125,531**

Fixed Voice Subscription (iVoIP)

Over-the-Top VoIP Subscriptions by State and End User Type

State	Total	Consumer	Business/Govt.
Connecticut	0	0	0
Delaware	0	0	0
Florida	0	0	0
Maine	0	0	0
Maryland	0	0	0
New Hampshire	0	0	0
New York	0	0	0
Pennsylvania	0	0	0
South Carolina	0	0	0
Virginia	0	0	0
West Virginia	0	0	0
Total	**0**	**0**	**0**

All Other VoIP Subscriptions by State, End User Type, Bundle and Last-Mile Medium

		by End User Type		by Bundle		by Last-Mile Medium			
State	Total	Consumer	Business/Govt.	Sold w/ Internet	Sold w/o Internet	FTTP	Coax	Fixed Wireless	Copper
Connecticut	11,579	10,031	1,548	11,579	0	0	11,579	0	0
Delaware	1,394	1,291	103	1,394	0	0	1,394	0	0
Florida	16,783	15,116	1,667	16,783	0	0	16,783	0	0
Maine	2,860	2,614	246	2,860	0	0	2,860	0	0
Maryland	21,089	18,973	2,116	21,089	0	0	21,089	0	0
New Hampshire	16,188	15,028	1,160	16,188	0	0	16,188	0	0

State	Total	by End User Type		by Bundle		by Last-Mile Medium			
		Consumer	Business/Govt.	Sold w/ Internet	Sold w/o Internet	FTTP	Coax	Fixed Wireless	Copper
New York	776	692	84	776	0	0	776	0	0
Pennsylvania	49,462	45,092	4,370	49,462	0	0	49,462	0	0
South Carolina	7,885	6,604	1,281	7,885	0	0	7,885	0	0
Virginia	7,567	6,556	1,011	7,567	0	0	7,567	0	0
West Virginia	3,848	3,534	314	3,848	0	0	3,848	0	0
Total	**139,431**	**125,531**	**13,900**	**139,431**	**0**	**0**	**139,431**	**0**	**0**

Reminder: You must continue to use Census 2010 geographic codes in FCC Form 477.

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Form 477 Filing Summary

FRN:	Data as of:	Operations:	Submission Status:	Last Updated:
0015336449	Jun 30, 2021	Non-ILEC	Original - Submitted	Sep 1, 2021 01:56 PM

Filer Identification

Section	Field	Response
Filer Information	Company Name	Atlantic Broadband Finance, LLC
	Holding Company Name	Acquisitions Cogeco Cable Holdings II Inc.
	Filing Type	Non-ILEC
	SAC ID	N/A
	499 ID	826014
Data Contact Information	Data Contact Name	**CONFIDENTIAL**
	Data Contact Phone Number	**CONFIDENTIAL**
	Data Contact E-mail	**CONFIDENTIAL**
Emergency Operations Contact Information	Emergency Operations Name	**CONFIDENTIAL**
	Emergency Operations Phone Number	**CONFIDENTIAL**
	Emergency Operations E-mail	**CONFIDENTIAL**
Certifying Official Contact Information	Certifying Official Name	**CONFIDENTIAL**
	Certifying Official Phone Number	**CONFIDENTIAL**
	Certifying Official E-mail	**CONFIDENTIAL**

Data Submitted

Form Section	File Name	Date & Time	Number of Rows
Fixed Broadband Deployment	UPLOAD Broadband Deployment File.csv	Sep 1, 2021 12:28 PM	76,774
Fixed Broadband Subscription	UPLOAD Broadband Subscription File.csv	Sep 1, 2021 01:52 PM	14,160
Fixed Voice Subscription	UPLOAD Voice Subscription File.csv	Sep 1, 2021 12:29 PM	659

Fixed Broadband Deployment

Census Block Counts by State, DBA Name and Technology

State	DBA Name	Technology	Blocks

State	DBA Name	Technology	Blocks
Connecticut	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	3,386
		Optical Carrier/Fiber to the End User	3,386
Delaware	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	556
		Optical Carrier/Fiber to the End User	556
Florida	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	2,389
		Optical Carrier/Fiber to the End User	2,389
Maine	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	857
		Optical Carrier/Fiber to the End User	857
Maryland	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	5,209
		Optical Carrier/Fiber to the End User	5,209
New Hampshire	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	3,982
		Optical Carrier/Fiber to the End User	3,982
New York	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	297
		Optical Carrier/Fiber to the End User	297
Pennsylvania	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	15,340
		Optical Carrier/Fiber to the End User	15,340
South Carolina	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	1,389
		Optical Carrier/Fiber to the End User	1,389
Virginia	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	3,889
		Optical Carrier/Fiber to the End User	3,889
West Virginia	Atlantic Broadband Finance, LLC	Cable Modem – DOCSIS 3.1	1,093
		Optical Carrier/Fiber to the End User	1,093
Total			**76,774**

Fixed Broadband Subscription

Fixed Broadband Subscriptions by State, Technology and End User Type

			Subscriptions		
State	**Technology**	**Census Tracts**	**Consumer**	**Business/Govt.**	**Total**
Connecticut	Cable Modem	1,289	41,229	2,824	44,053
Delaware	Cable Modem	272	3,004	233	3,237
Florida	Cable Modem	2,124	92,657	3,105	95,762
Maine	Cable Modem	187	13,754	626	14,380

State	Technology	Census Tracts	Subscriptions		
			Consumer	Business/Govt.	Total
Maryland	Cable Modem	1,958	77,944	4,594	82,538
	Optical Carrier/Fiber to the End User	16	0	39	39
New Hampshire	Cable Modem	1,051	68,369	3,520	71,889
New York	Cable Modem	183	3,049	190	3,239
Pennsylvania	Cable Modem	5,105	133,237	8,523	141,760
	Optical Carrier/Fiber to the End User	2	0	2	2
South Carolina	Cable Modem	721	29,555	2,217	31,772
Virginia	Cable Modem	624	32,604	1,965	34,569
	Optical Carrier/Fiber to the End User	57	0	297	297
West Virginia	Cable Modem	571	9,009	551	9,560
Total		**14,160**	**504,411**	**28,686**	**533,097**

Fixed Broadband Subscriptions by Bandwidths and End User Type

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
1.000	0.227	0	1	1
1.000	0.517	116	63	179
2.000	0.453	0	2	2
2.000	0.680	0	5	5
2.000	1.000	1,768	3	1,771
3.000	0.517	0	2	2
5.000	0.767	1	67	68
5.000	0.885	24	11	35
5.000	1.000	18	0	18
5.000	2.000	1	0	1
6.000	1.000	14	0	14
7.000	0.680	0	4	4
7.000	1.000	767	1	768
8.000	1.000	5	17	22
10.000	1.000	3,286	610	3,896
10.000	2.000	704	0	704
12.000	1.000	22	0	22
14.000	2.000	23	8	31
15.000	1.000	1,209	192	1,401

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
15.000	2.000	62	0	62
16.000	2.000	30	29	59
17.000	1.000	4	0	4
18.000	1.000	22	0	22
19.000	1.000	25	175	200
20.000	2.000	6,729	7	6,736
21.000	2.000	1	10	11
22.000	2.000	127	0	127
25.000	2.000	23	1,243	1,266
25.000	5.000	1,713	2,628	4,341
25.000	6.000	2	1	3
25.000	10.000	15	2,511	2,526
27.000	7.000	5	1	6
28.000	6.000	33	29	62
30.000	2.000	53	87	140
30.000	3.000	293	3	296
30.000	5.000	23,850	30	23,880
30.000	6.000	6	0	6
37.000	5.000	0	2	2
37.000	17.000	21	25	46
40.000	4.000	528	6	534
40.000	5.000	0	5	5
41.000	3.000	0	1	1
45.000	5.000	35	0	35
45.000	6.000	16	0	16
46.000	8.000	0	1	1
48.000	6.000	21	0	21
50.000	2.000	2,913	1	2,914
50.000	3.000	4	316	320
50.000	4.000	20	1,666	1,686
50.000	5.000	1,223	1	1,224
50.000	6.000	32,456	43	32,499
50.000	9.000	14	0	14

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
50.000	10.000	24	1,729	1,753
51.000	8.000	1	1	2
53.000	7.000	0	202	202
56.000	4.000	0	5	5
60.000	3.000	15	0	15
60.000	4.000	7	1	8
60.000	5.000	1,340	3	1,343
60.000	6.000	38,804	45	38,849
60.000	8.000	215	0	215
61.000	6.000	55	0	55
64.000	8.000	55	0	55
66.000	8.000	0	2	2
70.000	4.000	0	3	3
70.000	6.000	3	0	3
70.000	10.000	6,689	0	6,689
71.000	4.000	0	1	1
74.000	8.000	12	17	29
74.000	9.000	8	0	8
75.000	5.000	1	109	110
75.000	6.000	4	605	609
75.000	8.000	0	1	1
77.000	8.000	1	0	1
80.000	6.000	1	43	44
81.000	5.000	0	1	1
81.000	6.000	0	1	1
85.000	4.000	0	2	2
85.000	5.000	17	0	17
85.000	10.000	5,687	8	5,695
90.000	4.000	1	0	1
90.000	7.000	15	0	15
95.000	7.000	0	1	1
98.000	20.000	0	1	1
100.000	5.000	35,564	0	35,564

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
100.000	10.000	10,577	4,405	14,982
100.000	15.000	44,433	34	44,467
100.000	20.000	24	5,404	5,428
100.000	100.000	49	1	50
104.000	9.000	1	0	1
105.000	5.000	20	0	20
105.000	7.000	7	0	7
110.000	9.000	0	1	1
114.000	10.000	11	0	11
120.000	5.000	20	0	20
120.000	6.000	2,384	6	2,390
120.000	8.000	4,626	3	4,629
120.000	9.000	9	0	9
120.000	10.000	22,027	685	22,712
120.000	11.000	2	0	2
120.000	12.000	18	0	18
120.000	14.000	0	36	36
120.000	15.000	3	481	484
121.000	10.000	23	2	25
124.000	10.000	0	82	82
125.000	10.000	21	0	21
130.000	4.000	4	1	5
130.000	10.000	459	1	460
130.000	17.000	149	0	149
134.000	14.000	1	0	1
136.000	14.000	0	1	1
144.000	11.000	0	1	1
144.000	20.000	7	8	15
150.000	1.000	1	0	1
150.000	5.000	1,196	3	1,199
150.000	10.000	1	0	1
156.000	19.000	0	1	1
158.000	17.000	0	7	7

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
160.000	9.000	4	1	5
160.000	17.000	4	0	4
170.000	7.000	21	0	21
180.000	5.000	125	1	126
180.000	14.000	1	2	3
190.000	4.000	4	0	4
200.000	6.000	6	0	6
200.000	10.000	16,412	17	16,429
200.000	14.000	449	1	450
200.000	15.000	10,678	684	11,362
200.000	30.000	7	1,507	1,514
205.000	17.000	32	48	80
215.000	13.000	295	0	295
215.000	17.000	24	0	24
225.000	15.000	1	0	1
235.000	7.000	4	0	4
235.000	8.000	52	0	52
235.000	17.000	15	0	15
240.000	8.000	4	0	4
245.000	20.000	1	0	1
248.000	20.000	14	1	15
250.000	10.000	4,550	3	4,553
250.000	15.000	66	0	66
250.000	20.000	130,276	85	130,361
250.000	23.000	0	18	18
250.000	24.000	292	7	299
250.000	25.000	0	148	148
250.000	26.000	8	0	8
250.000	27.000	149	0	149
250.000	28.000	0	1	1
256.000	20.000	2	0	2
260.000	20.000	1	0	1
260.000	23.000	1	0	1

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
270.000	21.000	825	0	825
275.000	15.000	1	0	1
280.000	10.000	182	0	182
300.000	5.000	80	0	80
300.000	20.000	6,321	902	7,223
300.000	25.000	10	0	10
300.000	29.000	6	0	6
300.000	30.000	6	0	6
300.000	300.000	83	0	83
308.000	17.000	8	14	22
316.000	300.000	1	0	1
320.000	7.000	4	0	4
320.000	30.000	2,118	0	2,118
330.000	20.000	3,214	21	3,235
350.000	14.000	8	0	8
350.000	20.000	22	0	22
380.000	22.000	6	0	6
385.000	17.000	2	0	2
398.000	20.000	1	0	1
400.000	20.000	23,243	9	23,252
400.000	25.000	536	0	536
400.000	30.000	1	0	1
400.000	35.000	61	0	61
400.000	40.000	130	0	130
400.000	50.000	21,925	6	21,931
400.000	400.000	168	4	172
440.000	24.000	5	0	5
450.000	25.000	8	0	8
450.000	34.000	397	0	397
470.000	35.000	1,250	0	1,250
500.000	20.000	53	0	53
500.000	40.000	0	771	771
525.000	35.000	1	0	1

Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
550.000	25.000	114	0	114
550.000	35.000	8	0	8
600.000	30.000	114	0	114
600.000	34.000	14	0	14
616.000	17.000	2	6	8
620.000	35.000	213	0	213
634.000	584.000	2	0	2
700.000	30.000	27	0	27
750.000	30.000	280	0	280
750.000	40.000	10	43	53
790.000	34.000	2	0	2
800.000	36.000	172	0	172
850.000	35.000	5	0	5
850.000	45.000	41	0	41
870.000	36.000	1	0	1
880.000	40.000	182	1	183
900.000	35.000	72	0	72
1,000.000	44.000	12	0	12
1,000.000	45.000	7	0	7
1,000.000	50.000	24,549	608	25,157
1,000.000	51.000	799	0	799
1,000.000	53.000	6	0	6
1,000.000	55.000	442	0	442
1,000.000	59.000	117	0	117
1,000.000	60.000	43	0	43
1,000.000	600.000	26	3	29
1,000.000	884.000	182	0	182
1,000.000	1,000.000	1	23	24
Total		**504,411**	**28,686**	**533,097**

Fixed Broadband Subscriptions by Technology, Bandwidths and End User Type

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
Cable Modem	1.000	0.227	0	1	1

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	1.000	0.517	116	63	179
	2.000	0.453	0	2	2
	2.000	0.680	0	5	5
	2.000	1.000	1,768	3	1,771
	3.000	0.517	0	2	2
	5.000	0.767	1	67	68
	5.000	0.885	24	11	35
	5.000	1.000	18	0	18
	5.000	2.000	1	0	1
	6.000	1.000	14	0	14
	7.000	0.680	0	4	4
	7.000	1.000	767	1	768
	8.000	1.000	5	17	22
	10.000	1.000	3,286	610	3,896
	10.000	2.000	704	0	704
	12.000	1.000	22	0	22
	14.000	2.000	23	8	31
	15.000	1.000	1,209	192	1,401
	15.000	2.000	62	0	62
	16.000	2.000	30	29	59
	17.000	1.000	4	0	4
	18.000	1.000	22	0	22
	19.000	1.000	25	175	200
	20.000	2.000	6,729	7	6,736
	21.000	2.000	1	10	11
	22.000	2.000	127	0	127
	25.000	2.000	23	1,243	1,266
	25.000	5.000	1,713	2,574	4,287
	25.000	6.000	2	1	3
	25.000	10.000	15	2,474	2,489
	27.000	7.000	5	1	6
	28.000	6.000	33	29	62

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	30.000	2.000	53	87	140
	30.000	3.000	293	3	296
	30.000	5.000	23,850	30	23,880
	30.000	6.000	6	0	6
	37.000	5.000	0	2	2
	37.000	17.000	21	25	46
	40.000	4.000	528	6	534
	40.000	5.000	0	5	5
	41.000	3.000	0	1	1
	45.000	5.000	35	0	35
	45.000	6.000	16	0	16
	46.000	8.000	0	1	1
	48.000	6.000	21	0	21
	50.000	2.000	2,913	1	2,914
	50.000	3.000	4	316	320
	50.000	4.000	20	1,666	1,686
	50.000	5.000	1,223	1	1,224
	50.000	6.000	32,456	43	32,499
	50.000	9.000	14	0	14
	50.000	10.000	24	1,729	1,753
	51.000	8.000	1	1	2
	53.000	7.000	0	202	202
	56.000	4.000	0	5	5
	60.000	3.000	15	0	15
	60.000	4.000	7	1	8
	60.000	5.000	1,340	3	1,343
	60.000	6.000	38,804	45	38,849
	60.000	8.000	215	0	215
	61.000	6.000	55	0	55
	64.000	8.000	55	0	55
	66.000	8.000	0	2	2
	70.000	4.000	0	3	3

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	70.000	6.000	3	0	3
	70.000	10.000	6,689	0	6,689
	71.000	4.000	0	1	1
	74.000	8.000	12	17	29
	74.000	9.000	8	0	8
	75.000	5.000	1	109	110
	75.000	6.000	4	605	609
	75.000	8.000	0	1	1
	77.000	8.000	1	0	1
	80.000	6.000	1	43	44
	81.000	5.000	0	1	1
	81.000	6.000	0	1	1
	85.000	4.000	0	2	2
	85.000	5.000	17	0	17
	85.000	10.000	5,687	8	5,695
	90.000	4.000	1	0	1
	90.000	7.000	15	0	15
	95.000	7.000	0	1	1
	98.000	20.000	0	1	1
	100.000	5.000	35,564	0	35,564
	100.000	10.000	10,577	4,294	14,871
	100.000	15.000	44,433	34	44,467
	100.000	20.000	24	5,330	5,354
	100.000	100.000	49	1	50
	104.000	9.000	1	0	1
	105.000	5.000	20	0	20
	105.000	7.000	7	0	7
	110.000	9.000	0	1	1
	114.000	10.000	11	0	11
	120.000	5.000	20	0	20
	120.000	6.000	2,384	6	2,390
	120.000	8.000	4,626	3	4,629

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	120.000	9.000	9	0	9
	120.000	10.000	22,027	685	22,712
	120.000	11.000	2	0	2
	120.000	12.000	18	0	18
	120.000	14.000	0	36	36
	120.000	15.000	3	481	484
	121.000	10.000	23	2	25
	124.000	10.000	0	82	82
	125.000	10.000	21	0	21
	130.000	4.000	4	1	5
	130.000	10.000	459	1	460
	130.000	17.000	149	0	149
	134.000	14.000	1	0	1
	136.000	14.000	0	1	1
	144.000	11.000	0	1	1
	144.000	20.000	7	8	15
	150.000	1.000	1	0	1
	150.000	5.000	1,196	3	1,199
	150.000	10.000	1	0	1
	156.000	19.000	0	1	1
	158.000	17.000	0	7	7
	160.000	9.000	4	1	5
	160.000	17.000	4	0	4
	170.000	7.000	21	0	21
	180.000	5.000	125	1	126
	180.000	14.000	1	2	3
	190.000	4.000	4	0	4
	200.000	6.000	6	0	6
	200.000	10.000	16,412	17	16,429
	200.000	14.000	449	1	450
	200.000	15.000	10,678	662	11,340
	200.000	30.000	7	1,495	1,502

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	205.000	17.000	32	48	80
	215.000	13.000	295	0	295
	215.000	17.000	24	0	24
	225.000	15.000	1	0	1
	235.000	7.000	4	0	4
	235.000	8.000	52	0	52
	235.000	17.000	15	0	15
	240.000	8.000	4	0	4
	245.000	20.000	1	0	1
	248.000	20.000	14	1	15
	250.000	10.000	4,550	3	4,553
	250.000	15.000	66	0	66
	250.000	20.000	130,276	85	130,361
	250.000	23.000	0	18	18
	250.000	24.000	292	7	299
	250.000	25.000	0	148	148
	250.000	26.000	8	0	8
	250.000	27.000	149	0	149
	250.000	28.000	0	1	1
	256.000	20.000	2	0	2
	260.000	20.000	1	0	1
	260.000	23.000	1	0	1
	270.000	21.000	825	0	825
	275.000	15.000	1	0	1
	280.000	10.000	182	0	182
	300.000	5.000	80	0	80
	300.000	20.000	6,321	887	7,208
	300.000	25.000	10	0	10
	300.000	29.000	6	0	6
	300.000	30.000	6	0	6
	300.000	300.000	83	0	83
	308.000	17.000	8	14	22

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	316.000	300.000	1	0	1
	320.000	7.000	4	0	4
	320.000	30.000	2,118	0	2,118
	330.000	20.000	3,214	21	3,235
	350.000	14.000	8	0	8
	350.000	20.000	22	0	22
	380.000	22.000	6	0	6
	385.000	17.000	2	0	2
	398.000	20.000	1	0	1
	400.000	20.000	23,243	9	23,252
	400.000	25.000	536	0	536
	400.000	30.000	1	0	1
	400.000	35.000	61	0	61
	400.000	40.000	130	0	130
	400.000	50.000	21,925	6	21,931
	400.000	400.000	168	4	172
	440.000	24.000	5	0	5
	450.000	25.000	8	0	8
	450.000	34.000	397	0	397
	470.000	35.000	1,250	0	1,250
	500.000	20.000	53	0	53
	500.000	40.000	0	763	763
	525.000	35.000	1	0	1
	550.000	25.000	114	0	114
	550.000	35.000	8	0	8
	600.000	30.000	114	0	114
	600.000	34.000	14	0	14
	616.000	17.000	2	6	8
	620.000	35.000	213	0	213
	634.000	584.000	2	0	2
	700.000	30.000	27	0	27
	750.000	30.000	280	0	280

Technology	Downstream Bandwidth (in Mbps)	Upstream Bandwidth (in Mbps)	Consumer	Business/Govt.	Total
	750.000	40.000	10	43	53
	790.000	34.000	2	0	2
	800.000	36.000	172	0	172
	850.000	35.000	5	0	5
	850.000	45.000	41	0	41
	870.000	36.000	1	0	1
	880.000	40.000	182	1	183
	900.000	35.000	72	0	72
	1,000.000	44.000	12	0	12
	1,000.000	45.000	7	0	7
	1,000.000	50.000	24,549	603	25,152
	1,000.000	51.000	799	0	799
	1,000.000	53.000	6	0	6
	1,000.000	55.000	442	0	442
	1,000.000	59.000	117	0	117
	1,000.000	60.000	43	0	43
	1,000.000	600.000	26	3	29
	1,000.000	884.000	182	0	182
	1,000.000	1,000.000	1	23	24
Optical Carrier/Fiber to the End User	25.000	5.000	0	54	54
	25.000	10.000	0	37	37
	100.000	10.000	0	111	111
	100.000	20.000	0	74	74
	200.000	15.000	0	22	22
	200.000	30.000	0	12	12
	300.000	20.000	0	15	15
	500.000	40.000	0	8	8
	1,000.000	50.000	0	5	5
Total			**504,411**	**28,686**	**533,097**

Fixed Voice Subscription

VGE Lines and VoIP Subscriptions by State and End User Type

State	Total VGE Lines	Consumer VGE Lines	Total VoIP Subscriptions	Consumer VoIP Subscriptions
Connecticut	0	0	11,034	9,520
Delaware	0	0	1,317	1,216
Florida	0	0	16,333	14,656
Maine	0	0	2,798	2,548
Maryland	0	0	20,683	18,515
New Hampshire	0	0	15,786	14,591
New York	0	0	756	671
Pennsylvania	0	0	48,693	44,239
South Carolina	0	0	7,688	6,390
Virginia	0	0	7,578	6,533
West Virginia	0	0	3,804	3,479
Total	**0**	**0**	**136,470**	**122,358**

Fixed Voice Subscription (iVoIP)

Over-the-Top VoIP Subscriptions by State and End User Type

State	Total	Consumer	Business/Govt.
Connecticut	0	0	0
Delaware	0	0	0
Florida	0	0	0
Maine	0	0	0
Maryland	0	0	0
New Hampshire	0	0	0
New York	0	0	0
Pennsylvania	0	0	0
South Carolina	0	0	0
Virginia	0	0	0
West Virginia	0	0	0
Total	**0**	**0**	**0**

All Other VoIP Subscriptions by State, End User Type, Bundle and Last-Mile Medium

		by End User Type		by Bundle		by Last-Mile Medium			
State	Total	Consumer	Business/Govt.	Sold w/ Internet	Sold w/o Internet	FTTP	Coax	Fixed Wireless	Copper
Connecticut	11,034	9,520	1,514	11,034	0	0	0	11,034	0

State	Total	by End User Type		by Bundle		by Last-Mile Medium			
		Consumer	Business/Govt.	Sold w/ Internet	Sold w/o Internet	FTTP	Coax	Fixed Wireless	Copper
Delaware	1,317	1,216	101	1,317	0	0	1,317	0	0
Florida	16,333	14,656	1,677	16,333	0	0	16,333	0	0
Maine	2,798	2,548	250	2,798	0	0	2,798	0	0
Maryland	20,683	18,515	2,168	20,683	0	0	20,683	0	0
New Hampshire	15,786	14,591	1,195	15,786	0	0	15,786	0	0
New York	756	671	85	756	0	0	756	0	0
Pennsylvania	48,693	44,239	4,454	48,693	0	0	48,693	0	0
South Carolina	7,688	6,390	1,298	7,688	0	0	7,688	0	0
Virginia	7,578	6,533	1,045	7,578	0	0	7,578	0	0
West Virginia	3,804	3,479	325	3,804	0	0	3,804	0	0
Total	**136,470**	**122,358**	**14,112**	**136,470**	**0**	**0**	**125,436**	**11,034**	**0**

Reminder: You must continue to use Census 2010 geographic codes in FCC Form 477.

For help or assistance, please contact (877) 480-3201 or (717) 338-2834 (TTY) or you may submit an online e-support ticket.

Federal Communications Commission
445 12th Street SW, Washington, DC 20554
Phone: 1-888-225-5322

TTY: 1-888-835-5322

Videophone: 1-844-432-2275

Fax: 1-866-418-0232

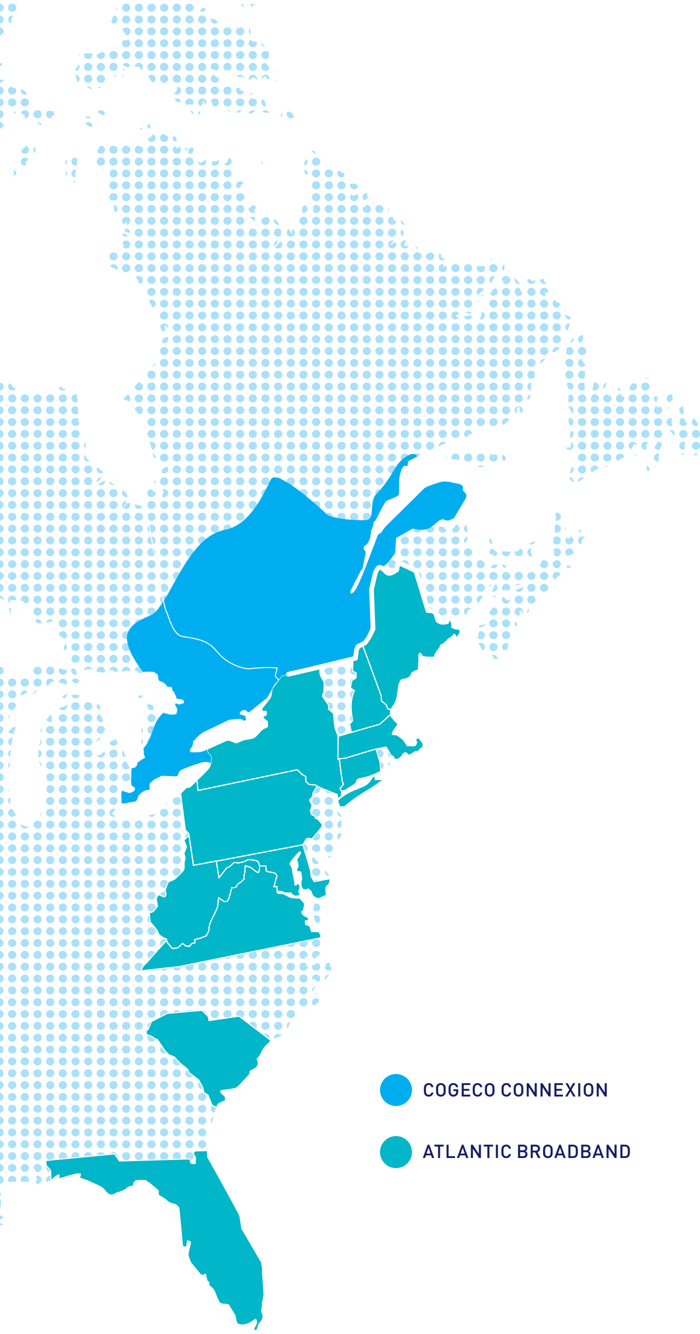
Contact Us

The future is ours

2020
ANNUAL REPORT

Profile

Cogeco Communications Inc. is a communications corporation. It is the 8th largest cable operator in North America, operating in Canada under the Cogeco Connexion name in Québec and Ontario, and along the East Coast of the United States under the Atlantic Broadband brand (in 11 states from Maine to Florida). The Corporation provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks. Cogeco Communications Inc.'s subordinate voting shares are listed on the Toronto Stock Exchange (TSX: CCA).



Cogeco: more than 60 years of history, dedication and growth

Cogeco is the second-largest cable operator in Québec and Ontario and the ninth-largest in the United States. We are profoundly committed to serving our customers locally across more than 1,000 communities.

Our billions of dollars of investments over the years have built a robust and state-of-the-art network to ensure that our customers can depend on reliable connectivity and quality television and telephone services.

We have deep roots in the social and cultural life of our regions, supporting over 700 non-profit organizations annually and providing local programming through our 37 community television stations.

With more than 3,800 employees in Canada and the United States, Cogeco is proud to contribute to the growth of the economy. Because Cogeco is more than just broadband; it is built on connecting communities... **a connection that's here to stay!**

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2020
financial performance

+2.2%

REVENUE
(in thousands of Canadian dollars)

2020	2,384,283
2019	2,331,820

+3.7%

ADJUSTED EBITDA[1] AND ADJUSTED EBITDA MARGIN[1]
(in thousands of Canadian dollars, except %)

2020	48.2%	1,148,729
2019[2]	47.5%	1,107,940

+11.1%

PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS
(in thousands of Canadian dollars)

2020	396,591
2019[2]	356,908

+5.7%

CASH FLOWS FROM OPERATING ACTIVITIES
(in thousands of Canadian dollars)

2020	917,819
2019[2]	868,711

+11.4%

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL INTENSITY[1]
(in thousands of Canadian dollars, except %)

2020	20.3%	483,990
2019[2]	18.6%	434,545

+0.3%

FREE CASH FLOW[1]
(in thousands of Canadian dollars)

2020	455,436
2019[2]	454,059

1 The indicated terms do not have standardized definitions prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the Management's Discussion and Analysis ("MD&A"), including reconciliation to the most comparable IFRS financial measures.

2 IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated. For further details, please consult the "Accounting policies" section of the MD&A.

Financial highlights

YEARS ENDED AUGUST 31, (in thousands of Canadian dollars, except percentages and per share data)	**2020 $**	2019[1] $	Change %	Change in constant currency[2] %	Foreign exchange impact[2] $
Operations					
Revenue	**2,384,283**	2,331,820	2.2	1.5	16,477
Adjusted EBITDA	**1,148,729**	1,107,940	3.7	3.0	7,176
Adjusted EBITDA margin	**48.2%**	47.5%			
Integration, restructuring and acquisition costs[3]	**9,486**	11,150	(14.9)		
Profit for the year from continuing operations	**396,591**	356,908	11.1		
Profit for the year from discontinued operations	**—**	75,380	(100.0)		
Profit for the year	**396,591**	432,288	(8.3)		
Profit for the year from continuing operations attributable to owners of the Corporation	**375,174**	339,973	10.4		
Profit for the year attributable to owners of the Corporation	**375,174**	415,353	(9.7)		
Cash flow					
Cash flows from operating activities	**917,819**	868,711	5.7		
Acquisition of property, plant and equipment[4]	**483,990**	434,545	11.4	10.2	5,088
Free cash flow	**455,436**	454,059	0.3	0.2	369
Capital intensity	**20.3%**	18.6%			
Financial condition					
Cash and cash equivalents	**366,497**	556,504	(34.1)		
Total assets	**6,804,197**	6,951,079	(2.1)		
Indebtedness[5]	**3,179,926**	3,454,923	(8.0)		
Equity attributable to owners of the Corporation	**2,268,246**	2,199,789	3.1		
Per share data[6]					
Earnings per share					
Basic					
From continuing operations	**7.74**	6.89	12.3		
From discontinued operations	**—**	1.53	(100.0)		
From continuing and discontinued operations	**7.74**	8.41	(8.0)		
Diluted					
From continuing operations	**7.67**	6.83	12.3		
From discontinued operations	**—**	1.51	(100.0)		
From continuing and discontinued operations	**7.67**	8.35	(8.1)		
Dividends	**2.32**	2.10	10.5		

1 IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated. For further details, please consult the "Accounting policies" section of the MD&A.

2 Key performance indicators presented on a constant currency basis are obtained by translating financial results from the current period denominated in US dollars at the foreign exchange rate of the prior year. For the year ended August 31, 2019, the average foreign exchange rate used for translation was 1.3255 USD/CDN.

3 For the year ended August 31, 2020, integration, restructuring and acquisition costs resulted mostly from organizational changes initiated across the Corporation, as well as costs related to the acquisition and integration of Thames Valley Communications and iTéract. For the year ended August 31, 2019, integration, restructuring and acquisition costs were mostly related to an operational optimization program.

4 For the year ended August 31, 2020, acquisition of property, plant and equipment in constant currency amounted to $478.9 million.

5 Indebtedness is defined as the total of bank indebtedness and principal on long-term debt.

6 Per multiple and subordinate voting share.


Louis Audet

Message from the Executive Chairman

As I look back on our fiscal year that closed at the end of the summer, I am comforted to see how our company has steadfastly come through uniquely challenging times. Under Philippe Jetté's guidance, Cogeco's leadership team has steered the company through a constantly evolving telecommunications landscape, changes at the head of our business unit teams and of course, a once-in-a-lifetime pandemic. I am incredibly proud of the resilience of our business and the strength the Cogeco team demonstrated in coming together and facing a crisis no one was prepared for.

That said, I am not in the least surprised that our teams in Canada and the United States have allowed us to come through these events stronger than ever. Resilience and determination have been at the heart of Cogeco's growth story for more than 60 years. Remember, we began as a small television station in a town in the middle of the province of Québec. Through perseverance, hard work and conviction, we continued to flourish. Eventually, Cogeco went public in 1985, at which time annual revenues were a respectable $20 million. Today, they have surpassed $2.38 billion.

> Our customers and our communities know they can rely on us. This has been true for over six decades and we intend to continue building on our strengths.

Cogeco now enjoys a unique and enviable position as the only broadband services company with a significant presence in both Canada and the United States. We invest massively in fibre coaxial cable network infrastructure to the tune of $450 million a year to improve and increase high-speed Internet connectivity, especially in rural and unserved areas, bringing new services and competitive choice to the communities we serve.

Our customers and our communities know they can rely on us. This has been true for over six decades and we intend to continue building on our strengths and expanding our horizons through strong financial management, innovation and solid partnerships with all our stakeholders. What's more, Cogeco is profitable, with an adjusted EBITDA margin that is among the best in the industry, and dividends that have grown at a compounded annual rate of over ten percent for the last five years.

Cogeco's social, environmental and employment practices are recognized as being among the best in the industry. As a Corporation, we treat our customers with respect and offer the highest quality service possible, and we are committed to being a responsible contributor in the communities in which we operate, as well as in the broader global environment.

Cogeco is very fortunate to have a fantastic management team and Board of Directors composed of highly qualified and experienced individuals who are independent members by a very wide margin. The Board is a model of diversity and balance and its governance practices have been recognized as being among the best of family-owned public companies, as illustrated by the Globe and Mail Board Games report, year after year. On that note, I would like to take this moment to thank Ms. Gibson and Ms. Salomon, who will be retiring as directors at our upcoming Annual Shareholders' Meeting in January. Ms. Gibson has been a director of the Corporation for over five years and Ms. Salomon for over 10 years, and both were active Committee members who contributed tremendously to the Board with their knowledge of the industry, as well as their vast experience on marketing and strategy issues. We wish to express our heartfelt thanks to each of them for their many years of service and significant contribution to the Board of Directors and the Corporation.

This fall, we also appointed two new Board members, Ms. Robin Bienenstock and Ms. Caroline Papadatos, to succeed Ms. Gibson and Ms. Salomon. Ms. Papadatos will contribute to the Board through her extensive international expertise in customer management, customer loyalty and digital innovation and Ms. Bienenstock, through her in-depth knowledge of all facets of the telecommunications industry. We are delighted to have them on our Board and want to give them a warm welcome.

The North American competitive landscape needs strong regional players like Cogeco, which is playing an increasingly important role in providing consumers with more choice as the telecommunications sector evolves.

Cogeco has a tremendous legacy on which to build. I am proud of our achievements and excited about the future ahead.

LOUIS AUDET
Executive Chairman of the Board

Message from the President & CEO

We began fiscal 2020 with focus and resolve, backed by a solid leadership team, supported by our determined colleagues and members of our Board of Directors. As the year progressed, bringing with it consequential and unforeseen events, we continued to focus on our growth strategy to be the organization that brings the best and most sustainable value to all our stakeholders, be they our customers, communities, employees, suppliers or shareholders.

Consolidated revenue increased by 2.2% in fiscal 2020 to reach $2.38 billion, while adjusted EBITDA reached $1.15 billion, up by 3.7%. Profit for the year reached $396.6 million and the Corporation generated free cash flow of $455.4 million. Dividends paid to our shareholders increased by 10.5% to $2.32 per share.

THE FUTURE IS OURS

Our focus at the start of the fiscal year was building on the many transformative projects that we put in place in 2019, and refining our strategy for continued long-term growth. We made changes to our leadership team, welcoming a new President at Atlantic Broadband at the start of the fiscal year, one who brings a fresh perspective, and announcing later in the year the new President of Cogeco Connexion. As we set about ensuring our plans moved forward and our objectives were met, we were suddenly faced with the unexpected and swift arrival of the COVID-19 pandemic.

COLLABORATION AND AGILITY IN THE FACE OF COVID-19

Throughout North America, individuals, families and organizations had to quickly adapt and adjust to the new reality. All across Cogeco, employees rolled up their sleeves and quickly got to work finding solutions, facing the situation head-on and doing everything possible for our customers and colleagues. As access to Internet, TV and telephony services became increasingly essential, all our teams at Cogeco Connexion across Québec and Ontario, and at Atlantic Broadband on the U.S. East Coast worked tirelessly to ensure we maintained high-quality connectivity services and increased access to information and entertainment. We quickly adapted our services and implemented personalized measures to offer customers more flexibility, including temporarily waiving late fees, removing data-overage fees and offering free movie channels.

Despite the many challenges of the crisis which still has the world in its grip, we have maintained financial discipline and we are very pleased with how our teams responded.

We ensured the health and safety of our employees by quickly implementing work-from-home measures and guidelines that would also maintain the highest standards of productivity. Our technicians, who were only allowed to travel to a customer's home for work outside the house, found creative ways to provide instructions and support to customers. All these actions enabled our businesses to continue running smoothly and performing well, even in these difficult circumstances.

Despite the many challenges of the crisis which still has the world in its grip, we have maintained financial discipline and we are very pleased with how our teams responded, showing great adaptability and dedication.

Message from the President & CEO (continued)

INITIATIVES

Canadian broadband services

We are excited to begin fiscal 2021 with a new President at the helm of Cogeco Connexion, one whose appointment was announced in the spring. Under Frédéric Perron's leadership, we are confident that our Canadian broadband segment will grow faster, and Cogeco Connexion will remain an efficient operator offering an engaging place to work, a solid player in our highly competitive market, one which brings value to the communities we serve and to our shareholders.

In fiscal 2020, we enhanced our service and product offering to meet and exceed our customers' expectations for distinctive experiences. We continued the expansion of our 1 Gig offering while also enhancing the end-to-end digital experience. The pandemic accelerated the launch of our zero-contact installation enabling consumers to self-install services, with the assistance of a field technician equipped with a visual engagement tool. We also introduced our Internet television (IPTV) entertainment system at the end of the fiscal year. It will be rolled out progressively in fiscal 2021.

> We continuously innovate and invest in product enhancements and service improvements.

We began the fiscal year with a brand refresh which included a new tagline and brand value, as well as customer communications, with a greater focus on customer segments at a regional level. We also supported our local communities during the pandemic by donating to local organizations and healthcare personnel and keeping customers up to date on information through local programming on our YourTV stations.

Throughout Cogeco Connexion, we delivered an employee experience that furthers performance and well-being and promotes strong customer service, and this, in spite of the pandemic. We expanded our teleworking capabilities leveraging enterprise collaboration tools and implemented new remote working protocols to ensure employee health and safety. We were pleased to see our efforts result in an increase in our global engagement score.

We continued our investments in our regions. In the spring we signed an agreement to acquire iTéract Inc., a company that operates as a full-telecommunications service provider in southern Québec, using a combination of fixed-wireless and fibre-to-the-home technologies. As part of the transaction, we acquired 15 exclusive 3.5 GHz spectrum licenses covering a large region of rural southern Québec and serving approximately 2,000 customers.

Finally, Cogeco Connexion won a good share of available government funding dedicated to increasing connectivity to high-speed Internet and addressing the digital divide between urban centres and rural areas. We also submitted targeted regulatory changes designed to increase competition in Canada's mobile wireless market, as part of the Canadian Radio-television and Telecommunications Commission (CRTC)'s consultation. Cogeco's proposed Hybrid Mobile Network Operator (HMNO) model would enable the sustainable entry of new mobile wireless carriers across Canada, with particular benefit to underserved regions. This proposal would allow facilities-based wireline and mobile wireless service providers to access portions of the national incumbents' mobile wireless networks, while also requiring those regional providers to invest in their own telecommunications infrastructure.

American broadband services

At Atlantic Broadband in fiscal 2020, under the new leadership of Frank van der Post, we set the foundation for increased customer satisfaction and long-term customer relationships. We implemented improvements to our Net Promoter Score (NPS) monitoring. We also implemented a new Interactive Voice Response system, put more emphasis on our self-install program and launched a virtual connect tool across our call centres to reduce the number of calls from customers.

We acquired what was formerly Thames Valley Communications in March of this year, adding approximately 10,000 customers to our existing geographic footprint. We continued our expansion in Florida markets and executed targeted edge-outs in all regions.

Our overall product performance and reliability was enhanced, following network investments for Gigabit Internet. We grew our product offering, launching the TV Online app and HBO Max, as well as adding Showtime Anytime, YouTube Kids and Amazon Prime to the TiVo platform. We also committed to local communities and emphasized local presence and, as part of our COVID-19 crisis response, we took part in the federal government's Keep America Connected pledge, to ensure that customers impacted by the COVID-19 outbreak have access to vital services.

On the heels of the pandemic, we seamlessly transitioned our employees to work from home while pursuing continuous improvements such as migrating all employees to a common workflow platform and preparing for the launch of a new enterprise resource planning system. In addition, important organizational changes were made to streamline functions, reinforce centres of expertise, and to achieve efficiencies that will help Atlantic Broadband remain agile in the marketplace. The changes also help advance key strategic priorities including digitalization, customer experience and sales.

CORPORATE SOCIAL RESPONSIBILITY

We have strengthened our corporate social responsibility (CSR) program aimed at operating responsibly and sustainably, while being a good corporate citizen. To support the achievement of our CSR goals, we monitor our performance using established key indicators for environmental, social and governance (ESG) objectives. We also published our fifth Corporate Social Responsibility Report covering fiscal years 2018-2019.

We surpassed our target for Greenhouse gas (GHG) emissions on a per-revenue basis one year early. We donated over $7.6 million in cash and in-kind donations during fiscal year 2020, representing 1.5% of Cogeco's pre-tax profit. We also offered air time for fundraising purposes to several organizations in our communities and territories. Our principal areas of support are: culture, education and entrepreneurship, health and well-being, environment, connectivity, diversity and inclusion.

In addition, during the process of moving the Montréal head office, our efforts to collect, sort and package surplus office supplies and equipment resulted in the donation of more than three truckloads of material to organizations such as Habitat for Humanity, Regroupement Partage, Computers for Success and Renaissance. In total, more than 95% of all surplus material was diverted from waste disposal sites. As for gender equality, women at Cogeco held 36% of managerial level positions in fiscal 2020, surpassing our goal of reaching 35% by 2021. Among many of the recognitions received this past fiscal year, Cogeco Communications was named to Corporate Knights' Best 50 Corporate Citizens in Canada for a third consecutive year and received the Caring Company certification from Imagine Canada for its philanthropic leadership.

CONCLUDING REMARKS

Cogeco is a growing competitive force in the North American telecommunications sector with a legacy of over 60 years. Today we are the second largest cable operator in Québec and Ontario and the ninth largest cable operator in the United States, where we operate in eleven states and continue to actively pursue new opportunities for growth through acquisition in areas where we are positioned as a consolidator of regional cable operators. In Canada, we are actively investing in our operations and networks to continue to offer ever faster Internet speeds and high performance products.

We are also expanding our network into new areas to help address the digital divide between large urban centres and regional and rural areas. We continuously innovate and invest in product enhancements and service improvements, and have embarked on a digital transformation journey, which was accelerated by the COVID-19 pandemic. As uncertainty lies ahead and short-term planning remains challenging during the pandemic, we will remain agile and disciplined in our management of the business.

Philippe Jetté

Message from the President & CEO (continued)

Despite these challenges, we plan to continue to grow our revenue, adjusted EBITDA and free cash flow. More than ever, we will offer superior personalized services and continue to improve operational efficiencies. We have shown our commitment to delivering great customer experience and developing our communities and will continue to do so. Our strategies, goals and objectives are consistently backed by our prudent approach to financial management and ability to deliver operational excellence.

Fiscal 2020 was certainly a year filled with challenges and unexpected turmoil due to the pandemic and I am incredibly proud of how we at Cogeco faced the situation with strength, agility and courage. This would not have been possible without the collaboration of the leadership team, the Board of Directors and most of all, our more than 3,800 colleagues. As we have seen in the past, this collaboration and willingness to work as one team is what sets us apart from our competitors and enables us to fulfill our mission of bringing people together through powerful communications and entertainment experiences.

PHILIPPE JETTÉ
President & Chief Executive Officer

Resilience and hope in the face of COVID-19

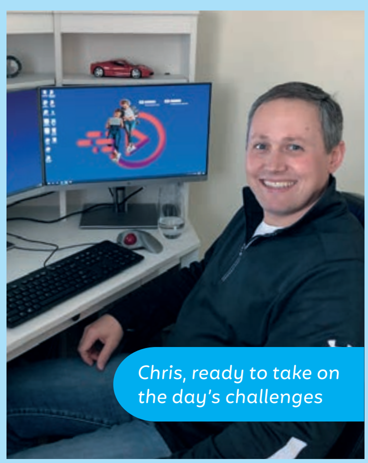
During this COVID-19 crisis, access to Internet, television and telephone services become of paramount importance. We are proud of our teams who quickly adapted to the new reality and are working hard to ensure the delivery of high-quality services for our customers in the safest manner, while supporting our communities.

"Just wanted to write to express my appreciation to your Atlantic Broadband folks for assisting us during this difficult time. We wanted to pass along a pat on the back during difficult times when your folks are working hard."

– Suisman, New London, CT


Our zero-contact installation


Stephanie with her new home-office mate


Chris, ready to take on the day's challenges

"THANK YOU! You are the BEST customer service person I have ever had the privilege of dealing with in any situation. I hope Cogeco knows the value you bring to their business!"

– Tereza, Thorold, Ont.

"I had such fantastic service from Lisa. I've been having a lot of anxiety about the situation with the world right now and she made me feel so much better. Additionally, she shared how Cogeco is taking care of their employees during this time. I am making my purchasing decisions going forwards based on how companies took care of their employees during this outbreak. I was thrilled to hear that Cogeco dispatched their staff to work from home."

– A.H., Belleville, Ont.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

MD&A

1. FORWARD-LOOKING STATEMENTS

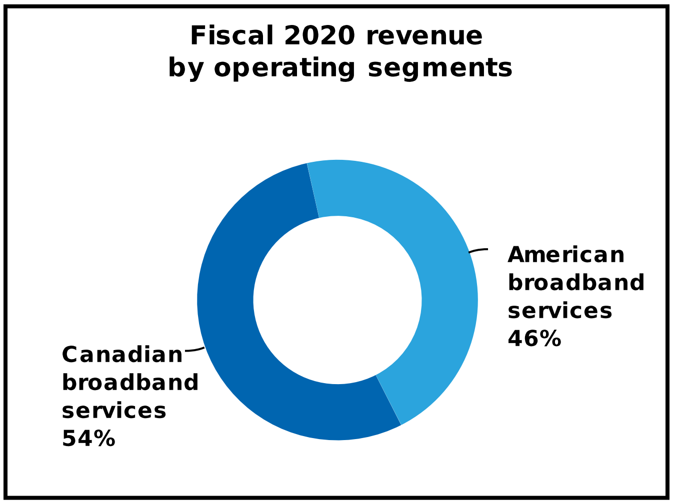
Certain statements contained in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Cogeco Communications Inc.'s ("Cogeco Communications" or the "Corporation") future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "may"; "will"; "should"; "expect"; "plan"; "anticipate"; "believe"; "intend"; "estimate"; "predict"; "potential"; "continue"; "foresee", "ensure" or other similar expressions concerning matters that are not historical facts. Particularly, statements regarding the Corporation's financial guidelines, future operating results and economic performance, objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities, which Cogeco Communications believes are reasonable as of the current date. Refer in particular to the "Corporate Objectives and Strategies" and "Fiscal 2021 Financial Guidelines" sections of the present MD&A for a discussion of certain key economic, market and operational assumptions we have made in preparing forward-looking statements. While Management considers these assumptions to be reasonable based on information currently available to the Corporation, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what Cogeco Communications currently expects. These factors include risks such as competitive risks, business risks (including potential disruption to our supply chain), regulatory risks, public health crisis and emergencies such as the current COVID-19 pandemic, technology risks, financial risks (including variations in currency and interest rates), economic conditions, human-caused and natural threats to our network, infrastructure and systems, community acceptance risks, ethical behavior risks, ownership risks and litigation risks, many of which are beyond the Corporation's control. For more exhaustive information on these risks and uncertainties, the reader should refer to the "Uncertainties and Main Risk Factors" section of the present MD&A. These factors are not intended to represent a complete list of the factors that could affect Cogeco Communications and future events and results may vary significantly from what Management currently foresees. The reader should not place undue importance on forward-looking information contained in this MD&A which represent Cogeco Communications' expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. While Management may elect to do so, the Corporation is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time, whether as a result of new information, future events or otherwise, except as required by law.

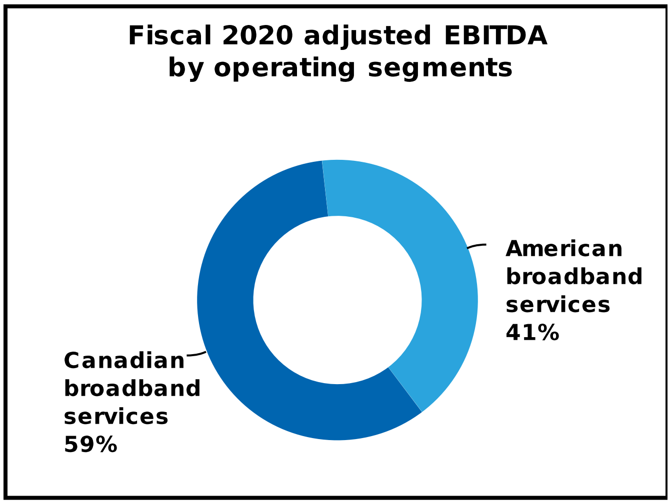
All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto prepared in accordance with the International Financial Reporting Standards ("IFRS") for the year ended August 31, 2020.

In preparing this MD&A, the Corporation has taken into account information available up to October 27, 2020, the date of this MD&A, unless otherwise indicated. Additional information relating to the Corporation, including its Annual Information Form, is available on the SEDAR website at www.sedar.com or on the Corporation's website at corpo.cogeco.com.

2. OVERVIEW OF THE BUSINESS

Cogeco Communications is a communications corporation. It is the 8th largest cable operator in North America. In fiscal 2020, the Corporation reported its operating results in two operating segments: Canadian broadband services and American broadband services. The reporting structure reflects how the Corporation manages its business activities, makes decisions about resources to be allocated to the segments and assesses their performance. For the year ended August 31, 2020, the proportion of each segment as a percentage of the Corporation's consolidated revenue and adjusted EBITDA[1] excluding corporate activities and eliminations of intersegment transactions included in each segment's operating results were as follows:





For further details on the Corporation's segmented operating results, please refer to the "Segmented operating and financial results" section.

2.1 CANADIAN AND AMERICAN BROADBAND SERVICES

DESCRIPTION OF SERVICES

The Canadian and American broadband services segments provide a wide range of Internet, video and telephony services primarily to residential customers as well as business services across its coverage areas.

The Canadian broadband services activities are carried out by Cogeco Connexion in the provinces of Québec and Ontario and the American broadband services activities are carried out by Atlantic Broadband in 11 states: Connecticut, Delaware, Florida, Maine, Maryland, New Hampshire, New York, Pennsylvania, South Carolina, Virginia and West Virginia.

The following four services represent our core suite of offerings:

Internet services: We offer a range of Internet packages with top download speeds of up to 1 Gbps in Canada and the United States. Simple and complete security suite and email solutions are available to our Internet customers with automatic updates to protect their devices. As an added benefit, Internet customers can connect wirelessly to the Internet at no extra cost from designated WiFi Internet hotspots in our Canadian and American footprints.

Video services: We offer our customers a full array of digital video services and programming offerings. Our customers have access to a basic service, various digital tier packages, pay-per-view ("PPV") channels, video on demand ("VOD") services, advanced video services such as TiVo and a new Internet protocol television ("IPTV") platform, which was launched at the end of the fiscal year and will be rolled out progressively in Canada in fiscal 2021.

Telephony services: Telephony services use internet protocol ("IP") to transport digitized voice signals over the same private network that brings video and Internet services to customers. Residential customers can subscribe to different packages. All residential telephony service customers have access to direct international calling and can subscribe to various international long distance plans, voicemail and other popular custom calling features.

Business services: We offer to our business customers, depending on the area, a wide range of Internet packages, video services, telephony services and other advanced network connectivity services, such as session initiation protocol ("SIP"), primary rate interface ("PRI") trunk solutions, hosted private branch exchange ("HPBX") solutions and business and software efficiency services.

Furthermore, we actively bundle our services into "double play" and "triple play" offerings at competitive prices to promote cross-selling within our customer base and to attract new customers.

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(1) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A, including reconciliation to the most comparable IFRS financial measures.

NETWORKS AND INFRASTRUCTURE

Cogeco Connexion and Atlantic Broadband provide residential Internet, video and telephony services and business services through advanced fibre optic and two-way broadband distribution networks. Cogeco Connexion and Atlantic Broadband deliver these services through their own long distance fibre optic systems, advanced hybrid fibre-coaxial ("HFC") broadband distribution networks, point-to-point fibre networks and fibre-to-the-home ("FTTH") network technologies.

Cogeco Connexion's distribution network covers a large territory from Western Ontario to Eastern Québec. Atlantic Broadband's distribution network covers the East Coast of the United States, from the southern part of Maine to southern Virginia, as well as portions of South Carolina and a large footprint in Southern Florida. Each of Cogeco Connexion's and Atlantic Broadband's core transport networks have a broad reach and are designed to easily interconnect, at very high speed, their many local distribution systems to video content providers, other public telephony networks, software application providers and the world-wide Internet.

For residential services, Cogeco Connexion and Atlantic Broadband are deploying optical fibres to nodes serving small clusters of homes passed, with multiple fibres per node in most cases, to rapidly extend the capacity of the system with smaller clusters when necessary. This "just in time" process, known as "node splitting", leads to further improvement in quality and reliability while increasing the "just in time" capacity of two-way services such as Internet, VOD and telephony and optimizing the efficiency of capital investments. The HFC distribution infrastructure is designed with radio frequency ("RF") capacity of up to 1 GHz of bandwidth capacity, depending on the market served and customer needs.

In each market, the signals are carried on their HFC network for delivery to their customers. Fibre optic strands are capable of carrying hundreds of video, data and voice channels over extended distances without signal amplification. Cogeco Connexion and Atlantic Broadband will continue to deploy fibre optic cable as warranted to further improve system reliability and reduce system maintenance cost. This hybrid combination of fibre optic and coaxial cable is the most efficient choice when it comes to delivering high quality networks with judicious capital investments.

Cogeco Connexion and Atlantic Broadband’s telephony service uses VoIP technology which makes possible to have a telephone conversation over a dedicated Internet IP network instead of dedicated voice transmission lines. IP networks allow the elimination of circuit switching telephony and the associated waste of bandwidth. Instead, packet switching is used, whereby IP packets with voice data are sent over the network only when data needs to be sent, for example when a caller is talking. VoIP’s advantages over traditional telephony include lower costs per call, especially for long-distance calls, and lower infrastructure costs as, once the IP infrastructure is installed, little or no additional telephony infrastructure is needed.

Cogeco Connexion and Atlantic Broadband use CableLabs' DOCSIS technology to deliver Internet and business services over HFC networks. DOCSIS has numerous advanced features to ensure a continuous transmission and high quality of service delivery. In addition, this technology provides a flexible and expandable platform to further increase IP transmission speeds and to provide other products such as symmetrical services, which are particularly well suited for commercial customer applications. Cogeco Connexion offers Internet speeds of up to 1 Gbps in approximately 72% of its footprint and 120 Mbps in virtually all of its footprint. Atlantic Broadband offers up to 1 Gbps Internet speeds to approximately 90% of its footprint of serviceable homes and business. Cogeco Connexion and Atlantic Broadband intend to continue deploying 1 Gbps speeds in the coming years through several technologies depending on the location, with DOCSIS 3.1 being the most cost effective.

Cogeco Connexion and Atlantic Broadband are deploying FTTH technology in all new residential developments which meet specific criteria of size, proximity to the existing plant and service penetration rate. Cogeco Connexion and Atlantic Broadband use a FTTH technology called radio frequency over glass ("RFoG"). The primary benefit of RFoG is its compatibility backward and forward with existing cable modem termination system ("CMTS") investments and back-office systems.

2.2 UPDATE ON THE IMPACT OF THE COVID-19 PANDEMIC ON OPERATIONS AND RESULTS

The COVID-19 pandemic had the following impacts on our business during the second half of the fiscal year:

- Incremental demand for our high speed Internet product (more customers and upgrades in packages);
- More stable customer base for our video and telephony products (fewer connections and disconnections) and increased video-on-demand and phone long-distance usage;
- Lower residential video revenue at our Canadian broadband subsidiary due to credits given to customers on certain sports packages;
- Lower revenue related to the delay in price increases at both our Canadian and American broadband subsidiaries;
- Lower revenue related to the temporary discontinuation of data overage fees at our Canadian broadband subsidiary and the waiving of late fees charged at our American broadband subsidiary;
- Lower commercial revenue, mostly related to the video and telephony products and for specific verticals such as hotels and restaurants;
- Lower advertising revenue, including a reduction in political advertising at our American broadband subsidiary;
- Lower customer service expenses due to more self-installations of new customers, offset by temporary COVID-specific cost increases;
- Lower expenses related to the closure of all of our retail stores during the confinement period; and
- Increase in capital expenditures related to acceleration of certain projects due to increased user data demand on our networks and to avoid potential supply chain disruptions during the early part of the pandemic, partly offset by a lower level of construction activity in some areas.

These COVID-19 related impacts taken in aggregate did not have a material effect on our results. We also took advantage of the changes in customer behaviors and working practices to accelerate the digitization of our operations. We intend to further drive digitization initiatives to better serve our client base, increase employee satisfaction and improve productivity.

2.3 BUSINESS DEVELOPMENTS

Acquisition of DERYtelecom

On October 21, 2020, Cogeco Communications announced that its subsidiary, Cogeco Connexion, had entered into a definitive agreement to purchase DERYtelecom, the third largest cable provider in the province of Québec, for $405 million. DERYtelecom offers Internet, television and telephony services to approximately 100,000 customers in over 200 municipalities across several regions in Québec.

The purchase price will be financed with a combination of cash on hand and Cogeco Communications' Term Revolving Facility. The transaction, which will be executed essentially through an asset purchase, is subject to regulatory approvals under the Competition Act along with other customary closing conditions and is expected to close no later than the end of the second quarter of the fiscal year 2021.

CRTC's wholesale Internet services 2019 costing decision

On September 10, 2020, the Federal Court of Appeal (the "Court") dismissed the appeal by the Corporation, together with other telecommunications service providers (the "Cable Carriers"), of the costing decision rendered in 2019 by the Canadian Radio-television and Telecommunications Commission ("CRTC") regarding new rates for aggregated wholesale Internet services for resellers (the "Telecom Order 2019-288"). On September 28, 2020, the CRTC approved a request submitted by the Cable Carriers to stay the implementation of Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services until it completes its review of that order. As at August 31, 2020, the total retroactive payments based on the CRTC's final aggregated wholesale service rates' 2019 costing decision, if not otherwise modified, is estimated at approximately $43 million, of which approximately $25 million relates to fiscal years from 2016 to 2019, and approximately $18 million relates to fiscal year 2020. Due to the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has therefore not recorded the impact of the reduced rates as at August 31, 2020 and 2019. Please refer to the "Commitment, contingencies and guarantees" subsection for further details.

Altice USA, Inc. and Rogers Communications Inc.'s proposal

On September 1, 2020, Cogeco and Cogeco Communications received an unsolicited non-binding proposal from Altice USA, Inc. and Rogers Communications Inc. to acquire all of the issued and outstanding multiple and subordinate voting shares of both companies. On September 2, 2020, following separate deliberations of the independent board members, the Boards of Directors of Cogeco and Cogeco Communications rejected the proposal after Gestion Audem, the Audet family's holding company, had stated that its shares were not for sale. On October 18, 2020, Cogeco and Cogeco Communications received a revised unsolicited non-binding proposal from Altice USA, Inc. and Rogers Communications Inc. That same day, Gestion Audem rejected this revised proposal, stating again that it was not interested in selling its shares. The revised proposal was submitted for review to the Board of Directors of both companies. On October 20, 2020, following separate deliberations of the independent board members, the Boards of Directors of Cogeco and Cogeco Communications announced that they had unanimously rejected the revised proposal.

Other business developments

On July 20, 2020, the Corporation proceeded with the early redemption of the Senior Secured Debentures Series 2 due November 16, 2020. A redemption premium of $2.8 million was charged to financial expense, in connection with the early redemption.

On May 1, 2020, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of iTéract Inc., a telecommunications service provider operating in southern Québec using a combination of fixed-wireless and fibre-to-the-home technologies, and owner of 15 spectrum licenses, for $16 million.

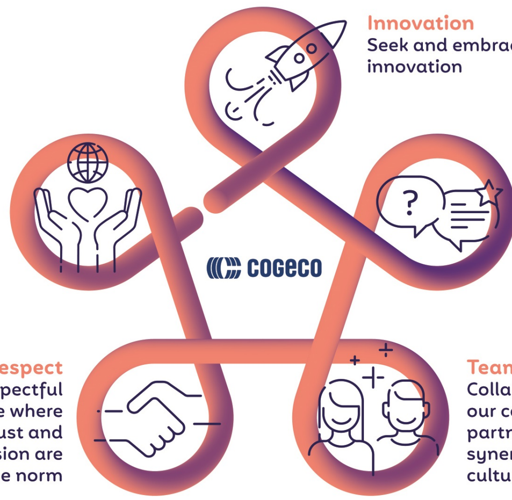
On March 10, 2020, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for a net consideration of $67 million (US$50 million).

2.4 CORPORATE OBJECTIVES AND STRATEGIES

Our Mission

Bring people together through powerful communications and entertainment experiences

Our Values



Innovation
Seek and embrace innovation

Customer Commitment
Put customers at the heart of all our actions

Teamwork
Collaborate with our colleagues and partners to drive synergies and a culture of excellence

Respect
Foster a respectful workplace where integrity, trust and inclusion are the norm

Social Engagement
Have a positive impact on our communities and the environment

Our Vision

Be the organization that delivers the best and most sustainable value to all our stakeholders

Cogeco will fulfill this vision by focusing on the following growth pillars

Customer Experience
Deliver a distinctive customer experience by focusing on our customers' needs

Employee Experience
Foster a highly collaborative and engaging work environment

Market Expansion
Augment our geographic reach and expand into new market segments

Cost Efficiency
Optimize operational effectiveness and increase synergies

Brand Value
Build a strong and socially responsible brand

Each Business Unit of the Corporation has in turn elaborated a strategic plan that is aligned to the growth pillars defined above. The key areas of focus of those strategic plans are as follows:

CANADIAN BROADBAND SERVICES SEGMENT

Our Growth Pillars	Progress in Fiscal 2020	Focus in Fiscal 2021
Customer Experience	**Enhanced our service and product offering to meet customer experience expectations.** Expanded our gigabit (1 Gig speed) offering to 72% of our footprint and continued to invest in network reliability and resilience. Enhanced our consumer end to end digital experience with new shopping, buying, on-boarding, account management, TV channel change and on-line self-care features. Launched zero contact installation, enabling consumers to self-install services assisted by a field technician equipped with a visual engagement tool. Implemented a marketing automation system to optimize our communications with our consumers using the channel of their choice (i.e. email, sms, chat, phone call). Introduced our new IPTV entertainment system.	**Grow market share by enhancing our service offering to address customer needs.** Continue to evolve our self-serve capabilities within our digital evolution program. Progressively roll out our IPTV entertainment system. Enhance our customers' Wi-Fi experience to enable whole home network management. Personalize our customers' experience through tailored marketing. Launch a new Interactive Voice Response (IVR) system to optimize routing of consumer calls to enhance call resolution efficiency and effectiveness.
Employee Experience	**Delivered an employee experience that furthers performance and wellbeing and promotes strong customer service.** Implemented new remote working protocols to ensure employee health and safety during the COVID-19 pandemic. Deployed revised health & safety guidelines and procedures and provided required training to all employees. Expanded our Work from Home (WFH) capabilities, leveraging enterprise collaboration tools. Obtained regular input from employees through engagement surveys, increasing our global engagement score. Initiated the launch of a new integrated employee cloud-based platform to enhance employee experience.	**Continue to cultivate an employee experience that will drive a distinctive customer experience. Continue to foster collaboration and engagement and promote wellness and safety.** Continue the roll-out of the new integrated employee platform. Deploy a new, updated, employee competency model. Enhance the customer experience through a "Front-line-First" approach supported by strong employee engagement. Continue to capitalize on operating model synergies to focus on value-added activities. Deploy the back to the workplace protocol
Market Expansion	**Maintained our market share and were awarded several government sponsored projects to provide high speed internet to unserved and underserved areas, thereby reducing the digital divide.** Proactively participated in calls for applications launched by governments to increase connectivity in underserved and unserved areas. Won 19 bids for funding from various programs in Québec and Ontario. Acquired iTéract, a telecommunication service provider in Southern Quebec using a combination of fixed wireless and FTTH technologies and owner of 15 spectrum licences.	**Continue to augment our reach and expand into new market segments.** Pursue market extension and expansion opportunities, in part through government sponsored programs. Monitor the market for growth opportunities through acquisitions. As part of our intent to offer a mobile wireless service, continue to monitor the evolution of the regulatory situation in Canada and undertake initiatives towards achieving entry into the wireless market space.

Cost Efficiency

Progress in Fiscal 2020: Delivered cost efficiencies and savings.

- Improved our customer digital platforms.
- Reduced truck rolls through increased adoption of digital self-install and equipment swapping options by customers.
- Explored and implemented new ways of working thereby optimizing efficient use of resources and leveraging collaboration.

Focus in Fiscal 2021: Continue to pursue cost efficiency opportunities.

- Pursue our digital transformation journey to engage with our customers in a digital world.
- Simplify our ways of working to further increase productivity.
- Further explore opportunities for shared services and automation to reduce cost and unlock value.
- Launch new tools to enhance workforce management.

Brand Value

Progress in Fiscal 2020: Refreshed our brand image, optimized our investments and supported our communities.

- Launched a refreshed brand image and communications tools to further strengthen the brand and focus marketing communications by customer segment at a regional level.
- Supported our local communities during the COVID-19 pandemic by providing free TV previews, temporarily removing Internet overage charges, offering zero contact installation and video support, donating to local organizations and health care personnel and, keeping customers up to date on information related to the pandemic through local programming.
- Optimized our media investments to drive the highest return on investment (ROI) using more targeted tactics.

Focus in Fiscal 2021: Continue to leverage media investment, local presence, social media and our ambassador program.

- Invest in raising brand awareness by driving visibility of investments we continue to make to provide our customers with access to 1 Gig speeds delivered on Cogeco's superior network.
- Continue to optimize media investments to both acquire and retain customers and continue to leverage our Cogeco Media division's assets in our regions.
- Showcase our local presence with our community teams, local TV stations and brand ambassadors, demonstrating our active commitment to the regions in which we operate.

AMERICAN BROADBAND SERVICES SEGMENT

Our Growth Pillars	Progress in Fiscal 2020	Focus in Fiscal 2021

Customer Experience

Progress in Fiscal 2020: Set the foundation for increased customer satisfaction and long term customer relationships.

- Implemented improvements to our monitoring of Net Promoter Score (NPS).
- Implemented innovation and improvements across product offerings (1 Gbps, 4G LTE back-up service and 10 Gig capability for businesses).
- Increased our focus on First Call Resolution / First Time Right.
- Emphasized our self-install program.
- Reimagined our customer communications by improving interactions with customers through proactive notifications, IVR and sms.
- Launched a virtual connect tool across our call centres to reduce the number of trouble calls from customers.
- Implemented a new Interactive Voice Response (IVR) system.

Focus in Fiscal 2021: Address the increasing customer need for services that simply work, independent from location, device or network.

- Measure NPS and transaction Pulse surveys on an ongoing basis to drive higher NPS.
- Reduce churn through overall improved product value and customer experience.
- Map customer journeys and processes.
- Continue to focus on First Call Resolution and First Time Right.
- Pursue digital transformation initiatives.
- Continue to refine self-install programs.

Employee Experience

Seamlessly transitioned to Work From Home (WFH) while pursuing continuous improvement actions across all functional areas.

- Implemented organizational changes to focus on centralized functions and centres of expertise.
- Improved workflow using Workforce Management tools and migrating to a common platform across all regions.
- Implemented a new enterprise resource planning system during the fourth quarter of the year.
- Took targeted actions to improve engagement in functional disciplines.
- Implemented new and improved intranet to enhance the level of internal communications.

Work to create a customer centric culture, strengthening our organization for the future with a team of fully engaged employees.

- Align on an internal brand engagement and clear definition of brand purpose and vision.
- Capitalize on the new ERP system that will streamline processes for improved efficiency across all functional areas.
- Focus on data and analytics capabilities.

Market Expansion

Achieved a successful growth year with targeted build-outs.

- Acquired former Thames Valley Communications in March 2020, adding ~10,000 customers.
- Continued expansion in Florida markets.
- Executed targeted edge-outs in all regions.

Grow the areas of operation, while building and maintaining state-of-the-art networks.

- Drive mergers and acquisitions strategy.
- Aggressively defend competitive markets.
- Continue to focus on edge-outs into underserved areas.
- Continue expansion in Florida.
- Evaluate opportunities to participate in government programs to provide broadband access in underserved and unserved areas.

Cost Efficiency

Achieved significant operating cost savings.

- Drove savings with digitization efforts moving more transactions and service functionality on-line.
- Accelerated digital interactions with customers.

Deploy a number of operational excellence and cost efficiency initiatives.

- Maintain and continue to evolve the level of digital interactions with customers (self-care, virtual connect tool, reduced calls and truck-rolls).
- Control operating expense growth through continued process improvements.

Brand Value

Enhanced overall product performance and reliability following network investments for Gigabit Internet and preparation for future launch of an IPTV service.

- Kept America Connected pledge; Internet Assist offer.
- Supported work from home and virtual education needs in certain communities in our footprint by providing 1 Gigabit hot spots to large numbers of homes.
- Launched TV Online app, HBO Max.
- Added Showtime Anytime, YouTube Kids and Amazon Prime to the TiVo platform.
- Committed to local communities and emphasized local presence as part of our Corporate Social responsibility program.

Attract customers and maximize the value of existing customers through relevant products, propositions and pricing as part of the new offer strategy. This will be achieved by focusing on the following components:

- Brand reputation tracking,
- Pricing plan,
- Managed Wi-Fi solution,
- Home school assist program.

2.5 KEY PERFORMANCE INDICATORS AND PERFORMANCE HIGHLIGHTS

The following key performance indicators are closely monitored to ensure that business strategies and objectives are closely aligned with shareholder value creation. The key performance indicators are not measurements in accordance with IFRS and should not be considered an alternative to other measures of performance in accordance with IFRS. The Corporation's method of calculating key performance indicators may differ from other companies and, accordingly, these key performance indicators may not be comparable to similar measures presented by other companies. The Corporation measures its performance, with regard to these objectives by monitoring revenue, adjusted EBITDA(1), free cash flow(1) and capital intensity(1) on a constant currency basis(1).

	Actual	Original projections (2)	Revised projections (4)	Actual		Achievement of the revised projections
	Fiscal 2019 (1)	Fiscal 2020 (constant currency) (3)	Fiscal 2020 (constant currency) (3)	Fiscal 2020 (constant currency) (3)		Fiscal 2020
(in millions of Canadian dollars, except percentages)	$	$		$	%	
Financial guidelines						
Revenue	2,332	increase of 2% to 4%	low-single digit percentage growth	2,368	1.5	Achieved
Adjusted EBITDA(1)(5)	1,108	increase of 2.5% to 4.5%	low-single digit percentage growth	1,142	3.0	Achieved
Acquisition of property, plant and equipment	435	$460 to $480	N/A	479	10.2	N/A
Capital intensity(5)	18.6 %	19% to 20%	N/A	20.2 %	—	N/A
Free cash flow(5)	454	increase of 5% to 11%	mid-single digit percentage growth	455	0.2	Under-achieved

N/A: non applicable

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) The Corporation withdrew its fiscal 2020 financial guidelines during the second quarter as it was not possible to reliably estimate the impact of the COVID-19 pandemic on the financial results of the Corporation for the remainder of the fiscal year.

(3) Actual results are presented in constant currency based on fiscal 2019 average foreign exchange rates of 1.3255 USD/CDN.

(4) Fiscal 2020 financial guidelines were reinstated and revised at the time of issuing third quarter results based on the experience gained while operating during the pandemic.

(5) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A.

For further details on the Corporation's operating results, please refer to the "Operating and financial results", the "Segmented operating and financial results" and the "Cash flow analysis" sections.

REVENUE

Fiscal 2020 revenue in constant currency increased by 1.5%, achieving the Corporation's revised projections as a result of both the Canadian and American broadband services segments being in line with expectations.

ADJUSTED EBITDA(1)

Fiscal 2020 adjusted EBITDA in constant currency increased by 3.0%, achieving the Corporation's revised projections mainly due to growth in revenue exceeding growth in operating expenses.

FREE CASH FLOW(1)

Fiscal 2020 free cash flow in constant currency increased by 0.2%, under-achieving the Corporation's revised projections mainly as a result of higher than expected capital expenditures in the American broadband services segment mainly due to:

- higher purchases of customer premise equipments and other related costs in order to support the increased number of connections driven by demand for our high speed Internet product, which led to the segment's strong overall primary service units(2) performance in the fourth quarter and during fiscal 2020;
- a higher than expected level of construction activity in Florida despite the limitations imposed by the COVID-19 pandemic; and
- accelerated purchases of certain equipment to prevent potential supply chain shortages in the context of the COVID-19 pandemic.

(1) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A.

(2) Represents the sum of Internet, video and telephony customers.

2.6 THREE-YEAR ANNUAL FINANCIAL HIGHLIGHTS

Years ended August 31,	2020	2019 (1)	2018 (1)
(in thousands of Canadian dollars, except percentages and per share data)	$	$	$
Operations			
Revenue	**2,384,283**	2,331,820	2,147,404
Adjusted EBITDA	**1,148,729**	1,107,940	1,006,818
Adjusted EBITDA margin	**48.2 %**	47.5 %	46.9 %
Integration, restructuring and acquisition costs	**9,486**	11,150	20,328
Profit for the year from continuing operations	**396,591**	356,908	384,578
Profit (loss) for the year from discontinued operations	**—**	75,380	(24,381)
Profit for the year	**396,591**	432,288	360,197
Profit for the year from continuing operations attributable to owners of the Corporation	**375,174**	339,973	375,214
Profit for the year attributable to owners of the Corporation	**375,174**	415,353	350,833
Cash flow			
Cash flows from operating activities	**917,819**	868,711	620,748
Acquisition of property, plant and equipment	**483,990**	434,545	457,808
Free cash flow	**455,436**	454,059	301,850
Capital intensity	**20.3 %**	18.6 %	21.3 %
Financial condition			
Cash and cash equivalents	**366,497**	556,504	84,725
Total assets	**6,804,197**	6,951,079	7,180,043
Indebtedness(2)	**3,179,926**	3,454,923	3,914,711
Long-term financial liabilities(3)	**3,154,408**	3,428,302	3,781,020
Equity attributable to owners of the Corporation	**2,268,246**	2,199,789	1,997,169
Per share data(4)			
Earnings (loss) per share			
Basic			
From continuing operations	**7.74**	6.89	7.61
From discontinued operations	**—**	1.53	(0.49)
From continuing and discontinued operations	**7.74**	8.41	7.12
Diluted			
From continuing operations	**7.67**	6.83	7.55
From discontinued operations	**—**	1.51	(0.49)
From continuing and discontinued operations	**7.67**	8.35	7.06
Dividends	**2.32**	2.10	1.90

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 and 2018 were not restated. For further details, please consult the "Accounting policies" section of the MD&A.

(2) Indebtedness is defined as the total of bank indebtedness and principal on long-term debt.

(3) Long-term financial liabilities include long-term debt and derivative financial instruments.

(4) Per multiple and subordinate voting shares.

3. OPERATING AND FINANCIAL RESULTS

3.1 OPERATING RESULTS

Years ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**2,384,283**	2,331,820	2.2	1.5	16,477
Operating expenses	**1,211,422**	1,203,980	0.6	(0.2)	9,301
Management fees – Cogeco Inc.	**24,132**	19,900	21.3	21.3	—
Adjusted EBITDA	**1,148,729**	1,107,940	3.7	3.0	7,176
Adjusted EBITDA margin	**48.2 %**	47.5%			

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

REVENUE

Years ended August 31,	2020 (1)	2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**1,287,772**	1,294,967	(0.6)	(0.6)	—
American broadband services	**1,096,511**	1,036,853	5.8	4.2	16,477
	2,384,283	2,331,820	2.2	1.5	16,477

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

Fiscal 2020 revenue increased by 2.2% (1.5% in constant currency) resulting from organic growth combined with the impact of the Thames Valley Communications acquisition completed on March 10, 2020 in the American broadband services segment, partly offset by a decrease in the Canadian broadband services segment.

For further details on the Corporation's revenue, please refer to the "Segmented operating and financial results" section.

OPERATING EXPENSES

Years ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**587,752**	606,286	(3.1)	(3.1)	331
American broadband services	**600,425**	571,208	5.1	3.5	8,969
Other	**23,245**	26,486	(12.2)	(12.2)	1
	1,211,422	1,203,980	0.6	(0.2)	9,301

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

Fiscal 2020 operating expenses increased by 0.6% (decrease of 0.2% in constant currency) resulting from lower operating expenses in the Canadian broadband services segment combined with lower corporate costs, partly offset by higher operating expenses in the American broadband services segment resulting partly from the Thames Valley Communications acquisition.

For further details on the Corporation's operating expenses, please refer to the "Segmented operating and financial results" section.

MANAGEMENT FEES

Fiscal 2020 management fees paid to Cogeco Inc. ("Cogeco") reached $24.1 million compared to $19.9 million for fiscal 2019. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

Years ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**700,020**	688,681	1.6	1.7	(331)
American broadband services	**496,086**	465,645	6.5	4.9	7,508
Other	**(47,377)**	(46,386)	2.1	2.1	(1)
	1,148,729	1,107,940	3.7	3.0	7,176

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

Fiscal 2020 adjusted EBITDA increased by 3.7% (3.0% in constant currency) as a result of:

- an increase in the American broadband services segment mainly as a result of organic growth and the impact of the Thames Valley Communications acquisition; and
- an increase in the Canadian broadband services segment due to a decline in operating expenses.

For further details on the Corporation's adjusted EBITDA, please refer to the "Segmented operating and financial results" section.

3.2 INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2020 integration, restructuring and acquisition costs amounted to $9.5 million resulting from organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications and iTéract.

Fiscal 2019 integration, restructuring and acquisition costs amounted to $11.2 million mostly related to an operational optimization program that included a voluntary departure program as well as acquisition and integration costs.

3.3 DEPRECIATION AND AMORTIZATION

Years ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Depreciation of property, plant and equipment(2)	**440,221**	423,432	4.0
Amortization of intangible assets	**59,017**	57,293	3.0
	499,238	480,725	3.9

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) Includes the depreciation of right-of-use assets amounting to $6.7 million for the year ended August 31, 2020.

Fiscal 2020 depreciation and amortization expense increased by 3.9% due to additional depreciation of property, plant and equipment as a result of higher capital expenditures during the fiscal year combined with the appreciation of the US dollar against the Canadian dollar compared to the prior year and the impact of IFRS 16 adoption.

3.4 FINANCIAL EXPENSE

Years ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Interest on long-term debt, excluding interest on lease liabilities	156,911	176,798	(11.2)
Interest on lease liabilities	1,520	—	—
Gain on debt modification	(22,898)	—	—
Net foreign exchange loss (gain)	198	(2,744)	—
Amortization of deferred transaction costs	1,106	1,836	(39.8)
Capitalized borrowing costs	(584)	(690)	(15.4)
Other	(5,160)	302	—
	131,093	175,502	(25.3)

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Fiscal 2020 financial expense decreased by 25.3% mainly due to:

- lower interest rates and lower outstanding debt on the First Lien Credit Facilities;
- a non-cash gain on debt modification related to the amendment made to the Senior Secured Term Loan B Facility on February 3, 2020 resulting from the reduction of the interest rate by 0.25%; and
- interest revenue resulting from investments of excess cash; partly offset by
- the appreciation of the US dollar against the Canadian dollar compared to the prior year.

3.5 INCOME TAXES

Years ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Current	57,632	53,361	8.0
Deferred	54,689	30,294	80.5
	112,321	83,655	34.3

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Years ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Profit before income taxes	508,912	440,563	15.5
Combined Canadian income tax rate	26.50 %	26.50 %	—
Income taxes at combined Canadian income tax rate	134,862	116,749	15.5
Difference in operations' statutory income tax rates	2,167	1,466	47.8
Impact on income taxes arising from non-deductible expenses and non-taxable profit	(443)	(565)	(21.6)
Tax impacts related to foreign operations	(24,135)	(28,633)	(15.7)
Other	(130)	(5,362)	(97.6)
	112,321	83,655	34.3

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Fiscal 2020 income taxes expense increased by 34.3% mainly due to:

- the increase in profit before income taxes; and
- the effect of a non-recurring reduction in income tax in 2019 related to the disposal of Cogeco Peer 1.

3.6 PROFIT FOR THE YEAR

Years ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages and earnings per share)	$	$	%
Profit for the year from continuing operations	396,591	356,908	11.1
Profit for the year	396,591	432,288	(8.3)
Profit for the year from continuing operations attributable to owners of the Corporation	375,174	339,973	10.4
Profit for the year attributable to owners of the Corporation	375,174	415,353	(9.7)
Profit for the year from continuing operations attributable to non-controlling interest(2)	21,417	16,935	26.5
Basic earnings per share from continuing operations	7.74	6.89	12.3
Basic earnings per share	7.74	8.41	(8.0)

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) The non-controlling interest relates to the 21% ownership of Caisse de dépôt et placement du Québec ("CDPQ") in Atlantic Broadband.

Fiscal 2020 profit for the year from continuing operations and profit for the year from continuing operations attributable to owners of the Corporation increased by 11.1% and 10.4%, respectively, as a result of:

- higher adjusted EBITDA; and
- the decrease in financial expense mainly due to the $22.9 million non-cash gain on debt modification resulting from the reduction of the interest rate by 0.25% in the second quarter of fiscal 2020; partly offset by
- the increase in income taxes; and
- the increase in depreciation and amortization.

Fiscal 2020 profit for the year and profit for the year attributable to owners of the Corporation decreased by 8.3% and 9.7%, respectively, mainly due to discontinued operations which generated a profit of $75.4 million resulting from the sale of Cogeco Peer 1 for the prior year in addition to the elements mentioned above.

4. RELATED PARTY TRANSACTIONS

The Corporation is a subsidiary of Cogeco, which as of August 31, 2020 held 32.7% of the Corporation’s equity shares, representing 83% of the votes attached to the Corporation’s voting shares.

Cogeco provides executive, administrative, financial, strategic planning and additional services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees, which was modified on May 1, 2019, is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustment upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For the year ended August 31, 2020, management fees paid to Cogeco amounted to $24.1 million compared to $19.9 million for fiscal 2019.

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during fiscal years 2020 and 2019, the Corporation granted stock options and performance share units ("PSUs") to these executive officers, as executive officers of Cogeco Communications and issued deferred share units ("DSUs") to Board directors of Cogeco, as shown in the following table:

Years ended August 31,	2020	2019
(in number of units)		
Stock options	110,875	97,725
PSUs	14,375	14,625
DSUs	1,847	2,469

The following table shows the amounts that the Corporation charged Cogeco with regards to the Corporation's stock options, incentive share units ("ISUs") and PSUs granted to these executive officers, as well as DSUs issued to Board directors of Cogeco:

Years ended August 31,	2020	2019
(in thousands of Canadian dollars)	$	$
Stock options	1,205	1,046
ISUs	39	61
PSUs	1,386	981
DSUs	217	631
	2,847	2,719

As at August 31, 2020, the Corporation had $1.8 million receivable from Cogeco (nil in 2019).

5. CASH FLOW ANALYSIS

Years ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Cash flows from operating activities	917,819	868,711	5.7
Cash flows from investing activities	(557,275)	(471,078)	18.3
Cash flows from financing activities	(547,095)	(659,222)	(17.0)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	(3,456)	(439)	—
Net change in cash and cash equivalents from continuing operations	(190,007)	(262,028)	(27.5)
Net change in cash and cash equivalents from discontinued operations	—	733,807	(100.0)
Cash and cash equivalents, beginning of the year	556,504	84,725	—
Cash and cash equivalents, end of the year	366,497	556,504	(34.1)

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

5.1 OPERATING ACTIVITIES

Fiscal 2020 cash flows from operating activities increased by 5.7% mainly from:

- higher adjusted EBITDA; and
- the decreases in financial expense paid and in income taxes paid; partly offset by
- the increase in changes in non-cash operating activities primarily due to changes in working capital.

5.2 INVESTING ACTIVITIES

Fiscal 2020 cash flows from investing activities increased by 18.3% mainly due to:

- the acquisitions of Thames Valley Communications and iTéract during the third quarter of fiscal 2020;
- the increase in acquisition of property, plant and equipment in both the Canadian and American broadband services segments; partly offset by
- the acquisition, on October 3, 2018, of a fibre network and corresponding assets in south Florida previously owned by FiberLight, LLC (the "FiberLight acquisition").

BUSINESS COMBINATIONS IN FISCAL 2020

Acquisition of Thames Valley Communications

On March 10, 2020, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for a net consideration of $67 million (US$50 million).

Acquisition of iTéract

On May 1, 2020, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of iTéract Inc., a telecommunications service provider operating in southern Québec using a combination of fixed-wireless and fibre-to-the-home technologies, and owner of 15 spectrum licenses, for $16 million.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The acquisition of property, plant and equipment as well as the capital intensity per operating segment are as follows:

Years ended August 31,	**2020**	2019	Change (1)	Change in constant currency (2)
(in thousands of Canadian dollars, except percentages)	**$**	$	%	%
Canadian broadband services	**248,582**	241,940	2.7	2.2
Capital intensity	**19.3 %**	18.7 %		
American broadband services	**231,422**	192,605	20.2	18.2
Capital intensity	**21.1 %**	18.6 %		
Other	**3,986**	—	—	—
Consolidated	**483,990**	434,545	11.4	10.2
Capital intensity	**20.3 %**	18.6 %		

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

Fiscal 2020 acquisition of property, plant and equipment increased by 11.4% (10.2% in constant currency) mainly due to higher capital expenditures in both the Canadian and American broadband services segments resulting from the timing of certain initiatives.

Fiscal 2020 capital intensity reached 20.3% compared to 18.6% for the prior year mainly as a result of growth in capital expenditures exceeding revenue growth.

For further details on the Corporation’s acquisition of property, plant and equipment, please refer to the "Segmented operating and financial results" section.

5.3 FINANCING ACTIVITIES

ISSUANCE AND REPAYMENT OF DEBT

Fiscal 2020 changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

Years ended August 31,	**2020**	2019	Explanations
(in thousands of Canadian dollars)	**$**	$	
Increase (decrease) in bank indebtedness	**7,610**	(5,949)	Related to the timing of payments made to suppliers.
Net decrease under the revolving facilities	**—**	(443,955)	Repayment of the revolving facilities in fiscal 2019 as a result of the sale of Cogeco Peer 1 combined with free cash flow generated.
Repayment of notes, debentures and credit facilities	**(269,169)**	(77,639)	Redemption of the Senior Secured Debentures Series 2 during the fourth quarter of fiscal 2020 combined with the repayment of US$35 million during the second quarter of fiscal 2020 both as a result of free cash flow generated and the quarterly repayments on the Senior Secured Term Loan B Facility.
Repayment of lease liabilities	**(4,905)**	—	Related to the adoption of IFRS 16.
Repayment of balance due on business combinations	**(3,228)**	(655)	Partial repayment of the balance related to the FiberLight acquisition in the first quarter of fiscal 2020.
	(269,692)	(528,198)	

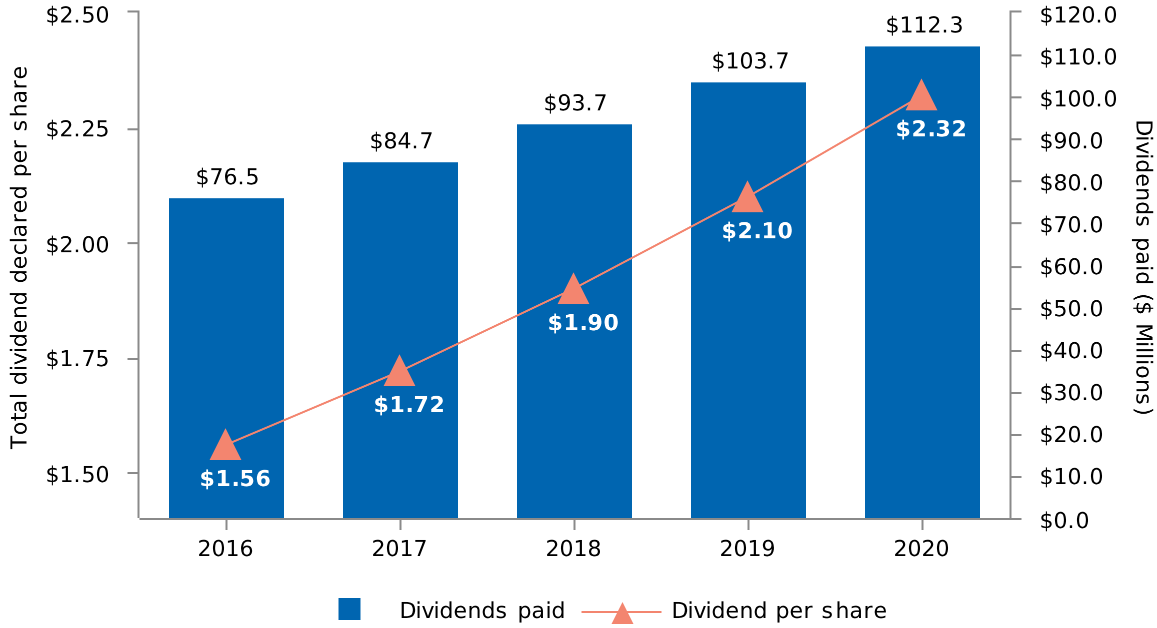
DIVIDENDS

During fiscal 2020, quarterly eligible dividends of $0.58 per share, totalling $2.32 per share, were paid to the holders of multiple and subordinate voting shares, for a total paid of $112.3 million. In fiscal 2019, quarterly eligible dividends of $0.525 per share, totalling $2.10 per share, were paid to the holders of multiple and subordinate voting shares, for a total paid of $103.7 million. During the last five years, dividends paid per share increased by 10.4% on a compounded annual basis.

The dividends declaration dates and payments for multiple and subordinate voting shares are as follows:

Declaration date	Record date	Payment date	Dividend per share (in dollars)
October 30, 2019	**November 13, 2019**	**November 27, 2019**	**0.58**
January 14, 2020	**January 28, 2020**	**February 11, 2020**	**0.58**
April 7, 2020	**April 21, 2020**	**May 5, 2020**	**0.58**
July 15, 2020	**July 29, 2020**	**August 12, 2020**	**0.58**
October 31, 2018	November 14, 2018	November 28, 2018	0.525
January 10, 2019	January 24, 2019	February 7, 2019	0.525
April 9, 2019	April 23, 2019	May 7, 2019	0.525
July 10, 2019	July 24, 2019	August 7, 2019	0.525

Total dividends and dividends per share over the last five years are as follow:



NORMAL COURSE ISSUER BID ("NCIB")

During fiscal 2020, Cogeco Communications purchased and cancelled 1,592,000 subordinate voting shares with a weighted average price per share repurchased of $103.98 for a total consideration of $165.5 million. During fiscal 2019, Cogeco Communications purchased and cancelled 327,200 subordinate voting shares with a weighted average price of $98.97 for consideration of $32.4 million.

On April 30, 2020, the Corporation announced that the TSX accepted the renewal of its notice of intention for a NCIB, enabling it to acquire for cancellation up to 1,809,000 subordinate voting shares from May 4, 2020 to May 3, 2021.

The Corporation has also entered into an automatic share purchase plan (the "ASPP") with a designated broker to allow for the purchase of subordinate voting shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. Such purchases are executed by the broker on parameters established by the Corporation prior to the pre-established ASPP period under the ASPP.

The normal course issuer bid purchases were as follows:

Quarters ended	Nov. 30	Feb. 29	May 31	Aug. 31	2020 Total
(in thousands of Canadian dollars, except number of shares and weighted average purchase price per share)	$	$	$	$	$
Subordinate voting shares purchased and cancelled	143,100	652,400	601,900	194,600	1,592,000
Weighted average purchase price per share	109.64	108.50	98.73	100.89	103.98
Purchase costs	15,690	70,787	59,425	19,633	165,535

Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	2019 Total
(in thousands of Canadian dollars, except number of shares and weighted average purchase price per share)	$	$	$	$	$
Subordinate voting shares purchased and cancelled	—	—	157,400	169,800	327,200
Weighted average purchase price per share	—	—	91.87	105.55	98.97
Purchase costs	—	—	14,460	17,922	32,382

5.4 FREE CASH FLOW

Years ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Adjusted EBITDA(4)	1,148,729	1,107,940	3.7	3.0	7,176
Amortization of deferred transaction costs and discounts on long-term debt	9,503	9,454	0.5	1.7	116
Share-based payment	8,070	7,226	11.7	11.7	—
(Gain) loss on disposals and write-offs of property, plant and equipment	(515)	2,770	—	—	—
Defined benefit plans contributions, net of expense	(347)	1,227	—	—	—
Integration, restructuring and acquisition costs	(9,486)	(11,150)	(14.9)	(14.8)	(18)
Financial expense(5)	(153,991)	(175,502)	(12.3)	(11.3)	(1,760)
Current income taxes	(57,632)	(53,361)	8.0	8.0	(5)
Acquisition of property, plant and equipment	(483,990)	(434,545)	11.4	10.2	(5,088)
Repayment of lease liabilities	(4,905)	—	—	—	(52)
Free cash flow(4)	455,436	454,059	0.3	0.2	369

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

(4) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section, including reconciliation to the most comparable IFRS financial measures.

(5) Excludes the $22.9 million non-cash gain on debt modification recognized in the second quarter of fiscal 2020.

Fiscal 2020 free cash flow increased by 0.3% (0.2% in constant currency) mainly due to the following:

- higher adjusted EBITDA; and
- the decrease in financial expense resulting from lower outstanding debt, excluding the $22.9 million non-cash gain on debt modification resulting from the reduction of the interest rate by 0.25% in the second quarter of fiscal 2020; partly offset by
- the increase in acquisition of property, plant and equipment in both the Canadian and American broadband services segments due to the timing of certain initiatives.

6. SEGMENTED OPERATING AND FINANCIAL RESULTS

The Corporation reports its operating results in two operating segments: Canadian broadband services and American broadband services. The reporting structure reflects how the Corporation manages its business activities, makes decisions about resources to be allocated to the segments and assesses their performance.

6.1 CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Years ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**1,287,772**	1,294,967	(0.6)	(0.6)	—
Operating expenses	**587,752**	606,286	(3.1)	(3.1)	331
Adjusted EBITDA	**700,020**	688,681	1.6	1.7	(331)
Adjusted EBITDA margin	**54.4 %**	53.2 %			
Acquisition of property, plant and equipment	**248,582**	241,940	2.7	2.2	1,309
Capital intensity	**19.3 %**	18.7 %			

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

REVENUE

Fiscal 2020 revenue decreased by 0.6% as reported and in constant currency mainly as a result of:

- a decline in video service customers; and
- lower net pricing from consumer sales primarily as a result of product bundles being promoted more actively from the fourth quarter of fiscal 2019 to the second quarter of fiscal 2020; partly offset by
- rate increases implemented during the first and the fourth quarters of fiscal 2020 for certain services;
- customers' transition to higher value offerings;
- continued growth in Internet service customers; and
- growth in commercial revenue.

OPERATING EXPENSES

Fiscal 2020 operating expenses decreased by 3.1% as reported and in constant currency due to:

- lower programming costs resulting from lower video service customers;
- lower installation costs due to the effects of the COVID-19 pandemic, with more self installations and remote repairs;
- additional costs of $4.5 million incurred in the first quarter of fiscal 2019 to support the stabilization phase of the new customer management system implemented in the third quarter of fiscal 2018;
- retroactive costs of $3.2 million incurred in the first quarter of fiscal 2019 related to higher than expected rates established by the Copyright Board of Canada for the retransmission of distant Canadian and American television signals in Canada for the period from 2014 to 2018; and
- the impact of IFRS 16 adoption; partly offset by
- higher marketing initiatives; and
- additional expenses related to certain initiatives.

ADJUSTED EBITDA

Fiscal 2020 adjusted EBITDA increased by 1.6% (1.7% in constant currency) due to a decline in operating expenses.

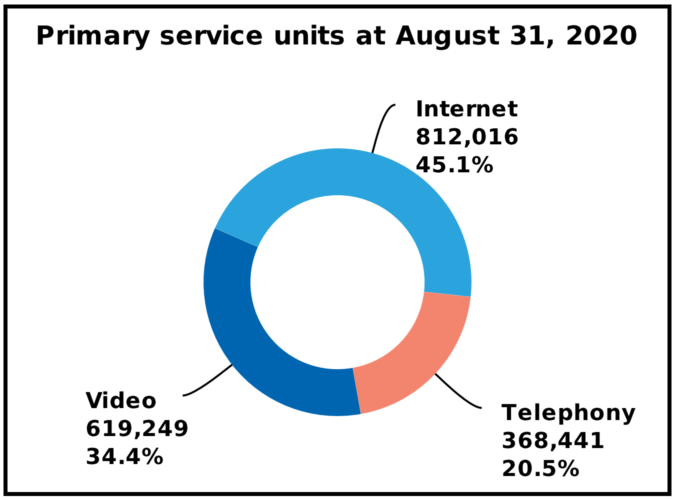
CAPITAL INTENSITY AND ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

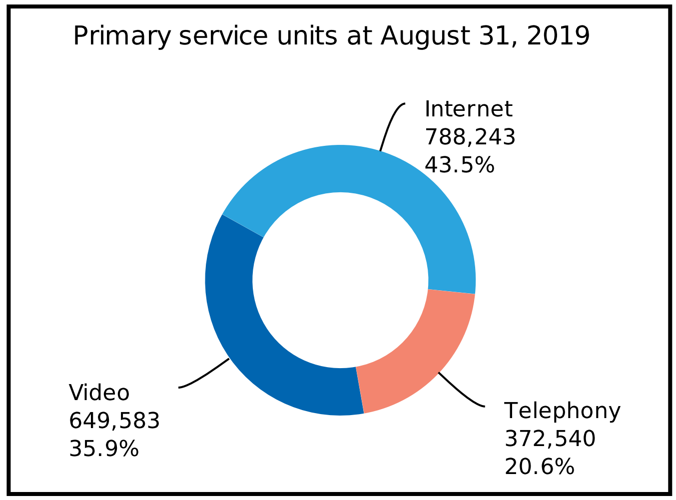
Fiscal 2020 acquisition of property, plant and equipment increased by 2.7% (2.2% in constant currency) resulting from:

- higher costs related to the maintenance, growth and expansion of our network infrastructure; and
- higher purchases of customer premise equipment due to the timing of certain initiatives.

Fiscal 2020 capital intensity reached 19.3% compared to 18.7% for fiscal 2019 mainly as a result of higher capital expenditures combined with lower revenue.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS





		Net additions (losses) Years ended		% of penetration[3]	
	August 31, 2020	**August 31, 2020** (1)	August 31, 2019 (2)	**August 31, 2020**	August 31, 2019
Primary service units	**1,799,706**	**(12,887)**	(56,552)		
Internet service customers	**812,016**	**21,902**	5,966	**45.7**	44.7
Video service customers	**619,249**	**(30,515)**	(39,185)	**34.9**	36.8
Telephony service customers	**368,441**	**(4,274)**	(23,333)	**20.7**	21.1

(1) Excludes 2,227 primary service units (1,871 Internet services, 181 video services and 175 telephony services) from the acquisition of iTéract Inc. completed in the third quarter of fiscal 2020.

(2) During the third quarter of fiscal 2018, the Canadian broadband services segment implemented a new customer management system, replacing 22 legacy systems. While the customer management system was still in the stabilization phase, contact center congestion resulted in lower services activations during most of the first quarter of 2019. Contact center and marketing operations had returned to normal at the end of the first quarter of 2019.

(3) As a percentage of homes passed.

INTERNET

Fiscal 2020 Internet service customers net additions amounted to 21,902 compared to 5,966 for the prior year. The growth in fiscal 2020 was due to:

- the ongoing interest in high speed offerings especially as more customers were working from home in the context of the COVID-19 pandemic;
- the sustained interest in bundle offers; and
- the continued demand from Internet resellers; partly offset by
- competitive offers in the industry.

VIDEO

Fiscal 2020 video service customers net losses amounted to 30,515 compared to 39,185 for the prior year. The loss in fiscal 2020 was due to:

- highly competitive offers in the industry; and
- a changing video consumption environment; partly offset by
- customers' ongoing interest in digital advanced video services; and
- customers' interest in video services bundled with fast Internet offerings.

TELEPHONY

Fiscal 2020 telephony service customers net losses amounted to 4,274 compared to 23,333 for the prior year. The loss in fiscal 2020 was due to:

- increasing mobile wireless penetration in Canada and various unlimited offers launched by mobile wireless operators causing some customers to cancel their landline telephony services for mobile wireless telephony services only; partly offset by
- more telephony bundles being marketed during the first half of fiscal 2020.

DISTRIBUTION OF CUSTOMERS

At August 31, 2020, 69% of the Canadian broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

6.2 AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Years ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**1,096,511**	1,036,853	5.8	4.2	16,477
Operating expenses	**600,425**	571,208	5.1	3.5	8,969
Adjusted EBITDA	**496,086**	465,645	6.5	4.9	7,508
Adjusted EBITDA margin	**45.2 %**	44.9 %			
Acquisition of property, plant and equipment	**231,422**	192,605	20.2	18.2	3,779
Capital intensity	**21.1 %**	18.6 %			

(1) For fiscal 2020, the average foreign exchange rate used for translation was 1.3456 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of fiscal 2019, which was 1.3255 USD/CDN.

REVENUE

Fiscal 2020 revenue increased by 5.8% (4.2% in constant currency). In local currency, revenue amounted to US$814.8 million compared to US$782.3 million for fiscal 2019. The increase resulted mainly from:

- growth in both residential and business Internet service customers as more customers work from home in the context of the COVID-19 pandemic;
- rate increases mostly implemented during the fourth quarter of fiscal 2019; and
- the impact of the Thames Valley Communications acquisition completed on March 10, 2020; partly offset by
- the temporary waiving of late fees charged to customers as a relief measure in the context of the COVID-19 pandemic.

Excluding revenue from Thames Valley Communications, revenue in constant currency increased by 3.5% for fiscal 2020.

OPERATING EXPENSES

Fiscal 2020 operating expenses increased by 5.1% (3.5% in constant currency) mainly as a result of:

- higher compensation expenses and costs related to additional headcount to support growth;
- additional operating expenses resulting from the impact of the Thames Valley Communications acquisition; and
- additional costs related to the development and implementation of a new financial and human capital management system; partly offset by
- the impact of IFRS 16 adoption; and
- a non-recurring gain on a disposal of property, plant and equipment amounting to US$1.7 million.

ADJUSTED EBITDA

Fiscal 2020 adjusted EBITDA increased by 6.5% (4.9% in constant currency). In local currency, adjusted EBITDA amounted to US$368.6 million compared to US$351.3 million for fiscal 2019, mainly due to organic growth and the impact of the Thames Valley Communications acquisition.

Excluding adjusted EBITDA from Thames Valley Communications and the non-recurring gain on a disposal of property, plant and equipment of US$1.7 million, adjusted EBITDA in constant currency increased by 3.8% for fiscal 2020.

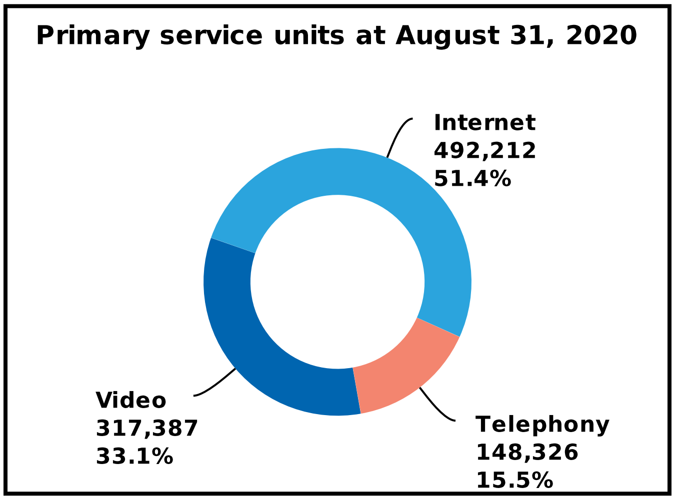
CAPITAL INTENSITY AND ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

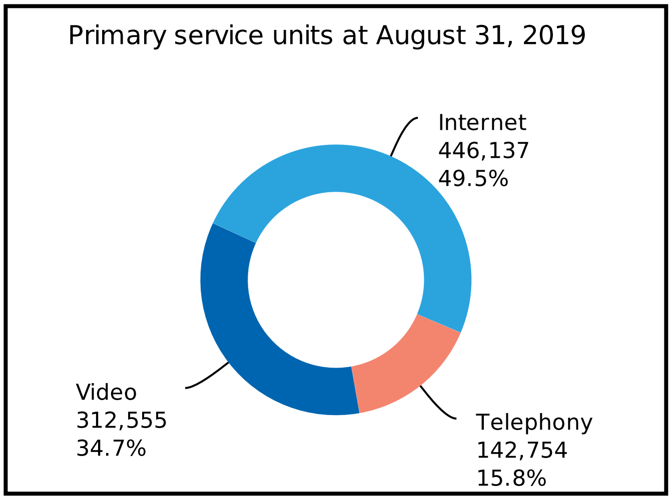
Fiscal 2020 acquisition of property, plant and equipment increased by 20.2% (18.2% in constant currency) resulting mainly from:

- higher purchases of customer premise equipments and other related costs in order to support the increased number of connections driven by demand for high speed Internet product, as well as resulting from equipment upgrades and the timing of certain initiatives;
- additional investments to improve and expand the network infrastructure in Florida;
- accelerated purchases of certain equipment to prevent potential supply chain shortages; and
- costs related to the development and implementation of a new financial and human capital management system.

Fiscal 2020 capital intensity reached 21.1% compared to 18.6% for fiscal 2019 mainly as a result of capital expenditures growth exceeding revenue growth.

PRIMARY SERVICE UNIT AND CUSTOMER STATISTICS





		Net additions (losses) Years ended		% of penetration[3]	
	August 31, 2020 (1)	August 31, 2020 (2)	August 31, 2019	August 31, 2020	August 31, 2019
Primary service units	957,925	40,502	16,981		
Internet service customers	492,212	36,998	21,189	53.3	50.8
Video service customers	317,387	(279)	(4,697)	34.4	35.6
Telephony service customers	148,326	3,783	489	16.1	16.2

(1) Net of a provision related to non-paying customers who have not been disconnected.

(2) Excludes 15,977 primary service units (9,077 Internet services, 5,111 video services and 1,789 telephony services) from the acquisition of Thames Valley Communications completed in the third quarter of fiscal 2020.

(3) As a percentage of homes passed.

INTERNET

Fiscal 2020 Internet service customers net additions amounted to 36,998 compared to 21,189 for the prior year. The growth in fiscal 2020 was due to:

- the ongoing interest in high speed offerings especially as more customers were working from home in the context of the COVID-19 pandemic; and
- growth in the residential and business sectors.

VIDEO

Fiscal 2020 video service customers net losses amounted to 279 compared to 4,697 for the prior year. The loss in fiscal 2020 was due to:

- a changing video consumption environment; and
- competitive offers in the industry; partly offset by
- our customers' ongoing interest in TiVo's digital advanced video services.

TELEPHONY

Fiscal 2020 telephony service customers net additions amounted to 3,783 compared to 489 for the prior year. The growth in fiscal 2020 was due to:

- growth in the residential and business sectors; partly offset by
- increasing mobile wireless penetration in the United States and various unlimited offers launched by mobile wireless operators causing some customers to cancel their landline telephony services for mobile wireless telephony services only.

DISTRIBUTION OF CUSTOMERS

At August 31, 2020, 50% of the American broadband services segment's customers subscribed to "double play" or "triple play" bundled services.

7. FINANCIAL POSITION

7.1 WORKING CAPITAL

As part of the usual conduct of its business, Cogeco Communications generally maintains a working capital deficiency due to a low level of trade and other receivables since a large proportion of the Corporation's customers pay before their services are rendered, while trade and other payables are usually paid after products are delivered or services are rendered, enabling the Corporation to use the resulting cash and cash equivalents to reduce Indebtedness. However, the Corporation had working capital surpluses at August 31, 2019 and August 31, 2020 due to the increase in cash and cash equivalents resulting from the sale of Cogeco Peer 1 in the third quarter of fiscal 2019.

The variations are as follows:

(in thousands of Canadian dollars)	August 31, 2020 $	August 31, 2019 (1) $	Change $	Explanations
Current assets				
Cash and cash equivalents	366,497	556,504	(190,007)	Please refer to the "Cash flow analysis" section.
Trade and other receivables	83,013	75,652	7,361	Mainly related to revenue growth, partly offset by the depreciation of the US dollar against the Canadian dollar.
Income taxes receivable	3,283	17,706	(14,423)	Lower tax installments made during fiscal 2020 in the Canadian broadband services segment, some of which were related to the deferral of income tax installments until September 2020 pursuant to governments allowing delays in the context of the COVID-19 pandemic.
Prepaid expenses and other	29,266	22,740	6,526	Mainly related to the increase in prepayments for annual maintenance agreements.
	482,059	672,602	(190,543)	
Current liabilities				
Bank indebtedness	7,610	—	7,610	Timing of payments made to suppliers.
Trade and other payables	211,052	260,481	(49,429)	Timing of payments made to suppliers combined with the depreciation of the US dollar against the Canadian dollar.
Provisions	33,864	36,553	(2,689)	Not significant.
Income tax liabilities	39,897	16,693	23,204	Deferral of income tax installments until September 2020 pursuant to governments allowing delays in the context of the COVID-19 pandemic.
Contract liabilities and other liabilities	47,162	43,395	3,767	Not significant.
Derivative financial instruments	3,834	—	3,834	Related to two derivative financial instruments maturing in January 2021.
Current portion of long-term debt	29,569	27,121	2,448	Mainly from the recognition of the current portion of lease liabilities following the adoption of IFRS 16.
	372,988	384,243	(11,255)	
Working capital surplus	109,071	288,359	(179,288)	

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

7.2 OTHER SIGNIFICANT CHANGES

(in thousands of Canadian dollars)	August 31, 2020 $	August 31, 2019 (1) $	Change $	Explanations
Non-current assets				
Property, plant and equipment	**2,088,930**	2,007,610	81,320	Related to the acquisition of Thames Valley Communications in the third quarter of fiscal 2020, the acquisition of property, plant and equipment during fiscal 2020 as well as the recognition of right-of-use assets following the adoption of IFRS 16, partly offset by the depreciation of the US dollar against the Canadian dollar, and the depreciation for the year.
Intangible assets	**2,800,401**	2,850,844	(50,443)	Depreciation of the US dollar against the Canadian dollar and amortization for the year, partly offset by the acquisition of iTéract which included spectrum licenses and the acquisition of Thames Valley Communications in the third quarter of fiscal 2020.
Non-current liabilities				
Long-term debt	**3,087,033**	3,382,258	(295,225)	Related to the early redemption of the Senior Secured Debentures Series 2 on July 20, 2020, the repayment of US$35 million combined with the quarterly repayment on the Senior Secured Term Loan B Facility and the depreciation of the US dollar against the Canadian dollar, partly offset by the recognition of the long-term portion of lease liabilities following the adoption of IFRS 16.

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

8. CAPITAL RESOURCES AND LIQUIDITY

8.1 CAPITAL STRUCTURE

The table below summarizes debt-related financial ratios over the last two fiscal years:

Years ended August 31,	2020	2019
Average cost of indebtedness[1]	**3.8 %**	4.4 %
Fixed rate indebtedness[2]	**78 %**	78 %
Average term: long-term debt (in years)	**4.2**	4.9
Net indebtedness[3] / adjusted EBITDA	**2.4**	2.6
Adjusted EBITDA / financial expense[4]	**7.5**	6.3

(1) Excludes amortization of deferred transaction costs and commitment fees but includes the impact of interest rate swaps.

(2) Taking into consideration the interest rate swaps in effect at the end of each fiscal year.

(3) Net indebtedness is defined as the total of bank indebtedness and principal on long-term debt, less cash and cash equivalents.

(4) Financial expense for fiscal 2020 excludes the $22.9 million gain on debt modification related to the amendment made to the Senior Secured Term Loan B facility.

In fiscal 2020, the financial leverage ratio relating to net indebtedness over adjusted EBITDA has declined as a result of growing adjusted EBITDA and a reduction in net indebtedness from generated free cash flow.

8.2 OUTSTANDING SHARE DATA

A description of Cogeco Communications' share data at September 30, 2020 is presented in the table below. Additional details are provided in note 19 of the consolidated financial statements.

(in thousands of Canadian dollars, except number of shares/options)	Number of shares/options	Amount $
Common shares		
Multiple voting shares	**15,691,100**	**98,346**
Subordinate voting shares	**32,217,178**	**902,525**
Options to purchase subordinate voting shares		
Outstanding options	**786,154**	
Exercisable options	**290,649**	

8.3 FINANCING

On July 20, 2020, the Corporation proceeded with the early redemption of the Senior Secured Debentures Series 2 due November 16, 2020. A redemption premium of $2.8 million was charged to financial expense, in connection with the early redemption.

On February 3, 2020, the Corporation amended its Senior Secured Term Loan B Facility, whereby the most significant change consisted in the reduction of the interest rate by 0.25%. Consequently, the Corporation recognized, during the second quarter of fiscal 2020, a $22.9 million non-cash gain on debt modification. As a result, the interest expense on the Senior Secured Term Loan B Facility will be higher than the interest paid until its maturity date in January 2025 as the Corporation will continue to record the interest expense at the effective interest rate in place prior to the amendment.

On December 6, 2019, the Corporation's Term Revolving Facility was decreased by $50 million to $750 million and the maturity date was extended by an additional year until January 24, 2025. Moreover, on the same date, the maturity date of the US$150 million Senior Secured Revolving Facility, benefiting two subsidiaries related to Atlantic Broadband, was extended by an additional 18 months until July 4, 2024.

At August 31, 2020, the Corporation had used $0.02 million of its $750 million Term Revolving Facility for a remaining availability of $749.98 million. In addition, two subsidiaries related to Atlantic Broadband benefit from a Senior Secured Revolving Facility of $195.6 million (US$150 million), of which $3.2 million (US$2.4 million) was used at August 31, 2020 for a remaining availability of $192.5 million (US$147.6 million).

8.4 CREDIT RATINGS

The table below shows Cogeco Communications' and Atlantic Broadband's credit ratings:

At August 31, 2020	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	**BBB-**	**BBB (low)**	**NR**
Atlantic Broadband			
First Lien Credit Facilities	**BB**	**NR**	**B1**

NR : Not rated

Our ability to access debt capital markets and bank credit markets and the cost and amount of funding available partly depends on the quality of our credit ratings. Obligations rated in the "BBB" category are considered investment grade and their cost of funding is typically lower relative to the "BB/B" rating category. In addition, obligations with "BBB" ratings generally have greater access to funding than those with "BB/B" ratings.

On January 28, 2020, S&P raised the credit rating of Atlantic Broadband's First Lien Credit Facilities from BB- to BB on the basis that its strategic importance to the Corporation has increased over time.

8.5 FINANCIAL RISK MANAGEMENT

Liquidity risk

The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due.

The following table summarizes the contractual maturities of the financial liabilities and lease liabilities, and related capital amounts at August 31, 2020:

	Contractual cash flows						
	2021	2022	2023	2024	2025	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Bank indebtedness	**7,610**	—	—	—	—	—	**7,610**
Trade and other payables (1)	**203,633**	—	—	—	—	—	**203,633**
Notes, debentures and credit facilities	**22,171**	**222,171**	**322,171**	**22,171**	**335,179**	**2,206,382**	**3,130,245**
Lease liabilities	**4,115**	**3,297**	**3,047**	**2,851**	**2,626**	**23,279**	**39,215**
Balance due on business combinations	**2,856**	—	—	—	—	—	**2,856**
	240,385	**225,468**	**325,218**	**25,022**	**337,805**	**2,229,661**	**3,383,559**

(1) Excluding accrued interest on long-term debt.

The following table is a summary of interest payable on long-term debt that is due for each of the next five years and thereafter:

(in thousands of Canadian dollars)	2021 $	2022 $	2023 $	2024 $	2025 $	Thereafter $	Total $
Interest payments on notes, debentures and credit facilities (1)	**89,745**	**84,342**	**78,939**	**65,936**	**39,371**	**12,589**	**370,922**
Interest payments on lease liabilities	**1,573**	**1,178**	**1,070**	**971**	**873**	**4,632**	**10,297**
Interest receipts on derivative financial instruments (1)	**(1,851)**	**(1,570)**	**(1,297)**	**(756)**	**(127)**	**—**	**(5,601)**
Interest payments on derivative financial instruments (1)	**25,270**	**21,415**	**17,673**	**10,212**	**1,698**	**—**	**76,268**
	114,737	**105,365**	**96,385**	**76,363**	**41,815**	**17,221**	**451,886**

(1) Based on the principal amounts and interest rates prevailing on the outstanding debt at August 31, 2020 and their respective maturities.

Interest rate risk

The Corporation is exposed to interest rate risks on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At August 31, 2020, all of the Corporation's notes, debentures and credit facilities were at fixed rate, except for the amounts drawn under the First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the Corporation's US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2020:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$1.1 billion	US LIBOR base rate	2.017% - 2.262%	January 2021 - November 2024	Senior Secured Term Loan B

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $6.9 million based on the outstanding debt and swap agreements at August 31, 2020.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $9.6 million based on the outstanding debt and swap agreements at August 31, 2020.

The Corporation faces exposure to foreign exchange risk on cash and cash equivalents and trade and other payables denominated mainly in US dollars. The Corporation's exposure to foreign currency risk on cash and cash equivalents and trade and other payables is not significant as at August 31, 2020 and 2019.

A foreign currency exposure arises from the Corporation's net investment in its US subsidiary, as a result of the translation of the net investment into the Corporation's functional currency. A portion of the Corporation's net investment in its US subsidiary is hedged by the Corporation's US dollar denominated Senior Secured Notes, which the Corporation has designated as hedges of the net investment, while the remaining portion is economically hedged by its subsidiary's US dollar denominated First Lien Credit Facilities.

The following table shows the aggregate investment in foreign operations attributable to owners of the Corporation and the notional amount of debt borrowed to hedge this investment at August 31, 2020:

Type of hedge	Notional amount of debt	Aggregate investment	Hedged item
Net investment	US$390 million	US$1,077 million	Net investment in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at August 31, 2020 was $1.3042 ($1.3295 at August 31, 2019) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $89.6 million.

Market risk

The Corporation uses derivative instruments to manage the cash flow exposure to the risk of changes in the price of its subordinate voting shares under the DSU plan. As such, the Corporation uses equity swap agreements to economically hedge the market price appreciation risk of its subordinate voting shares.

The following table shows the equity derivatives contracts outstanding at August 31, 2020:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	48,000 units	January 2021	$102.61	Equity price exposure

As at August 31, 2020, the fair value of the equity swap was $0.2 million and recognized as a liability. A 10% increase in the market price of the subordinate voting shares would result in a gain of approximately $0.5 million due to the equity swap fair value appreciation, offset by a $0.5 million increase in the DSU plan expense.

8.6 FOREIGN CURRENCY

For the year ended August 31, 2020, the average rates prevailing used to convert the operating results of the American broadband services segment were as follows:

Years ended August 31,	2020	2019	Change	Change
	$	$	$	%
US dollar vs Canadian dollar	1.3456	1.3255	0.02	1.5

The following table highlights in Canadian dollars, the impact of a $0.02 variation of the Canadian dollar against the US dollar on Cogeco Communications' segmented and consolidated operating results for the year ended August 31, 2020:

	Canadian broadband services	American broadband services	Consolidated (1)
Year ended August 31, 2020	Exchange rate impact	Exchange rate impact	Exchange rate impact
(in thousands of Canadian dollars)	$	$	$
Revenue	—	16,477	16,477
Operating expenses	331	8,969	9,301
Management fees - Cogeco Inc.			—
Adjusted EBITDA	(331)	7,508	7,176
Acquisition of property, plant and equipment	1,309	3,779	5,088
Free cash flow			369

(1) The consolidated results do not correspond to the addition of the operating segment's results as the Other segmented information is not presented.

8.7 CONTRACTUAL OBLIGATIONS, CONTINGENCIES AND GUARANTEES

A) CONTRACTUAL OBLIGATIONS

The following table presents the Corporation's contractual obligations, at August 31, 2020, that are due in each of the next five years and thereafter:

Years ended August 31,	2021	2022	2023	2024	2025	Thereafter	Total
(in thousands of Canadian dollars)	$	$	$	$	$	$	$
Acquisition of property, plant and equipment (1)	1,800	1,800	1,800	1,800	1,800	1,800	10,800
Other long-term contracts (2)	41,902	30,967	24,947	23,579	20,632	36,855	178,882
Financial liabilities and lease liabilities, and related capital amounts	240,385	225,468	325,218	25,022	337,805	2,229,661	3,383,559
Interest payable on long-term debt	114,737	105,365	96,385	76,363	41,815	17,221	451,886
	398,824	363,600	448,350	126,764	402,052	2,285,537	4,025,127

(1) Include minimum spend commitments for acquisition of customer premise equipment.

(2) Include long-term commitments under service and product contracts for operating expenditures, including minimum spend commitments.

B) CONTINGENCIES

CRTC's wholesale Internet services 2019 costing decision

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued a costing decision setting new rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, the Corporation, together with other telecommunications service providers (the "Cable Carriers"), jointly filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. On November 22, 2019, the FCA granted leave to appeal the CRTC decision and stayed the order pending final judgement, with the result that operators did not have to implement the new rates nor to make the retroactive payments pending final decision of the Court. A decision dismissing the appeal of the Cable Carriers was rendered by the FCA on September 10, 2020, repealing the stay order of the Court.

In parallel, on December 13, 2019, the Cable Carriers submitted to the CRTC an application for review and variance of the CRTC order, based on substantial doubt as to the correctness of the rate setting methodology relied upon by the CRTC in the order. The application also requested a stay of the Order pending a decision from the CRTC. On September 28, 2020, the CRTC approved the Cable Carriers' request to stay the implementation of Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services until the CRTC completes its review of that order.

In addition to the FCA appeal and the review and variance process, on November 13, 2019, the Cable Carriers filed a petition with the Governor in Council, asking Cabinet to refer the CRTC order back to the CRTC for reconsideration in conjunction with the CRTC's planned review of its regulatory framework for wireline wholesale services and in accordance with specific policy considerations. Interested parties filed comments on February 14, 2020 and a decision was issued on August 15, 2020. The Governor in Council rendered an order confirming that the rates set by the CRTC decision do not in all instances appropriately balance the required policy objectives. However, as a review and variance process is currently pending before the CRTC, the Governor in Council confirmed that any further instructions from Cabinet to the CRTC would be premature.

As at August 31, 2020, the total retroactive payments based on the CRTC's final aggregated wholesale service rates' 2019 costing decision, if not otherwise modified, is estimated at approximately $43 million, of which approximately $25 million relates to fiscal years from 2016 to 2019, and approximately $18 million relates to fiscal year 2020. Due to the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has therefore not recorded the impact of the reduced rates as at August 31, 2020 and 2019.

Other

The Corporation and its subsidiaries are involved in matters involving litigations, other regulatory decisions or potential claims from customers and suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider these exposures to be significant to the consolidated financial statements. At August 31, 2020 and 2019, no liability has been recorded with respect to these litigations, other regulatory decisions and potential claims, except for those disclosed in Note 16. of the consolidated financial statements.

C) GUARANTEES

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, the Corporation cannot determine how they could affect its future liquidity, capital resources or credit risk profile. At August 31, 2020 and 2019, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16 of the consolidated financial statements.

SALE OF A BUSINESS

In connection with the sale of a business, the Corporation has agreed to indemnify the purchaser against claims related to events that occurred prior to the date of sale.

LONG-TERM DEBT

Under the terms of the Senior Secured Notes, the Corporation has agreed to indemnify the lenders against changes in regulations relative to withholding taxes and costs incurred due to changes in laws.

SALE OF SERVICES

As part of transactions involving the sale of services, the Corporation and its subsidiaries may be required to make payments to counterparties as a result of breaches of representations and warranties made into the service agreements.

PURCHASE AND DEVELOPMENT OF ASSETS

As part of transactions involving the purchase and development of assets, the Corporation and its subsidiaries may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties contained in the purchase agreements.

9. DISCONTINUED OPERATIONS

Disposal of a subsidiary in fiscal 2019

On April 30, 2019, the Corporation completed the sale of Cogeco Peer 1, its Business ICT services subsidiary. The results and cash flows of Cogeco Peer 1 are presented as discontinued operations separate from the Corporation's continuing operations. As a result of the sale, the Corporation recognized the following gain on disposal in the consolidated statement of profit or loss for the year ended August 31, 2019:

(in thousands of Canadian dollars)	$
Gross proceeds, net of cash disposed	720,314
Working capital adjustments	691
Transaction costs	(10,903)
Net proceeds from sale, net of cash disposed	710,102
Net assets disposed	(625,738)
Gain on disposal of a subsidiary	84,364

The following table presents the carrying value of the net assets disposed of:

(in thousands of Canadian dollars)	$
Trade and other receivables	19,988
Income taxes receivable	1,126
Prepaid expenses and other	8,532
Property, plant and equipment	361,774
Intangible assets	49,618
Other assets	9,594
Goodwill	272,591
Deferred tax assets	2,061
Trade and other payables	(22,416)
Provisions	(34)
Contract liabilities and other liabilities	(25,104)
Deferred tax liabilities	(22,183)
Foreign currency translation adjustment	(29,809)
	625,738

The profit of the discontinued operations was as follows:

Year ended August 31,	2019 (1)
(in thousands of Canadian dollars)	$
Revenue	174,990
Operating expenses	132,390
Adjusted EBITDA	42,600
Depreciation and amortization	43,999
Financial expense	(1,304)
Gain on disposal of a subsidiary	(84,364)
Profit before income taxes	84,269
Income taxes	8,889
Profit for the year from discontinued operations	75,380

(1) Fiscal 2019 amounts reflect the eight-month period ended April 30, 2019.

The cash flows of the discontinued operations were as follows:

Year ended August 31,	2019 (1)
(in thousands of Canadian dollars)	$
Cash flows from operating activities	41,962
Cash flows from investing activities	691,729
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	116
Net change in cash and cash equivalents from discontinued operations	733,807

(1) Fiscal 2019 amounts reflect the eight-month period ended April 30, 2019.

10. QUARTERLY OPERATING RESULTS

10.1 QUARTERLY FINANCIAL HIGHLIGHTS

	Fiscal 2020				Fiscal 2019 (1)			
Three months ended	Nov. 30	Feb. 29	May 31	Aug. 31	Nov. 30	Feb. 28	May 31	Aug. 31
(in thousands of Canadian dollars, except percentages and per share data)	$	$	$	$	$	$	$	$
Operations								
Revenue	586,827	586,467	605,821	605,168	576,673	584,129	587,345	583,673
Adjusted EBITDA	282,105	277,372	294,717	294,535	267,851	280,552	283,927	275,610
Adjusted EBITDA margin	48.1 %	47.3 %	48.6 %	48.7 %	46.4 %	48.0 %	48.3 %	47.2 %
Integration, restructuring and acquisition costs	61	5,458	12	3,955	5,713	3,722	1,003	712
Profit for the period from continuing operations	89,708	114,011	96,724	96,148	78,806	86,128	99,571	92,403
Profit (loss) for the period from discontinued operations	—	—	—	—	(3,622)	(5,369)	82,451	1,920
Profit for the period	89,708	114,011	96,724	96,148	75,184	80,759	182,022	94,323
Profit for the period from continuing operations attributable to owners of the Corporation	84,178	109,391	90,771	90,834	73,792	81,718	96,613	87,850
Profit for the period attributable to owners of the Corporation	84,178	109,391	90,771	90,834	70,170	76,349	179,064	89,770
Cash flow								
Cash flows from operating activities	149,192	231,653	282,229	254,745	98,996	199,462	265,551	304,702
Acquisition of property, plant and equipment	121,302	110,840	123,653	128,195	100,557	92,773	96,116	145,099
Free cash flow	102,844	125,062	116,158	111,372	107,503	125,307	136,999	84,250
Capital intensity	20.7 %	18.9 %	20.4 %	21.2 %	17.4 %	15.9 %	16.4 %	24.9 %
Per share data(2)(3)								
Earnings (loss) per share								
Basic								
From continuing operations	1.71	2.24	1.89	1.90	1.50	1.65	1.96	1.78
From discontinued operations	—	—	—	—	(0.07)	(0.11)	1.67	0.04
From continuing and discontinued operations	1.71	2.24	1.89	1.90	1.42	1.55	3.62	1.82
Diluted								
From continuing operations	1.70	2.22	1.87	1.88	1.49	1.64	1.94	1.77
From discontinued operations	—	—	—	—	(0.07)	(0.11)	1.65	0.04
From continuing and discontinued operations	1.70	2.22	1.87	1.88	1.41	1.53	3.59	1.80
Dividends per share	0.58	0.58	0.58	0.58	0.525	0.525	0.525	0.525

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated. For further details, please consult the "Accounting policies" section of the MD&A.

(2) The addition of quarterly information may not correspond to the annual total due to rounding.

(3) Per multiple and subordinate voting share.

10.2 SEASONAL VARIATIONS

Cogeco Communications' operating results are not generally subject to material seasonal fluctuations except as follows. In the Canadian and American broadband services segments, the number of Internet and video services customers are generally lower in the second half of the fiscal year as a result of a decrease in economic activity due to the beginning of the vacation period, the end of the television season, and students leaving their campuses at the end of the school year. Cogeco Communications offers its services in several towns with educational institutions. In the American broadband services segment, certain areas are also subject to seasonal fluctuations due to the winter and summer seasons.

10.3 FOURTH-QUARTER OPERATING AND FINANCIAL RESULTS

CONSOLIDATED

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**605,168**	583,673	3.7	3.0	4,214
Operating expenses	**303,728**	302,833	0.3	(0.5)	2,368
Management fees – Cogeco Inc.	**6,905**	5,230	32.0	32.0	—
Adjusted EBITDA	**294,535**	275,610	6.9	6.2	1,846
Adjusted EBITDA margin	**48.7 %**	47.2%			

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

REVENUE

Three months ended August 31,	2020 (1)	2019	Change	Change in constant currency (2)	Foreign exchange impact (2)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**324,197**	319,935	1.3	1.3	—
American broadband services	**280,971**	263,738	6.5	4.9	4,214
	605,168	583,673	3.7	3.0	4,214

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

Fiscal 2020 fourth-quarter revenue increased by 3.7% (3.0% in constant currency) resulting from:

- organic growth combined with the impact of the Thames Valley Communications acquisition completed on March 10, 2020 in the American broadband services segment; and
- higher revenue in the Canadian broadband services segment.

OPERATING EXPENSES

Three months ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**142,242**	147,815	(3.8)	(3.8)	78
American broadband services	**155,182**	148,215	4.7	3.2	2,290
Other	**6,304**	6,803	(7.3)	(7.3)	—
	303,728	302,833	0.3	(0.5)	2,368

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

Fiscal 2020 fourth-quarter operating expenses increased by 0.3% (decrease of 0.5% in constant currency) mainly from:

- lower operating expenses in the Canadian broadband services segment; partly offset by
- higher operating expenses in the American broadband services segment.

MANAGEMENT FEES

Fiscal 2020 fourth-quarter management fees paid to Cogeco reached $6.9 million compared to $5.2 million for the same period of fiscal 2019. For further details on the Corporation's management fees, please refer to the "Related party transactions" section.

ADJUSTED EBITDA

Three months ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Canadian broadband services	**181,955**	172,120	5.7	5.8	(78)
American broadband services	**125,789**	115,523	8.9	7.2	1,924
Other	**(13,209)**	(12,033)	9.8	9.8	—
	294,535	275,610	6.9	6.2	1,846

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

Fiscal 2020 fourth-quarter adjusted EBITDA increased by 6.9% (6.2% in constant currency) as a result of:

- an increase in the American broadband services segment mainly as a result of organic growth and the impact of the Thames Valley Communications acquisition; and
- an increase in the Canadian broadband services segment resulting from higher revenue combined with lower operating expenses.

INTEGRATION, RESTRUCTURING AND ACQUISITION COSTS

Fiscal 2020 fourth-quarter integration, restructuring and acquisition costs amounted to $4.0 million mostly due to organizational changes initiated across the Corporation resulting in cost optimization.

Fiscal 2019 fourth-quarter integration, restructuring and acquisition costs amounted to $0.7 million mostly due to acquisition and integration costs in the American broadband services segment.

DEPRECIATION AND AMORTIZATION

Three months ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Depreciation of property, plant and equipment(2)	**109,471**	106,698	2.6
Amortization of intangible assets	**15,354**	14,858	3.3
	124,825	121,556	2.7

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) Includes the depreciation of right-of-use assets amounting to $1.6 million for the three-month period ended August 31, 2020.

Fiscal 2020 fourth-quarter depreciation and amortization expense increased by 2.7% due to higher depreciation of property, plant and equipment as a result of higher capital expenditures during the fiscal year combined with the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year and the impact of IFRS 16 adoption.

FINANCIAL EXPENSE

Three months ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Interest on long-term debt, excluding interest on lease liabilities	**38,380**	41,307	(7.1)
Interest on lease liabilities	**370**	—	—
Net foreign exchange gain	**(181)**	(403)	(55.1)
Amortization of deferred transaction costs	**213**	464	(54.1)
Capitalized borrowing costs	**(122)**	(168)	(27.4)
Other	**642**	(763)	—
	39,302	40,437	(2.8)

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Fiscal 2020 fourth-quarter financial expense decreased by 2.8% mainly due to:

- lower interest rates and lower outstanding debt on the First Lien Credit Facilities; partly offset by
- the $2.8 million early redemption premium on the Senior Secured Debentures Series 2 on July 20, 2020; and
- the appreciation of the US dollar against the Canadian dollar compared to the same period of the prior year.

INCOME TAXES

Three months ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Current	**13,713**	11,603	18.2
Deferred	**16,592**	8,899	86.4
	30,305	20,502	47.8

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Three months ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Profit before income taxes	**126,453**	112,905	12.0
Combined Canadian income tax rate	**26.50 %**	26.50 %	—
Income taxes at combined Canadian income tax rate	**33,510**	29,920	12.0
Difference in operations' statutory income tax rates	**534**	1,404	(62.0)
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**317**	220	44.1
Tax impacts related to foreign operations	**(5,912)**	(7,517)	(21.4)
Other	**1,856**	(3,525)	—
	30,305	20,502	47.8

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

Fiscal 2020 fourth-quarter income taxes expense increased by 47.8% mainly attributable to the increase in profit before income taxes.

PROFIT FOR THE PERIOD

Three months ended August 31, *(in thousands of Canadian dollars, except percentages and earnings per share)*	2020 $	2019 (1) $	Change %
Profit for the period from continuing operations	**96,148**	92,403	4.1
Profit for the period	**96,148**	94,323	1.9
Profit for the period from continuing operations attributable to owners of the Corporation	**90,834**	87,850	3.4
Profit for the period attributable to owners of the Corporation	**90,834**	89,770	1.2
Profit for the period from continuing operations attributable to non-controlling interest(2)	**5,314**	4,553	16.7
Basic earnings per share from continuing operations	**1.90**	1.78	6.7
Basic earnings per share	**1.90**	1.82	4.4

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) The non-controlling interest relates to the 21% ownership of CDPQ in Atlantic Broadband.

Fiscal 2020 fourth-quarter profit for the period from continuing operations and profit for the period from continuing operations attributable to owners of the Corporation increased by 4.1% and 3.4%, respectively, as a result of:

- higher adjusted EBITDA; partly offset by
- the increases in income taxes, depreciation and amortization and integration, restructuring and acquisitions costs.

Fiscal 2020 fourth-quarter profit for the period and profit for the period attributable to owners of the Corporation also increased by 1.9% and 1.2%, respectively, mainly due to the elements mentioned above, partly offset by the discontinued operations which generated a profit of $1.9 million as a result of working capital adjustments related to the sale of Cogeco Peer 1 for the comparable period of the prior year.

CANADIAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Three months ended August 31, *(in thousands of Canadian dollars, except percentages)*	2020 (1) $	2019 (2) $	Change %	Change in constant currency (3) %	Foreign exchange impact (3) $
Revenue	**324,197**	319,935	1.3	1.3	—
Operating expenses	**142,242**	147,815	(3.8)	(3.8)	78
Adjusted EBITDA	**181,955**	172,120	5.7	5.8	(78)
Adjusted EBITDA margin	**56.1 %**	53.8 %			
Acquisition of property, plant and equipment	**46,474**	79,132	(41.3)	(41.5)	187
Capital intensity	**14.3 %**	24.7 %			

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

REVENUE

Fiscal 2020 fourth-quarter revenue increased by 1.3% as reported and in constant currency compared to the same period of the prior year mainly as a result of:

- rate increases implemented during the first and the fourth quarters of fiscal 2020 for certain services;
- customers' transition to higher value offerings; and
- continued growth in Internet service customers; partly offset by
- a decline in video service customers; and
- lower net pricing from consumer sales primarily as a result of product bundles being promoted more actively from the fourth quarter of fiscal 2019 to the second quarter of fiscal 2020.

OPERATING EXPENSES

Fiscal 2020 fourth-quarter operating expenses decreased by 3.8% as reported and in constant currency mainly attributable to:

- non-recurring elements totaling approximately $4 million resulting from retroactive effect of new programming contracts and certain COVID-19 pandemic related impact such as lower sales expenses;
- lower marketing initiatives and installation costs due to the effects of the COVID-19 pandemic, with more self installations and remote repairs;
- the impact of IFRS 16 adoption; and
- lower programming costs resulting from lower video service customers.

ADJUSTED EBITDA

Fiscal 2020 fourth-quarter adjusted EBITDA increased by 5.7% (5.8% in constant currency) resulting mainly from higher revenue combined with lower operating expenses.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2020 fourth-quarter acquisition of property, plant and equipment decreased by 41.3% (41.5% in constant currency) resulting from:

- lower costs related to the maintenance, growth and expansion of our network infrastructure due to the timing of certain initiatives; and
- lower purchases of customer premise equipment due to the timing of certain initiatives.

Fiscal 2020 fourth-quarter capital intensity reached 14.3% compared to 24.7% for the same period of the prior year mainly as a result of lower capital expenditures combined with revenue growth.

PRIMARY SERVICE UNIT STATISTICS

		Net additions (losses) Three months ended August 31,	
	August 31, 2020	**2020**	2019
Primary service units	**1,799,706**	**(2,925)**	(2,846)
Internet service customers	**812,016**	**8,943**	2,540
Video service customers	**619,249**	**(8,359)**	(8,164)
Telephony service customers	**368,441**	**(3,509)**	2,778

INTERNET

Fiscal 2020 fourth-quarter Internet service customers net additions stood at 8,943 compared to 2,540 for the same period of the prior year. The fiscal 2020 fourth-quarter growth was due to:

- the ongoing interest in high speed offerings especially as more customers were working from home in the context of the COVID-19 pandemic;
- the sustained interest in bundle offers; and
- the continued demand from Internet resellers; partly offset by
- competitive offers in the industry.

VIDEO

Fiscal 2020 fourth-quarter video service customers net losses stood at 8,359 compared to 8,164 for the same period of the prior year. The fiscal 2020 fourth-quarter loss was due to:

- highly competitive offers in the industry; and
- a changing video consumption environment; partly offset by
- customers' ongoing interest in digital advanced video services; and
- customers' interest in video services bundled with fast Internet offerings.

TELEPHONY

Fiscal 2020 fourth-quarter telephony service customers net losses amounted to 3,509 compared to net additions of 2,778 for the same period of the prior year. The fiscal 2020 fourth-quarter loss was due to:

- increasing mobile wireless penetration in Canada and various unlimited offers launched by mobile wireless operators causing some customers to cancel their landline telephony services for mobile wireless telephony services only; partly offset by
- more telephony bundles being marketed during the second half of fiscal 2019.

AMERICAN BROADBAND SERVICES

OPERATING AND FINANCIAL RESULTS

Three months ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Revenue	**280,971**	263,738	6.5	4.9	4,214
Operating expenses	**155,182**	148,215	4.7	3.2	2,290
Adjusted EBITDA	**125,789**	115,523	8.9	7.2	1,924
Adjusted EBITDA margin	**44.8 %**	43.8 %			
Acquisition of property, plant and equipment	**79,457**	65,967	20.4	18.8	1,060
Capital intensity	**28.3 %**	25.0 %			

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

REVENUE

Fiscal 2020 fourth-quarter revenue increased by 6.5% (4.9% in constant currency). In local currency, revenue amounted to US$209.3 million compared to US$199.5 million for the same period of fiscal 2019. The increase resulted mainly from:

- growth in both residential and business Internet service customers as more customers work from home in the context of the COVID-19 pandemic;
- rate increases mostly implemented during the fourth quarter of fiscal 2019; and
- the impact of the Thames Valley Communications acquisition completed on March 10, 2020; partly offset by
- the temporary waving of late fees charged to customers as a relief measure in the context of the COVID-19 pandemic.

Excluding revenue from Thames Valley Communications, revenue in constant currency increased by 3.5% for the fourth quarter of fiscal 2020.

OPERATING EXPENSES

Fiscal 2020 fourth-quarter operating expenses increased by 4.7% (3.2% in constant currency) mainly as a result of:

- higher compensation expenses and costs related to additional headcount to support growth;
- additional operating expenses resulting from the impact of the Thames Valley Communications acquisition; and
- additional costs related to the development and implementation of a new financial and human capital management system; partly offset by
- the impact of IFRS 16 adoption.

ADJUSTED EBITDA

Fiscal 2020 fourth-quarter adjusted EBITDA increased by 8.9% (7.2% in constant currency). In local currency, adjusted EBITDA amounted to US$93.7 million compared to US$87.4 million for the same period of fiscal 2019 mainly due to organic growth and the impact of the Thames Valley Communications acquisition.

Excluding adjusted EBITDA from Thames Valley Communications, adjusted EBITDA in constant currency increased by 5.9% for the fourth quarter of fiscal 2020.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Fiscal 2020 fourth-quarter acquisition of property, plant and equipment increased by 20.4% (18.8% in constant currency) mainly due to:

- higher purchases of customer premise equipments and other related costs in order to support the increased number of connections driven by demand for high speed Internet product, as well as resulting from equipment upgrades and the timing of certain initiatives;
- additional investments to improve and expand the network infrastructure in Florida;
- accelerated purchases of certain equipment to prevent potential supply chain shortages; and
- costs related to the development and implementation of a new financial and human capital management system.

Fiscal 2020 fourth-quarter capital intensity reached 28.3% compared to 25.0% for the same period of the prior year as a result of capital expenditures growth exceeding revenue growth.

PRIMARY SERVICE UNIT STATISTICS

	August 31, 2020 (1)	Net additions (losses) Three months ended August 31, 2020	2019
Primary service units	**957,925**	**20,653**	7,431
Internet service customers	**492,212**	**13,523**	2,441
Video service customers	**317,387**	**5,542**	5,294
Telephony service customers	**148,326**	**1,588**	(304)

(1) Net of a provision related to non-paying customers who have not been disconnected.

INTERNET

Fiscal 2020 fourth-quarter Internet service customers net additions stood at 13,523 compared to 2,441 for the same period of the prior year. The fiscal 2020 fourth-quarter growth was due to:

- the ongoing interest in high speed offerings especially as more customers were working from home in the context of the COVID-19 pandemic; and
- growth in the residential and business sectors.

VIDEO

Fiscal 2020 fourth-quarter video service customers net additions stood at 5,542 compared to 5,294 for the same period of the prior year. The fiscal 2020 fourth-quarter growth was due to:

- our customers' ongoing interest in TiVo's digital advanced video services; and
- additional connects related to the Thames Valley Communications acquisition; partly offset by
- a changing video consumption environment; and
- competitive offers in the industry.

TELEPHONY

Fiscal 2020 fourth-quarter telephony service customers net additions stood at 1,588 compared to net losses of 304 for the same period of the prior year. The fiscal 2020 fourth-quarter growth was due to:

- growth in the residential and business sectors; partly offset by
- increasing mobile wireless penetration in the United States and various unlimited offers launched by mobile wireless operators causing some customers to cancel their landline telephony services for mobile wireless telephony services only.

CASH FLOW ANALYSIS

Three months ended August 31,	2020	2019 (1)	Change
(in thousands of Canadian dollars, except percentages)	$	$	%
Cash flows from operating activities	**254,745**	304,702	(16.4)
Cash flows from investing activities	**(126,899)**	(144,332)	(12.1)
Cash flows from financing activities	**(246,410)**	(50,198)	—
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency	**(8,733)**	(1,405)	—
Net change in cash and cash equivalents from continuing operations	**(127,297)**	108,767	—
Cash and cash equivalents, beginning of the period	**493,794**	447,737	10.3
Cash and cash equivalents, end of the period	**366,497**	556,504	(34.1)

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

OPERATING ACTIVITIES

Fiscal 2020 fourth-quarter cash flows from operating activities decreased by 16.4% mainly from:

- the decrease in changes in non-cash operating activities primarily due to changes in working capital; and
- the increase in financial expense paid; partly offset by
- higher adjusted EBITDA; and
- the decrease in income taxes paid.

INVESTING ACTIVITIES

Fiscal 2020 fourth-quarter investing activities decreased by 12.1% mainly due to the decrease in acquisition of property, plant and equipment.

ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The acquisition of property, plant and equipment as well as the capital intensity per operating segment are as follows:

Three months ended August 31,	**2020**	2019 (1)	Change	Change in constant currency (2)
(in thousands of Canadian dollars, except percentages)	**$**	$	%	%
Canadian broadband services	**46,474**	79,132	(41.3)	(41.5)
Capital intensity	**14.3 %**	24.7 %		
American broadband services	**79,457**	65,967	20.4	18.8
Capital intensity	**28.3 %**	25.0 %		
Other	**2,264**	—	—	—
Consolidated	**128,195**	145,099	(11.6)	(12.5)
Capital intensity	**21.2 %**	24.9 %		

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

Fiscal 2020 fourth-quarter acquisition of property, plant and equipment decreased by 11.6% (12.5% in constant currency) mainly due to lower capital expenditures in the Canadian broadband services segment, partly offset by higher capital expenditures in the American broadband services segment resulting from the timing of certain initiatives.

Fiscal 2020 fourth-quarter capital intensity reached 21.2% compared to 24.9% for the same period of the prior year mainly as a result of lower capital capital expenditures combined with revenue growth.

FINANCING ACTIVITIES

ISSUANCE AND REPAYMENT OF DEBT

Fiscal 2020 fourth-quarter changes in cash flows from the issuance and repayment of debt are mainly explained as follows:

Three months ended August 31,	**2020**	2019	Explanations
(in thousands of Canadian dollars)	**$**	$	
Increase (decrease) in bank indebtedness	**7,610**	(4,821)	Related to the timing of payments made to suppliers.
Repayment of notes, debentures and credit facilities	**(205,566)**	(5,650)	Redemption of the Senior Secured Debentures Series 2 during the fourth quarter of fiscal 2020 as a resulted of free cash flow generated combined with quarterly repayments on the Senior Secured Term Loan B Facility.
Repayment of lease liabilities	**(1,143)**	—	Related to the adoption of IFRS 16.
	(199,099)	(10,471)	

DIVIDENDS

During the fourth quarter of fiscal 2020, a quarterly eligible dividend of $0.58 per share was paid to the holders of subordinate and multiple voting shares, totalling $27.7 million, compared to an eligible quarterly dividend paid of $0.525 per share, or $25.9 million in the fourth quarter of fiscal 2019.

NORMAL COURSE ISSUER BID

During the fourth quarter of fiscal 2020, Cogeco Communications purchased and cancelled 194,600 subordinate voting shares with a weighted average price per share purchased of $100.89 for a total consideration of $19.6 million. During the fourth quarter of fiscal 2019, Cogeco Communications purchased and cancelled 169,800 subordinate voting shares with a weighted average price per share repurchased of $105.55 for a total consideration of $17.9 million.

FREE CASH FLOW

Three months ended August 31,	2020 (1)	2019 (2)	Change	Change in constant currency (3)	Foreign exchange impact (3)
(in thousands of Canadian dollars, except percentages)	$	$	%	%	$
Adjusted EBITDA[4]	**294,535**	275,610	6.9	6.2	1,846
Amortization of deferred transaction costs and discounts on long-term debt	**2,344**	2,940	(20.3)	(19.3)	29
Share-based payment	**2,249**	2,173	3.5	3.5	—
(Gain) loss on disposals and write-offs of property, plant and equipment	**(177)**	1,119	—	—	—
Defined benefit plans contributions, net of expense	**(1,271)**	259	—	—	—
Integration, restructuring and acquisition costs	**(3,955)**	(712)	—	—	(1)
Financial expense	**(39,302)**	(40,437)	(2.8)	(1.8)	(426)
Current income taxes	**(13,713)**	(11,603)	18.2	18.1	8
Acquisition of property, plant and equipment	**(128,195)**	(145,099)	(11.6)	(12.5)	(1,247)
Repayment of lease liabilities	**(1,143)**	—	—	—	(11)
Free cash flow[4]	**111,372**	84,250	32.2	32.0	198

(1) For the three-month period ended August 31, 2020, the average foreign exchange rate used for translation was 1.3424 USD/CDN.

(2) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(3) Fiscal 2020 actuals are translated at the average foreign exchange rate of the comparable period of fiscal 2019 which was 1.3222 USD/CDN.

(4) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section, including reconciliation to the most comparable IFRS financial measures.

Fiscal 2020 fourth-quarter free cash flow increased by 32.2% (32.0% in constant currency) compared to the same period of the prior year, mainly due to the following:

- higher adjusted EBITDA; and
- the decrease in acquisition of property, plant and equipment mainly from lower capital expenditures in the Canadian broadband services segment, partly offset by higher capital expenditures in the American broadband services segment resulting from the timing of certain initiatives.

11. FISCAL 2021 FINANCIAL GUIDELINES

The following section contains forward-looking statements concerning the business outlook for Cogeco Communications. For a description of risk factors that could cause actual results to differ materially from what Cogeco Communications expects, please refer to the "Uncertainties and main risk factors" section of the present MD&A.

The Corporation presents its financial guidelines on a constant currency basis and believes this presentation enables an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in a foreign currency rate. Measures on a constant currency basis are considered non-IFRS financial measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies. The Corporation is providing the following financial guidelines for fiscal 2021, on a constant currency and consolidated basis. The financial guidelines exclude the impact from the acquisition of DERYtelecom which was announced on October 21, 2020 and is expected to close no later than at the end of the second quarter of the fiscal year 2021. They also do not take into consideration the potential impact of the review and variance process currently pending before the CRTC in connection with the final rates for aggregated wholesale Internet services for resellers. For further details, please consult the "Business developments" subsection. The projections take into consideration the experience gained while operating during the COVID-19 pandemic so far but exclude potential unexpected significant material impacts from it.

On a constant currency and consolidated basis, Cogeco Communications expects low-single digit percentage growth in revenue and adjusted EBITDA for fiscal 2021. Revenue should increase mainly as a result of organic growth in the American broadband services segment for both the residential and business sectors, the continued expansion in Florida, annual rate increases and the full year effect of the Thames Valley Communications acquisition completed on March 10, 2020. In the Canadian broadband services segment, revenue growth should stem primarily from growth in the business sector and Internet customer additions.

Adjusted EBITDA should increase mainly as a result of revenue growth exceeding operating expenses in both the American and Canadian broadband services segments.

The capital intensity ratio should remain essentially stable at approximately 20%. In the American broadband services segment, capital expenditures will be driven by our continued Florida network expansion and additional investments in our network infrastructure in the areas we serve. In the Canadian broadband services segment, we expect lower customer premise equipment costs as a result of the progressive launch of our IPTV solution, sustained investments in our networks to continue to offer high performance products while expanding our networks into new areas to address the digital divide between urban centers and rural areas, combined with investments in our digital transformation.

Free cash flow[1] on a constant currency and consolidated basis is expected to grow at a low-single digit percentage rate mainly due to the growth of adjusted EBITDA.

The following table outlines fiscal 2021 financial guidelines on a consolidated basis:

	Projections Fiscal 2021 (1)	Actual Fiscal 2020
(in millions of Canadian dollars, except percentages)	$	$
Financial guidelines		
Revenue	**Low-single digit percentage growth**	2,384
Adjusted EBITDA	**Low-single digit percentage growth**	1,149
Capital intensity	**Approximately 20%**	20.3 %
Free cash flow	**Low-single digit percentage growth**	455

(1) Fiscal 2021 financial guidelines are based on a USD/CDN exchange rate of 1.3456 USD/CDN.

(1) The indicated terms do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. For more details, please consult the "Non-IFRS financial measures" section of the MD&A.

12. CORPORATE SOCIAL RESPONSIBILITY PROGRAM

12.1 OVERVIEW

The Corporation has designed a corporate social responsibility ("CSR") program aimed at operating responsibly and sustainably and being a good corporate citizen. Concretely, this means we seek to integrate practices which improve the environmental and social impacts of our operations while ensuring the Corporation's continued growth. The CSR program integrates our corporate social responsibility objectives articulated around five pillars:

CSR Mission

To support sustainability through responsible and ethical management and operating practices.
We strive to meet the expectations of our stakeholders in the following ways:

- Be **effective environmental** stewards
- Add **significant value** for our shareholders
- Make a **positive impact** on **our employees** and **the communities** where we live and work

Pillars

- Be a trusted and reliable partner for **our customers**
- Take part in developing **our employees**
- Take part in developing **our communities**
- Maintain a **sound culture** and **strong corporate governance practices** as enablers of value creation
- Manage our **environmental footprint**

Values

- **Innovation**
- **Customer Commitment**
- **Teamwork**
- **Respect**
- **Social Engagement**

12.2 CSR GOVERNANCE

The CSR function is under the purview of the CSR Steering Committee that reports twice per year to the Corporate Governance Committee of the Board of Directors. The CSR Steering Committee, which is composed of executives from all business units, is responsible for reviewing the CSR Policy, identifying top risks, setting objectives and ambitions and monitoring CSR performance.

The CSR function is held at a corporate level and is headed by the Vice President, Enterprise Strategy and Social Responsibility who is responsible for the roll-out of corporate strategies and initiatives to promote the CSR principles and ultimately support the conduct of business in a socially responsible and ethical manner. Executives hold the business units accountable for implementing the initiatives and strategies defined by the CSR Steering Committee, including their business unit specific CSR action plans. The CSR team facilitates the integration of all business units' CSR initiatives.

The Corporation's CSR Policy, Code of Ethics and Supplier Code of Conduct together form the framework of our CSR Program.

12.3 SUSTAINABLE DEVELOPMENT GOALS

In our continued effort to drive long term corporate sustainability and contribute to a better and more sustainable future for all, Cogeco has started to review the alignment of our CSR strategy with the United Nations' ("UN") Sustainable Development Goals ("SDGs"). The SDGs are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. The 17 Goals were adopted by all UN Member States in 2015, as part of the 2030 Agenda for Sustainable Development which set out a 15-year plan to achieve the Goals[1]. 2020 marked the 5th anniversary of the adoption of the SDGs. The 17 SDGs articulate the world's most pressing environmental, social and economic issues and are outlined as follows:

Our CSR goals serve as a means to do our part to make progress towards achieving the SDG targets most relevant to our business.

12.4 FISCAL 2020 HIGHLIGHTS

To support the achievement of our CSR goals, we have developed key performance indicators for environmental, social and governance ("ESG") objectives. During fiscal 2020, key initiatives of the CSR Program were rolled-out to our business units, namely Atlantic Broadband and Cogeco Connexion. Below are some examples of the CSR initiatives that were deployed in fiscal 2020 and how they currently align with the SDGs.

ENVIRONMENTAL HIGHLIGHTS

Our environmental initiatives and targets support progress towards SDG 13: Climate action; SDG 7: Clean energy; SDG 12: Responsible consumption and production; and SDG 8: Economic growth with improved resource efficiency.

(1) https://www.un.org/sustainabledevelopment/development-agenda/

ACCOMPLISHMENTS

- 34% reduction of our Greenhouse Gas ("GHG") emissions on a per revenue basis compared to fiscal year 2014, surpassing our initially set commitment of 10%. Having surpassed our target one year early, we are in the process of setting a new, longer term, more aggressive emissions reduction target in line with climate science;
- We continued to measure and track our GHG emissions from all of the Corporation's business units and we implemented various energy efficiency measures as part of our energy management strategy. Measures put in place include the installation of centrally controlled thermostats with updated temperature control settings, heating, ventilation and air conditioning ("HVAC") replacements, new airflow containment design, LED lighting retrofits, and DC plants rectifier upgrades;
- We began implementation of our strategy to reduce emissions from the consumption of electricity by investing in renewable energy, purchasing over 8,100 MWh of clean energy through Renewable Energy Certificates;
- We tackled reduction of emissions from our vehicle fleet on multiple fronts. We replaced 121 vehicles (representing approximately 10% of the Corporation's fleet) with more energy efficient ones. In addition, to support our longer term vehicle fleet electrification strategy, we implemented a policy that includes replacing any smaller vehicles at the end of their life with hybrid or electric vehicles. In fiscal 2020, we purchased 15 hybrid vehicles, and invested in two hybrid systems for our service vans to test the feasibility of their use in reducing fuel consumption and emissions;
- Cogeco Connexion voluntarily purchased carbon offsets to cover some of its GHG emissions from fiscal 2020 (200 tons of CO2e). The offsets purchased are Gold Standard and will fund the Siam Solar Energy project in Thailand, as well as sensitive natural habitat restoration projects in Québec;
- We published our eighth CDP (formerly "Carbon Disclosure Project") report;
- We diverted more than 295,000 kilos of electronic waste from landfill during fiscal year 2020, and had an e-waste management strategy in place for 100% of Customer Premise Equipment (CPE) and office equipment at our facilities;
- Approximately 20% of the Corporation's facilities underwent environmental assessments. No significant adverse impact on the environment was identified as a result of that exercise;
- We continued our implementation of the Canadian Energy Efficiency Voluntary Agreement ("CEEVA"). This agreement, developed by Canadian telecommunications companies together with Natural Resources Canada, intends to limit the energy consumption of set-top boxes provided to our customers. With this agreement in place, it is expected that the total annual energy consumption in Canada, with the telecommunications companies' contribution, including Cogeco Connexion, will be reduced and annual carbon dioxide emissions will be cut by over 100,000 tons. This is equivalent to the emissions of over 44,000 sub-compact new vehicles driving 15,000 km/year. By the end of fiscal 2020, 86% of set-top boxes purchased in Canada by Cogeco Connexion complied with the CEEVA standards. In addition, though not a signatory of the corresponding U.S. Voluntary Agreement (USVA), 55% of set-top boxes purchased in the U.S. by Atlantic Broadband complied with the USVA standards;
- During the process of moving the Montréal head office to a new building, four Eco centres and a 5,000 square foot temporary sorting center were put in place to collect, sort and package surplus office supplies and equipment. The efforts resulted in the donation of more than three truckloads of material to organisations such as Habitat for Humanity, Regroupement Partage, Computers for Success and Renaissance. The majority of old office furniture was resold and refurbished. In total, more than 95% of all surplus material was diverted from waste disposal sites.

SOCIAL HIGHLIGHTS

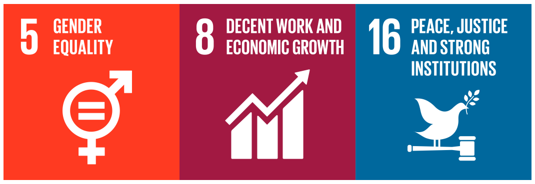
Our social initiatives support progress towards SDG 3: good health and well-being; SDG 5: gender equality; SDG 8: Decent Work; and SDG 11: Sustainable cities and communities.

ACCOMPLISHMENTS

- We donated over $7.6 million in cash and in-kind donations during fiscal year 2020, representing 1.5% of Cogeco's pre-tax profit. We also offered air time for fundraising purposes to several organizations in our communities and territories. Our principal focus areas are culture, education and entrepreneurship, health and well-being, environment, connectivity, diversity and inclusion;
- Our workplace-related incident rate remained below industry averages in the jurisdictions where we operate;
- 36% of managerial level positions in fiscal 2020 were held by women, surpassing our goal of reaching 35% by 2021;
- We improved our global workforce engagement score by 12% during fiscal 2020 vs 2019;
- Participating employees of Cogeco Connexion volunteered 2,335 hours during the first year of the employee community involvement program launched in fiscal 2019;
- We partnered with Computers for Success Canada to donate used technology in order to support the program's intent to deliver improved access to technology for Canadians at risk of digital exclusion. During fiscal 2020, we donated more than 200 units to Computers for Success Canada.

GOVERNANCE HIGHLIGHTS

Our high corporate governance standards and initiatives support progress towards SDG 5: gender equality; SDG 8: Decent work and economic growth; and SDG 16: Peace, Justice and strong institutions.



ACCOMPLISHMENTS

- We remained in the top tier of family-controlled dual-class companies listed on a Canadian stock exchange according to the Globe and Mail's Board Games;
- 95% of new and current employees are trained on the Corporation's Code of Ethics;
- Overall, considering both Cogeco Communications and Cogeco, 53% of our Board of Directors members are women;
- We achieved our goal to have 100% of our top suppliers acknowledge the Corporation's Supplier Code of Conduct or meet our CSR standards through their own code of conduct;
- As part of the purchasing process, we continued to include CSR criteria in the Request for Proposal process. In fiscal 2020, during the selection of suppliers for furniture for the new Montréal head office, increased weight was given to sustainability criteria such as the product life cycle, location of manufacturing, material composition and disposal management.

For more information on our initiatives and our performance, please refer to the latest CSR Report, which was published in February 2020. It should be noted that the Corporation will also provide annual updates relative to its CSR program and related commitments directly on the Corporation's website at corpo.cogeco.com.

RECOGNITIONS

The Corporation's CSR program and related initiatives were recognized during fiscal 2020 as follows:

- For the third consecutive year, Cogeco Communications was named to Corporate Knights' Best 50 Corporate Citizens in Canada;
- Cogeco Communications is ranked among the World's 100 Most Sustainable Corporations by Corporate Knights;
- Cogeco Communications received the ISS Quality Score environmental badge, which recognizes our environmental disclosure practices;
- Cogeco Communications continues to be part of the *Jantzi Social Index*, consisting of 50 Canadian companies that passed a set of broadly based environmental, social and governance rating criteria;
- Cogeco is part of Forbes' prestigious Canada's Best Employers for 2020;
- Cogeco received the Caring Company Certification from Imagine Canada. This certification recognizes outstanding leadership in community investment and social responsibility in Canada;
- Cogeco was recognized as one of the companies at the forefront of having women in leadership positions, making the first annual Globe and Mail Women Lead Here listing in 2020.

12.5 DRIVING CSR THROUGH DIGITAL TRANSFORMATION

April 2020 marked the 50th anniversary of Earth Day, a unified response to an environment in crisis. Cogeco took this opportunity to highlight to employees how digital transformation can connect people, the planet and technology to drive social and environmental benefits. According to the "SMARTer 2030 ICT Solutions for 21st Century Challenges" by GeSI and Accenture report, the use of information and communications technologies ("ICT") could result in the avoidance of emissions representing almost 10 times those generated by the ICT sector. ICT, including products from the telecommunications industry, can enable a 20% reduction in global carbon emissions by 2030, holding emissions at 2015 levels. Cogeco is helping to dematerialize the economy by virtualizing services replacing higher-emission products or services with lower-emission ones.

Some key initiatives undertaken in fiscal 2020 to leverage digital solutions in achieving CSR goals included:

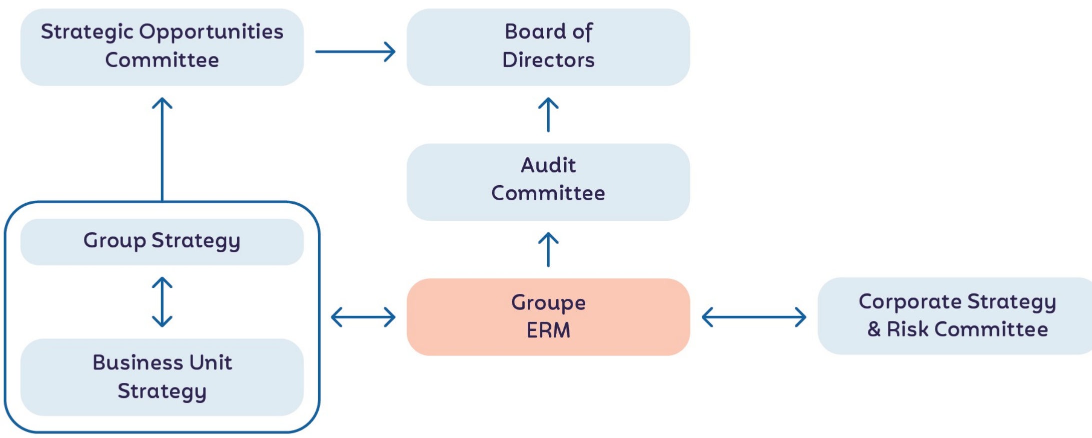
- Providing access to affordable Internet services to almost 3,000 low income families through Atlantic Broadband's Internet Assist program and Cogeco Connexion's participation in Canada's Connecting Families program;
- Using telematics devices that monitor driver behavior as well as other metrics related to vehicle performance to help drive fuel efficiency and reduce GHG emissions from our fleet. In fiscal 2020, the continued deployment of these devices resulted in over 90% of our fleet being connected;
- Providing customers with digital tools to allow self-installation and self-swap of Cogeco's products. These self-install capabilities bypass the need for appointments and technician visits, and are more convenient for customers. They also reduce the fuel consumption and GHG emissions from our fleet. In fiscal 2020, self-installs and self-swaps resulted in a reduction of over 225,000 truck rolls and approximately 2,400 tonnes of GHG emissions avoided;
- Continuing our migration to paperless billing, resulting in over 56% of customers receiving electronic bills at the end of fiscal year 2020.

13. UNCERTAINTIES AND MAIN RISK FACTORS

This section outlines the principal risks and uncertainties which Cogeco Communications and its subsidiaries currently believe to be material. It does not purport to cover all contingencies, or to describe all possible factors that might have an influence on the Corporation or its activities at any point in time. Furthermore, the risks and uncertainties outlined in this section may or may not materialize in the end, may evolve differently than expected or may have different consequences than those that are currently anticipated. If any of the following risks, or any other risks and uncertainties that the Corporation and its subsidiaries have not yet identified or that they currently consider not to be material, actually occur or become material risks, the Corporation and its subsidiaries' businesses, guidance, prospects, financial condition, results of operations and cash flows and consequently the price of the subordinate voting shares could be materially and adversely affected.

ENTERPRISE RISK MANAGEMENT

The Corporation has a formal integrated enterprise-wide risk management ("ERM") program structured and governed based on the most recent, widely adopted *Committee of Sponsoring Organisations of the Treadway Commission* ("COSO") ERM integrated framework. This framework puts forward the strong connection between risk, strategy and enterprise performance. As a result, the ERM approach at Cogeco is supported by a Risk Governance Ecosystem as illustrated below.



The Risk Governance Ecosystem solicits input from corporate functions as well as business units and feeds the strategic planning process.

Annual Consolidated Risk Assessment	Principal business risks that could impact the Corporation are identified on an annual basis. Risks considered are not only strategic, operational, financial, regulatory and compliance in nature but also environmental, social and governance ("ESG") related. In addition, as part of this annual risk assessment process, the Risk Appetite Framework, guiding strategic decision making, is reviewed and updated, as needed. Critical output from this annual risk assessment is used in the preparation of the corporate strategy and presented to the Board of Directors as part of the strategic planning process.
Business Unit Risk Assessment	As part of the strategic planning process, business units identify the principal risks specific to their business unit as well as mitigation plans.
Risk Oversight	On an annual basis, the Board, with the Audit Committee, reviews the principal business risks facing the Corporation and its subsidiaries as well as the mitigation measures implemented to manage these risks. On a quarterly basis: - the Corporate Risk Committee, comprised of the CEO and his direct reports, governs risk management. - the Audit Committee oversees the ERM activities and the operational and financial risks associated with significant programs or projects of the Corporation.
Other Risk Related Activities	A risk universe is maintained by the ERM function and updated through exchanges with members of the business units covering risks that could impact our risk assessment and strategic planning. In addition, context maps are developed at a group level and at a business unit level documenting forces that shape our environment representing potential opportunities, threats and risks facing the organization (e.g. demographic trends, rules and regulations, economy and environment, competition, technology trends, customer needs and uncertainties).

13.1 COMPETITIVE RISKS

The industries in which we operate are very competitive, and we expect competition to intensify in the future. Competition stems from various sources, including from traditional competitors upgrading their product offering such as incumbent phone companies investing in fiber to the home ("FTTH") networks, mobile competitors offering substitutes for fixed home Internet, Internet resellers in Canada which are gaining market share and municipalities overbuilding some of our networks.

Some of our competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater brand recognition, a larger base of customers while some are digital native organizations with lower cost structures due to the absence of legacy systems to maintain. Our competitors may be able to adapt more quickly to new or emerging technologies, changes in customer expectations, and may also be able to develop services comparable or superior to those we offer at more competitive prices. Aggressive pricing and market offers of our competitors could result in pricing pressures and increased customer acquisition and retention costs and could put pressure and adversely affect our businesses and results of operations. Our ability to compete successfully within one or more of our market segments may thus decline in the future due to increased competition from current competitors or from new entrants taking bold actions to establish, sustain or increase their position in the market. Our businesses and results of operations could be materially adversely affected to the extent that we are unable to retain our existing customers and grow our customer base or have to lower revenue per customer in order to maintain market share.

Our principal competitive risks can be broken down as follows.

We face intensifying competition in our Canadian broadband services segment from traditional service providers and new entrants (e.g. Internet resellers, municipalities).

Large traditional phone companies and mobile service providers are our main network-based competitors. Those operators offer their services through evolving technologies such as FTTH, mobile high speed Internet services (including 4G and 5G), fixed-wireless services which allow for lower deployment costs in rural areas, and traditional satellite-based services primarily for video services. In addition to traditional competitors, other companies are developing new delivery models such as, Internet through low earth orbit satellites for hard to reach areas.

Over recent years, Internet resellers have gained significant market share in the Canadian territories where we offer our services, namely in Ontario. A favorable regulated wholesale regime, which does not require resellers to invest in network construction and low wholesale rates have enabled resellers to offer services at competitive price points. While resellers are primarily focussed on Internet services, some are also offering video and phone services.

In addition, certain Canadian municipalities plan to or have entered into public/private partnership arrangements to build and operate their own broadband networks, entering into competition with the Corporation in some of its service areas.

Some of the large integrated communications service providers we compete with in Canada also own broadcast content assets.

Some of the large integrated communications service providers we compete with in Canada own broadcast television content assets. This vertical integration could result in content being withheld from us or being made available to us at inflated prices or unattractive terms. In order to limit the power of vertically integrated entities on the public's access to diverse and quality programming services, the Canadian Radio-television and Telecommunications Commission ("CRTC") adopted in 2015 a Wholesale Code which applies to all broadcasting distribution undertakings ("BDU") and licensed programming undertakings. The Code prohibits a number of commercially unreasonable practices and sets out a dispute resolution mechanism for the renewal of affiliation agreements in situations where both the BDU and the programming undertaking intend to renew the agreement but are unable to agree on terms.

Intensifying competition in the American Broadband services segment.

The market in the United States continues to converge with mergers and acquisitions consolidating the industry. Similar to Canada, our main source of competition is traditional service providers with increasing competition for our video services from phone companies with fiber networks. Our telephony services face competition from the incumbent local exchange carriers ("ILEC"), as well as other providers such as mobile wireless and VoIP providers. We are also facing intensified competition from overbuild strategies in our Florida, Connecticut and New Hampshire markets.

Faced with increasing competition and customer demands, providers are enhancing the value they offer customers. Some are looking to disrupt the cable bundle by offering more choice to subscribers through personalized and tailored services that would eliminate contracts and bundling, others are expanding their service offering to include complementary services such as cybersecurity and home security to provide customers with a whole home experience while others still are launching a next version of WiFi to deliver faster speeds and better coverage throughout the home.

We face competition in both the Canadian and American Broadband services segments from streaming services.

Cogeco Connexion and Atlantic Broadband face increasing competition from streaming services offered not only from over-the-top ("OTT") video content providers such as Netflix but also from content owners launching or acquiring a streaming service of their own (e.g. Disney+). A majority of households already subscribe to streaming services as a complement to traditional video services. The streaming trend is expected to increase and we could be materially adversely affected if, as a result, a significant number of video customers disconnected their services or reduced their video spending and we may not be able to make up for the loss of revenue associated with this shift in customer preference.

Some of our main video competitors have entered the streaming sphere with their own streaming services. Additionally, several programming networks distributed by the Corporation offer direct-to-consumer products, such as Sportsnet in Canada or HBO Now, CBS All Access and Showtime Anytime in the United States. The Corporation enables the delivery of certain streaming services on its set top boxes, but does not own any streaming platform.

An increased number of consumers are switching from landline telephony to mobile wireless and IP based phone services.

An increased number of fixed phone customers are replacing fixed lines with mobile wireless and IP based phone services. This trend is largely the result of the increasing mobile wireless penetration rate in North America and the various unlimited offers launched by mobile wireless operators. We do not currently offer mobile wireless services and, therefore, further erosion of fixed phone customers could have a material adverse effect on our business, financial condition, prospects and results of operations.

We do not currently offer "four play" bundles that include mobile wireless communications.

Although we provide "double play" and "triple play" bundled services in Canada and the United States, with various combinations of Internet, video and landline telephony services being offered at bundled prices, we do not offer "four play" bundled services which include mobile wireless communications.

We remain interested in offering mobile wireless services to complement our service offerings to customers within our current footprint and grow our share of our customers' telecommunications spending. We believe that the model that is most likely achievable, while satisfying our profitability requirements is a hybrid model that would consist of segments where we would rely on our facilities and others on the incumbent's networks. We have started devoting relatively small amounts of capital towards accumulating spectrum to cover part of our territory, which we may use in such a hybrid MNO model or for fixed-wireless access services. However, we may not be able to secure on a timely basis the appropriate arrangements required to launch a mobile wireless operation. Also, launching a mobile wireless operation may result in downward pressure on adjusted EBITDA margins and free cash flow.

Our business services face competition from a variety of service providers.

Cogeco Connexion and Atlantic Broadband offer video, Internet and telephony services to businesses across their served areas, mainly to small to medium-sized businesses. Our business services in Canada and the United States face competition from a variety of service providers which generally offer a wider product offering. Our results of operations could be materially adversely affected to the extent that we are unable to retain our existing customers and grow our business customer base.

13.2 BUSINESS RISKS

STRATEGIC PLAN AND BUSINESS STRATEGIES

Our ability to successfully implement our business strategies described above in section "Corporate objectives and strategies" of this report in a timely and coordinated manner and to realize their anticipated benefits could be adversely affected by a number of factors beyond our control, including operating difficulties, increased ongoing operating expenses, regulatory developments, general economic conditions, increased competition, technological changes and the other factors described in this "Uncertainties and Main Risk Factors" section. Failure to successfully implement and execute our strategic plan and business strategies in a timely and coordinated manner could have a material adverse effect on our reputation, business, financial condition, prospects and results of operations and on our ability to meet our obligations, including our ability to service our Indebtedness.

PROGRAMMING COSTS

The financial performance of our businesses depends in large part on our ability to sustain and increase adjusted EBITDA by tightly controlling operating expenses. One of the largest drivers of such operating expenses is the programming license fees we pay to television programming service suppliers. The programming license fees of certain television programming services have increased significantly in Canada and in the United States in recent years, particularly for sports programming. Future increases in programming license fees could have a material adverse effect on our business and results of operations.

In Canada, the market for video content services is characterized by high levels of supplier concentration and vertical integration. Our largest programming supplier is Bell, with approximately 38% of our overall programming costs. Bell is vertically integrated and is also our largest competitor. While we have generally been able to obtain satisfactory distribution agreements with programming service suppliers in Canada to date, we may not be able to maintain our current arrangements, or conclude new arrangements that are economically viable; therefore the number of video channels may change from year to year.

Certain affiliation agreements with some of our major programming suppliers have expired and the terms and conditions for their renewal have not yet been fully concluded. We may be subject in upcoming Canadian programming services renewals to regulatory dispute resolution proceedings which could either help us obtain reasonable affiliation terms or compel us to pay increased programming license fees or otherwise subject us to adverse competitive conditions.

While the programming costs in the United States showed some signs of stabilization in the last two years, our ability to access content at reasonable rates, terms and conditions could still be negatively impacted by the changing content landscape resulting from the increasing number of company mergers such as AT&T and Time Warner, Disney and 21st Century Fox, Sinclair's purchase of Fox Regional Sports Networks and Viacom and CBS. This ongoing consolidation activity could enable combined companies to leverage popular content and negotiate better terms with us in the future or require that we carry their less popular services, thus further increasing costs. In addition to the increase in programming costs, most of our programming agreements require us to meet certain penetration thresholds, which limit our ability to offer smaller tiers and packages. Many of these same programmers are simultaneously launching their own direct-to-consumer products to effectively compete with programming distributors. While this adds marketplace confusion, it also presents alternative content sources for consumers, which could enable the rationalization of certain content and the reduction of wholesale cost.

We are also subject in the United States to increasing financial and other demands by broadcasters to obtain the required consent for the transmission of local broadcast programming to our customers. Federal law prohibits cable operators from carrying local broadcast stations without consent. Under federal "must-carry" regulations, local broadcast stations may require cable operators to carry such stations without compensation. Alternatively, local broadcast stations may require cable operators to engage in "retransmission consent" negotiations, pursuant to which broadcast stations require significant payments and other concessions, in exchange for the right to carry such stations. We expect to continue to be subject to significant increases in fees by broadcasters in exchange for their required consent for the retransmission of local broadcast programming to customers. Failure to reach an agreement with a broadcaster could result in the loss of popular programming from our video services.

The inability to acquire and provide content to our customers that meets their expectations in terms of quality, format, variety of programming choices, packages and platforms at competitive rates which customers can afford to pay, could have a material adverse effect on our businesses as well as on our adjusted EBITDA should we fail to pass on the incremental increase in costs of programming to our customers.

ACCESS TO SUPPORT STRUCTURES AND MUNICIPAL RIGHTS OF WAYS FOR OUR BROADBAND OPERATIONS

Our business requires the execution of contracts with utilities in order to obtain access to utility support structures (such as utility poles) and with municipalities to obtain access to public rights-of-ways. Access to the support structures of telephone companies in Canada is provided on a tariff basis approved by the CRTC. In the case of Canadian provincial and municipal electric utilities, access to those support structures is subject to provincial and municipal requirements, and the terms for access to these structures may need to be obtained through provincial and municipal authorities. Where access to municipal rights-of-ways in our Canadian footprint cannot be secured, we may apply to the CRTC to obtain a right of access under the *Telecommunications Act*. In the United States, the Communications Act requires telephone companies and other utilities (other than those owned by municipalities or cooperatives) to provide cable systems with non-discriminatory access to any pole or rights-of-ways controlled by the utility. The rates that utilities may charge, together with certain terms and conditions for such access are regulated by the Federal Communications Commission ("FCC"), or, alternatively, by states that certify to the FCC that they regulate pole attachments.

Make ready work, which is the strengthening of the poles and/or relocation of other facilities on the poles to accommodate additional attachments, often takes several months to years to complete, which delays the company's network expansion. If we have to support increasing costs in securing access to support structures needed for our broadband network or are unable to secure such agreements, we may not be able to implement our business strategies and our businesses, financial condition, results of operations, reputation and prospects could be materially adversely affected.

CUSTOMER EXPERIENCE

The Corporation strives to maintain respectful and transparent relationships with its customers by providing a superior customer experience and through honest marketing of its products. The loyalty of our customers and their retention depend on our ability to provide a service experience that meets or exceeds their expectations. The Corporation firmly believes that customer experience represents a key differentiator and has enacted various programs and actions at its different business units to constantly improve the customer experience and build upon this reputational capital.

With increased demand for digital capabilities, a failure to keep pace with customer demands could result in loss of customer base and difficulty in attracting potential new customers. In fiscal 2020, the Corporation accelerated its digital transformation efforts in response to the COVID-19 crisis and increased customer demands. Self-install capabilities and self-serve features were implemented to enable customers to manage their telecommunication service relationship online, and contact-free care options and virtual technical support were enabled. It is now possible for consumers to experience a simple end-to-end online customer journey. In addition, feedback on customer satisfaction and trends on new ways in which consumers wish to engage are measured, and advanced survey tools collect information at every point of contact, all in real time. Failure to evolve our customer experience in line with customer demands could adversely affect our business, financial results, reputation and brand value.

MEETING CUSTOMER EXPECTATIONS

Rising OTT fragmentation is also triggering a consumer call for aggregation of OTT offerings on a common platform. The Corporation has various on-going initiatives in place to evolve its products and service offerings, in the digital space, in line with customer expectations. Failure to anticipate and respond in a timely manner to changing customer expectations, changes in consumer behavior, technology trends and new market conditions may result in an outdated product/services portfolio, thus impairing our ability to retain current customers and attract new ones.

MARKETING AND SALES

The evolution of technology has enabled more targeted marketing approaches, initiatives and campaigns, thus changing the dynamics of the competitive environment. The Corporation is evolving its marketing and sales approach to align with customer preferences powered by data analytics and automated marketing platforms based on a highly segmented outreach. Furthermore, in the current market, transparency in pricing, easy to understand promotions and high value product packaging will be critical for both the acquisition and retention of customers.

The failure to achieve sales growth targets as a result of inadequate marketing and/or sales strategies, a deficient execution of said strategies or operating difficulties could have a material adverse effect on our business, financial condition and results of operations.

RELIANCE ON THIRD PARTIES

We currently offer video services to our customers in our Canadian and American footprint through a combination of equipment from various suppliers and depend on long-term agreements with suppliers for the provision of our telephony services to our residential and business customers. All these suppliers may experience business difficulties, restructure their operations, discontinue products or sell their operations to other suppliers, which could affect the availability and future development of our products and services. The inability to meet product or service delivery objectives or having to incur increased costs as a result of a failure in supply from third-party suppliers or change in suppliers could have a material adverse effect on our business, financial condition and results of operations.

MERGERS/ACQUISITIONS, DIVESTITURES AND REORGANIZATIONS

The Corporation has grown through acquisitions and will continue to seek attractive acquisition opportunities in the future. Achieving the expected benefits of acquisitions depends in part on successfully consolidating functions, integrating operations, procedures and personnel in a timely and efficient manner and realizing revenue, synergies and other growth opportunities from combining acquired businesses with ours. There is no assurance that the integration of acquisitions will be successful and will deliver the anticipated benefits and results. The integration process after an acquisition may lead to greater than expected operating expenses, financial leverage, capital costs, customer losses, asset write-offs, business disruption of our other businesses and management's diversion of time and resources. We may also be required to make capital expenditures or other investments, which may affect our ability to implement our business strategies to the extent we are unable to secure additional financing on acceptable terms or generate sufficient funds internally to cover these requirements. In addition, an acquired business could have liabilities that we fail or are unable to uncover and for which the Corporation may be responsible. Depending on the circumstances, pursuing acquisitions may also require that we raise additional capital, through debt or equity, and establish relationships with new financing partners, or use cash that would otherwise have been available to support our existing business operations. Also, we generally face competition in acquisition processes from strategic players and private equity funds, which can result in having to pay high acquisition prices or not be the ultimate buyers of the companies being sold. Any failure by Cogeco Communications to successfully integrate or address the risks associated with acquisitions or to take advantage of future strategic opportunities could materially adversely affect our financial position, financial performance, cash flows, business or reputation.

FOREIGN OPERATIONS

Our American broadband services activities are carried out by Atlantic Broadband in 11 states along the East Coast from Maine to Florida and represent 46.0% of the consolidated revenue of the Corporation. There are significant complexities and risks involved with carrying foreign operations, such as differences in political, legal, regulatory and taxation regimes or fluctuations in relative currency values against the Canadian dollar, all of which could have a material adverse effect on our operating and financial results.

TALENT MANAGEMENT AND SUCCESSION PLANNING

The fast pace of technological advancements and the digitization within the industry and the workplace have created a shortage of digital skills as industry players compete for the same resources. In addition, employees' expectations are evolving requiring comprehensive employee experiences to attract and retain talent. For this reason, the Corporation is actively engaged in fully participating in its employees' professional development through a variety of programs that promote continuous education, a healthy and safe work environment as well as diversity and inclusion and by offering competitive working conditions. Our success is substantially dependent on our capacity to attract new talent and our ability to retain existing talent and foster continued performance of our employees and executive officers. Many of these employees and executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services. Retaining key employees and executive officers is especially important to our business in order to keep pace with technological change and to avoid losing critical knowledge in the context of the organization's continued expansion. The loss of the services of key executives and/or employees in critical roles or inadequate processes designed to attract, develop, motivate and retain productive and engaged employees could impact our ability to deliver on organizational goals and have a material adverse effect on our growth, business and profitability.

LABOUR RELATIONS

Collective bargaining agreements are in place with some of our employees that are renewed from time to time in the normal course of business. The Corporation has been successful to date in negotiating satisfactory collective agreements with unions without significant labor disruption. While the Corporation's labor relations have been satisfactory in the past, we can neither predict the outcome of current or future negotiations relating to labor disputes, union representation or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes or other forms of labor protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labor protest could have a material adverse effect on our businesses, operations and reputation. Although we have not experienced strikes or other forms of labour protests in recent years, the outcome of labor negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of our collective bargaining agreements.

13.3 REGULATORY RISKS

REGULATORY RISKS - CANADIAN AND AMERICAN BROADBAND SERVICES

Our Canadian and American broadband operations are subject to extensive and evolving laws, regulations and policies at the federal, provincial, state and local levels. Cogeco Connexion is primarily regulated respectively under the Broadcasting Act and the Telecommunications Act and regulations thereunder while Atlantic Broadband is regulated mainly by the Communications Act. In addition, they are both subject to other laws relating to copyright and intellectual property, data protection, privacy of personal information, spam, e-commerce, direct marketing and digital advertising which have become more prevalent in recent years. Changes to existing laws and regulations, the adoption of new laws and regulations as well as periodic reviews of copyright royalties payable in relation to the use by the Corporation of protected content could have negative financial, operational or competitive consequences on our business, financial condition, prospects and results of operations by increasing our costs, limiting our revenues and/or imposing additional restrictions on our operations.

Several recent and on-going legislative reviews, regulatory proceedings of the CRTC in Canada and the FCC in the United States or judicial hearings could have a material adverse effect on our business and results of operations depending on outcome. We describe below some of these legislative, judicial and regulatory developments in Canada and the United States.

Canada

Review of the Broadcasting Act, the Radiocommunication Act and Telecommunications Act

On June 5, 2018, the Government of Canada announced a joint review of the *Telecommunications Act*, the Broadcasting Act and the Radiocommunication Act (the "Acts"). This review was led by a panel of 7 external experts in the telecommunications and broadcast industry. The panel issued on January 29, 2020 its report entitled "Canada’s Communications Future: Time to Act", which included 97 recommendations. It is difficult to predict how the Acts will be amended, and if so, when these changes will be implemented or how they will be construed by the relevant courts or the extent to which any changes might adversely affect.

Internet Wholesale Rates

The outcome of proceedings and the resulting wholesale rates applicable to Internet resellers could have a material adverse effect on our business, financial condition and results of operations. Please refer to the "Commitment, contingencies and guarantees" subsection for a description of the CRTC's wholesale Internet services 2019 costing decision.

Mobile Wireless Review

On February 28, 2019, the CRTC initiated a public consultation to review mobile wireless services in Canada. In this proceeding, the CRTC has considered three areas for review: (i) competition in the retail mobile wireless market, (ii) the current wholesale mobile wireless service regulatory framework, with a focus on wholesale MVNO access, and (iii) the future of mobile wireless services in Canada, with a focus on reducing barriers to infrastructure deployment. The CRTC is concerned that the mobile wireless market continues to demonstrate a high degree of market concentration. To protect the interest of users and further the policy objectives of the *Telecommunications Act*, the CRTC has determined as a preliminary view in this Notice of Consultation, that it would be appropriate to mandate the national mobile wireless carriers in Canada (Bell Mobility, Rogers Communications and Telus Communications) to provide wholesale MVNO access as an outcome of the proceeding. The CRTC received initial submissions on May 15, 2019 followed by a public hearing that started on February 18, 2020. Final comments were filed by participants on July 15, 2020. A decision is expected in late-2020.

Wholesale Code

On June 18, 2019, the FCA granted to Québecor the right to appeal a decision issued by the CRTC compelling TVA Group Inc. to continue providing its programming service, TVA Sports, to Bell TV customers until they can reach an agreement concerning the carriage and distribution terms of TVA Sports or until the CRTC renders a decision on matters not resolved by agreement. This order is commonly referred to as a "standstill" order and is made to enforce the "standstill" rule in the Discretionary Services Regulations. Québecor is arguing that the CRTC does not have the jurisdiction pursuant to the Broadcasting Act to interfere in commercial relations and force a party to maintain the distribution of a television signal during a dispute and that the standstill rule conflicts with the Copyright Act. Should the court confirm Québecor’s position, this decision would have negative consequences for the Corporation as it would eliminate negotiation safeguards to ensure that BDUs are not threatened with the withdrawal of popular programming services or forced to accept unreasonable terms and conditions while disputes are pending before the CRTC. The Corporation has obtained the right to intervene before the Federal Court of Appeal on September 26, 2019 and will seek to have the court declare that the "standstill" rule is within the jurisdiction of the CRTC and does not conflict with the Copyright Act. In the absence of such negotiation safeguards, contained in Discretionary Services Regulations and in the Wholesale Code adopted in 2016 to govern the commercial arrangements between BDUs and programming services and in conditions of license of licensees, there is a risk that vertically integrated competitors may abuse their market power and impose anticompetitive terms for the distribution of their programming services or attempt to withhold content from us.

United States

Regulation of Internet

In 2017, the FCC classified broadband Internet access service as an information service, rather than a telecommunications service under Title II of the Communications Act (which would subject such service to more onerous regulations). In 2019, the U.S. Court of Appeals for the District of Columbia upheld the FCC’s classification, but it vacated the FCC’s directive preventing state and local governments from adopting any requirements inconsistent with the FCC’s decision, which will likely empower state and local governments to adopt legislation regulating Internet service. Several states have passed or proposed legislation that imposes open internet requirements. Some federal and state legislators have advocated for increased regulation of broadband service, especially in light of COVID-19, during which broadband service has been deemed to be an essential service. Some legislators have even advocated for the creation of public broadband Internet service providers. Any such legislation could reduce our revenues and restrict the way we offer products and services, as well as increase competition from publicly-funded service providers. The presidential election and certain congressional elections in November 2020 could result in a change in power in the executive, legislative and regulatory branches of government. This could result in increased regulation of broadband and other services provided by the Corporation.

Television Viewer Protection Act

As mandated by the STELA Reauthorization Act of 2014 ("STELARA"), certain sections of the Copyright Act and the Communications Act relating to cable and/or DBS retransmission of broadcast signals were scheduled to expire at the end of 2019. One such section required that broadcasters and multichannel video programming distributors ("MVPDs") negotiate retransmission consent agreements in good faith. On December 20, 2019, the President signed into law a permanent extension of the good faith retransmission consent negotiation requirements. The Television Viewer Protection Act, also includes customer transparency provisions which state information which must be provided by MVPDs to customers. The new transparency rules were scheduled to go into effect June 20, 2020, but the FCC extended the deadline to December 20, 2020.

13.4 TECHNOLOGY RISKS

NETWORK FAILURE

The Corporation manages network failure risks through a business continuity planning program as well as through a Disaster Recovery Policy and related procedures. Operational risk assessments are also conducted on an annual basis minimally to consider anticipated and unanticipated events (including climate-related incidents) in order to protect the viability of all critical business processes.

In Canada, Cogeco Connexion has a backup system for retransmission through another headend or a mobile headend if one of our headends fails. In the United States, Atlantic Broadband also has emergency backup or replacement sites, including several interconnects with adjacent cable operators to be able to use their signals as a backup. In addition, headends located in high risk areas (e.g. flood zone) are relocated as deemed necessary.

A failure in our headends could prevent us from delivering some of our services through a portion of our network until we have implemented backup solutions or resolved the failure and result in significant customer dissatisfaction, loss of revenue and potential litigation, depending on the severity of the outage condition.

MAINTENANCE OF OUR NETWORK, INFRASTRUCTURE AND IT SYSTEMS

We continuously maintain, upgrade or replace our network, infrastructure and IT systems in order to optimize our networks and systems, increase the speed of our Internet service and improve and provide new or enhanced services that meet the needs and expectations of our customers. If we are unable to do so because of capital or other constraints, this may materially adversely affect our ability to compete and negatively impact business and financial performance.

DEPENDENCE ON TECHNOLOGY SYSTEMS

Our daily operations are highly dependent on information technology systems and software, including those provided by certain third party suppliers. Our business is dependent on our payroll, customer billing, service provisioning, financial, accounting and other data processing systems. We rely on these systems to process, on a daily basis, a large number of transactions. An inability to maintain and enhance our existing information technology systems or obtain new systems to support additional customer growth or new products and services could have a material adverse effect on our ability to acquire new customers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, or comply with regulatory requirements, all of which could materially adversely affect our operational results and financial position. Any future difficulties from system replacements or upgrades could damage our brand and reputation and have a material adverse effect on our results of operations, compliance with regulatory requirements, financial performance and future business prospects.

CYBER THREATS

Cybersecurity threats have grown in frequency and complexity over recent years in the public and private sectors. Security measures are in place to protect Cogeco and its subsidiaires against such threats. We continue to enhance our cyber resilience posture, the overall governance over information security and the security awareness of our employees through continuous training and continuous improvement efforts surrounding the security of our IT systems, the controls within our IT systems and our business processes. During fiscal 2020, the Corporation did not experience any major cybersecurity breach.

There can however be no certainty that future cybersecurity threats such as data theft, unauthorized usage and disclosure, viruses, ransomware and sabotage will not occur and have an adverse effect on our brand and reputation as well as entail significant legal and financial exposure.

DATA PROTECTION

We do not disclose our customers' personal information without their consent, unless otherwise required or authorized by law, or in accordance with the Privacy Policy of each subsidiary. We do not sell, trade, exchange that information either. In the course of our business, we collect, use and manage various data about our customers, including sensitive personal information but policies, procedures, guidelines, business rules and safeguards are in place to ensure that this information is protected and treated appropriately under applicable privacy laws. Each subsidiary within the Corporation has implemented security measures that are designed to safeguard personal information against unauthorized access, such as firewalls, endpoint protection, vulnerability management, security site monitoring and intrusion detection systems. Personal information will be retained only as long as necessary for the fulfillment of the purposes for which it was collected and for which consent was received. The Corporation is committed to providing transparency to its customers with respect to the Corporation's practices in handling their information, and has a legal obligation to provide access thereto to individuals to whom this information belongs.

Each year, our employees must agree to abide by the rules of our Code of Ethics and the Information and Cybersecurity Policy and are required to certify in writing that they will comply with them. Privacy training is provided on a regular basis, taking into consideration risks and needs. Existing and proposed privacy legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada and the United States may impose limits on our collection, use and disclosure of certain kinds of information.

Any malfunction of our systems or security breaches resulting in unauthorized access to, loss, use or disclosure of, customer and employee personal information could result in the potential loss of business, damage to our market reputation, litigation, regulatory scrutiny and penalties.

13.5 FINANCIAL RISKS

CAPITAL COMMITMENTS, LIQUIDITY AND DEBT

Cogeco Communications relies on its free cash flow generated by operations to fund its capital expenditures program and on capital markets to refinance its indebtedness and further grow its business through acquisitions. Capital markets are volatile and Cogeco Communications may not be able to access them at reasonable conditions if its credit profile and general economic conditions deteriorate. Such conditions could lead to higher cost of funding, deteriorating financial position and liquidity, and more restrictions on the Corporation’s operations.

We may be unable to generate sufficient cash flow and maintain an adequate liquidity position to ensure and preserve the Corporation’s financial stability/solvency and fund strategic imperatives as well as operational and financial obligations of the business.

CURRENCY AND INTEREST RATES

Our financial results are reported in Canadian dollars and a significant portion of our revenue, operating expenses and capital expenditures are realized in US dollars. For the purposes of financial reporting, any change in the value of the Canadian dollar against the US dollar during a given financial reporting period would result in variations on our operating results and financial condition. Although a significant portion of our indebtedness, which is denominated in US dollars, serves as hedges of net investments in foreign operations, our revenue, adjusted EBITDA and indebtedness could fluctuate materially as a result of foreign exchange rate fluctuations.

Interest rate volatility can also impact interest cost on floating interest rate instruments and have a material adverse effect on our financial results.

CREDIT RATINGS

Credit ratings issued by rating agencies can affect the availability and terms of the Corporation's debt particularly, a downgrade below investment grade of secured debt currently rated as investment grade, could materially adversely affect our cost of capital and access to capital.

TAXATION MATTERS

Our business operations are subject to various tax laws and regulations. These tax laws and regulations are subject to frequent changes and evolving interpretation. While we believe we have adequately provided for all taxes based on the information available to us, the calculation of taxes requires significant judgment in interpreting laws and regulations. A failure to accurately assess and record taxes could result in material changes to tax amounts recorded and an assessment of interest and penalties having a material adverse effect on our financial results.

Changes to Canadian and foreign tax policies in the tax jurisdictions where we are present may also have a material adverse effect on our current financial structure and the level of our future tax costs and liabilities.

13.6 ECONOMIC CONDITIONS

We are affected by general economic conditions, consumer confidence and spending, and the demand for our products and services. Adverse general economic conditions, such as economic downturns or recessions leading to a declining level of retail and commercial activity could have a negative impact on the demand for our products and services. More specifically, adverse general economic conditions could result in customers delaying or reducing purchases of our products and services or discontinuing using them, and a decline in the creditworthiness of our customers could increase our bad debt expense.

13.7 HUMAN-CAUSED AND NATURAL THREATS TO OUR NETWORK, INFRASTRUCTURE AND SYSTEMS

In the event of natural disasters, terrorist acts or other catastrophic occurrence, either natural or man-made, our ability to protect our network, infrastructure, including customer data, and to maintain ongoing operations could be significantly impaired. Although we have business continuity and disaster recovery plans and strategies in place, they may not be successful in mitigating the effects of a natural disaster, terrorist act or catastrophic occurrence which could have a material adverse effect on our business, prospects, financial condition and results of operations. Moreover, we have limited insurance coverage against the losses resulting from natural disasters affecting our networks.

CLIMATE CHANGE

The effects of global climate change are increasing the severity and frequency of natural threats on our business, such as weather-related events, and may result in increased operational and capital costs. Certain of our facilities are located in areas more prone to weather-related events such as Atlantic Broadband's operations in Florida. Some of the more significant climate-related risks that were identified include: 1) increased operational costs due to increase in fuel and energy prices coming from carbon taxes and cap and trade programs; 2) increased operational and capital costs as a result of damage to facilities and/or equipment because of extreme weather events or increased variability in weather patterns and 3) increased operational and capital costs due to longer term shifts in climate patterns such as sea-level rise or chronic heat waves. For example, increased temperatures could impact our network equipment which could entail the need for additional cooling devices and could reduce equipment lifespan. Ice storms or extreme precipitations could have a negative impact on the physical network infrastructure which could affect the delivery of service to our customers. Hurricanes and cyclones could impact or destroy the facilities or portions of the network and could also impact our insurance-related expenses. Impacts to our supply chain would adversely affect the ability of suppliers to supply required products and services and increased capital expenditures could result from the substitution of existing products and services with lower emissions options.

Climate-related risks are mitigated through business continuity and disaster recovery plans and strategies as well as through the implementation of energy efficiency initiatives that will contribute to the reduction of operational costs (refer to the "Corporate Social Responsibility" section). The magnitude of the effects of climate change could be unpredictable and therefore, our plans may not successfully mitigate the consequences of a natural disaster. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

13.8 COMMUNITY ACCEPTANCE RISKS

The Corporation is committed to taking part in developing communities. Our markets cover many rural areas and smaller centres. By bringing affordable broadband services to underserved markets, we make an important contribution to their economic and social development. The availability of broadband services at competitive prices promotes job creation by local businesses by helping them become more competitive. Moreover, our network investments help companies establish operations, expand and diversify. While call centres are often outsourced in our industry, we are committed to providing our customers with local customer service agents from the communities where we operate. In addition, the Corporation has developed community-focused initiatives, reflecting the particular needs of their communities. In 2020, the Corporation contributed $7.6 million in cash and in-kind through donations and sponsorships, mostly contributing to culture, education, health and wellbeing. Lastly, YourTV/NousTV, our unique community television channels, are a powerful complement to our donations and sponsorship activities by providing broad visibility to local community activities and interests. YourTV/NousTV stations are dedicated to in-depth coverage of local people, places, events and issues of interest to each of the communities we serve and are funded by a regulated percentage of our gross video revenues.

Failure to maintain our community acceptance may affect our capacity to attract and retain customers therefore impacting our revenue generation and growth prospects. Furthermore, it may result in losing our social license to operate and our capacity to remain competitive in the market.

13.9 ETHICAL BEHAVIOR RISKS

Maintaining high ethical practices throughout the Corporation is particularly important in the context of the Corporation's continued expansion. The Corporation's Ethics Steering Committee, comprised of representatives from Human Resources, Legal, Finance and Internal Audit functions, provides executive oversight of our overall Ethics program, including the review of our Code of Ethics and related policies. Besides having a comprehensive Code of Ethics, the Corporation has an anonymous and confidential Ethics Line which allows employees and other individuals to report any perceived or actual instances of violations to the Corporation's Code of Ethics and employees are also encouraged to use this tool to seek advice about ethical and lawful behavior. In order to increase employee's awareness on ethics, a formal online training on the Code of Ethics is mandatory for all new employees and Board members and must be completed by employees every two years subsequently. Furthermore, articles on various topics related to ethics are published throughout the year to all employees. Despite these efforts, the Corporation may experience ethics breaches which could not only adversely affect our reputation, but may also cause the Corporation to incur extraordinary expenses related to penalties and fines.

13.10 OWNERSHIP RISKS

The Corporation is controlled by Cogeco Inc. through its ownership of multiple voting shares. Cogeco Inc. is in turn controlled by Gestion Audem Inc., a company controlled by the members of the family of the late Henri and Marie-Jeanne Audet (the "Audet Family"), through its ownership of Cogeco's multiple voting and subordinate voting shares. Both the Corporation and Cogeco Inc. are reporting issuers in Canada with subordinate voting shares listed on the Toronto Stock Exchange. Pursuant to the Conflicts Agreement in effect between the Corporation and Cogeco Inc., all cable television undertakings must be owned or controlled by the Corporation. Cogeco Inc.is otherwise free to own and operate any other business or to invest as it deems appropriate. It is possible that situations could arise where the respective interests of the Audet Family and shareholders or other stakeholders of Cogeco Inc. and of the shareholders or other stakeholders of the Corporation could differ and that the interests of these shareholders or stakeholders be adversely affected by such situations.

13.11 LITIGATION RISKS

We are involved in various litigation matters arising in the course of our business. The outcome of these claims or litigations is uncertain and may adversely affect our reputation, results of operation, liquidity or financial condition. Based on information currently known to us, we do not expect any of these claims and proceedings, individually or in total, to the extent not provided for through insurance or otherwise, to have a material adverse effect on our business, results of operations or financial condition.

14. CONTROLS AND PROCEDURES

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. Cogeco Communications' internal control framework is based on the criteria published in the updated version released in May 2013 of the report *Internal Control Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*.

The CEO and CFO, supported by Management, evaluated the overall design and effectiveness of the Corporation's DC&P and ICFR at August 31, 2020, and concluded that they were effective.

15. ACCOUNTING POLICIES

15.1 CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of the consolidated financial statements in accordance with IFRS requires management to adopt accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and revenue and expenses during the reporting year. A summary of the Corporation's significant accounting policies is presented in note 2 of the consolidated financial statements. The following accounting policies were identified as critical to Cogeco Communications' business operations.

REVENUE RECOGNITION

Revenue is measured based on the consideration received or receivable from a customer, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when it transfers control to the customer.

Revenue is recognized applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Corporation satisfies a performance obligation.

The Corporation's principal sources of revenue are recognized as follows:

Residential

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a monthly basis, as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services is recognized on a monthly basis, as the services are provided; and
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment.

Commercial

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a straight-line basis over the contractual period arrangement;
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment; and
- Revenue from colocation, network connectivity, hosting, cloud and managed services is recognized on a straight-line basis over the contractual period arrangement (pertaining to Cogeco Peer 1 discontinued operations).

Other

- Revenue mainly from advertising, which is recognized as the services are provided.

BUSINESS COMBINATIONS

Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the identifiable assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts.

CAPITALIZATION OF PROPERTY, PLANT AND EQUIPMENT

During construction of new assets, direct costs plus overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

The cost of replacing a part of property, plant and equipment that is ready for its intended use is added to the carrying amount of the property, plant and equipment or recognized as a separate component if applicable, only if it is probable that the economic benefits associated with the cost will flow to the Corporation and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other day-to-day maintenance costs are recognized in profit or loss in the period in which they are incurred.

PROVISIONS

Management's judgment is used to determine the timing, likelihood and the amount of expected cash outflows as well as the discount rate.

CONTINGENCIES

Contingencies such as lawsuits, taxes, impact of regulatory decisions, and commitments under contractual and other commercial obligations are estimated based on applying significant judgement in determining if a loss is probable and in determining the estimated outflow of economic resources. Such contingencies are estimated based on the information available to the Corporation.

MEASUREMENT OF NON-FINANCIAL ASSETS

The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of cash-generating units ("CGUs"). Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets.

DEFERRED TAXES

Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences.

15.2 ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

IFRS 16

Effective September 1, 2019, the Corporation adopted IFRS 16, *Leases* using the modified retrospective approach whereby the financial statements of prior periods presented are not restated and the cumulative effect of the initial application is adjusted to opening retained earnings. IFRS 16 replaces previous accounting standards for leases, including IAS 17, *Leases* and IFRIC 4, *Determining whether an arrangement contains a lease,* and establishes a comprehensive model for the identification of lease arrangements, their recognition, measurement, presentation and disclosure in the financial statements of the lessees and lessors.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead the recognition on the statement of financial position of a right-of-use ("ROU") asset (representing the right to use the underlying asset) and a lease liability (representing the obligation to make the lease payments) for all leases at lease commencement, with certain exceptions permitted through elections and practical expedients. The accounting treatment for lessors and for leases previously classified as finance leases remains largely the same as under IAS 17.

As a result of adopting IFRS 16, the Corporation has recognized an increase to both assets and liabilities on the consolidated statement of financial position, stemming from the recognition of the ROU assets and the corresponding lease liabilities. Lease liabilities at transition have been measured at the present value of remaining future lease payments discounted at the related incremental borrowing rate as at September 1, 2019. ROU assets at transition have been measured at an amount equal to the lease liability, adjusted for any prepaid or accrued rent related to that lease. The ROU assets are presented within *Property, plant and equipment* and the lease liabilities within *Long-term debt.*

The total lease expenses over the lease term remain unchanged, however the timing of recognition of these expenses are effected. The impact upon adoption of IFRS 16, relative to leases that have previously been accounted for as operating leases, represents a decrease in *Operating expenses* (due to the removal of rent expense), an increase in *Depreciation and amortization* (due to the depreciation of the ROU assets) and an increase in *Financial expense* (due to the accretion of the lease liabilities), on the consolidated statement of profit or loss.

Although the actual cash flows relative to leases that have previously been accounted for as operating leases are uneffected, the impact on the Corporation's consolidated statement of cash flows represents an increase in cash flows from operating activities and a decrease in cash flows from financing activities. This is the result of the presentation of the payment of the principal component of these leases as a cash flow use within the financing activities under the new standard, versus previously presented as an operating activities cash flow use.

As permitted by IFRS 16, the Corporation has elected to apply certain practical expedients, most notably:

- Not separating non-lease components from lease components for certain classes of underlying assets;
- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Excluding initial direct costs from measuring the right-of-use assets as at September 1, 2019;
- Using hindsight in determining the lease term where the contract contains extension or termination options;
- Electing not to recognize lease liabilities and right-of-use assets for short-term leases or low-value leases; and
- Electing to exclude intangible assets from the application of IFRS 16.

The table below shows the impact of adopting IFRS 16 on the September 1, 2019 consolidated statement of financial position:

	August 31, 2019		**September 1, 2019**
	As reported	IFRS 16 impact	Upon adoption of IFRS 16
	$	$	$
Property, plant and equipment	2,007,610	41,981	2,049,591
Current portion of long-term debt (1)	22,601	4,566	27,167
Long-term debt	3,382,258	39,877	3,422,135
Trade and other payables	260,481	(2,462)	258,019

(1) Excluding *Balance due on business combinations*.

The difference between operating lease commitments of $160 million at August 31, 2019 and lease liabilities of $44.4 million recognized upon adoption of IFRS 16 on September 1, 2019 was mainly the result of:

- The exclusion of approximately $89 million of lease payments related to agreements that do not meet the criteria set out in IFRS 16, most notably for rent of support structures;
- The exclusion of approximately $27 million of certain costs contractually committed under lease contracts, which do not qualify to be accounted for as lease liabilities, such as variable lease payments not tied to an index or rate;
- The diminishing effect of discounting the minimum lease payments, using the weighted average incremental borrowing rate of 3.57% at September 1, 2019, of approximately $12 million; and
- The inclusion of approximately $20 million of lease payments related to reasonably certain renewal periods or extension options that had not been exercised at August 31, 2019.

Amendment to IFRS 16

In May 2020, the IASB amended IFRS 16, *Leases* to include a practical expedient which permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Corporation adopted these amendments on June 1, 2020 and elected to apply the practical expedient to all eligible rent concessions. The adoption of these amendments had no impact on the consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (Phase 1)

In September 2019, the IASB amended IFRS 9, *Financial instruments*, IAS 39, *Financial instruments: recognition and measurement*, and IFRS 7, *Financial instruments: disclosures*, to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty arising from the interest rate benchmark reform. In addition, the amendments to IFRS 7 provide specific disclosure requirements regarding the uncertainty arising from the interest rate benchmark reform. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The Corporation early adopted these amendments for its fiscal year beginning September 1, 2019. The adoption of these amendments had no material impact on the Corporation's consolidated financial statements.

IFRIC 23

IFRIC 23, *Uncertainty over income tax treatments* clarifies the application of recognition and measurement requirements in IAS 12, *Income Taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Corporation adopted this interpretation for the annual period beginning on September 1, 2019. The adoption of this interpretation had no impact on the consolidated financial statements.

15.3 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards, interpretations and amendments to existing standards were issued by the IASB or the IFRS Interpretations Committee that are mandatory but not yet effective for the year ended August 31, 2020, and have not been applied in preparing these consolidated financial statements. The following amendments to standards may have an impact on future consolidated financial statements of the Corporation:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform (Phase 2)	In August 2020, the IASB issued *Interest Rate Benchmark Reform - Phase 2*, which amends IFRS 9, *Financial instruments*, IAS 39, *Financial instruments: recognition and measurement*, IFRS 7, *Financial instruments: disclosures*, IFRS 4, *Insurance contracts* and IFRS 16, *Leases*. The Phase 2 amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complement those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Corporation is in the process of determining the extent of the impact of this change on its consolidated financial statements.
Amendments to IFRS 3	In October 2018, the IASB amended IFRS 3, *Business combinations* to clarify the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are applicable to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted. The effects, if any, of these amendments, will be dependent on the facts and circumstances of any future business combinations.

16. NON-IFRS FINANCIAL MEASURES

This section describes non-IFRS financial measures used by Cogeco Communications throughout this MD&A. These financial measures are reviewed in assessing the performance of the Corporation and used in the decision-making process with regards to our business units. Reconciliations between "free cash flow", "adjusted EBITDA", "adjusted EBITDA margin" and "capital intensity" and the most comparable IFRS financial measures are also provided. These financial measures do not have standard definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

This MD&A also makes reference to key performance indicators on a constant currency basis, including revenue, "adjusted EBITDA", acquisition of property, plant and equipment and "free cash flow". Measures on a constant currency basis are considered non-IFRS financial measures and do not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similarly measures presented by other companies.

Non-IFRS financial measures	Application	Calculation	Most comparable IFRS financial measures
Adjusted EBITDA and adjusted EBITDA margin	Adjusted EBITDA and adjusted EBITDA margin are key measures commonly reported and used in the telecommunications industry, as they allow comparisons between companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets. Adjusted EBITDA is one of the key metrics employed by the financial community to value a business and its financial strength. Adjusted EBITDA for Cogeco Communications' business units is equal to the segment profit (loss) reported in note 5 of the consolidated financial statements.	Adjusted EBITDA: - Profit for the year from continuing operations add: - Income taxes; - Financial expense; - Depreciation and amortization; and - Integration, restructuring and acquisition costs.	Profit for the year from continuing operations
		Adjusted EBITDA margin: - Adjusted EBITDA divided by: - Revenue	No comparable IFRS financial measure
Free cash flow(1)	Management and investors use free cash flow to measure Cogeco Communications' ability to repay debt, distribute capital to its shareholders and finance its growth.	Free cash flow(1): - Adjusted EBITDA add: - Amortization of deferred transaction costs and discounts on long-term debt; - Share-based payment; - Loss (gain) on disposals and write-offs of property, plant and equipment; - Defined benefit plans expense, net of contributions; deduct: - Integration, restructuring and acquisition costs; - Financial expense(2); - Current income taxes; - Acquisition of property, plant and equipment(3); and - Repayment of lease liabilities.	Cash flows from operating activities
Constant currency basis	Revenue, operating expenses, adjusted EBITDA, acquisition of property, plant and equipment and free cash flow are measures presented on a constant currency basis to enable an improved understanding of the Corporation's underlying financial performance, undistorted by the effects of changes in foreign exchange rates.	Constant currency basis is obtained by translating financial results from the current periods denominated in US dollars at the foreign exchange rates of the comparable periods of the prior year. The average foreign exchange rate during the three-month period and year ended August 31, 2019 were 1.3222 USD/CDN and 1.3255 USD/CDN, respectively.	No comparable IFRS financial measure
Capital intensity	Capital intensity is used by Cogeco Communications' management and investors to assess the Corporation's investment in capital expenditures in order to support a certain level of revenue.	Capital intensity: - Acquisition of property, plant and equipment(3) divided by: - Revenue	No comparable IFRS financial measure

(1) During the second quarter of fiscal 2020, the Corporation modified the calculation method of its free cash flow in order to reflect how the Corporation analyzes and makes projections of its free cash flow. This modification has no impact on the result under the current and former calculation, and therefore free cash flow for the comparable periods were not affected by this change.

(2) Excludes the non-cash gain on debt modification.

(3) Excludes the acquisition of right-of-use assets and the purchases of spectrum licenses.

16.1 ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN RECONCILIATION

The reconciliation of adjusted EBITDA to the most comparable IFRS financial measure and the calculation of adjusted EBITDA margin are as follows:

	Three months ended		Years ended	
	August 31, 2020	August 31, 2019 (1)	**August 31, 2020**	August 31, 2019 (1)
(in thousands of Canadian dollars, except percentages)	**$**	$	**$**	$
Profit for the period from continuing operations	**96,148**	92,403	**396,591**	356,908
Income taxes	**30,305**	20,502	**112,321**	83,655
Financial expense	**39,302**	40,437	**131,093**	175,502
Depreciation and amortization	**124,825**	121,556	**499,238**	480,725
Integration, restructuring and acquisition costs	**3,955**	712	**9,486**	11,150
Adjusted EBITDA	**294,535**	275,610	**1,148,729**	1,107,940
Revenue	**605,168**	583,673	**2,384,283**	2,331,820
Adjusted EBITDA margin	**48.7 %**	47.2 %	**48.2 %**	47.5 %

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

16.2 FREE CASH FLOW RECONCILIATION

The reconciliation of free cash flow to the most comparable IFRS financial measure is as follows:

	Three months ended		Years ended	
	August 31, 2020	August 31, 2019 (1)	**August 31, 2020**	August 31, 2019 (1)
(in thousands of Canadian dollars)	**$**	$	**$**	$
Cash flows from operating activities	**254,745**	304,702	**917,819**	868,711
Amortization of deferred transaction costs and discounts on long-term debt	**2,344**	2,940	**9,503**	9,454
Changes in non-cash operating activities	**(1,116)**	(73,274)	**55,194**	25,108
Income taxes paid (received)	**(7,410)**	12,154	**20,004**	48,687
Current income taxes	**(13,713)**	(11,603)	**(57,632)**	(53,361)
Financial expense paid	**45,162**	34,867	**153,434**	165,507
Financial expense(2)	**(39,302)**	(40,437)	**(153,991)**	(175,502)
Acquisition of property, plant and equipment	**(128,195)**	(145,099)	**(483,990)**	(434,545)
Repayment of lease liabilities	**(1,143)**	—	**(4,905)**	—
Free cash flow	**111,372**	84,250	**455,436**	454,059

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

(2) Excludes the $22.9 million non-cash gain on debt modification recognized in the second quarter of fiscal 2020.

16.3 CAPITAL INTENSITY RECONCILIATION

The calculation of capital intensity is as follows:

	Three months ended		Years ended	
	August 31, 2020	August 31, 2019 (1)	**August 31, 2020**	August 31, 2019 (1)
(in thousands of Canadian dollars, except percentages)	**$**	$	**$**	$
Acquisition of property, plant and equipment	**128,195**	145,099	**483,990**	434,545
Revenue	**605,168**	583,673	**2,384,283**	2,331,820
Capital intensity	**21.2 %**	24.9 %	**20.3 %**	18.6 %

(1) IFRS 16 was adopted by the Corporation on September 1, 2019. Under the transition method chosen, fiscal 2019 was not restated.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY

RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Cogeco Communications Inc. (the "Corporation") and the financial information contained in this annual report are the responsibility of management. The consolidated financial statements include amounts determined by management based on estimates, which in their opinion are reasonable and fair. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and have been approved by the Board of Directors. Operating and financial information used elsewhere in the annual report is consistent with that of the consolidated financial statements.

In fulfilling its responsibilities, management of Cogeco Communications Inc. and its subsidiaries has developed, and continues to improve administrative and accounting systems in order to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and maintains internal accounting controls to ensure that financial records are reliable for preparing the financial statements. The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, which reviews the annual consolidated financial statements of the Corporation and recommends their approval to the Board of Directors. The Committee periodically meets with management and the external auditor to discuss the results of the external and internal examinations and matters having an impact on financial information.

The independent auditor appointed by the shareholders, Deloitte LLP, Chartered Professional Accountants, is responsible for making an independent examination of the consolidated financial statements in accordance with Canadian auditing standards and to issue an opinion on the statements. The independent auditor has free access to the Audit Committee, with or without the presence of management. Their report follows.

Philippe Jetté
President and Chief Executive Officer

Patrice Ouimet
Senior Vice President and Chief Financial Officer

Montréal, October 27, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cogeco Communications Inc.

Opinion

We have audited the consolidated financial statements of Cogeco Communications Inc. (the "Corporation"), which comprise the consolidated statements of financial position as at August 31, 2020 and 2019, the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Christian Jacques.

/s/ Deloitte LLP [1]

[1] CPA auditor, CA, public accountancy permit No. A124341

Montréal, Québec
October 27, 2020

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Years ended August 31, *(In thousands of Canadian dollars, except per share data)*	*Notes*	**2020** **$**	2019 $
Revenue	*4*	**2,384,283**	2,331,820
Operating expenses	*8*	**1,211,422**	1,203,980
Management fees – Cogeco Inc.	*24 A)*	**24,132**	19,900
Integration, restructuring and acquisition costs	*5*	**9,486**	11,150
Depreciation and amortization	*9*	**499,238**	480,725
Financial expense	*10*	**131,093**	175,502
Profit before income taxes		**508,912**	440,563
Income taxes	*11*	**112,321**	83,655
Profit for the year from continuing operations		**396,591**	356,908
Profit for the year from discontinued operations	*7*	**—**	75,380
Profit for the year		**396,591**	432,288
Profit for the year attributable to:			
Owners of the Corporation		**375,174**	415,353
Non-controlling interest		**21,417**	16,935
		396,591	432,288
Earnings per share			
Basic	*12*		
Profit for the year from continuing operations		**7.74**	6.89
Profit for the year from discontinued operations		**—**	1.53
Profit for the year		**7.74**	8.41
Diluted	*12*		
Profit for the year from continuing operations		**7.67**	6.83
Profit for the year from discontinued operations		**—**	1.51
Profit for the year		**7.67**	8.35

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31, *(In thousands of Canadian dollars)*	*Note*	**2020** **$**	2019 $
Profit for the year		**396,591**	432,288
Other comprehensive loss			
Items to be subsequently reclassified to profit or loss			
Cash flow hedging adjustments			
Net change in fair value of hedging derivative financial instruments		**(24,954)**	(81,171)
Related income taxes		**6,612**	21,511
		(18,342)	(59,660)
Foreign currency translation adjustments			
Net foreign currency translation differences on a net investment in foreign operations		**(37,356)**	32,533
Net changes on translation of long-term debt designated as a hedge of a net investment in foreign operations		**9,867**	(20,754)
Realized foreign currency translation adjustments on disposal of a subsidiary		**—**	(29,809)
Related income taxes		**84**	1,256
		(27,405)	(16,774)
		(45,747)	(76,434)
Items not to be subsequently reclassified to profit or loss			
Defined benefit plans actuarial adjustments			
Remeasurement of net defined benefit liability or asset	*22*	**1,425**	(9,741)
Related income taxes		**(378)**	2,655
		1,047	(7,086)
		(44,700)	(83,520)
Comprehensive income for the year		**351,891**	348,768
Comprehensive income for the year attributable to:			
Owners of the Corporation		**338,076**	325,521
Non-controlling interest		**13,815**	23,247
		351,891	348,768

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended August 31, 2020 and 2019	Share capital	Share-based payment reserve	Accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to non-controlling interest	Total shareholders' equity
	Equity attributable to owners of the Corporation					
(In thousands of Canadian dollars)	$	$	$	$	$	$
	(Note 19)		*(Note 20)*			
Balance at August 31, 2018	1,017,172	15,260	113,774	850,963	336,442	2,333,611
Profit for the year	—	—	—	415,353	16,935	432,288
Other comprehensive income (loss) for the year	—	—	(82,746)	(7,086)	6,312	(83,520)
Comprehensive income (loss) for the year	—	—	(82,746)	408,267	23,247	348,768
Issuance of subordinate voting shares under the Stock Option Plan	9,780	—	—	—	—	9,780
Share-based payment	—	5,913	—	—	—	5,913
Share-based payment previously recorded in share-based payment reserve for options exercised	1,717	(1,717)	—	—	—	—
Dividends (Note 19 C))	—	—	—	(103,708)	—	(103,708)
Purchase and cancellation of subordinate voting shares	(9,090)	—	—	(23,292)	—	(32,382)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	(2,504)	—	—	—	—	(2,504)
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	6,315	(5,930)	—	(385)	—	—
Total contributions by (distributions to) shareholders	6,218	(1,734)	—	(127,385)	—	(122,901)
Balance at August 31, 2019	**1,023,390**	**13,526**	**31,028**	**1,131,845**	**359,689**	**2,559,478**
Profit for the year	**—**	**—**	**—**	**375,174**	**21,417**	**396,591**
Other comprehensive income (loss) for the year	**—**	**—**	**(38,145)**	**1,047**	**(7,602)**	**(44,700)**
Comprehensive income (loss) for the year	**—**	**—**	**(38,145)**	**376,221**	**13,815**	**351,891**
Issuance of subordinate voting shares under the Stock Option Plan	**6,670**	**—**	**—**	**—**	**—**	**6,670**
Share-based payment	**—**	**7,164**	**—**	**—**	**—**	**7,164**
Share-based payment previously recorded in share-based payment reserve for options exercised	**1,129**	**(1,129)**	**—**	**—**	**—**	**—**
Dividends (Note 19 C))	**—**	**—**	**—**	**(112,275)**	**—**	**(112,275)**
Purchase and cancellation of subordinate voting shares	**(44,536)**	**—**	**—**	**(120,999)**	**—**	**(165,535)**
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**(5,643)**	**—**	**—**	**—**	**—**	**(5,643)**
Distribution to employees of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	**3,953**	**(3,214)**	**—**	**(739)**	**—**	**—**
Total contributions by (distributions to) shareholders	**(38,427)**	**2,821**	**—**	**(234,013)**	**—**	**(269,619)**
Balance at August 31, 2020	**984,963**	**16,347**	**(7,117)**	**1,274,053**	**373,504**	**2,641,750**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31, *(In thousands of Canadian dollars)*	*Notes*	2020 $	2019 $
Assets			
Current			
Cash and cash equivalents		**366,497**	556,504
Trade and other receivables	*23 A)*	**83,013**	75,652
Income taxes receivable		**3,283**	17,706
Prepaid expenses and other		**29,266**	22,740
		482,059	672,602
Non-current			
Other assets	*13*	**45,109**	40,020
Property, plant and equipment	*14*	**2,088,930**	2,007,610
Intangible assets	*15 A)*	**2,800,401**	2,850,844
Goodwill	*15 B)*	**1,381,024**	1,373,439
Deferred tax assets	*11*	**6,674**	6,564
		6,804,197	6,951,079
Liabilities and Shareholders' equity			
Liabilities			
Current			
Bank indebtedness		**7,610**	—
Trade and other payables		**211,052**	260,481
Provisions	*16*	**33,864**	36,553
Income tax liabilities		**39,897**	16,693
Contract liabilities and other liabilities	*17*	**47,162**	43,395
Derivative financial instruments		**3,834**	—
Current portion of long-term debt	*18*	**29,569**	27,121
		372,988	384,243
Non-current			
Long-term debt	*18*	**3,087,033**	3,382,258
Derivative financial instruments		**67,375**	46,044
Contract liabilities and other liabilities	*17*	**10,965**	11,119
Pension plan liabilities and accrued employee benefits	*22*	**13,490**	14,355
Deferred tax liabilities	*11*	**610,596**	553,582
		4,162,447	4,391,601
Shareholders' equity			
Equity attributable to owners of the Corporation			
Share capital	*19 B)*	**984,963**	1,023,390
Share-based payment reserve		**16,347**	13,526
Accumulated other comprehensive (loss) income	*20*	**(7,117)**	31,028
Retained earnings		**1,274,053**	1,131,845
		2,268,246	2,199,789
Equity attributable to non-controlling interest		**373,504**	359,689
		2,641,750	2,559,478
		6,804,197	6,951,079

Commitments, contingencies and guarantees (Note 25)
Subsequent events (Notes 25 B) and 26)

On behalf of the Board of Directors,

Louis Audet
Director

Joanne Ferstman
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, *(In thousands of Canadian dollars)*	*Notes*	2020 $	2019 $
Cash flows from operating activities			
Profit for the year from continuing operations		**396,591**	356,908
Adjustments for:			
Depreciation and amortization	*9*	**499,238**	480,725
Financial expense	*10*	**131,093**	175,502
Income taxes	*11*	**112,321**	83,655
Share-based payment		**8,070**	7,226
(Gain) loss on disposals and write-offs of property, plant and equipment		**(515)**	2,770
Defined benefit plans contributions, net of expense		**(347)**	1,227
		1,146,451	1,108,013
Changes in non-cash operating activities	*21 A)*	**(55,194)**	(25,108)
Financial expense paid		**(153,434)**	(165,507)
Income taxes paid		**(20,004)**	(48,687)
		917,819	868,711
Cash flows from investing activities			
Acquisition of property, plant and equipment	*14*	**(483,990)**	(434,545)
Business combinations, net of cash and cash equivalents acquired	*6*	**(81,509)**	(38,876)
Proceeds on disposals of property, plant and equipment		**8,224**	2,343
		(557,275)	(471,078)
Cash flows from financing activities			
Increase (decrease) in bank indebtedness		**7,610**	(5,949)
Net decrease under the revolving facilities		**—**	(443,955)
Repayment of notes, debentures and credit facilities		**(269,169)**	(77,639)
Repayment of lease liabilities		**(4,905)**	—
Repayment of balance due on business combinations		**(3,228)**	(655)
Increase in deferred transaction costs		**(620)**	(2,210)
Issuance of subordinate voting shares	*19 B)*	**6,670**	9,780
Purchase and cancellation of subordinate voting shares	*19 B)*	**(165,535)**	(32,382)
Acquisition of subordinate voting shares held in trust under the Incentive and Performance Share Unit Plans	*19 B)*	**(5,643)**	(2,504)
Dividends paid	*19 C)*	**(112,275)**	(103,708)
		(547,095)	(659,222)
Effect of exchange rate changes on cash and cash equivalents denominated in a foreign currency		**(3,456)**	(439)
Net change in cash and cash equivalents from continuing operations		**(190,007)**	(262,028)
Net change in cash and cash equivalents from discontinued operations	*7*	**—**	733,807
Cash and cash equivalents, beginning of the year		**556,504**	84,725
Cash and cash equivalents, end of the year		**366,497**	556,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended August 31, 2020 and 2019

NATURE OF OPERATIONS

Cogeco Communications Inc. ("Cogeco Communications" or the "Corporation") is a communications corporation operating in Canada under the Cogeco Connexion name in Québec and Ontario, and in the United States under the Atlantic Broadband brand (in 11 states along the East Coast, from Maine to Florida). Cogeco Communications provides residential and business customers with Internet, video and telephony services through its two-way broadband fibre networks.

On April 30, 2019, the Corporation completed the sale of its Cogeco Peer 1 subsidiary (see Note 7).

The Corporation is a subsidiary of Cogeco Inc. ("Cogeco"), which as of August 31, 2020 held 32.7% of the Corporation's equity shares, representing 83% of the votes attached to the Corporation's voting shares. Cogeco Communications is a Canadian public corporation whose subordinate voting shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "CCA".

The Corporation's registered office is located at 1 Place Ville Marie, Suite 3301, Montréal, Québec, H3B 3N2.

1. BASIS OF PRESENTATION

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a going concern basis using historical cost, except for financial instruments and derivative financial instruments (see Note 2 M)), cash-settled share-based payment arrangements (see Note 2 J)) and pension plan assets (see Note 2 K)), which are measured at fair value, and for the defined benefit obligation (see Note 2 K)) and provisions (see Note 2 I)), which are measured at present value.

Financial information is presented in Canadian dollars, which is the functional currency of Cogeco Communications.

The consolidated financial statements were approved by the Board of Directors of Cogeco Communications at its meeting held on October 27, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise indicated. Certain comparative amounts in the consolidated financial statements have been reclassified in order to conform to the 2020 consolidated financial statements presentation.

A) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its subsidiaries.

Subsidiaries are entities controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries' financial statements are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries' year-end and accounting policies are aligned with those adopted by the Corporation. Non-controlling interest in the net assets and results of consolidated subsidiaries is identified separately from the Corporation's ownership interest in them. Non-controlling interest in the equity of a subsidiary consists of the amount of non-controlling interest calculated at the date of the original business combination and its share of changes in equity since that date. Changes in non-controlling interest in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

Operating segments and percentage of interest in the principal subsidiaries at August 31, 2020 are as follows:

Operating segments	Principal subsidiaries	Percentage of equity interest	Voting rights
		%	%
Canadian broadband services	Cogeco Connexion	100	100
American broadband services	Atlantic Broadband	79	79

The Corporation has established special purpose entities ("SPEs") with the objective of mitigating the impact of stock price fluctuations in connection with its Incentive Share Unit and Performance Share Unit Plans. SPEs are consolidated if, based on an evaluation of the substance of their relationship with the Corporation and the SPEs' risks and rewards, the Corporation concludes that it controls the SPEs. SPEs controlled by the Corporation were established under terms that impose strict limitations on the decision-making powers of the SPEs' management, resulting in the Corporation receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

All intercompany transactions and balances, and any unrealized revenue and expense are eliminated in preparing the consolidated financial statements.

B) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

The consideration transferred is measured as the sum of the fair values of assets transferred, liabilities assumed, and equity instruments issued by the Corporation at the acquisition date, including any asset or liability resulting from a contingent consideration arrangement, in exchange for control of the acquiree.

A right to receive or an obligation to pay contingent consideration is classified as an asset or a liability or as equity. Contingent consideration classified as equity is not remeasured until it is finally settled within equity. Contingent consideration classified as an asset or a liability is measured either as a financial instrument or as a provision. Changes in fair values that qualify as measurement period adjustments of preliminary purchase price allocations are adjusted in the current period and such changes are applied on a retrospective basis.

Acquisition costs, other than those associated with the issuance of debt or equity securities, and integration and restructuring costs that the Corporation incurs in connection with a business combination are recognized in profit or loss as incurred.

C) REVENUE RECOGNITION

Revenue is measured based on the consideration received or receivable from a customer, net of returns and discounts. The Corporation recognizes revenue from the sale of products or the rendering of services when it transfers control to the customer.

Revenue is recognized applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Corporation satisfies a performance obligation.

The Corporation's principal sources of revenue are recognized as follows:

Residential

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a monthly basis, as the services are provided;
- Revenue from data services, long-distance and other pay-per-use services is recognized on a monthly basis, as the services are provided; and
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment.

Commercial

- Monthly subscription revenue (net of any discounts, rebates, refunds and credits) for Internet, video and telephony services and rental of equipment is recognized on a straight-line basis over the contractual period arrangement;
- Revenue generated from the sale of customer premise equipment or other equipment is recognized when the customer accepts the delivery of the equipment; and
- Revenue from colocation, network connectivity, hosting, cloud and managed services is recognized on a straight-line basis over the contractual period arrangement (pertaining to Cogeco Peer 1 discontinued operations - See Note 7).

Other

- Revenue mainly from advertising, which is recognized as the services are provided.

Multiple-element arrangements

The Corporation offers certain products and services as part of multiple deliverable arrangements. The Corporation accounts for individual products or services separately if they are distinct performance obligations, such that a product or service is separately identifiable from other items in the bundled package and a customer can benefit from it on its own or with other readily available resources.

Consideration is measured and allocated between the components based upon stand-alone selling price while applying the relevant revenue recognition policy. The stand-alone selling price is based on the observable price for which the Corporation sells its products and services separately without a contract, adjusted for market conditions and other factors.

Contract liabilities

The Corporation considers that installation and activation fees are not distinct performance obligations because a customer cannot benefit from it, on its own. Accordingly, for residential service customers, they are deferred and amortized as revenue over the period of time the fee remains material to the customer, which the Corporation estimates to be approximately six months. The estimate requires consideration of both quantitative and qualitative factors including average installation fee, average revenue per customer and customer behavior, among others. For commercial service customers, they are deferred and amortized as revenue at the same pace as the revenue from the related services are earned over the term of the agreement.

Unearned revenue, such as payments for services and goods received in advance, is recorded as contract liabilities in the consolidated statement of financial position until the service is provided or the product is delivered to the customer.

Contract costs

Contract cost assets are recognized in the consolidated statement of financial position as *Other assets*, and are comprised of upfront fees paid to multiple-dwelling units as well as incremental costs of obtaining a contract. Upfront fees paid by the Corporation to multiple-dwelling units such as condo associations, in order to gain access to serve and market occupants of the dwelling, are recognized over the term of the contract, as a reduction of revenue. Costs to obtain a contract (such as sales commissions) are recognized in operating expenses over the period of time the customer is expected to remain a customer of the Corporation, not exceeding four years.

D) PROPERTY, PLANT AND EQUIPMENT

Owned assets

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses.

During construction of new assets, direct costs plus overhead costs directly attributable to the asset are capitalized. Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which require a substantial amount of time to get ready for their intended use or sale, are capitalized until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded as financial expense in the period in which they are incurred.

The cost of replacing a part of property, plant and equipment that is ready for its intended use is added to the carrying amount of the property, plant and equipment or recognized as a separate component if applicable, only if it is probable that the economic benefits associated with the cost will flow to the Corporation and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other day-to-day maintenance costs are recognized in profit or loss in the period in which they are incurred.

Depreciation is recognized on a straight-line basis over the expected useful life of the asset (1), from the date the asset is ready for its intended use. Depreciation is calculated based on the depreciable amount, which is the cost of the asset less its residual value. Land is carried at cost and not depreciated.

Depreciation periods are as follows:

Buildings and leasehold improvements (1)	10 to 40 years
Networks and infrastructure (2)	3 to 20 years
Customer premise equipment	3 to 5 years
Vehicles and equipment (3)	3 to 10 years

(1) Leasehold improvements are amortized over the shorter of the term of the lease and economic life.

(2) Networks and infrastructure include cable towers, headends, transmitters, fibre and coaxial networks, customer drops and network equipment.

(3) Vehicles and equipment includes vehicles, programming equipment, furniture and fixtures, computer and software and other equipments.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or write-off of an item of property, plant and equipment is determined as the difference between the sale proceeds, if any, and the carrying amount of the asset, and is recognized as profit or loss.

The Corporation does not record decommissioning obligations in connection with its fibre and coaxial networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, thus the resulting present value of the obligation is not significant.

Right-of-use assets

Refer to accounting policy G) Leases.

E) INTANGIBLE ASSETS AND GOODWILL

Intangible assets acquired separately

Intangible assets acquired separately are measured at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise, only at cost net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Identifiable intangible assets acquired in a business combination

Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of an intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition-date fair value.

Subsequent to initial recognition, identifiable intangible assets acquired in a business combination are recorded at cost less accumulated amortization and impairment losses, if they are amortizable, otherwise only at cost net of accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are amortized over their useful life. The estimated useful lives are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with finite useful lives are amortized as follows:

- Customer relationships are amortized on a straight-line basis over the estimated useful life, defined as the average life of a customer's subscription, not exceeding eight years;
- Spectrum licenses are amortized over the initial non-cancellable term of the licenses, not exceeding ten years.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost. They are comprised of Cable Distribution Undertaking Broadcasting Licenses and Franchises ("Cable Distribution Licenses"). Cable Distribution Licenses are comprised of broadcast authorities' licenses and exemptions from licensing that allow access to homes and customers in a specific area. The Corporation has concluded that the Cable Distribution Licenses have indefinite useful lives since there are no legal, regulatory, contractual, economic or other factors that would prevent their renewals or limit the period over which they will contribute to the Corporation's cash flows. The Corporation reviews at the end of each reporting period whether events and circumstances continue to support the indefinite useful life assessment. Intangible assets with indefinite useful lives are not amortized.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is not amortized.

F) IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Corporation assesses whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently if there is an indication of impairment.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purpose of impairment testing, assets that cannot be tested on an individual basis are grouped together into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets ("cash-generating unit" or "CGU"). When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to an individual CGU, otherwise they are allocated to the smallest group of CGU for which a reasonable and a consistent basis of allocation can be identified.

The most recent detailed calculation, made in a preceding period, of the recoverable amount of a CGU to which goodwill has been allocated, may be used in the impairment test of that unit in the current period provided all of the following criteria are met:

- The assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation;
- The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
- Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses recognized are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis. Impairment losses are recognized in profit or loss.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGUs that are expected to benefit from the synergies of the related business combination. An impairment loss recognized for goodwill cannot be reversed.

G) LEASES

At inception, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of the lease, i.e. the date the underlying asset is available for use, the Corporation recognizes a lease liability with a corresponding right-of-use asset, except for short-term leases and leases of low value assets, which are expensed on a straight-line basis over the lease term.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets is comprised of:

- the initial measurement amount of the lease liabilities recognized;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract.

Right-of-use assets are depreciated on a straight-line basis over the lesser of the estimated useful life of the underlying assets and the lease term. The lease term consists of the non-cancellable period of the lease, the period covered by extension options which are reasonably certain to be exercised and the period covered by termination options which are reasonably certain not to be exercised. They are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date over the lease term, discounted using the Corporation's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. The Corporation applies a single discount rate to a portfolio of leases with similar characteristics.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual value guarantee;
- payments relating to purchase options and renewal option periods that are reasonably certain to be exercised; and
- penalties for early termination of a lease that is reasonably certain to be exercised.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities but instead recognized as expenses in the period in which the event that triggers the payment occurs.

After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a modification to the lease terms and conditions, a change in the amount expected to be payable under a residual value guarantee or when there is a change in the assessment of whether purchase, renewal or termination options will be exercised. The remeasurement amount of the lease liabilities is recognized as a corresponding adjustment to the right-of-use asset, or in the consolidated income statement when the carrying amount of the right-of-use asset is reduced to zero.

The Corporation elected not to separate fixed non-lease components and account for the lease and any fixed non-lease components as a single lease component, for certain classes of underlying assets, such as for land and buildings.

H) INCOME TAXES

Income tax expense represents the sum of the taxes currently payable and deferred. Current and deferred taxes are recognized in profit or loss, except when they relate to a business combination or to items that are recognized in other comprehensive income or directly in equity.

Current tax

The tax currently payable is based on taxable profit for the year. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit or is related to investments in subsidiaries to the extent that the Corporation is able to control the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are generally recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which, those unused tax losses and deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but the Corporation intends to settle its current tax assets and liabilities on a net basis.

I) PROVISIONS

Provisions represent liabilities of the Corporation for which the amount or timing is uncertain. A provision is recorded when the Corporation has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized represents management's best estimate required to settle the obligation at the end of the reporting period, taking into account the obligation's risks and uncertainties. When the effect of the time value of money is material, the amount of the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as financial expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

J) SHARE-BASED PAYMENT

Equity-settled awards

The Corporation measures stock options granted to employees that vest rateably over the service period based on the fair value of each tranche on grant date by using the Black-Scholes option pricing model and a compensation expense is recognized on a straight-line basis over the vesting period applicable to the tranche, with a corresponding increase in share-based payment reserve. Granted options vest equally over a period of five years beginning one year after the day such options are granted. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in share-based payment reserve.

The Corporation measures Incentive Share Units ("ISUs") and Performance Share Units ("PSUs") granted to employees based on the fair value of the Corporation's subordinate voting shares at the date of grant and a compensation expense is recognized over the vesting period, with a corresponding increase in share-based payment reserve. The total vesting period of each grant is three years less one day.

Cash-settled awards

The fair value of the amount payable to the members of the Board of Directors in respect of share appreciation rights under the Deferred Share Unit ("DSU") Plan of the Corporation, which are settled in cash or shares, is recognized as a compensation expense with a corresponding increase in *Pension plan liabilities and accrued employee benefits* as of the date units are issued to the members of the Board of Directors. The accrued liability is remeasured at the end of each reporting period, until settlement, using the average closing price of the subordinate voting shares on the TSX for the twenty consecutive trading days immediately preceding by one day the closing date of the reporting period. Any changes in the fair value of the liability are recognized in profit or loss.

K) EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. They are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an expense in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan whereby the amount of pension benefit that a plan participant will receive during retirement is defined and dependent on factors such as age, years of service and compensation. On each annual reporting date, independent actuaries extrapolate the data of the most recent full actuarial valuation to measure, for accounting purposes, the present value of the defined benefit obligation. The Corporation's net defined benefit liability in respect of its defined benefit plans is calculated separately for each plan.

The present values of the defined benefit obligation, the current service cost and, if applicable, the past service cost are actuarially determined using the projected unit credit method (sometimes known as the accrued benefit method pro-rated on service) based on management's best-estimate assumptions on the discount rate, the expected rate of compensation increase and the mortality table.

Management determines the discount rate based on a review of the current market interest rates on investment-grade fixed-rate corporate bonds, which are rates adjusted to reflect the duration of the expected future cash outflows of retirement benefit payments.

The net defined benefit liability or asset recognized in the consolidated statement of financial position corresponds to the fair value of plan assets net of the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the present value of the economic benefits available in the form of refunds from the plans or in the form of reductions in future contributions to the plans.

The net defined benefit cost components of the defined benefit plans are recognized as follows:

- Service cost is recognized in profit or loss;
- Net interest on the net defined benefit liability or asset is recognized in profit or loss; and
- Remeasurements of the net defined benefit liability or asset are recognized in other comprehensive income.

The service cost recognized in profit or loss comprises:

- Current service cost provided in exchange for employees services rendered during the period;
- Past service cost recognized in profit or loss in the period in which the plan is amended; and
- Gains or losses resulting from a settlement recognized in profit or loss in the period in which the plan settlement occurs.

Net interest on the net defined benefit liability or asset is calculated by multiplying the net defined benefit liability or asset by the discount rate.

Remeasurements of the net defined benefit liability or asset are recognized immediately in *Other comprehensive income* and they are not reclassified to profit or loss in a subsequent period. Remeasurements of the net defined benefit liability or asset comprise:

- Actuarial gains and losses arising from experience adjustments, changes in financial assumptions and changes in demographic assumptions;
- The return on plan assets, except amounts included in interest income; and
- Any change in the effect of the asset ceiling, except amounts included in net interest on the net defined benefit liability or asset.

L) FOREIGN CURRENCY TRANSLATION

For the purpose of the consolidated financial statements, the profit or loss and financial position of each group entity are expressed in Canadian dollars, which is the functional and presentation currency of the Corporation.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Corporation's entities at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized as financial expense in profit or loss, except for those arising on the translation of financial instruments designated as a hedge of a net investment in foreign operations, and financial instruments designated as hedging instruments in a cash flow hedge, which are recognized in other comprehensive income until the hedged items are settled or recognized in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on acquisition, are translated into Canadian dollars using exchange rates prevailing at the end of the reporting period.

Revenue and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly or significant transactions occurred during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising from the translation process of net investments in foreign operations are recognized as foreign currency translation adjustments in other comprehensive income and accumulated in equity.

The Corporation designated a portion of its US dollar denominated debt as a hedging item in a net investment hedge in its US subsidiary. The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Corporation's functional currency. Foreign currency differences arising on the translation of long-term debt designated as hedges of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation balance. The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged item risks. The hedge ineffectiveness will arise when the amount of the net investments in the foreign subsidiary becomes lower than the amount of the related hedging instruments. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged portion of a net investment is disposed of, the relevant amount in the cumulative amount of foreign currency translation adjustments is transferred to profit or loss as part of the profit or loss on disposal.

M) FINANCIAL INSTRUMENTS

Classification and measurement

All financial instruments, including derivatives, are included in the consolidated statement of financial position initially at fair value when the Corporation becomes a party to the contractual obligations of the instrument.

Subsequent to initial recognition, the classification of non-derivative financial instruments, based on their method of measurement, is as follows:

- Cash and cash equivalents and trade and other receivables are classified and measured at amortized cost using the effective interest method, less any impairment loss;

- Transaction costs that are directly attributable to the acquisition or related to the issuance of financial assets or liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as required, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss; and

- Bank indebtedness, trade and other payables and long-term debt, excluding lease liabilities, are classified and measured at amortized cost using the effective interest method. Directly attributable transaction costs are added to the initial fair value of financial instruments except for those incurred with respect to the revolving facilities which are recorded as other assets and amortized over the term of the related financing on a straight-line basis.

Financial assets are derecognized only when the Corporation no longer holds the contractual rights to the cash flows of the asset or when the Corporation transfers substantially all the risks and rewards of ownership of the financial asset to another entity. Financial liabilities are derecognized only when the Corporation's obligations are discharged, cancelled or expired.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments, including hedge accounting

The Corporation uses interest rate swaps as derivative financial instruments to manage interest rate risk related to its floating rate long-term debt. The Corporation also uses equity swap agreements, which are not designated as hedging relationships, in order to manage cash flow exposures related to settling DSUs. The Corporation does not hold or use any derivative financial instruments for speculative trading purposes. Derivative financial instruments are recognized initially at fair value and related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below, except for equity swap instruments whereby the changes are recorded in operating expenses. Net receipts or payments arising from derivative financial instruments are recognized as financial expense.

The Corporation has elected to apply the hedge accounting requirements of IAS 39, *Financial instruments: recognition and measurement*. On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedging transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship and measure the ineffectiveness. There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate hedges match the terms of the respective variable rate loans (i.e., notional amount, maturity, payment and reset dates). The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged item risks. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedging relationship are within a range of 80-125 percent. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss. The main source of ineffectiveness in the hedge relationships relates to the effect of the counterparties and the Corporation's own credit risk on the fair value of the interest rate swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates.

Cash flow hedge accounting

When a derivative financial instrument is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognized in accumulated other comprehensive income and presented in the cash flow hedge reserve in equity. The amount recognized in accumulated other comprehensive income is removed and included in profit or loss in the same period as the hedged item affects profit or loss and in the same line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative financial instrument is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in accumulated other comprehensive income and presented in cash flow hedge reserve in equity, remains there until the forecasted hedged item affects profit or loss. If the forecasted hedged item is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in profit or loss. In other cases, the amount recognized in accumulated other comprehensive income is transferred to profit or loss in the same period in which the hedged item affects profit or loss.

Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and if the combined instrument is not measured at fair value through profit or loss.

Impairment of financial assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Trade and other receivables ("receivables") are assessed at each reporting date to determine whether there is objective evidence that they are impaired. Objective evidence that receivables are impaired can include default or delinquency by a debtor or indications that a debtor will enter into bankruptcy. The Corporation considers evidence of impairment for receivables at both the specific asset level and on an aggregate basis. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are assessed for impairment on an aggregate basis by grouping together receivables with similar risk characteristics.
An impairment loss, with respect to receivables assessed on an aggregate basis, is measured based on the lifetime expected credit loss model which is an estimate of all possible default events over the expected life of the financial instrument. An impairment loss is recognized in profit or loss and reflected in an allowance account presented in reduction of receivables.

N) GOVERNMENT ASSISTANCE

Government assistance is recognized when there is reasonable assurance that it will be received and the Corporation will comply with all of the conditions associated with the assistance. Government grants related to an expense are recognized as a reduction of related expense for which the grant is intended to compensate. Government grants related to an asset are recognized as a deduction of the cost of the related asset.

O) CASH AND CASH EQUIVALENTS

Cash and cash equivalents, if any, include cash and highly liquid investments that have an original maturity of three months or less. It consists solely of cash in banks as at August 31, 2020 and 2019.

P) EARNINGS PER SHARE

The Corporation presents basic and diluted earnings per share data for its multiple and subordinate voting shares. Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Corporation by the weighted average number of multiple and subordinate voting shares outstanding during the period, adjusted for subordinate voting shares held in trust under the ISU and PSU Plans. Diluted earnings per share is determined by further adjusting the weighted average number of multiple and subordinate voting shares outstanding for the effects of all potential dilutive subordinate voting shares, which comprise stock options, ISUs and PSUs granted to executive officers and designated employees.

Q) SEGMENT REPORTING

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Corporation's other components. All segments' operating results are reviewed regularly by the Corporation's chief operating decision maker ("CODM") to decide about resources to be allocated to the operating segment and to assess its performance, and for which discrete financial information is available. Segment operating results that are directly reported to the CODM include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis.

R) ACCOUNTING JUDGMENTS AND USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses.

Significant areas requiring the use of management's judgments and estimates relate to the following items:

- **Business combinations**

  Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to the identifiable assets acquired and liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future margins and estimated future customer counts (see Note 6);

- **Revenue from contracts with customers**

  The identification of performance obligations within a contract and the timing of satisfaction of those performance obligations, as well as determining the costs that are incremental to obtaining and fulfilling a contract, require judgment. Determining the transaction price for a contract requires estimating the revenue expected for delivering the performance obligations within the contract. Additionally, an estimate might be necessary when determining the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations;

- **Provisions**

  Management's judgment is used to determine the timing, likelihood and the amount of expected cash outflows as well as the discount rate (see Note 16);

- **Contingencies**

  Contingencies such as lawsuits, taxes, impact of regulatory decisions, and commitments under contractual and other commercial obligations are estimated based on applying significant judgement in determining if a loss is probable and in determining the estimated outflow of economic resources. Such contingencies are estimated based on the information available to the Corporation;

- **Measurement of non-financial assets**

  The measurement of non-financial assets requires the use of management judgment to identify the existence of impairment indicators and the determination of CGUs. Furthermore, when determining the recoverable amount of a CGU or an asset, the Corporation uses significant estimates such as the estimation of future cash flows and discount rates applicable. Any significant modification of market conditions could translate into an inability to recover the carrying amounts of non-financial assets (see Note 15); and

- **Deferred taxes**

  Deferred tax assets and liabilities require estimates about the nature and timing of future permanent and temporary differences, the expected timing of reversals of those temporary differences and the future tax rates that will apply to those differences (see Note 11).

Such judgments and estimates are based on the facts and information available to the management of the Corporation. Changes in facts and circumstances may require the revision of previous estimates, and actual results could differ from these estimates.

3. ACCOUNTING POLICY DEVELOPMENTS

A) ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

IFRS 16

Effective September 1, 2019, the Corporation adopted IFRS 16, *Leases* using the modified retrospective approach whereby the financial statements of prior periods presented are not restated and the cumulative effect of the initial application is adjusted to opening retained earnings. IFRS 16 replaces previous accounting standards for leases, including IAS 17, *Leases* and IFRIC 4, *Determining whether an arrangement contains a lease,* and establishes a comprehensive model for the identification of lease arrangements, their recognition, measurement, presentation and disclosure in the financial statements of the lessees and lessors.

IFRS 16 eliminates the distinction between operating and finance leases for lessees, requiring instead the recognition on the statement of financial position of a right-of-use ("ROU") asset (representing the right to use the underlying asset) and a lease liability (representing the obligation to make the lease payments) for all leases at lease commencement, with certain exceptions permitted through elections and practical expedients. The accounting treatment for lessors and for leases previously classified as finance leases remains largely the same as under IAS 17.

As a result of adopting IFRS 16, the Corporation has recognized an increase to both assets and liabilities on the consolidated statement of financial position, stemming from the recognition of the ROU assets and the corresponding lease liabilities. Lease liabilities at transition have been measured at the present value of remaining future lease payments discounted at the related incremental borrowing rate as at September 1, 2019. ROU assets at transition have been measured at an amount equal to the lease liability, adjusted for any prepaid or accrued rent related to that lease. The ROU assets are presented within *Property, plant and equipment* and the lease liabilities within *Long-term debt.*

The total lease expenses over the lease term remain unchanged, however the timing of recognition of these expenses are effected. The impact upon adoption of IFRS 16, relative to leases that have previously been accounted for as operating leases, represents a decrease in *Operating expenses* (due to the removal of rent expense), an increase in *Depreciation and amortization* (due to the depreciation of the ROU assets) and an increase in *Financial expense* (due to the accretion of the lease liabilities), on the consolidated statement of profit or loss.

Although the actual cash flows relative to leases that have previously been accounted for as operating leases are uneffected, the impact on the Corporation's consolidated statement of cash flows represents an increase in cash flows from operating activities and a decrease in cash flows from financing activities. This is the result of the presentation of the payment of the principal component of these leases as a cash flow use within the financing activities under the new standard, versus previously presented as an operating activities cash flow use.

As permitted by IFRS 16, the Corporation has elected to apply certain practical expedients, most notably:

- Not separating non-lease components from lease components for certain classes of underlying assets;
- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Excluding initial direct costs from measuring the right-of-use assets as at September 1, 2019;
- Using hindsight in determining the lease term where the contract contains extension or termination options;
- Electing not to recognize lease liabilities and right-of-use assets for short-term leases or low-value leases; and
- Electing to exclude intangible assets from the application of IFRS 16.

The table below shows the impact of adopting IFRS 16 on the September 1, 2019 consolidated statement of financial position:

	August 31, 2019		**September 1, 2019**
	As reported	IFRS 16 impact	Upon adoption of IFRS 16
	$	$	$
Property, plant and equipment	2,007,610	41,981	2,049,591
Current portion of long-term debt (1)	22,601	4,566	27,167
Long-term debt	3,382,258	39,877	3,422,135
Trade and other payables	260,481	(2,462)	258,019

(1) Excluding *Balance due on business combinations*.

The difference between operating lease commitments of $160 million at August 31, 2019 and lease liabilities of $44.4 million recognized upon adoption of IFRS 16 on September 1, 2019 was mainly the result of:

- The exclusion of approximately $89 million of lease payments related to agreements that do not meet the criteria set out in IFRS 16, most notably for rent of support structures;
- The exclusion of approximately $27 million of certain costs contractually committed under lease contracts, which do not qualify to be accounted for as lease liabilities, such as variable lease payments not tied to an index or rate;
- The diminishing effect of discounting the minimum lease payments, using the weighted average incremental borrowing rate of 3.57% at September 1, 2019, of approximately $12 million; and
- The inclusion of approximately $20 million of lease payments related to reasonably certain renewal periods or extension options that had not been exercised at August 31, 2019.

Amendments to IFRS 16

In May 2020, the IASB amended IFRS 16, *Leases* to include a practical expedient which permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Corporation adopted these amendments on June 1, 2020 and elected to apply the practical expedient to all eligible rent concessions. The adoption of these amendments had no impact on the consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (Phase 1)

In September 2019, the IASB amended IFRS 9, *Financial instruments*, IAS 39, *Financial instruments: recognition and measurement*, and IFRS 7, *Financial instruments: disclosures*, to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty arising from the interest rate benchmark reform. In addition, the amendments to IFRS 7 provide specific disclosure requirements regarding the uncertainty arising from the interest rate benchmark reform. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The Corporation early adopted these amendments for its fiscal year beginning September 1, 2019. The adoption of these amendments had no material impact on the Corporation's consolidated financial statements.

IFRIC 23

IFRIC 23, *Uncertainty over income tax treatments* clarifies the application of recognition and measurement requirements in IAS 12, *Income Taxes* when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Corporation adopted this interpretation for the annual period beginning on September 1, 2019. The adoption of this interpretation had no impact on the consolidated financial statements.

B) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards, interpretations and amendments to existing standards were issued by the IASB or the IFRS Interpretations Committee that are mandatory but not yet effective for the year ended August 31, 2020, and have not been applied in preparing these consolidated financial statements. The following amendments to standards may have an impact on future consolidated financial statements of the Corporation:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform (Phase 2)	In August 2020, the IASB issued *Interest Rate Benchmark Reform - Phase 2*, which amends IFRS 9, *Financial instruments*, IAS 39, *Financial instruments: recognition and measurement*, IFRS 7, *Financial instruments: disclosures*, IFRS 4, *Insurance contracts* and IFRS 16, *Leases*. The Phase 2 amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complement those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Corporation is in the process of determining the extent of the impact of this change on its consolidated financial statements.
Amendments to IFRS 3	In October 2018, the IASB amended IFRS 3, *Business combinations* to clarify the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are applicable to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted. The effects, if any, of these amendments, will be dependent on the facts and circumstances of any future business combinations.

4. REVENUE

	Canadian broadband services		American broadband services		Consolidated	
Years ended August 31,	**2020**	2019	**2020**	2019	**2020**	2019
(In thousands of Canadian dollars)	**$**	$	**$**	$	**$**	$
Residential [(1)]	**1,153,403**	1,164,479	**938,872**	885,688	**2,092,275**	2,050,167
Commercial	**133,164**	130,226	**132,360**	123,541	**265,524**	253,767
Other	**1,205**	262	**25,279**	27,624	**26,484**	27,886
	1,287,772	1,294,967	**1,096,511**	1,036,853	**2,384,283**	2,331,820

(1) Includes revenue from Internet, video and telephony residential customers, bulk residential customers and Internet resellers customers.

5. OPERATING SEGMENTS

The Corporation's segment profit (loss) is reported in two operating segments: Canadian broadband services and American broadband services. The reporting structure reflects how the Corporation manages its business activities to make decisions about resources to be allocated to the segments and to assess their performance.

The Canadian and American broadband services segments provide a wide range of Internet, video and telephony services primarily to residential customers as well as business services across their coverage areas. The Canadian broadband services activities are carried out by Cogeco Connexion in the provinces of Québec and Ontario and the American broadband services activities are carried out by Atlantic Broadband in 11 states: Connecticut, Delaware, Florida, Maine, Maryland, New Hampshire, New York, Pennsylvania, South Carolina, Virginia and West Virginia.

The Corporation and its chief operating decision maker assess the performance of each operating segment based on its segment profit (loss), which is equal to *Revenue* less *Operating expenses*. Transactions between operating segments are measured at the amounts agreed to between the parties.

Year ended August 31, 2020	Canadian broadband services	American broadband services	Other [(2)]	Consolidated
(In thousands of Canadian dollars)	$	$	$	$
Revenue	1,287,772	1,096,511	—	2,384,283
Operating expenses	587,752	600,425	23,245	1,211,422
Management fees – Cogeco Inc.	—	—	24,132	24,132
Segment profit (loss)	700,020	496,086	(47,377)	1,148,729
Integration, restructuring and acquisition costs [(1)]				9,486
Depreciation and amortization				499,238
Financial expense				131,093
Profit before income taxes				508,912
Income taxes				112,321
Profit for the year from continuing operations				396,591
Acquisition of property, plant and equipment	248,582	231,422	3,986	483,990

(1) Comprised primarily of costs associated with organizational changes initiated across the Corporation resulting in cost optimization, as well as costs related to the acquisition and integration of Thames Valley Communications and iTéract.

(2) Includes corporate activities and eliminations of intersegment transactions included in each segment's operating results.

Year ended August 31, 2019	Canadian broadband services	American broadband services	Other	Consolidated
(In thousands of Canadian dollars)	$	$	$	$
Revenue	1,294,967	1,036,853	—	2,331,820
Operating expenses	606,286	571,208	26,486	1,203,980
Management fees – Cogeco Inc.	—	—	19,900	19,900
Segment profit (loss)	688,681	465,645	(46,386)	1,107,940
Integration, restructuring and acquisition costs [(1)]				11,150
Depreciation and amortization				480,725
Financial expense				175,502
Profit before income taxes				440,563
Income taxes				83,655
Profit for the year from continuing operations				356,908
Acquisition of property, plant and equipment	241,940	192,605	—	434,545

(1) Comprised of costs related to an operational optimization program that included a voluntary departure program and costs related to the FiberLight network acquisition and integration.

The following tables set out certain segmented and geographic market information at August 31, 2020 and August 31, 2019:

Segmented information

				At August 31, 2020
	Canadian broadband services	American broadband services	Other	Total
(In thousands of Canadian dollars)	$	$	$	$
Property, plant and equipment	1,142,894	939,760	6,276	2,088,930
Intangible assets	1,004,408	1,795,993	—	2,800,401
Goodwill	8,807	1,372,217	—	1,381,024

				At August 31, 2019
	Canadian broadband services	American broadband services	Other	Total
(In thousands of Canadian dollars)	$	$	$	$
Property, plant and equipment	1,124,698	882,827	85	2,007,610
Intangible assets	996,296	1,854,548	—	2,850,844
Goodwill	4,662	1,368,777	—	1,373,439

Geographic market information

			At August 31, 2020
	Canada	**United States**	**Total**
(In thousands of Canadian dollars)	**$**	**$**	**$**
Property, plant and equipment	**1,149,170**	**939,760**	**2,088,930**
Intangible assets	**1,004,408**	**1,795,993**	**2,800,401**
Goodwill	**8,807**	**1,372,217**	**1,381,024**

			At August 31, 2019
	Canada	United States	Total
(In thousands of Canadian dollars)	$	$	$
Property, plant and equipment	1,124,783	882,827	2,007,610
Intangible assets	996,296	1,854,548	2,850,844
Goodwill	4,662	1,368,777	1,373,439

6. BUSINESS COMBINATIONS

BUSINESS COMBINATIONS IN FISCAL 2020

Acquisition of Thames Valley Communications

On March 10, 2020, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of Thames Valley Communications, a broadband services company operating in Southeastern Connecticut, for a net consideration of $67 million (US$50 million).

Acquisition of iTéract

On May 1, 2020, the Corporation's subsidiary, Cogeco Connexion, completed the acquisition of iTéract Inc., a telecommunications service provider operating in southern Québec using a combination of fixed-wireless and fibre-to-the-home technologies, and owner of 15 spectrum licenses, for $16 million.

These acquisitions were accounted for using the purchase method and were subject to post closing adjustments. The final allocation of the purchase price of these acquisitions is as follows:

			At August 31, 2020		At May 31, 2020
	Thames Valley Communications	**iTéract**	**TOTAL**	**Thames Valley Communications**	**iTéract**
	Final	Final	Final	Preliminary	Preliminary
(In thousands of Canadian dollars)	**$**	**$**	**$**	$	$
Purchase price					
Consideration paid at closing	**70,982**	**14,399**	**85,381**	70,982	14,399
Balance due on a business combination	**—**	**1,600**	**1,600**	—	1,600
Working capital adjustments	**—**	**(198)**	**(198)**	—	—
	70,982	**15,801**	**86,783**	70,982	15,999
Net assets acquired					
Cash and cash equivalents acquired	**3,631**	**43**	**3,674**	3,631	5
Current assets	**1,500**	**27**	**1,527**	1,500	18
Property, plant and equipment	**18,435**	**3,023**	**21,458**	19,401	2,936
Intangible assets	**31,003**	**12,449**	**43,452**	6,391	12,468
Goodwill (1)	**30,744**	**4,145**	**34,889**	44,747	4,171
Current liabilities	**(2,706)**	**(256)**	**(2,962)**	(2,945)	(238)
Deferred tax liabilities	**(11,625)**	**(3,630)**	**(15,255)**	(1,743)	(3,361)
	70,982	**15,801**	**86,783**	70,982	15,999

(1) The goodwill recorded on these acquisitions is mainly attributable to the expected growth in both residential and business services, and to the expertise of the workforce, and is not deductible for tax purposes. Goodwill arising from the acquisition of Thames Valley Communications was allocated to the American broadband services segment, while goodwill arising from the acquisition of iTéract was allocated to the Canadian broadband services segment.

BUSINESS COMBINATION IN FISCAL 2019

Purchase of a fibre network and corresponding assets

On October 3, 2018, the Corporation's subsidiary, Atlantic Broadband, completed the acquisition of the south Florida fibre network previously owned by FiberLight, LLC ("FiberLight"). The transaction, combined with the dark fibers acquired from FiberLight in the second quarter of fiscal 2018, added 350 route miles to Atlantic Broadband's south Florida footprint.

The acquisition was accounted for using the purchase method and was subject to post closing adjustments. The final allocation of the purchase price of this acquisition is as follows:

	At August 31, 2019
	Final
(In thousands of Canadian dollars)	$
Purchase price	
Consideration paid at closing	38,876
Balance due on business combinations	5,005
	43,881
Net assets acquired	
Current assets	1,643
Property, plant and equipment	28,785
Intangible assets	3,978
Goodwill	11,093
Current liabilities	(1,618)
	43,881

7. DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATIONS

Disposal of a subsidiary in fiscal 2019

On April 30, 2019, the Corporation completed the sale of Cogeco Peer 1, its Business ICT services subsidiary. The results and cash flows of Cogeco Peer 1 are presented as discontinued operations separate from the Corporation's continuing operations. As a result of the sale, the Corporation recognized the following gain on disposal in the consolidated statement of profit or loss for the year ended August 31, 2019:

(In thousands of Canadian dollars)	$
Gross proceeds, net of cash disposed	720,314
Working capital adjustments	691
Transaction costs	(10,903)
Net proceeds from sale, net of cash disposed	710,102
Net assets disposed	(625,738)
Gain on disposal of a subsidiary	84,364

The following table presents the carrying value of the net assets disposed of:

(In thousands of Canadian dollars)	$
Trade and other receivables	19,988
Income taxes receivable	1,126
Prepaid expenses and other	8,532
Property, plant and equipment	361,774
Intangible assets	49,618
Other assets	9,594
Goodwill	272,591
Deferred tax assets	2,061
Trade and other payables	(22,416)
Provisions	(34)
Contract liabilities and other liabilities	(25,104)
Deferred tax liabilities	(22,183)
Foreign currency translation adjustment	(29,809)
	625,738

The profit of the discontinued operations was as follows:

Year ended August 31,	2019 (1)
(In thousands of Canadian dollars)	$
Revenue	174,990
Operating expenses	132,390
Depreciation and amortization	43,999
Financial expense	(1,304)
Gain on disposal of a subsidiary	(84,364)
Profit before income taxes	84,269
Income taxes	8,889
Profit for the year from discontinued operations	75,380

(1) Fiscal 2019 amounts reflect the eight-month period ended April 30, 2019.

The cash flows of the discontinued operations were as follows:

Year ended August 31,	2019 (1)
(In thousands of Canadian dollars)	$
Cash flows from operating activities	41,962
Cash flows from investing activities	691,729
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	116
Net change in cash and cash equivalents from discontinued operations	733,807

(1) Fiscal 2019 amounts reflect the eight-month period ended April 30, 2019.

8. OPERATING EXPENSES

Years ended August 31,	**2020**	2019
(In thousands of Canadian dollars)	**$**	$
Salaries, employee benefits and outsourced services	**374,411**	345,041
Service delivery costs (1)	**660,257**	661,214
Customer related costs (2)	**84,798**	83,401
Other external purchases (3)	**91,956**	114,324
	1,211,422	1,203,980

(1) Include cost of equipment sold, content and programming costs, payments to other carriers, franchise fees and network costs.

(2) Include advertising and marketing expenses, selling costs, billing expenses, bad debts and collection expenses.

(3) Include office building expenses, professional service fees, Canadian Radio-television and Telecommunications Commission ("CRTC") fees, losses and gains on disposals and write-offs of property, plant and equipment and other administrative expenses.

9. DEPRECIATION AND AMORTIZATION

Years ended August 31,	**2020**	2019
(In thousands of Canadian dollars)	**$**	$
Depreciation of property, plant and equipment (1)	**440,221**	423,432
Amortization of intangible assets	**59,017**	57,293
	499,238	480,725

(1) Includes depreciation of right-of-use assets amounting to $6.7 million for the year ended August 31, 2020.

10. FINANCIAL EXPENSE

Years ended August 31, *(In thousands of Canadian dollars)*	**2020** **$**	2019 $
Interest on long-term debt, excluding interest on lease liabilities	**156,911**	176,798
Interest on lease liabilities	**1,520**	—
Gain on debt modification (1)	**(22,898)**	—
Net foreign exchange loss (gain)	**198**	(2,744)
Amortization of deferred transaction costs	**1,106**	1,836
Capitalized borrowing costs (2)	**(584)**	(690)
Other	**(5,160)**	302
	131,093	175,502

(1) On February 3, 2020, the Senior Secured Term Loan B Facility was amended and the most significant change consisted in the reduction of the interest rate by 0.25%. As a result, the Corporation recognized a gain on debt modification of $22.9 million.

(2) For the years ended August 31, 2020 and 2019, the weighted average interest rate used in the capitalization of borrowing costs was 4.5%.

11. INCOME TAXES

Years ended August 31, *(In thousands of Canadian dollars)*	**2020** **$**	2019 $
Current	**57,632**	53,361
Deferred	**54,689**	30,294
	112,321	83,655

The following table provides the reconciliation between income tax expense at the Canadian statutory federal and provincial income tax rates and the consolidated income tax expense:

Years ended August 31, *(in thousands of Canadian dollars)*	**2020** **$**	2019 $
Profit before income taxes	**508,912**	440,563
Combined Canadian income tax rate	**26.50 %**	26.50 %
Income taxes at combined Canadian income tax rate	**134,862**	116,749
Difference in operations' statutory income tax rates	**2,167**	1,466
Impact on income taxes arising from non-deductible expenses and non-taxable profit	**(443)**	(565)
Tax impacts related to foreign operations	**(24,135)**	(28,633)
Other	**(130)**	(5,362)
Income taxes at effective income tax rate	**112,321**	83,655

The following table shows deferred income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, as well as tax losses carryforwards:

At August 31, *(In thousands of Canadian dollars)*	**2020** **$**	2019 $
Property, plant and equipment	**(257,272)**	(205,251)
Intangible assets and goodwill	**(548,666)**	(514,233)
Contract liabilities and other liabilities	**13,607**	15,214
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	**153,000**	135,205
Other	**35,409**	22,047
Net deferred tax liabilities	**(603,922)**	(547,018)
Consolidated financial statements presentation:		
Deferred tax assets	**6,674**	6,564
Deferred tax liabilities	**(610,596)**	(553,582)
Net deferred tax liabilities	**(603,922)**	(547,018)

The movements in deferred tax asset and liability balances during fiscal 2020 and 2019 were as follows:

Year ended August 31, 2020	**Balance beginning of the year**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Acquisition through business combinations**	**Foreign currency translation adjustments**	**Balance end of the year**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**	**$**	**$**
Property, plant and equipment [(1)]	**(205,251)**	**(52,426)**	**—**	**(3,574)**	**3,979**	**(257,272)**
Intangible assets and goodwill	**(514,233)**	**(29,134)**	**—**	**(11,681)**	**6,382**	**(548,666)**
Contract liabilities and other liabilities	**15,214**	**(1,574)**	**—**	**—**	**(33)**	**13,607**
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	**135,205**	**21,083**	**—**	**—**	**(3,288)**	**153,000**
Other [(1)]	**22,047**	**7,362**	**6,318**	**—**	**(318)**	**35,409**
	(547,018)	**(54,689)**	**6,318**	**(15,255)**	**6,722**	**(603,922)**

(1) The net income tax effect of IFRS 16 adoption on Property, plant and equipment and Other (lease liabilities) is nil.

Year ended August 31, 2019	Balance beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Discontinued operations	Foreign currency translation adjustments	Balance end of the year
(In thousands of Canadian dollars)	$	$	$	$	$	$
Property, plant and equipment	(173,352)	(44,351)	—	14,055	(1,603)	(205,251)
Intangible assets and goodwill	(500,068)	(28,718)	—	18,850	(4,297)	(514,233)
Contract liabilities and other liabilities	16,904	(2,198)	—	482	26	15,214
Non-capital losses and other tax credits carryforwards, net of unrecognized benefits related to tax losses	112,738	44,531	—	(23,704)	1,640	135,205
Other	(5,441)	442	25,422	1,551	73	22,047
	(549,219)	(30,294)	25,422	11,234	(4,161)	(547,018)

At August 31, 2020, the Corporation and its subsidiaries had accumulated federal income tax losses, the benefits of which have been recognized in these consolidated financial statements, unless indicated otherwise. The benefits represent the amount expected to be realized, based on management's assessment of the Corporation's projected future profitability, deferred tax liabilities reversal and available carryback and carryforward periods, among others. These losses expire as follows:

	2025	2026	2027	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$
United States	**43,765**	**71,973**	**38,928**	**480,642**	**635,308**

The Corporation and its subsidiaries also had accumulated capital losses in Canada amounting to $1,146 million which can be carried forward indefinitely and used against Canadian capital gains, and $93 million of unrealized foreign exchange temporary differences, the benefits of which have not been recognized in these consolidated financial statements.

12. EARNINGS PER SHARE

The following table provides the components used in the calculation of basic and diluted earnings per share:

Years ended August 31,	**2020**	2019
(In thousands of Canadian dollars, except number of shares)	**$**	$
Profit for the year from continuing operations attributable to owners of the Corporation	**375,174**	339,973
Profit for the year from discontinued operations attributable to owners of the Corporation	**—**	75,380
Profit for the year attributable to owners of the Corporation	**375,174**	415,353
Weighted average number of multiple and subordinate voting shares outstanding	**48,496,273**	49,359,124
Effect of dilutive stock options [(1)]	**237,696**	181,471
Effect of dilutive incentive share units	**74,360**	95,816
Effect of dilutive performance share units	**112,776**	133,757
Weighted average number of diluted multiple and subordinate voting shares outstanding	**48,921,105**	49,770,168

(1) For the year ended August 31, 2020, 199,125 stock options (185,635 in 2019) were excluded from the calculation of diluted earnings per share as the exercise price of the options was greater than the average share price of the subordinate voting shares.

13. OTHER ASSETS

At August 31, *(In thousands of Canadian dollars)*	**2020** **$**	2019 $
Contract costs [(1)]	**42,070**	36,372
Transaction costs	**2,512**	3,121
Other	**527**	527
	45,109	40,020

(1) Include incremental costs of obtaining a contract and upfront fees paid to multiple-dwelling units.

The table below provides a reconciliation of the contract costs balance:

Years ended August 31, *(In thousands of Canadian dollars)*	**2020** **$**	2019 $
Balance, beginning of the year	**36,372**	35,328
Additions	**17,890**	17,666
Amortization	**(11,525)**	(8,972)
Foreign currency translation adjustments	**(667)**	422
Discontinued operations	**—**	(8,072)
Balance, end of the year	**42,070**	36,372

14. PROPERTY, PLANT AND EQUIPMENT

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Owned assets	**2,043,406**	2,007,610
Right-of-use assets	**45,524**	—
	2,088,930	2,007,610

A) OWNED ASSETS

During fiscal 2020 and 2019, owned assets variations were as follows:

Years ended August 31, 2020 and 2019	Land, buildings and leasehold improvements	Networks and infrastructure	Data centre equipment	Customer premise equipment	Vehicles and equipment	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at August 31, 2018	263,054	3,896,470	340,377	725,059	486,409	5,711,369
Acquisitions through business combinations	—	28,785	—	—	—	28,785
Additions	6,292	289,417	—	84,892	53,944	434,545
Disposals and write-offs	(4)	(8,675)	—	(43,233)	(2,764)	(54,676)
Foreign currency translation adjustments	545	21,161	—	3,850	1,549	27,105
Discontinued operations	(142,615)	(321,089)	(340,377)	—	(85,148)	(889,229)
Balance at August 31, 2019	**127,272**	**3,906,069**	**—**	**770,568**	**453,990**	**5,257,899**
Reclassified to ROU assets upon adoption of IFRS 16	**—**	**(9,576)**	**—**	**—**	**—**	**(9,576)**
Acquisitions through business combinations	**921**	**19,634**	**—**	**449**	**209**	**21,213**
Additions [(1)]	**8,454**	**301,306**	**—**	**115,875**	**57,064**	**482,699**
Disposals and write-offs	**(7,337)**	**(9,234)**	**—**	**(35,772)**	**(2,876)**	**(55,219)**
Foreign currency translation adjustments	**(501)**	**(29,303)**	**—**	**(5,796)**	**(2,488)**	**(38,088)**
Balance at August 31, 2020	**128,809**	**4,178,896**	**—**	**845,324**	**505,899**	**5,658,928**
Accumulated depreciation and impairment losses						
Balance at August 31, 2018	107,829	2,265,479	174,960	510,220	329,203	3,387,691
Depreciation expense	7,115	280,437	—	88,393	47,487	423,432
Disposals and write-offs	(4)	(5,541)	—	(41,623)	(2,395)	(49,563)
Foreign currency translation adjustments	180	8,512	—	1,605	631	10,928
Discontinued operations	(55,646)	(212,737)	(174,960)	—	(78,856)	(522,199)
Balance at August 31, 2019	**59,474**	**2,336,150**	**—**	**558,595**	**296,070**	**3,250,289**
Reclassified to ROU assets upon adoption of IFRS 16	**—**	**(1,688)**	**—**	**—**	**—**	**(1,688)**
Depreciation expense	**6,699**	**287,767**	**—**	**88,535**	**50,514**	**433,515**
Disposals and write-offs	**(3,750)**	**(6,364)**	**—**	**(34,809)**	**(2,582)**	**(47,505)**
Foreign currency translation adjustments	**(313)**	**(15,044)**	**—**	**(2,650)**	**(1,082)**	**(19,089)**
Balance at August 31, 2020	**62,110**	**2,600,821**	**—**	**609,671**	**342,920**	**3,615,522**
Carrying amounts						
At August 31, 2019	67,798	1,569,919	—	211,973	157,920	2,007,610
At August 31, 2020	**66,699**	**1,578,075**	**—**	**235,653**	**162,979**	**2,043,406**

(1) In fiscal 2020, the Corporation received $1.6 million of government assistance, which was accounted for as a deduction of the cost of property, plant and equipment.

B) RIGHT-OF-USE ASSETS

During fiscal 2020, right-of-use assets variations were as follows:

Year ended August 31, 2020	Land and buildings	Other [1]	Total
(In thousands of Canadian dollars)	$	$	$
Balance at August 31, 2019	**—**	**—**	**—**
Reclassified upon adoption of IFRS 16	**—**	**7,888**	**7,888**
IFRS 16 transition	**41,540**	**441**	**41,981**
Acquisitions through business combinations	**184**	**61**	**245**
Additions [2]	**1,879**	**1,305**	**3,184**
Modifications	**(117)**	**—**	**(117)**
Disposals and write-offs	**(521)**	**—**	**(521)**
Depreciation expense	**(5,878)**	**(828)**	**(6,706)**
Foreign currency translation adjustments	**(224)**	**(206)**	**(430)**
Balance at August 31, 2020	**36,863**	**8,661**	**45,524**

(1) Includes right-of-use assets pertaining to networks and infrastructure, and vehicles and equipment.

(2) Includes $1.3 million of indefeasible rights of use paid.

15. INTANGIBLE ASSETS AND GOODWILL

A) INTANGIBLE ASSETS

During fiscal 2020 and 2019, intangible assets variations were as follows:

	Finite useful life			Indefinite useful life		
Years ended August 31, 2020 and 2019	Customer relationships	Spectrum Licenses	Other	Cable Distribution Licenses	Trade name	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$
Cost						
Balance at August 31, 2018	594,872	32,306	1,251	2,583,601	25,934	3,237,964
Acquisitions through business combinations	3,978	—	—	—	—	3,978
Foreign currency translation adjustments	7,683	—	—	29,720	—	37,403
Discontinued operations	(173,317)	—	(1,251)	—	(25,934)	(200,502)
Balance at August 31, 2019	**433,216**	**32,306**	**—**	**2,613,321**	**—**	**3,078,843**
Acquisitions through business combinations	**9,112**	**10,000**	**—**	**24,340**	**—**	**43,452**
Foreign currency translation adjustments	**(8,392)**	**—**	**—**	**(32,324)**	**—**	**(40,716)**
Balance at August 31, 2020	**433,936**	**42,306**	**—**	**2,605,337**	**—**	**3,081,579**
Accumulated amortization and impairment losses						
Balance at August 31, 2018	308,930	897	749	—	—	310,576
Amortization expense	53,706	3,587	—	—	—	57,293
Foreign currency translation adjustments	3,047	—	—	—	—	3,047
Discontinued operations	(142,168)	—	(749)	—	—	(142,917)
Balance at August 31, 2019	**223,515**	**4,484**	**—**	**—**	**—**	**227,999**
Amortization expense	**55,096**	**3,921**	**—**	**—**	**—**	**59,017**
Foreign currency translation adjustments	**(5,838)**	**—**	**—**	**—**	**—**	**(5,838)**
Balance at August 31, 2020	**272,773**	**8,405**	**—**	**—**	**—**	**281,178**
Carrying amounts						
At August 31, 2019	209,701	27,822	—	2,613,321	—	2,850,844
At August 31, 2020	**161,163**	**33,901**	**—**	**2,605,337**	**—**	**2,800,401**

B) GOODWILL

During fiscal 2020 and 2019, goodwill variations were as follows:

Years ended August 31, 2020 and 2019	
(In thousands of Canadian dollars)	$
Cost	
Balance at August 31, 2018	2,031,679
Acquisitions through business combinations	11,093
Foreign currency translation adjustments	24,903
Discontinued operations	(694,236)
Balance at August 31, 2019	**1,373,439**
Acquisitions through business combinations	**34,889**
Foreign currency translation adjustments	**(27,304)**
Balance at August 31, 2020	**1,381,024**
Accumulated impairment losses	
Balance at August 31, 2018	423,233
Discontinued operations	(423,233)
Balance at August 31, 2019	**—**
Balance at August 31, 2020	**—**
Carrying amounts	
At August 31, 2019	1,373,439
At August 31, 2020	**1,381,024**

C) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS

The Corporation tests goodwill and intangible assets with indefinite useful lives for impairment annually, or more frequently when indicators of impairment are identified.

Goodwill is allocated to cash-generating units ("CGU") based on the level at which management monitors goodwill. The allocation is made to CGUs that are expected to benefit from the synergies of the business combination from which it arose.

Intangible assets with indefinite useful lives who do not generate independent cash inflows from those of other assets or group of assets, are allocated and tested for impairment as part of the CGU to which they belong.

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives are allocated to each of the Corporation's CGUs as follows:

At August 31,	**2020**		2019	
Operating segments / CGUs	**Goodwill**	**Cable Distribution Licenses**	Goodwill	Cable Distribution Licenses
(In thousands of Canadian dollars)	**$**	**$**	$	$
Canadian broadband services	**8,807**		4,662	
Ontario		**857,696**		857,696
Québec		**109,304**		109,304
American broadband services	**1,372,217**		1,368,777	
Southern Florida		**243,885**		248,617
South Carolina		**40,430**		41,215
Pennsylvania		**499,770**		509,465
Delaware/Maryland/Virginia		**410,432**		418,394
Eastern Connecticut		**117,248**		95,723
New Hampshire/Maine		**326,572**		332,907
Total	**1,381,024**	**2,605,337**	1,373,439	2,613,321

Goodwill and intangible assets with indefinite useful lives are considered impaired if the recoverable amount is less than the carrying amount. The recoverable amount of each CGU is calculated based on the higher of value in use and fair value less costs of disposal. The value in use is determined using cash flow projections derived from internal financial projections covering a period of five to eight years, depending on the CGU. A period of five to eight years is used, as the payback period of the Corporation's capital investments often exceeds five years. They reflect management's expectations of revenue growth, expenses and capital expenditures for each CGU based on past experience and expected growth for the CGU. Cash flows beyond that period are extrapolated using an estimated terminal growth rate determined with regard to projected growth rates for the specific markets in which the CGUs participate and are not considered to exceed the long-term average growth rates for those markets. Discount rates applied to the cash flow forecasts are derived from the Corporation's pre-tax weighted average cost of capital, adjusted for the different risk profiles of the individual CGUs.

At June 30, 2020 and 2019, the Corporation performed impairment tests for all its CGUs within the Canadian and American broadband services segments. The recoverable amount of each CGU was calculated based on the value in use and was determined to be higher than its carrying amount and no impairment loss has been recognized for the years ended August 31, 2020 and 2019.

The following represents the key assumptions that were used to determine the recoverable amounts in the most recent impairment tests performed for each of the Corporation's operating segments:

		2020		2019
	Pre-tax discount rate	**Terminal growth rate**	Pre-tax discount rate	Terminal growth rate
Operating segments	**%**	**%**	%	%
Canadian broadband services	**8.3**	**2.0**	10.0	2.0
American broadband services	**8.1 to 9.3**	**2.5 to 3.0**	7.8 to 9.1	2.5 to 3.0

The following table presents, for each operating segment, the change in the pre-tax discount rate and in the terminal growth rate used in the tests performed, that would have been required in order for the recoverable amount to equal the carrying value of the CGU at the date of the most recent impairment tests:

	Increase in pre-tax discount rate	**Decrease in terminal growth rate**
Operating segments	**%**	**%**
Canadian broadband services	(1)	(1)
American broadband services	**0.6 to 11.0**	**0.9 to 48.0**

(1) The recoverable amount of the Canadian broadband services CGUs exceeds the corresponding carrying value. No reasonable changes in the discount rate or in the terminal growth rate, used in the impairment test performed, would have caused the recoverable amount to equal the carrying value of the Canadian broadband services CGUs.

16. PROVISIONS

During fiscal 2020, provisions variations were as follows:

Year ended August 31, 2020	Withholding and stamp taxes (1)	Programming and content costs (2)	Other (3)	**Total**
(In thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Balance, beginning of the year	**6,977**	**13,585**	**15,991**	**36,553**
Provisions made during the year	**—**	**11,225**	**1,437**	**12,662**
Provisions used during the year	**—**	**(1,313)**	**(70)**	**(1,383)**
Provisions reversed during the year	**—**	**(9,438)**	**(4,935)**	**(14,373)**
Foreign currency translation adjustments	**450**	**(30)**	**(15)**	**405**
Balance, end of the year	**7,427**	**14,029**	**12,408**	**33,864**

(1) The provisions for withholding and stamp taxes relate to contingent liabilities for withholding and stamp taxes relating to fiscal years prior to the acquisition of a subsidiary by the Corporation.

(2) The provisions for programming and content costs include provisions for retroactive rate increases as well as additional royalties or content costs as a result of periodical audits from service providers.

(3) The other provisions include provisions for contractual obligations and other legal obligations.

17. CONTRACT LIABILITIES AND OTHER LIABILITIES

At August 31,	**2020**	2019
(In thousands of Canadian dollars)	**$**	$
Advance billings	**38,629**	36,085
Deferred customer connection fees	**18,005**	17,642
Customer deposits and prepayments	**1,221**	536
Contract liabilities	**57,855**	54,263
Other liabilities	**272**	251
	58,127	54,514
Current	**47,162**	43,395
Non-current	**10,965**	11,119

During fiscal 2020 and 2019, contract liabilities variations were as follows:

Years ended August 31,	**2020**	2019
(In thousands of Canadian dollars)	**$**	$
Balance, beginning of the year	**54,263**	77,744
Revenue deferred in the previous period and recognized in the current period	**(43,200)**	(38,879)
Net additions arising from operations	**46,815**	40,044
Additions arising from business combinations	**718**	454
Foreign currency translation adjustments	**(741)**	584
Discontinued operations	**—**	(25,684)
Balance, end of the year	**57,855**	54,263

18. LONG-TERM DEBT

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Notes, debentures and credit facilities	3,072,511	3,404,859
Lease liabilities	41,235	—
Balance due on business combinations	2,856	4,520
	3,116,602	3,409,379
Less current portion	29,569	27,121
	3,087,033	3,382,258

A) Notes, debentures and credit facilities

At August 31,	Maturity	Interest rate	2020	2019
(In thousands of Canadian dollars, except percentages)		%	$	$
Corporation				
Term Revolving Facility [a)]	January 2025	—	—	—
Senior Secured Notes [b)]				
Series A - US$25 million	September 2024	4.14	32,538	33,155
Series B - US$150 million	September 2026	4.29	195,123	198,845
Senior Secured Notes - US$215 million [c)]	June 2025	4.30	279,687	284,996
Senior Secured Debentures Series 2 [d)]	—	—	—	199,744
Senior Secured Debentures Series 3 [e)]	February 2022	4.93	199,671	199,457
Senior Secured Debentures Series 4 [f)]	May 2023	4.18	299,027	298,697
Subsidiaries				
First Lien Credit Facilities [g)]				
Senior Secured Term Loan B Facility - US$1,626.8 million (US$1,678.8 million in 2019)	January 2025	2.16 [(1) (2)]	2,066,465	2,189,965
Senior Secured Revolving Facility	July 2024	—	—	—
			3,072,511	3,404,859
Less current portion			22,171	22,601
			3,050,340	3,382,258

(1) Interest rate on debt includes applicable credit spread. On February 3, 2020, a US subsidiary of the Corporation amended its Senior Secured Term Loan B Facility, whereby the most significant change consisted in the reduction of the interest rate by 0.25%.

(2) A US subsidiary of the Corporation entered into interest rate swap agreements to fix the interest rate on a notional amount of US$1.1 billion of its LIBOR based loans. These agreements have the effect of converting the floating US LIBOR base rate into fixed rates ranging from 2.017% to 2.262% for maturities between January 31, 2021 and November 30, 2024, under the Senior Secured Term Loan B Facility. Taking into account these agreements, the effective interest rate on the Senior Secured Term Loan B Facility is 3.50%.

a) The Corporation has a Term Revolving Facility of $750 million with a syndicate of lenders. On December 6, 2019, the Corporation reduced the facility from $800 million to $750 million and the maturity was extended until January 24, 2025 and can be further extended annually. The amended and restated Term Revolving Facility is available in Canadian dollars, US dollars, Euros and British Pounds and interest rates are based on banker's acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds, plus the applicable credit spread. The Term Revolving Facility provides access to a swingline with a limit of $30 million. The Term Revolving Facility is indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal properties and undertaking of every nature and kind of the Corporation and its subsidiaries, except for the unrestricted subsidiaries, and provides for certain permitted encumbrances, including purchased money obligations, existing funded obligations and charges granted by any subsidiary prior to the date when it becomes a subsidiary, subject to a maximum amount. The provisions under this facility provide for restrictions on the operations and activities of the Corporation and its subsidiaries, except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to total indebtedness, financial expense, permitted investments, distributions to shareholders including dividends on multiple and subordinate voting shares and share repurchases, as well as the incurrence and maintenance of certain financial ratios primarily linked to EBITDA from continuing operations, adjusted for integration, restructuring and acquisition costs ("adjusted EBITDA").

b) On August 27, 2014, the Corporation completed pursuant to a private placement, the issuance of US$25 million Senior Secured Notes Series A and of US$150 million Senior Secured Notes Series B. The Senior Secured Notes Series A bear interest at 4.14% per annum payable semi-annually and mature on September 1, 2024, and the Senior Secured Notes Series B bear interest at 4.29% per annum payable semi-annually and mature on September 1, 2026. The Senior Secured Notes Series A and B are redeemable at any time at Cogeco Communications' option, in whole or in part, at 100% of the principal amount plus a make-whole premium. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these notes provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

c) On June 27, 2013, the Corporation completed pursuant to a private placement, the issuance of US$215 million Senior Secured Notes. The Senior Secured Notes bear interest at 4.30% payable semi-annually and mature on June 16, 2025. The Senior Secured Notes are redeemable at the Corporation's option at any time, in whole or in part, at 100% of the principal amount plus a make-whole premium. These notes are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these notes provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

d) On November 16, 2010, the Corporation completed pursuant to a public debt offering, the issuance of $200 million Senior Secured Debentures Series 2. These debentures bore interest at 5.15% per annum payable semi-annually and were maturing on November 16, 2020. On July 20, 2020, the Corporation proceeded with the early redemption of these debentures. A redemption premium of $2.8 million was charged to financial expense in fiscal 2020, in connection with the early redemption.

e) On February 14, 2012, the Corporation completed pursuant to a public debt offering, the issuance of $200 million Senior Secured Debentures Series 3. These debentures mature on February 14, 2022 and bear interest at 4.93% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

f) On May 27, 2013, the Corporation completed pursuant to a public debt offering, the issuance of $300 million Senior Secured Debentures Series 4. These debentures mature on May 26, 2023 and bear interest at 4.18% per annum payable semi-annually. These debentures are indirectly secured by a first priority fixed and floating charge and a security interest on substantially all present and future real and personal property and undertaking of every nature and kind of the Corporation and its subsidiaries except for the unrestricted subsidiaries. The provisions under these debentures provide for restrictions on the operations and activities of the Corporation and its subsidiaries except for the unrestricted subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, dispositions and maintenance of certain financial ratios.

g) On January 4, 2018, in connection with the financing of the MetroCast acquisition, a $2.1 billion (US$1.7 billion) Senior Secured Term Loan B maturing January 2025, and a $188 million (US$150 million) Senior Secured Revolving facility maturing January 2023 were entered into by two of Cogeco Communications' US subsidiaries. On December 6, 2019, the maturity date of the US$150 million Senior Secured Revolving Facility was extended by an additional 18 months until July 4, 2024.

The interest rate on these First Lien Credit Facilities is based on LIBOR plus an applicable credit spread. Commencing in August 2018, the Senior Secured Term Loan B is subject to a quarterly amortization of 0.25% until its maturity date. In addition to the quarterly amortization, the loan shall be prepaid according to a prepayment percentage of excess cash flow generated during the prior fiscal year as defined below and such payments are starting in fiscal 2020, if applicable.

(i) 50% if Atlantic Broadband's ratio of net senior secured indebtedness / adjusted EBITDA ("Leverage Ratio") is greater than or equal to 5.1;
(ii) 25% if Atlantic Broadband's Leverage Ratio is greater than or equal to 4.6 but less than 5.1; and
(iii) 0% if Atlantic Broadband's Leverage Ratio is less than 4.6.

Atlantic Broadband's leverage ratio was below 4.6 as of August 31, 2020, therefore no excess cash flow prepayments are applicable in fiscal 2021. The First Lien Credit Facilities are non-recourse to the Corporation and most of its Canadian subsidiaries, and are indirectly secured by a first priority fixed and floating charge on substantially all present and future real and personal property and undertaking of every nature and kind of Atlantic Broadband and its subsidiaries. The provisions under these facilities provide for restrictions on the operations and activities of Atlantic Broadband and its subsidiaries. Generally, the most significant restrictions relate to permitted indebtedness, investments, distributions and maintenance of certain financial ratios.

B) Lease liabilities

In the normal course of operations, the Corporation enters into leases for buildings, land, network infrastructure and equipment. Lease contracts are typically individually negotiated for a wide range of fixed periods, but may also include renewal or termination options.

The weighted average interest rate on lease liabilities was approximately 3.55% and the weighted average lease term was approximately 6.7 years, as at August 31, 2020.

At August 31, 2020	
(In thousands of Canadian dollars)	**$**
Lease liabilities	**41,235**
Less current portion	**4,542**
	36,693

Total expenses of $16.4 million have been recognized during fiscal 2020 relating primarily to variable lease payments not included in the measurement of lease liabilities.

19. SHARE CAPITAL

A) AUTHORIZED

Unlimited number of:

Class A Preference shares, without voting rights, redeemable by the Corporation and retractable at the option of the holder at any time at a price of $1 per share, carrying a cumulative preferential cash dividend at a rate of 11% of the redemption price per year.

Class B Preference shares, without voting rights, could be issued in series.

Multiple voting shares, 10 votes per share.

Subordinate voting shares, 1 vote per share.

B) ISSUED AND PAID

At August 31,	**2020**	2019
(In thousands of Canadian dollars, except number of shares)	**$**	$
15,691,100 multiple voting shares	**98,346**	98,346
32,231,433 subordinate voting shares (33,717,668 at August 31, 2019)	**902,896**	939,633
	1,001,242	1,037,979
76,957 subordinate voting shares held in trust under the Incentive Share Unit Plan (76,935 at August 31, 2019)	**(6,346)**	(5,409)
115,222 subordinate voting shares held in trust under the Performance Share Unit Plan (118,667 at August 31, 2019)	**(9,933)**	(9,180)
	984,963	1,023,390

During fiscal 2020 and 2019, subordinate voting share transactions were as follows:

Years ended August 31,		**2020**		2019
	Number of shares	**Amount**	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		**$**		$
Balance, beginning of the year	**33,717,668**	**939,633**	33,874,114	937,226
Shares issued for cash under the Stock Option Plan	**105,765**	**6,670**	170,754	9,780
Share-based payment previously recorded in share-based payment reserve for options exercised	**—**	**1,129**	—	1,717
Purchase and cancellation of subordinate voting shares (1)	**(1,592,000)**	**(44,536)**	(327,200)	(9,090)
Balance, end of the year	**32,231,433**	**902,896**	33,717,668	939,633

(1) During fiscal 2020, under its Normal Course Issuer Bid ("NCIB") program, the Corporation purchased and cancelled 1,592,000 (327,200 in 2019) subordinate voting shares with an average stated value of $44.5 million ($9.1 million in 2019), for consideration of $165.5 million ($32.4 million in 2019). The excess of the purchase price over the average stated value of the shares totaled $121.0 million ($23.3 million in 2019) and was charged to retained earnings.

NORMAL COURSE ISSUER BID

On April 30, 2020, the Corporation announced that the TSX accepted the renewal of its notice of intention for a NCIB, enabling it to acquire for cancellation up to 1,809,000 subordinate voting shares from May 4, 2020 to May 3, 2021. Under its previous NCIB that commenced on May 3, 2019 and ended on May 2, 2020, the Corporation could purchase for cancellation a maximum of 1,869,000 subordinate shares.

The Corporation has also entered into an automatic share purchase plan ("ASPP") with a designated broker to allow for the purchase of subordinate voting shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. Such purchases are executed by the broker based on parameters established by the Corporation prior to the pre-established ASPP period under the ASPP.

During fiscal 2020 and 2019, subordinate voting shares held in trust under the Incentive Share Unit Plan transactions were as follows:

Years ended August 31,		2020		2019
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	76,935	5,409	111,717	7,569
Subordinate voting shares acquired	21,290	2,437	9,688	864
Subordinate voting shares distributed to employees	(21,268)	(1,500)	(44,470)	(3,024)
Balance, end of the year	76,957	6,346	76,935	5,409

During fiscal 2020 and 2019, subordinate voting shares held in trust under the Performance Share Unit Plan transactions were as follows:

Years ended August 31,		2020		2019
	Number of shares	Amount	Number of shares	Amount
(In thousands of Canadian dollars, except number of shares)		$		$
Balance, beginning of the year	118,667	9,180	143,377	10,831
Subordinate voting shares acquired	28,005	3,206	18,609	1,640
Subordinate voting shares distributed to employees	(31,450)	(2,453)	(43,319)	(3,291)
Balance, end of the year	115,222	9,933	118,667	9,180

C) DIVIDENDS

For the year ended August 31, 2020, quarterly eligible dividends of $0.58 per share, for a total of $2.32 per share or $112.3 million, were paid to the holders of multiple and subordinate voting shares, compared to quarterly eligible dividends of $0.525 per share, for a total of $2.10 per share or $103.7 million, for the year ended August 31, 2019.

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Dividends on multiple voting shares	36,403	32,951
Dividends on subordinate voting shares	75,872	70,757
	112,275	103,708

At its October 27, 2020 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.64 per share for multiple voting and subordinate voting shares, payable on November 24, 2020 to shareholders of record on November 10, 2020.

D) SHARE-BASED PAYMENT PLANS

The Corporation offers an Employee Stock Purchase Plan for the benefit of its employees and those of its subsidiaries and a Stock Option Plan to its executive officers and designated employees. No more than 10% of the outstanding subordinate voting shares are available for issuance under these plans. Furthermore, the Corporation offers an Incentive Share Unit Plan ("ISU Plan") and a Performance Share Unit Plan ("PSU Plan") for executive officers and designated employees, and a Deferred Share Unit Plan ("DSU Plan") for members of the Board of Directors ("Board").

Stock purchase plan

The Corporation offers, for the benefit of its employees and those of its subsidiaries, an Employee Stock Purchase Plan, which is accessible to all employees up to a maximum of 7% of their base annual salary and the Corporation contributes 25% of the employee contributions. The subscriptions are made monthly and employee subordinate voting shares are purchased on the stock market.

Stock option plan

A total of 3,432,500 subordinate voting shares are reserved for the purpose of the Stock Option Plan. The minimum exercise price at which options are granted is equal to the market value of such shares at the time the option is granted. Options vest equally over a period of five years beginning one year after the day such options are granted and are exercisable over ten years.

Under the Stock Option Plan, the following options were granted by the Corporation and are outstanding at August 31:

Years ended August 31,		2020		2019
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
(In Canadian dollars, except number of options)		$		$
Outstanding, beginning of the year	715,614	65.93	819,393	65.27
Granted [(1)]	207,150	114.19	201,525	65.62
Exercised [(2)]	(105,765)	63.07	(170,754)	57.28
Cancelled	(30,200)	79.67	(134,550)	72.43
Outstanding, end of the year	**786,799**	**78.49**	715,614	65.93
Exercisable, end of the year	**291,294**	**59.99**	264,374	55.99

(1) For the year ended August 31, 2020, the Corporation granted 110,875 (97,725 in 2019) stock options to Cogeco's executive officers as executive officers of the Corporation.

(2) The weighted average share price for options exercised during the year was $110.44 ($92.43 in 2019).

At August 31, 2020, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options are as follows:

At August 31, 2020			Options outstanding		Options exercisable
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
$		(years)	$		$
38.08 to 50.10	115,199	2.42	45.68	115,199	45.68
50.11 to 64.20	130,075	5.58	61.89	78,185	61.66
64.21 to 85.00	184,465	7.34	65.91	52,085	66.80
85.01 to 114.30	357,060	8.32	101.63	45,825	85.36
	786,799	6.77	78.49	291,294	59.99

The weighted average fair value of stock options granted for the period ended August 31, 2020 was $18.43 ($9.60 in 2019) per option. The weighted average fair value of each option granted was estimated at the grant date for purposes of determining share-based payment expense using the Black-Scholes option pricing model based on the following weighted-average assumptions:

Years ended August 31,	2020	2019
	%	%
Expected dividend yield	2.07	3.18
Expected volatility [(1)]	20.51	20.37
Risk-free interest rate	1.53	2.42
Expected life (in years)	5.9	6.0

(1) The expected volatility is based on the historical volatility of the Corporation's subordinate voting shares for a period equivalent to the expected life of the options.

A compensation expense of $0.8 million ($0.4 million in 2019) was recorded for the year ended August 31, 2020 related to this plan.

ISU plan

The Corporation offers to its executive officers and designated employees an Incentive Share Unit ("ISU") Plan. According to this plan, executive officers and designated employees periodically receive a given number of ISUs which entitle the participants to receive subordinate voting shares of the Corporation after three years less one day from the date of grant. The number of ISUs is based on the dollar value of the award and the average closing stock price of the Corporation for the previous twelve month period ending August 31. ISUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause. A trust was created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation instructed the trustee to purchase subordinate voting shares of the Corporation on the stock market. These shares are purchased and are held in trust for the participants until they are fully vested. The trust, considered as a special purpose entity, is consolidated in the Corporation’s consolidated financial statements with the value of the acquired subordinate voting shares held in trust under the ISU Plan presented in reduction of share capital.

Changes in the outstanding number of ISUs are as follows:

Years ended August 31,	2020	2019
Outstanding, beginning of the year	71,825	105,475
Granted (1)	29,200	37,600
Distributed	(21,268)	(44,470)
Cancelled	(3,616)	(26,780)
Outstanding, end of the year	76,141	71,825

(1) The weighted average fair value of the ISUs granted was $113.02 in 2020 ($65.55 in 2019).

A compensation expense of $2.0 million ($2.0 million in 2019) was recorded for the year ended August 31, 2020 related to this plan.

PSU plan

The Corporation also offers a Performance Share Unit ("PSU") Plan for the benefit of its executive officers and designated employees. The objectives of the PSU Plan are to retain executive officers and designated employees, to align their interests with those of the shareholders and to sustain positive corporate performance, as measured by an economic value creation formula, a performance measure used by management. The number of PSUs is based on the dollar value of the award and the average closing stock price of the Corporation for the previous twelve month period ending August 31. The PSUs vest over a three-year less one day period, based on the level of increase in the economic value of the Corporation or the relevant subsidiary for the preceding three-year period ending August 31, meaning that no vesting will occur if there is no increase in the economic value. The participants are entitled to receive dividend equivalents in the form of additional PSUs but only with respect to vested PSUs. PSUs are redeemable in case of death, permanent disability, normal retirement or termination of employment not for cause, in which cases, the holder of PSUs is entitled to payment of the PSUs in proportion to the time of employment from the date of the grant to the date of termination versus the three-year less one day vesting period. A trust was created for the purpose of purchasing these shares on the stock market in order to protect against stock price fluctuation and the Corporation instructed the trustee to purchase subordinate voting shares of the Corporation on the stock market. These shares are purchased and are held in trust for the participants until they are fully vested. The trust, considered as a special purpose entity, is consolidated in the Corporation's consolidated financial statements with the value of the acquired subordinate voting shares held in trust under the PSU Plan presented in reduction of share capital.

Changes in the outstanding number of PSUs are as follows:

Years ended August 31,	2020	2019
Outstanding, beginning of the year	107,551	133,181
Granted (1)	39,425	45,800
Performance-based additional units granted	—	200
Distributed	(31,450)	(43,319)
Cancelled	(5,102)	(31,889)
Dividend equivalents	2,462	3,578
Outstanding, end of the year	112,886	107,551

(1) For the year ended August 31, 2020, the Corporation granted 14,375 (14,625 in 2019) PSUs to Cogeco's executive officers as executive officers of the Corporation. The weighted average fair value of the PSUs granted was $114.15 in 2020 ($65.75 in 2019).

A compensation expense of $1.7 million ($1.4 million in 2019) was recorded for the year ended August 31, 2020 related to this plan.

DSU plan

The Corporation also offers a Deferred Share Unit ("DSU") Plan for members of the Board to assist in the attraction and retention of qualified individuals to serve on the Board of the Corporation. Each existing or new member of the Board may elect to be paid a percentage of the annual retainer in the form of DSUs with the balance, if any, being paid in cash. The number of DSUs that a member is entitled to receive is based on the average closing price of the subordinate shares on the TSX for the twenty consecutive trading days immediately preceding by one day the date of issue. Dividend equivalents are awarded with respect to DSUs in a member's account on the same basis as if the member was a shareholder of record of subordinate shares on the relevant record date, and the dividend equivalents are credited to the individual's account as additional DSUs. DSUs are redeemable and payable in cash or in shares, upon an individual ceasing to be a member of the Board or in the event of the death of the member.

Changes in the outstanding number of DSUs are as follows:

Years ended August 31,	2020	2019
Outstanding, beginning of the year	42,679	42,607
Issued (1)	7,233	11,328
Redeemed	—	(12,351)
Dividend equivalents	1,046	1,095
Outstanding, end of the year	50,958	42,679

(1) The weighted average fair value of the DSUs issued was $113.75 in 2020 ($65.85 in 2019).

A compensation expense of $0.7 million ($1.8 million in 2019) was recorded for the year ended August 31, 2020 related to this plan.

20. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

During fiscal 2020 and 2019, accumulated other comprehensive (loss) income variations were as follows:

Years ended August 31, 2020 and 2019	Cash flow hedge reserve	Foreign currency translation	Total
(In thousands of Canadian dollars)	$	$	$
Balance at August 31, 2018	25,818	87,956	113,774
Other comprehensive loss for the year	(59,660)	(23,086)	(82,746)
Balance at August 31, 2019	**(33,842)**	**64,870**	**31,028**
Other comprehensive loss for the year	**(18,342)**	**(19,803)**	**(38,145)**
Balance at August 31, 2020	**(52,184)**	**45,067**	**(7,117)**

21. ADDITIONAL CASH FLOW INFORMATION

A) CHANGES IN NON-CASH OPERATING ACTIVITIES

Years ended August 31,	**2020**	2019
(In thousands of Canadian dollars)	**$**	$
Trade and other receivables	**(8,550)**	(1,734)
Prepaid expenses and other	**(6,337)**	(1,100)
Other assets	**(6,384)**	(8,665)
Trade and other payables	**(35,513)**	(24,143)
Provisions	**(4,460)**	10,103
Contract liabilities and other liabilities	**6,050**	431
	(55,194)	(25,108)

B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Years ended August 31, 2020 and 2019	Bank indebtedness	Long-term debt: Notes, debentures and credit facilities	Long-term debt: Lease liabilities	Long-term debt: Balance due on business combinations	Total
(In thousands of Canadian dollars)	$	$	$	$	$
Balance at August 31, 2018	5,949	3,858,208	—	—	3,864,157
Decrease in bank indebtedness	(5,949)	—	—	—	(5,949)
Net decrease under the revolving facilities	—	(443,955)	—	—	(443,955)
Repayment of notes, debentures and credit facilities	—	(77,639)	—	—	(77,639)
Increase in deferred transaction costs	—	(1,778)	—	—	(1,778)
Repayment of balance due on business combinations	—	—	—	(655)	(655)
Total cash flows used in financing activities excluding equity	(5,949)	(523,372)	—	(655)	(529,976)
Effect of changes in foreign exchange rates	—	62,405	—	170	62,575
Amortization of discounts, transaction costs and other	—	7,618	—	—	7,618
Increase in balance due on business combinations	—	—	—	5,005	5,005
Total non-cash changes	—	70,023	—	5,175	75,198
Balance at August 31, 2019	**—**	**3,404,859**	**—**	**4,520**	**3,409,379**
Increase in bank indebtedness	**7,610**	**—**	**—**	**—**	**7,610**
Repayment of notes, debentures and credit facilities	**—**	**(269,169)**	**—**	**—**	**(269,169)**
Repayment of lease liabilities	**—**	**—**	**(4,905)**	**—**	**(4,905)**
Increase in deferred transaction costs	**—**	**(98)**	**—**	**—**	**(98)**
Repayment of balance due on business combinations	**—**	**—**	—	**(3,228)**	**(3,228)**
Total cash flows from (used in) financing activities excluding equity	**7,610**	**(269,267)**	**(4,905)**	**(3,228)**	**(269,790)**
Interest paid on lease liabilities	**—**	**—**	**(1,094)**	**—**	**(1,094)**
Total cash flow changes	**7,610**	**(269,267)**	**(5,999)**	**(3,228)**	**(270,884)**
IFRS 16 transition	**—**	**—**	**44,443**	**—**	**44,443**
Gain on debt modification	**—**	**(22,898)**	**—**	**—**	**(22,898)**
Effect of changes in foreign exchange rates	**—**	**(50,094)**	**(226)**	**(36)**	**(50,356)**
Amortization of discounts, transaction costs and other	**—**	**9,911**	**—**	**—**	**9,911**
Net increase in lease liabilities	**—**	**—**	**3,017**	**—**	**3,017**
Increase in balance due on business combinations	**—**	**—**	**—**	**1,600**	**1,600**
Total non-cash changes	**—**	**(63,081)**	**47,234**	**1,564**	**(14,283)**
Balance at August 31, 2020	**7,610**	**3,072,511**	**41,235**	**2,856**	**3,124,212**

22. EMPLOYEE BENEFITS

A) DEFINED CONTRIBUTION PLANS AND COLLECTIVE REGISTERED RETIREMENT SAVING PLANS

The Corporation and its subsidiaries offer to certain employees defined contribution plans or collective registered retirement savings plans. Under these plans, the Corporation and its subsidiaries' obligations are limited to the payment of the monthly employer's contribution. The total expense recognized with respect to these plans amounted to $8.2 million ($8.0 million in 2019) for the year ended August 31, 2020 and is included in the Corporation's consolidated statement of profit and loss under *Salaries, employee benefits and outsourced services.*

B) DEFINED BENEFIT PLANS

The Corporation and its subsidiaries sponsor a defined benefit plan for the benefit of certain employees and a separate defined benefit plan for the benefit of their executive officers, which provide pensions based on the number of years of service and the average salary during the employment of each participant. In addition, the Corporation and its subsidiaries offer to their designated executive officers a supplementary pension plan. The defined benefit plans are registered with the Office of the Superintendent of Financial Institutions and are subject to the

Federal Pension Benefits Standards Act. The plans are also registered with the Canada Revenue Agency and are subject to the Income Tax Act (Canada). The Corporation's funding policy is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. The defined benefit plans are funded by the Corporation's and the participants' contributions. The defined benefits plans funding is calculated based on actuarial estimates and is subject to limitations under applicable income tax and other regulations.

Each year at August 31 the Corporation and its subsidiaries measure plan assets at fair value, as well as the defined benefit obligation for all plans. The most recent actuarial valuation of the pension plan for the benefit of the employees was at August 31, 2019 and the next required valuation is at August 31, 2020, which is expected to be completed in February 2021. For the executive officers' plans, the most recent actuarial valuation was at August 31, 2017 and the next required valuation is at August 31, 2020, which is expected to be completed in February 2021.

The following table provides a reconciliation of the change in the defined benefit obligations and plan assets at fair value and a statement of the funded status at August 31:

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Defined benefit obligation (1)		
Defined benefit obligation, beginning of the year	57,686	51,183
Current service cost	1,963	1,788
Past service cost	—	(131)
Interest cost	1,686	1,854
Contributions by plan participants	226	280
Benefits paid	(1,750)	(1,635)
Actuarial losses (gains) on obligation arising from:		
Experience adjustments	(148)	(513)
Changes in financial assumptions	1,694	6,541
Defined benefit obligation reallocated to Cogeco's pension plans (2)	—	(1,681)
Defined benefit obligation, end of the year	61,357	57,686
Plan assets at fair value		
Plan assets at fair value, beginning of the year	47,650	51,777
Interest income	1,376	1,848
Return on plan assets, except amounts included in interest income	2,971	(3,713)
Administrative expense	(202)	(303)
Contributions by plan participants	226	280
Employer contributions	2,740	1,038
Benefits paid	(1,750)	(1,635)
Plan assets reallocated to Cogeco's pension plans (2)	—	(1,642)
Plan assets at fair value, end of the year	53,011	47,650
Funded status		
Plan assets at fair value	53,011	47,650
Defined benefit obligation	61,357	57,686
Net defined benefit liability	(8,346)	(10,036)

(1) The weighted average duration of the defined benefit obligation at August 31, 2020 and 2019 is 14 years.

(2) Arose following the transfer of Cogeco Communications' employees to Cogeco.

The net defined benefit liability is included in the Corporation's consolidated statements of financial position under *Pension plan liabilities and accrued employee benefits*.

Pension plan liabilities and accrued employee benefits

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Pension plan liabilities	8,346	10,036
Accrued employee benefits - DSU liability	5,144	4,319
	13,490	14,355

Defined benefit costs recognized in profit or loss

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Recognized in operating expenses (salaries, employee benefits and outsourced services)		
Current service cost	1,963	1,788
Past service cost	—	(131)
Administrative expense	202	303
Recognized in financial expense (other)		
Net interest	310	6
	2,475	1,966

Defined benefit costs recognized in other comprehensive income

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Actuarial losses (gains) arising from:		
Experience adjustments	(148)	(513)
Change in financial assumptions	1,694	6,541
Return on plan assets, except amounts included in interest income	(2,971)	3,713
	(1,425)	9,741

The expected employer contributions to the Corporation's defined benefit plans should be approximately $3.2 million in 2021.

Plan assets consist of:

At August 31,	2020	2019
	%	%
Equity securities (1)	48	58
Debt securities (1)	35	19
Deposits in trust (2)	16	17
Other	1	6
Total	100	100

(1) All equity and debt securities have a quoted price in active markets and do not include securities issued by the Corporation.

(2) Deposits in trust prescribed by the Canada Revenue Agency for funded supplemental employee retirement plans are non-interest bearing.

The significant weighted average assumptions used in measuring the Corporation's defined benefit obligation and defined benefit costs are as follows:

At August 31,	2020	2019
	%	%
Defined benefit obligation		
Discount rate	2.65	2.85
Rate of compensation increase	2.60 (1)	2.75
Mortality table	CPM-2014	CPM-2014
Defined benefit costs		
Discount rate	2.85	3.00
Rate of compensation increase	2.75	2.75
Mortality table	CPM-2014	CPM-2014

(1) Increase of 1.67% for 2021 and 2.60% from January 1, 2022.

C) EXPOSURE TO ACTUARIAL RISKS

The Corporation is exposed to the following actuarial risks:

Investment risk

The investment strategy of the plans is to diversify the nature of the returns on assets. Given the long-term nature of the defined benefit obligation, a portion of the assets are invested in equity securities in order to maximize return. Since equity securities are inherently volatile and risky, the Corporation sets investment goals, both in terms of asset mix percentage and target return, which is monitored monthly and adjusted as needed.

Interest rate risk

A decrease in the interest rate on investment-grade fixed-rate corporate bonds will reduce the discount rate used and increase the present value of the defined benefit obligation. However, the increase in the obligation would be partly offset by an increase in the value of plan investments in debt securities.

Salary risk

Active members' expected benefits are linked to their pre-retirement compensation. The present value of the defined benefit obligation is calculated using management's best estimate of the expected rate of compensation increase of plan members. Increasing that assumption would increase the defined benefit obligation.

D) SENSITIVITY ANALYSIS

The sensitivity analysis of the defined benefit obligation was calculated based on reasonably possible changes to each key actuarial assumption without considering simultaneous changes to several key actuarial assumptions. A change in one actuarial assumption could trigger a change in another actuarial assumption, which could amplify or mitigate the impact of the change in these assumptions on the present value of the defined benefit obligation. The sensitivity analysis was prepared in accordance with the Corporation's accounting policies described in Note 2 K). The actual results of items subject to estimates may differ.

At August 31, 2020	Change in assumption	Increase in the defined benefit obligation
(In thousands of Canadian dollars, except percentages)	%	$
Discount rate decrease	0.10	913
Expected rate of compensation increase	0.25	146

23. FINANCIAL INSTRUMENTS

A) FINANCIAL RISK MANAGEMENT

Management’s objectives are to protect the Corporation and its subsidiaries against material economic exposures and variability of results, and against certain financial risks including credit, liquidity, interest rate, foreign exchange and market risks.

Credit risk

Credit risk represents the risk of financial loss for the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations. The Corporation is exposed to credit risk arising from the derivative financial instruments, cash and cash equivalents and trade accounts receivable, the maximum exposure of which is represented by the carrying amounts reported on the consolidated statements of financial position.

Credit risk from derivative financial instruments arises from the possibility that counterparties to the interest rate swaps may default on their obligations in instances where these agreements have positive fair values for the Corporation. The Corporation reduces this risk by completing transactions with financial institutions that carry a credit rating equal to or superior to its own credit rating. The Corporation assesses the creditworthiness of the counterparties in order to minimize the risk of counterparties default under the agreements. At August 31, 2020, management believes that the credit risk relating to its derivative financial instruments is minimal, since the lowest credit rating of the counterparties to the agreements is "A" by Standard & Poor’s rating services ("S&P").

Cash equivalents consist mainly of highly liquid money market short-term investments. The Corporation has deposited the cash and cash equivalents with reputable financial institutions, for which management believes the risk of loss to be remote. At August 31, 2020 and 2019, cash and cash equivalents consisted solely of cash in banks.

The Corporation is also exposed to credit risk in relation to its trade accounts receivable. To mitigate such risk, the Corporation continuously monitors the financial condition of its customers and reviews the credit history or worthiness of each new large customer. The Corporation establishes an allowance for lifetime expected credit losses related to doubtful accounts. The doubtful accounts allowance is calculated on a specific-identification basis for larger customer accounts receivable and on a statistically derived basis for the remainder. Factors such as the current economic conditions, forward-looking macroeconomic data and historical information (number of overdue days of the customer’s balance outstanding as well as the customer's collection history) are examined. The Corporation believes that its allowance for doubtful accounts is sufficient to cover the related credit risk. The Corporation has credit policies in place and has established various credit controls, including credit checks, deposits on accounts and advance billing, and has also established procedures to suspend the availability of services when customers have fully utilized approved credit limits or have violated existing payment terms. Since the Corporation has a large and diversified clientele dispersed throughout its market areas in Canada and the United States, there is no significant concentration of credit risk.

The following table provides further details on trade and other receivables, net of allowance for doubtful accounts:

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Trade accounts receivable	79,821	74,021
Allowance for doubtful accounts	(6,235)	(6,759)
	73,586	67,262
Other accounts receivable	7,673	8,390
Receivable from Cogeco	1,754	—
	83,013	75,652

Trade accounts receivable past due is defined as the amount outstanding beyond normal credit terms and conditions for the respective customers. The Corporation considers the amount outstanding at the due date as trade accounts receivable past due. A large portion of the Corporation's customers are billed and pay before the services are rendered.

The following table provides further details on trade accounts receivable past due, net of allowance for doubtful accounts:

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Less than 60 days past due	13,075	18,645
60 to 90 days past due	362	899
More than 90 days past due	—	3,074
	13,437	22,618

The following table shows changes in the allowance for doubtful accounts:

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Balance, beginning of the year	6,759	6,497
Provision for impaired receivables	20,418	24,059
Net use	(20,695)	(23,176)
Foreign currency translation adjustments	(247)	21
Discontinued operations	—	(642)
Balance, end of the year	6,235	6,759

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk through the management of its capital structure and access to different capital markets. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure sufficient liquidity to meet its obligations when due. At August 31, 2020, the Corporation had used $0.02 million of its $750 million amended and restated Term Revolving Facility for a remaining availability of $749.98 million. Management believes that the committed Term Revolving Facility will, until its maturity in 2025, provide sufficient liquidity to manage its long-term debt maturities and support working capital requirements. In addition, two subsidiaries related to Atlantic Broadband also benefit from a Senior Secured Revolving Facility of $195.6 million (US$150 million), of which $3.2 million (US$2.4 million) was used at August 31, 2020 for a remaining availability of $192.5 million (US$147.6 million).

The following table summarizes the contractual maturities of the financial liabilities and lease liabilities, and related capital amounts at August 31, 2020:

	Contractual cash flows						
	2021	2022	2023	2024	2025	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Bank indebtedness	7,610	—	—	—	—	—	7,610
Trade and other payables [1]	203,633	—	—	—	—	—	203,633
Notes, debentures and credit facilities	22,171	222,171	322,171	22,171	335,179	2,206,382	3,130,245
Lease liabilities	4,115	3,297	3,047	2,851	2,626	23,279	39,215
Balance due on business combinations	2,856	—	—	—	—	—	2,856
	240,385	225,468	325,218	25,022	337,805	2,229,661	3,383,559

(1) Excluding accrued interest on notes, debentures and credit facilities.

The following table is a summary of interest payable on long-term debt that is due for each of the next five years and thereafter:

	2021	2022	2023	2024	2025	Thereafter	Total
(In thousands of Canadian dollars)	$	$	$	$	$	$	$
Interest payments on notes, debentures and credit facilities (1)	89,745	84,342	78,939	65,936	39,371	12,589	370,922
Interest payments on lease liabilities	1,573	1,178	1,070	971	873	4,632	10,297
Interest receipts on derivative financial instruments (1)	(1,851)	(1,570)	(1,297)	(756)	(127)	—	(5,601)
Interest payments on derivative financial instruments (1)	25,270	21,415	17,673	10,212	1,698	—	76,268
	114,737	105,365	96,385	76,363	41,815	17,221	451,886

(1) Based on the principal amounts and interest rates prevailing on the outstanding debt at August 31, 2020 and their respective maturities.

Interest rate risk

The Corporation is exposed to interest rate risks on its floating interest rate instruments. Interest rate fluctuations will have an effect on the repayment of these instruments. At August 31, 2020, all of the Corporation's notes, debentures and credit facilities were at fixed rate, except for the amounts drawn under the First Lien Credit Facilities, which are subject to floating interest rates.

To reduce the risk on the floating interest rate instruments and mitigate the impact of interest rate variations, the Corporation's US subsidiary entered into fixed interest rate swap agreements. The following table shows the interest rate swaps outstanding at August 31, 2020:

Type of hedge	Notional amount	Receive interest rate	Pay interest rate	Maturity	Hedged item
Cash flow	US$1.1 billion	US LIBOR base rate	2.017% - 2.262%	January 2021 - November 2024	Senior Secured Term Loan B

The sensitivity of the Corporation's annual financial expense to an increase of 1% in the interest rate applicable to the unhedged portion of these facilities would represent an increase of approximately $6.9 million based on the outstanding debt and swap agreements at August 31, 2020.

Foreign exchange risk

The Corporation is exposed to foreign exchange risk with respect to the interest associated with its notes, debentures and credit facilities denominated in US dollars. The impact of a 10% increase in the exchange rate of the US dollar into Canadian dollars would increase financial expense by approximately $9.6 million based on the outstanding debt and swap agreements at August 31, 2020.

The Corporation faces exposure to foreign exchange risk on cash and cash equivalents and trade and other payables denominated mainly in US dollars. The Corporation's exposure to foreign currency risk on cash and cash equivalents and trade and other payables is not significant as at August 31, 2020 and 2019.

A foreign currency exposure arises from the Corporation's net investment in its US subsidiary, as a result of the translation of the net investment into the Corporation's functional currency. A portion of the Corporation's net investment in its US subsidiary is hedged by the Corporation's US dollar denominated Senior Secured Notes, which the Corporation has designated as hedges of the net investment, while the remaining portion is economically hedged by its subsidiary's US dollar denominated First Lien Credit Facilities.

The following table shows the aggregate investment in foreign operations attributable to owners of the Corporation and the notional amount of debt borrowed to hedge this investment at August 31, 2020:

Type of hedge	Notional amount of debt	Aggregate investment	Hedged item
Net investment	US$390 million	US$1,077 million	Net investment in foreign operations in US dollar

The exchange rate used to translate the US dollar currency into Canadian dollars for the consolidated statement of financial position accounts at August 31, 2020 was $1.3042 ($1.3295 as at August 31, 2019) per US dollar. A 10% decrease in the exchange rate of the US dollar into Canadian dollars would decrease other comprehensive income by approximately $89.6 million.

Market risk

The Corporation uses derivative instruments to manage the cash flow exposure to the risk of changes in the price of its subordinate voting shares under the DSU plan. As such, the Corporation uses equity swap agreements to economically hedge the market price appreciation risk of its subordinate voting shares.

The following table shows the equity derivatives contracts outstanding at August 31, 2020:

Type of hedge	Notional	Maturity	Average share price	Hedged item
Economic	48,000 units	January 2021	$102.61	Equity price exposure

As at August 31, 2020, the fair value of the equity swap was $0.2 million and recognized as a liability. A 10% increase in the market price of the subordinate voting shares would result in a gain of approximately $0.5 million due to the equity swap fair value appreciation, offset by a $0.5 million increase in the DSU plan expense.

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

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. Fair values are estimated at a specific point in time, by discounting expected cash flows at rates for assets and liabilities of the same remaining maturities and conditions. These estimates are subjective in nature and involve uncertainties and significant judgment, and therefore, cannot be determined with precision. In addition, income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled. The Corporation has determined the fair value of its financial instruments as follows:

- The carrying amount of cash and cash equivalents, trade and other receivables, bank indebtedness and trade and other payables approximates fair value because of the short-term nature of these instruments;
- Interest rates under the terms of the Term Revolving Facility and First Lien Credit Facilities are based on bankers' acceptance, US dollar base rate loans, LIBOR loans in US dollars, Euros or British Pounds plus applicable credit spread. The fair value of these instruments is based on current trading values for similar financial instruments;
- The fair value of the Senior Secured Debentures Series 3 and 4, and Senior Secured Notes is based on current trading values for similar financial instruments.

The carrying value of all the Corporation’s financial instruments approximates fair value, except as otherwise noted in the following table:

At August 31,	2020		2019	
	Carrying value	**Fair value**	Carrying value	Fair value
(In thousands of Canadian dollars)	**$**	**$**	$	$
Notes, debentures and credit facilities	**3,072,511**	**3,224,816**	3,404,859	3,521,418

All financial instruments recognized at fair value on the consolidated statements of financial position must be measured based on the three fair value hierarchy levels, which are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation considers that its derivative financial instruments are classified as Level 2 under the fair value hierarchy. The fair value of derivative financial instruments is estimated using valuation models that reflect projected future cash flows over contractual terms of the derivative financial instruments and observable market data, such as interest and currency exchange rate curves.

C) CAPITAL MANAGEMENT

The Corporation’s objectives in managing capital are to ensure sufficient liquidity to support the capital requirements of its various businesses, including growth opportunities. The Corporation manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. Management of the capital structure involves the issuance of new debt, the repayment of existing debt, the issuance or repurchase of equity and distributions to shareholders.

The capital structure of the Corporation is composed of shareholders' equity, cash and cash equivalents, bank indebtedness and long-term debt.

The provisions of financing agreements provide for restrictions on the activities of the Corporation. Generally, the most significant restrictions relate to permitted investments and dividends on multiple and subordinate voting shares, as well as the maintenance of certain financial ratios primarily linked to the adjusted EBITDA, financial expense and total indebtedness. At August 31, 2020 and 2019, the Corporation was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

The following table summarizes certain of the key ratios used to monitor and manage the Corporation's capital structure:

Years ended August 31,	**2020**	2019
Net indebtedness (1) / adjusted EBITDA	**2.4**	2.6
Adjusted EBITDA / financial expense (2)	**7.5**	6.3

(1) Net indebtedness is defined as the total of bank indebtedness and principal on long-term debt, less cash and cash equivalents.

(2) Financial expense for fiscal 2020 excludes the gain on debt modification of $22.9 million, which is consistent with the covenants calculation.

D) CATEGORIES OF FINANCIAL INSTRUMENTS

At August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Financial assets		
Financial assets measured and classified at amortized cost	449,510	632,156
	449,510	632,156
Financial liabilities		
Financial liabilities measured and classified at amortized cost	3,294,029	3,669,860
Derivative financial instruments in designated hedge relationships	70,998	46,044
	3,365,027	3,715,904

24. RELATED PARTY TRANSACTIONS

A) MANAGEMENT FEES AND OTHER RELATED PARTY TRANSACTIONS

Cogeco Communications is a subsidiary of Cogeco, which as of August 31, 2020 held 32.7% of the Corporation's equity shares, representing 83% of the votes attached to the Corporation's voting shares.

Cogeco provides executive, administrative, financial, strategic planning and additional services to the Corporation under a Management Services Agreement (the "Agreement"). The methodology used to establish the management fees, which was modified on May 1, 2019, is based on the costs incurred by Cogeco plus a reasonable mark-up. Provision is made for future adjustment upon the request of either Cogeco or the Corporation from time to time during the term of the Agreement. For fiscal 2020, management fees paid to Cogeco amounted to $24.1 million ($19.9 million in 2019).

No direct remuneration is payable to Cogeco's executive officers by the Corporation. However, during fiscal 2020 and 2019, the Corporation granted stock options and PSUs to these executive officers, as executive officers of Cogeco Communications, and issued DSUs to Board directors of Cogeco, as shown in the following table:

Years ended August 31,	2020	2019
Stock options	110,875	97,725
PSUs	14,375	14,625
DSUs	1,847	2,469

The following table shows the amounts that the Corporation charged Cogeco with regards to the Corporation's stock options, ISUs and PSUs granted to these executive officers, as well as DSUs issued to Board directors of Cogeco:

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Stock options	1,205	1,046
ISUs	39	61
PSUs	1,386	981
DSUs	217	631
	2,847	2,719

B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are comprised of the members of the Board and of the Management Committee of the Corporation. The compensation paid or payable to key management personnel for employee services, which excludes the compensation to executive officers of Cogeco paid under the Management Services Agreement (included in *Management fees - Cogeco inc.*), is as follows:

Years ended August 31,	2020	2019
(In thousands of Canadian dollars)	$	$
Salaries and other short-term employee benefits	2,706	2,729
Share-based payments and post-employment benefits	2,189	1,908
	4,895	4,637

25. COMMITMENTS, CONTINGENCIES AND GUARANTEES

A) COMMITMENTS

The following table presents the Corporation's commitments that are not recognized as liabilities at August 31, 2020, and are due in each of the next five years and thereafter:

	2021	2022	2023	2024	2025	Thereafter
(In thousands of Canadian dollars)	$	$	$	$	$	$
Acquisition of property, plant and equipment (1)	**1,800**	**1,800**	**1,800**	**1,800**	**1,800**	**1,800**
Other long-term contracts (2)	**41,902**	**30,967**	**24,947**	**23,579**	**20,632**	**36,855**
	43,702	**32,767**	**26,747**	**25,379**	**22,432**	**38,655**

(1) Include minimum spend commitments for acquisition of customer premise equipment.

(2) Include long-term commitments under service and product contracts for operating expenditures, including minimum spend commitments.

B) CONTINGENCIES

CRTC's wholesale Internet services 2019 costing decision

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued a costing decision setting new rates for aggregated wholesale Internet services for resellers, significantly lowering the interim rates it had previously fixed in 2016 and applying the new rates on a retroactive basis. On September 13, 2019, the Corporation, together with other telecommunications service providers (the "Cable Carriers"), jointly filed an application for leave to appeal the CRTC order to the Federal Court of Appeal ("FCA") and to suspend its effect pending the Court decision to hear the matter. On November 22, 2019, the FCA granted leave to appeal the CRTC decision and stayed the order pending final judgement, with the result that operators did not have to implement the new rates nor to make the retroactive payments pending final decision of the Court. A decision dismissing the appeal of the Cable Carriers was rendered by the FCA on September 10, 2020, repealing the stay order of the Court.

In parallel, on December 13, 2019, the Cable Carriers submitted to the CRTC an application for review and variance of the CRTC order, based on substantial doubt as to the correctness of the rate setting methodology relied upon by the CRTC in the order. The application also requested a stay of the Order pending a decision from the CRTC. On September 28, 2020, the CRTC approved the Cable Carriers' request to stay the implementation of Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services until the CRTC completes its review of that order.

In addition to the FCA appeal and the review and variance process, on November 13, 2019, the Cable Carriers filed a petition with the Governor in Council, asking Cabinet to refer the CRTC order back to the CRTC for reconsideration in conjunction with the CRTC's planned review of its regulatory framework for wireline wholesale services and in accordance with specific policy considerations. Interested parties filed comments on February 14, 2020 and a decision was issued on August 15, 2020. The Governor in Council rendered an order confirming that the rates set by the CRTC decision do not in all instances appropriately balance the required policy objectives. However, as a review and variance process is currently pending before the CRTC, the Governor in Council confirmed that any further instructions from Cabinet to the CRTC would be premature.

As at August 31, 2020, the total retroactive payments based on the CRTC's final aggregated wholesale service rates' 2019 costing decision, if not otherwise modified, is estimated at approximately $43 million, of which approximately $25 million relates to fiscal years from 2016 to 2019, and approximately $18 million relates to fiscal year 2020. Due to the significant uncertainty surrounding both the outcome of this decision and its financial implications, the Corporation has therefore not recorded the impact of the reduced rates as at August 31, 2020 and 2019.

Other

The Corporation and its subsidiaries are involved in matters involving litigations, other regulatory decisions or potential claims from customers and suppliers arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider these exposures to be significant to these consolidated financial statements. At August 31, 2020 and 2019, no liability has been recorded with respect to these litigations, other regulatory decisions and potential claims, except for those disclosed in Note 16.

C) GUARANTEES

In the normal course of business, the Corporation provides indemnification in conjunction with certain transactions. While many of the agreements specify a maximum potential exposure, some do not specify a maximum amount. The overall maximum amount of an indemnification obligation will depend on future events and conditions and therefore cannot be reasonably estimated. As a result, the Corporation cannot determine how they could affect its future liquidity, capital resources or credit risk profile. At August 31, 2020 and 2019, no liability has been recorded with respect to these indemnifications, except for those disclosed in Note 16.

Sale of a business

In connection with the sale of a business, the Corporation has agreed to indemnify the purchaser against claims related to events that occurred prior to the date of sale.

Long-term debt

Under the terms of the Senior Secured Notes, the Corporation has agreed to indemnify the lenders against changes in regulations relative to withholding taxes and costs incurred due to changes in laws.

Sale of services

As part of transactions involving the sale of services, the Corporation and its subsidiaries may be required to make payments to counterparties as a result of breaches of representations and warranties made into the service agreements.

Purchase and development of assets

As part of transactions involving the purchase and development of assets, the Corporation and its subsidiaries may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties contained in the purchase agreements.

26. SUBSEQUENT EVENTS

Acquisition of DERYtelecom

On October 21, 2020, Cogeco Communications announced that its subsidiary, Cogeco Connexion, had entered into a definitive agreement to purchase DERYtelecom, the third largest cable provider in the province of Québec, for $405 million. DERYtelecom offers Internet, television and telephony services to approximately 100,000 customers in over 200 municipalities across several regions in Québec.

The purchase price will be financed with a combination of cash on hand and Cogeco Communications' Term Revolving Facility. The transaction, which will be executed essentially through an asset purchase, is subject to regulatory approvals under the Competition Act along with other customary closing conditions and is expected to close no later than the end of the second quarter of the fiscal year 2021.

Altice USA, Inc. and Rogers Communications Inc.'s proposal

On September 1, 2020, Cogeco and Cogeco Communications received an unsolicited non-binding proposal from Altice USA, Inc. and Rogers Communications Inc. to acquire all of the issued and outstanding multiple and subordinate voting shares of both companies. On September 2, 2020, following separate deliberations of the independent board members, the Boards of Directors of Cogeco and Cogeco Communications rejected the proposal after Gestion Audem, the Audet family's holding company, had stated that its shares were not for sale. On October 18, 2020, Cogeco and Cogeco Communications received a revised unsolicited non-binding proposal from Altice USA, Inc. and Rogers Communications Inc. That same day, Gestion Audem rejected this revised proposal, stating again that it was not interested in selling its shares. The revised proposal was submitted for review to the Board of Directors of both companies. On October 20, 2020, following separate deliberations of the independent board members, the Boards of Directors of Cogeco and Cogeco Communications announced that they had unanimously rejected the revised proposal.

INVESTOR INFORMATION

CREDIT RATINGS

The table below shows Cogeco Communications' and Atlantic Broadband's credit ratings:

At August 31, 2020	S&P	DBRS	Moody's
Cogeco Communications			
Senior Secured Notes and Debentures	**BBB-**	**BBB (low)**	**NR**
Atlantic Broadband			
First Liens Credit Facilities	**BB**	**NR**	**B1**

NR : Not rated

Our ability to access debt capital markets and bank credit markets and the cost and amount of funding available partly depends on the quality of our credit ratings. Obligations rated in the "BBB" category are considered investment grade and their cost of funding is typically lower relative to the "BB/B" rating category. In addition, obligations with "BBB" ratings generally have greater access to funding than those with "BB/B" ratings.

On January 28, 2020, S&P raised the credit rating of Atlantic Broadband's First Lien Credit Facilities from BB- to BB on the basis that its strategic importance to the Corporation has increased over time.

SHARE INFORMATION

At August 31, 2020		Registrar / Transfer agent
Number of multiple voting shares (10 votes per share) outstanding	**15,691,100**	Computershare Trust Company of Canada 100 University Avenue, 9th Floor Toronto, ON M5J 2Y1 Tel.: 514-982-7555 Tel.: 1-800-564-6253 Fax: 416-263-9394
Number of subordinate voting shares (1 vote per share) outstanding	**32,231,433**	
Stock exchange listing	The Toronto Stock Exchange	
Trading symbol	CCA	

DIVIDENDS

DIVIDEND DECLARATION

At its October 27, 2020 meeting, the Board of Directors of Cogeco Communications declared a quarterly eligible dividend of $0.64 per share for multiple voting and subordinate voting shares, payable on November 24, 2020 to shareholders of record on November 10, 2020. The declaration, amount and date of any future dividend will continue to be considered and approved by the Board of Directors of the Corporation based upon the Corporation's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, at its sole discretion, deems relevant. There is therefore no assurance that dividends will be declared, and if declared, the amount and frequency may vary.

TRADING STATISTICS

					2020
Quarters ended	**Nov. 30**	**Feb. 29**	**May 31**	**Aug. 31**	**Total**
(in Canadian dollars, except subordinate voting share volumes)	**$**	**$**	**$**	**$**	
The Toronto Stock Exchange					
High	**120.20**	**117.49**	**111.46**	**107.28**	
Low	**103.18**	**101.11**	**87.57**	**94.88**	
Close	**114.73**	**106.22**	**102.82**	**97.78**	
Volume (subordinate voting shares)	**6,489,012**	**8,608,568**	**9,911,064**	**6,313,799**	**31,322,443**

					2019
Quarters ended	Nov. 30	Feb. 28	May 31	Aug. 31	Total
(in Canadian dollars, except subordinate voting share volumes)	$	$	$	$	
The Toronto Stock Exchange					
High	69.51	82.82	93.63	107.34	
Low	61.68	62.78	82.29	90.84	
Close	64.60	82.29	92.70	104.64	
Volume (subordinate voting shares)	4,895,169	5,098,057	5,196,782	6,448,128	21,638,136

PRIMARY SERVICE UNIT STATISTICS

	August 31, 2020	May 31, 2020	February 29, 2020	November 30, 2019	August 31, 2019
CONSOLIDATED					
Primary service units	**2,757,631**	**2,739,903**	**2,719,347**	**2,722,302**	2,711,812
Internet service customers	**1,304,228**	**1,281,762**	**1,253,183**	**1,246,358**	1,234,380
Video service customers	**936,636**	**939,453**	**945,085**	**954,964**	962,138
Telephony service customers	**516,767**	**518,688**	**521,079**	**520,980**	515,294
CANADA					
Primary service units	**1,799,706**	**1,802,631**	**1,812,140**	**1,818,732**	1,810,366
Internet service customers	**812,016**	**803,073**	**795,950**	**794,895**	788,243
Penetration as a percentage of homes passed	**45.7%**	**45.3%**	**44.9%**	**45.0%**	44.7%
Video service customers	**619,249**	**627,608**	**638,833**	**646,326**	649,583
Penetration as a percentage of homes passed	**34.9%**	**35.4%**	**36.1%**	**36.6%**	36.8%
Telephony service customers	**368,441**	**371,950**	**377,357**	**377,511**	372,540
Penetration as a percentage of homes passed	**20.7%**	**21.0%**	**21.3%**	**21.4%**	21.1%
UNITED STATES					
Primary service units	**957,925**	**937,272**	**907,207**	**903,570**	901,446
Internet service customers	**492,212**	**478,689**	**457,233**	**451,463**	446,137
Penetration as a percentage of homes passed	**53.3%**	**52.2%**	**51.8%**	**51.3%**	50.8%
Video service customers	**317,387**	**311,845**	**306,252**	**308,638**	312,555
Penetration as a percentage of homes passed	**34.4%**	**34.0%**	**34.7%**	**35.1%**	35.6%
Telephony service customers	**148,326**	**146,738**	**143,722**	**143,469**	142,754
Penetration as a percentage of homes passed	**16.1%**	**16.0%**	**16.3%**	**16.3%**	16.2%

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

✪ **LOUIS AUDET**, Eng., MBA, C.M., **Executive Chairman of the Board**
Westmount (Québec)

✪ **JAMES C. CHERRY**, B.Com, FCPA, FCA, **Lead Director**
Elizabethtown (Ontario)
Corporate Director

●■ **COLLEEN ABDOULAH**, MBA, APR
Denver (Colorado)
Corporate director

◆ **PIPPA DUNN**, LL.B
London (UK)
Founder and partner of Broody (an incubator for startups and accelerator to more established businesses)

●★ **JOANNE FERSTMAN**, CPA, CA, B.Com
Toronto (Ontario)
Corporate Director

●◆ **LIB GIBSON**, M.Sc., B.Sc., ICD.D
Toronto (Ontario)
Corporate Director

★ **PHILIPPE JETTÉ**, Eng.
Montréal (Québec)
President and Chief Executive Officer of Cogeco and Cogeco Communications

◆ **BERNARD LORD**, LL.B., B.Soc.Sc.
Moncton (New Brunswick)
Chief Executive Officer of Medavie (Canadian health company)

■◆★ **DAVID MCAUSLAND**, B.C.L., LL.B.
Baie-D'Urfé (Québec)
Counsel of McCarthy Tétrault (Major law firm in Canada)

■◆ **CAROLE J. SALOMON,** B.A., MBA
Toronto (Ontario)
President and Chief Executive Officer of Cardavan Corporation (Management consultancy)

Legend :

✪ Attends as an observer and participates in meetings of all the committees
● Member of the Audit Committee
■ Member of the Human Resources Committee
◆ Member of the Corporate Governance Committee
★ Member of the Strategic Opportunities Committee

CORPORATE HEAD OFFICE

1 Place Ville Marie
Suite 3301
Montréal (Québec)
H3B 3N2
corpo.cogeco.com

CORPORATE MANAGEMENT

LOUIS AUDET

Executive Chairman of the Board

PHILIPPE JETTÉ

President and Chief Executive Officer

ELIZABETH ALVES

Vice President, Enterprise Strategy and Social Responsibility

PHILIPPE BONIN

Vice President, Finance

NATHALIE DORVAL

Vice President, Regulatory Affairs and Copyright

CHANTAL FRAPPIER

Vice President, Internal Audit

MARTIN GRENIER

Vice President, Procurement

CHRISTIAN JOLIVET

Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary

MARIE-HÉLÈNE LABRIE

Senior Vice President and Chief Public Affairs, Communications and Strategy Officer

STÉPHANE LACOMBE

Vice President, Information Technology

MARIE GINETTE LEPAGE

Vice President, Wireless Solutions and Innovation

DIANE NYISZTOR

Senior Vice President and Chief Human Resources Officer

PATRICE OUIMET

Senior Vice President and Chief Financial Officer

ANDRÉE PINARD

Vice President and Treasurer

JÉRÔME PRAT

Vice President, Total Compensation and HR Systems

ELINA TEA

Vice President, Corporate Development

LIETTE VIGNEAULT

Vice President, Talent and Employee Experience

OPERATIONS INFORMATION

CANADIAN BROADBAND SERVICES

COGECO CONNEXION

FRÉDÉRIC PERRON
President

950 Syscon Road
Burlington (Ontario)
L7L 5S2
www.cogeco.ca

AMERICAN BROADBAND SERVICES

ATLANTIC BROADBAND

FRANK VAN DER POST
President

2 Batterymarch Park
Suite 205
Quincy, MA 02169
www.atlanticbb.com

CORPORATE INFORMATION

ANNUAL MEETING
January 15, 2021
Additional information on Cogeco Communications Inc. and press releases are available on the Corporation's website at:
corpo.cogeco.com

AUDITORS
Deloitte LLP
1190 Avenue des Canadiens-de-Montréal
Suite 500
Montréal (Québec)
H3B 0M7

LEGAL COUNSEL
Stikeman Elliott LLP
1155 René-Lévesque Blvd. West
40th Floor
Montréal (Québec)
H3B 3V2

TRANSFER AGENT FOR SUBORDINATE VOTING AND MULTIPLE VOTING SHARES, AND TRUSTEE FOR SENIOR SECURED DEBENTURES AND NOTES
Computershare Trust Company of Canada

QUARTER ENDS
November, February, May

YEAR END
August 31

INQUIRIES

The Annual Report, Annual Information Form, Quarterly Reports and Information Circular are available in the Investors section of the Corporation's website (corpo.cogeco.com) or upon request by calling 514-764-4700.

Des versions françaises du rapport annuel, de la notice annuelle, des rapports trimestriels et de la circulaire d'information sont disponibles sous la section « Investisseurs » du site Internet de la société (corpo.cogeco.com) ou sur demande au 514-764-4700.

INVESTORS AND ANALYSTS

For financial information about the Corporation, please contact the Finance Department of the Corporation.

SHAREHOLDERS

For any inquiries regarding a change of address or a change of registration of shares, please contact Computershare Trust Company of Canada. For any other inquiries please refer to the Shareholder Engagement Policy which can be found on the "Information for Shareholders" section on the Corporation's website at corpo.cogeco.com.

DUPLICATE COMMUNICATIONS

Some shareholders may receive more than one copy of publications such as Quarterly Reports and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise Computershare Trust Company of Canada.

ETHICS LINE

The Corporation's parent company, Cogeco Inc., makes available an anonymous and confidential Ethics Line for its employees and the employees of all of its business units and other individuals who wish to report any perceived or actual instances of violations of the Cogeco Code of Ethics (including complaints regarding accounting, internal accounting controls and audit matters). The Ethics Line is operated by a specialized external provider that is independent of Cogeco Inc. Reports can be made through secured confidential toll-free telephone lines or the web site described below. All reports submitted through the Ethics Line will be examined by the Vice President, Internal Audit and/or the Senior Vice President, Corporate Affairs, Chief Legal Officer and Secretary. Individuals will be protected from dismissal or retaliation of any kind for reporting truthfully and in good faith.

By telephone:

Canada or United States: **1-877-706-2640**

Web site of ClearView Connects: www.clearviewconnects.com corpo.cogeco.com

COGECO COMMUNICATIONS

A world of your **very own**

Comprehensive Annual Financial Report

Ending June 30, 2020

COUNTY OF CAROLINE, VIRGINIA

Charles M. Culley, Jr., County Administrator
Alan L. Partin, Deputy County Administrator
Tomeka C. Smith, Director of Finance

INTRODUCTORY SECTION

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COUNTY OF CAROLINE, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Prepared By:
Department of Finance

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COUNTY OF CAROLINE, VIRGINIA

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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COUNTY OF CAROLINE, VIRGINIA

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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COUNTY OF CAROLINE, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2020

BOARD OF SUPERVISORS

Jeffery M. Sili, Chairperson

Jeffrey S. Black	Nancy L Long
Clayton T. Forehand	Floyd W. Thomas

Reginald L. Underwood

CONSTITUTIONAL OFFICERS

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

COUNTY ADMINISTRATIVE OFFICERS

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

SCHOOL BOARD

Dr. JoWanda Rollins-Fells, Chairperson

George L. Spaulding, Jr.	Calvin Taylor
Nancy G. Carson	Shawn M. Kelley

John I. Copeland

SCHOOL BOARD ADMINISTRATIVE OFFICERS

Dr. Sarah B. Calveric .... Superintendent
Marcia Stevens .... Finance Manager, Schools

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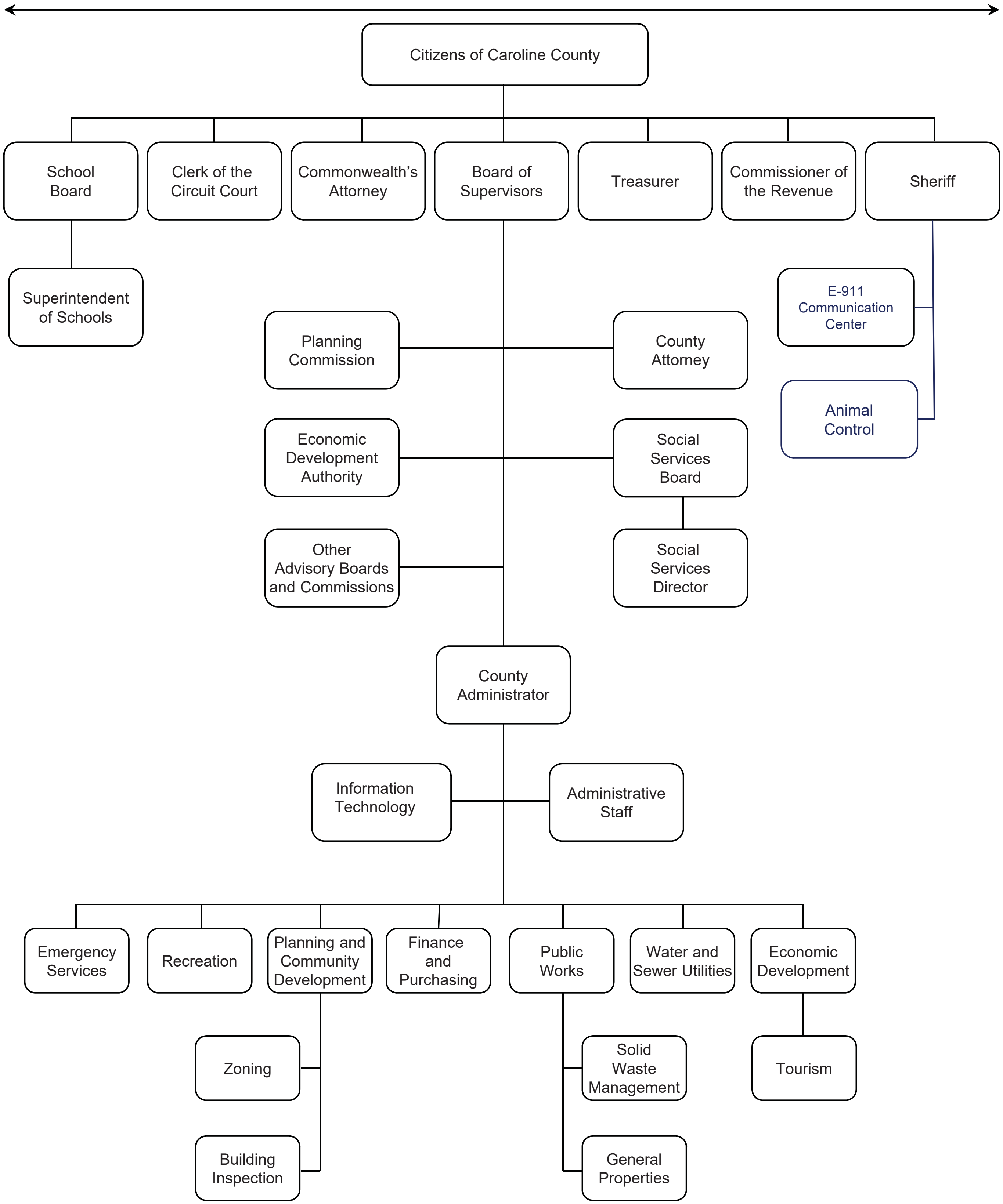
COUNTY OF CAROLINE, VIRGINIA

ORGANIZATION CHART



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Jeffrey S. Black
Western Caroline District

Clayton T. Forehand
Madison District

Nancy L. Long
Port Royal District

Jeffery M. Sili
Bowling Green District

Floyd W. Thomas
Mattaponi District

Reginald L. Underwood
Reedy Church District

Charles M. Culley, Jr.
County Administrator

Caroline County, Virginia
Board of Supervisors

Caroline County, VA
All-America City
2009

December 9, 2020

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

The Comprehensive Annual Financial Report of the County of Caroline, Virginia as of and for the fiscal year ended June 30, 2020 is herewith submitted. Section 15.2-2511 of the *Code of Virginia* essentially requires all localities to produce an independently audited financial report and this Comprehensive Annual Financial Report is provided to meet that requirement. It has been prepared by the County Department of Finance to conform with standards of financial reporting promulgated by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and the Commonwealth of Virginia Auditor of Public Accounts.

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

It would be irresponsible for any financial statement user to rely on management's representations in the financial statements without some objective review and confirmation. To provide that objective confirmation, Caroline County's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance the financial statements of the County for the fiscal year ended June 30, 2020 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

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

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

Local Economy

Caroline County is located in east central Virginia and encompasses approximately 549 square miles with an estimated July 1, 2020 population of 30,318. The County seat, the Town of Bowling Green, is located approximately 35 miles north of the State capitol of Richmond and approximately 20 miles south of the City of Fredericksburg.

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

In past years, its location along Interstate 95, the primary north-south transportation artery on the east coast, and increasing congestion in neighboring counties brought extensive development interest to the County. Three mixed use development projects continue to be underway to add nearly 10,000 new homes to the County over a 25-year period along with a variety of commercial, recreational and other uses. The growth in population is expected to bring with it an expansion in retail and other non-residential development.

The decision by the State Fair of Virginia to relocate to Caroline County in 2009 helped raise the County's profile. McKesson Corporation built a large distribution center in Caroline County and the announcement of a distribution center by Harris Teeter has further raised the County's profile. In 2020, M.C. Dean, an electronics fabricator in Carmel Church, expanded their operations by 90,000 sf and added dozens of technology jobs and have advanced the planning for an additional 84,000 sf building that will result in more investment and hired in late 2021.

A retail development has successfully been recruited and rezoned on North Rt. 639. The six-acre development is a beginning for what may be significant growth along Ladysmith Road in anticipation of the widening of that road into a commercial corridor. A retail development on the South side of Rt. 639 is mobilizing for site development in 2021.

Tractor Supply was recruited in 2020 to be located on Rt. 1, North of the intersection with Rt. 639. The County facilitated the investment with utility extensions that not only facilitated Tractor Supply, but also opened up an additional 40 acres for future site development.

Caroline County Economic Development Authority received CARES Act grant funds at the cusp of the fiscal year. These funds would be used to employ 55 grants, totaling $330,000 to local businesses to help keep them solvent during the COVID-19 pandemic, applications were requested in fiscal year 2020 and payments would be submitted in fiscal year 2021.

Major Projects/Initiatives

Building upgrades for Caroline County Public Schools to include CMS gym floor replacement, CMS and CHS stage lighting, 12 vehicles, and replacement of aging equipment totaling $1,068,314.

The expenditure of $239,547 for Utilities to replace aging equipment.

The expenditure of $996,786 for Fire protective equipment to replace aging units.

The expenditure of $207,433 for an ambulance and $651,724 for a fire engine to replace aging units.

Due to the COVID-19 pandemic of 2020, most major projects were halted for COVID-19 preparedness and mitigation. The County's priority shifted to that the safety of the County's citizens and employees.

Other Information

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

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

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

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

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

Respectfully submitted,

C. M. Culley Jr.
CHARLES M. CULLEY, JR.
County Administrator

Tomeka C. Smith
TOMEKA C. SMITH
Finance Director

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FINANCIAL SECTION

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Caroline, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Caroline, Virginia, as of June 30, 2020, 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.

Restatement of Beginning Balance

As described in Note 20 to the financial statements, in 2020, the County restated beginning balances to reclassify debt and to recognize certain revenue that were deferred in prior years. 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 4-12, and 100-102, and 103-120 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Caroline, Virginia's basic financial statements. The introductory section, other supplementary information, and other 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Supplementary and Other Information (Continued)

The introductory section and other 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 27, 2020, on our consideration of County of Caroline, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of County of Caroline, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Caroline, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 27, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Caroline County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Caroline County for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

Government-Wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $38,730,220 (Total Net Position). The County is reporting a surplus in investment in capital assets, net of related debt of $8,095,465. A surplus in the investment in capital assets, net of related debt of $455,769 is in Governmental Activities.
- The County's total net position increased by $3,869,320, or 11.4%, in the fiscal year ended June 30, 2020.
- The County's total outstanding long-term debt reflects a net decrease of $4,860,088 to $117,592,264 during the fiscal year ended June 30, 2020.

Fund Financial Statements

- Total fund balance of the County's Governmental Funds, reporting on a current financial resources basis, amounted to $27,077,845 at June 30, 2020. This was a net decrease of $952,452 over the prior year. The General Fund decreased 7.0%, ($1,722,354) and the Capital Projects Fund increased 125.9%, $1,186,991. The increase for the Capital Projects Fund is due to transfers made that were put on hold due to the COVID-19 pandemic. The decrease in the General Fund is due to the increase in transfers out for Capital Projects Fund with funds received in prior fiscal years.
- During the fiscal year ended June 30, 2020, the unassigned fund balance in the General Fund decreased by $2,692 to $17,080,971. This fund balance represents 31.7% of total General Fund expenditures and operating transfers, an increase of 1.2% over the previous fiscal year.

Overview of the Financial Statements

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

Government-Wide Financial Statements. The G*overnment-Wide Financial Statements* are designed to provide readers with a broad overview of Caroline County's finances, in a manner similar to a private-sector business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position indicates the amount by which the County's total assets exceed its short and long term obligations and is a useful indicator of the County's overall financial condition at the time of measurement. In total, the County's net position for all governmental and business-type activities amounted to $38,730,220 at June 30, 2020. The following table summarizes the County's Statement of Net Assets:

County of Caroline, Virginia Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	$59,145,966	$56,817,554	$2,290,254	$2,157,590	$61,436,220	$58,975,144
Capital assets	74,729,231	76,239,142	42,832,790	43,669,782	117,562,021	119,908,924
Total assets	$133,875,197	$133,056,696	$45,123,044	$45,827,372	$178,998,241	$178,884,068
Deferred outflows of resources	$2,907,020	$1,650,587	$1,110,663	$1,321,469	$4,017,683	$2,972,056
Current liabilities	$6,516,539	$3,414,133	$697,812	$666,357	$7,214,351	$4,080,490
Long-term liabilities outstanding	81,193,478	84,263,832	36,398,786	38,188,520	117,592,264	122,452,352
Total liabilities	$87,710,017	$87,677,965	$37,096,598	$38,854,877	$124,806,615	$126,532,842
Deferred inflow of resources	$19,403,143	$20,419,736	$75,946	$144,646	$19,479,089	$20,564,382
Net position:						
Net investment in capital assets	$455,769	($1,765,894)	$7,639,696	$6,934,568	$8,095,465	$5,168,674
Restricted	5,547,780	4,268,655	1,665,793	1,709,668	7,213,573	5,978,323
Unrestricted	23,665,508	24,106,821	(244,326)	(494,918)	23,421,182	23,611,903
Total Net Position	$29,669,057	$26,609,582	$9,061,163	$8,149,318	$38,730,220	$34,758,900

The County is reporting a decrease in the balance of unrestricted net position primarily due to the increase in capital assets and the reduction long term debt. A portion of the County's assets, $7,213,573 are subject to external restrictions on their use. These assets are primarily cash held for the payment of debt service or ongoing construction projects. Restricted cash and investments held for the construction of capital assets are offset by related long term debt liabilities in calculating the County's net position.

The County's total balance of working capital, current and other assets minus current liabilities, decreased from $54,894,654 at June 30, 2019 to $54,221,869. The County's investment in capital assets increased by $2,926,791 and its long term liabilities decreased by $4,860,088 over the same period.

As previously indicated, the County's net position increased $3,869,320. Net position of governmental activities increased by $2,957,475 and those of business-type activities, the County's water and sewer utility operations, increased $911,845. The following table summarizes the change in the County's net position as shown in the Statement of Activities:

County of Caroline, Virginia Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for Services	$2,842,835	$3,065,819	$2,652,442	$2,764,671	$5,495,277	$5,830,490
Operating Grants and Contributions	6,770,446	7,043,657	20,600	352,383	6,791,046	7,396,040
Capital Grants and Contributions	-	-	712,903	637,770	712,903	637,770
Total Program Revenues	$9,613,281	$10,109,476	$3,385,945	$3,754,824	$12,999,226	$13,864,300
General Revenues:						
General Property Taxes	$37,932,539	$36,870,630			$37,932,539	$36,870,630
Local Sales and Use Taxes	2,855,615	2,233,473			2,855,615	2,233,473
Consumers Utility Taxes	86,655	91,167			86,655	91,367
Motor Vehicle Licenses	1,050,059	1,155,454			1,050,059	1,155,454
Other Local Taxes	3,239,298	3,281,594			3,239,298	3,281,594
Intergovernmental Revenues-State	4,304,765	3,219,370			4,304,765	3,219,370
Use of Money and Property	488,630	698,912	25,668	36,461	514,298	735,373
Miscellaneous	613,810	467,201	329,242	328,443	943,052	795,644
Transfers	(2,593,776)	(2,267,705)	2,593,776	2,267,705	-	-
Total General Revenues	$47,977,595	$45,750,096	$2,948,686	$2,632,609	$50,926,281	$48,382,705
Expenses:						
General Government						
Administration	$3,502,255	$3,693,835			$3,502,255	$3,693,835
Judicial Administration	1,572,855	1,457,236			1,572,855	1,457,236
Public Safety	15,897,121	14,116,709			15,897,121	14,116,709
Public Works	5,738,632	5,933,547			5,738,632	5,933,547
Health and Welfare	4,738,640	4,748,908			4,738,640	4,748,908
Education	17,947,984	16,802,131			17,947,984	16,802,131
Parks, Recreation, and Cultural	1,041,192	940,443			1,041,192	940,443
Community Development	1,380,500	1,335,556			1,380,500	1,335,556
Interest and Other Fiscal Charges	2,814,222	3,071,552			2,814,222	3,071,552
Water and Sewer Utilities	-	-	5,422,786	5,864,572	5,422,786	5,864,572
Total Expenses	$54,633,401	$52,099,917	$5,422,786	$5,864,572	$60,056,187	$57,964,489
Change in Net Position	$2,957,475	$3,759,655	$911,845	$522,861	$3,869,320	$4,282,516
Net Position, Beginning, restated	26,711,582	22,849,927	8,149,318	7,626,457	34,860,900	30,476,384
Net Position, Ending	$29,669,057	$26,609,582	$9,061,163	$8,149,318	$38,730,220	$34,758,900

Expenditures in the County's governmental activities increased 4.9% over the prior year with expenditures increasing in most functions except General Government Administration, Public Works, and Parks, Recreation and Cultural Programs. Education again consumed the largest share of the total combined expenditures of the primary County government and its component units during the fiscal year ended June 30, 2020 at 32.9% of the total, more than the previous year. Public safety spending represents 29.1% of the total. Program revenues, which include fees, charges and special purpose grants and contributions, funded 17.6% of total functional expenditures in fiscal year 2020, a slightly decreased level as compared to fiscal year 2019. General property tax revenues increased 2.9% over the prior year and total general revenues for the County's governmental activities increased 4.9%. In the County's business type activities, expenditures decreased 7.5% and program revenues decreased 9.8% from the prior year. The County's water and sewer utility operations realized a loss in the current fiscal year and is continuing to prepare for a period of moderate growth sometime in the future. It should again be noted that these expenses are on a full accrual basis and, therefore, include depreciation expense on capital assets.

Financial Analysis of the County's Funds
As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and for public accountability.

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

In total, governmental funds reported fund balances of $27,077,845 at June 30, 2020, $5,547,780 of that balance is reserved by external restrictions, $4,541,350 is nonspendable, committed or assigned and the remaining $16,988,715 is unassigned. Fund balances in the governmental funds decreased $952,452 during the fiscal year ended June 30, 2020. Fund balance in the General Fund decreased by $1,722,354. An increase of $1,186,991 was realized in the fund balance of the Capital Projects Fund due to transfer to support projects funded from prior years.

In the General Fund, fund balance decreased to $23,000,249, a 7.0% decrease over the prior year. While revenues have decreased from $55,202,988 to $52,129,022, general property taxes remain the primary revenue source in the General Fund contributing 72.0% of the total revenues during fiscal year 2020, higher than the prior year. Intergovernmental revenue from the Commonwealth of Virginia increased slightly to 10.8%, from 10.3% and the share added by other local taxes increased from 10.3% to 8.7% compared to last year. Education accounted for largest share of the General Fund's expenditures (36.5%). Public Safety (34.5%) and Public Works (9.4%) also accounted for substantial shares of the expenditures in the Fund.

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

The largest of the County's enterprise operations, the County Public Utility Fund had a net position of $5,956,684 at June 30, 2020, an increase over the previous year. The County has made significant investments in the utility system over the last ten plus years that have not yet been fully recovered through revenues in the fund. The County's main utility fund reported a net operating loss for the fiscal year ended June 30, 2020 of $913,180, a 35.4% increase over last fiscal year due to a 3.7% decrease in revenues. The Dawn Wastewater System reported a net operating loss of $215,504, a 28.8% increase from last fiscal year. This year was the twelfth full year of operation for the Dawn system and the eleventh full year of depreciation.

General Fund Budgetary Highlights
The original adopted budget of the General Fund was increased by 3.2% or $1,546,914. Following is a partial summary of these increases/reductions by function:

- $ 278,966 for General Government Administration
- $ 36,791 for Judicial Administration
- $ 773,626 for Public Safety
- $ 487,537 for Public Works
- $ (62,956) for Health and Welfare
- $ 79,113 for Parks, Recreation and Cultural
- $ 42,77 for Community Development
- $ (1,132,757) for Transfers out to Other Funds

Actual revenue collections were $1,663,818 greater than the final budget estimates. Increased collection efforts contributed to the increase in general property taxes.

Actual expenditures totaled $1,502,838 less than the amended budget appropriations, a variance of 3.4%.

Capital Assets and Debt Administration
Capital Assets. The County's total investment in capital assets for governmental and business-type activities amounted to $117,562,020 as of June 30, 2020, net of accumulated depreciation. This investment in capital assets includes land, buildings, property improvements, machinery and equipment, vehicles and utility improvements. It should be noted that this investment value is based on historical cost and is not reflective of the current market value of these assets.

Major capital improvement projects for the year included:
- $ 333,600 for acquisition of land and building of Frog Level Rescue
- $ 996,786 for SCBA masks for Fire/Rescue
- $ 239,547 for CAT Loader equipment
- $ 171,403 for replacement vehicles for aging units

- $ 859,157 for replacement rescue engine and ambulance

Long-Term Debt. At June 30, 2020, the County's total long-term debt amounted to $117,592,264. This total is comprised of:

- $23,354,217 in lease revenue bonds issued through the County's Economic Development Authority for a variety of general government, school and business-type activity improvements and equipment acquisitions.
- $33,050,375 in utility system revenue bonds for the improvement and expansion of the County's utility enterprise operations and landfill closure.
- $37,955,252 in general obligation bonds issued for the construction and improvement of County public schools.
- $10,011,836 in capital lease obligations for general government and business type radio and motor vehicle equipment.
- $3,292,190 as the County's liability for closure and post-closure care of the former County Sanitary Landfill.
- $9,928,394 in unamortized premiums, net OPEB liabilities, and compensated absences for general government and business-type activities.

Economic Factors and Next Year's Budget and Tax Rates

- The population of Caroline County, based on the 2010 census has grown 6.8% since the April 2010 census to an estimated 30,318.
- The County completed a real property reassessment to be effective January 2016 to be sure its values for tax purposes are in line with market values. Growth had pushed assessed values up for the January 2008 reassessment to almost $3 billion, but the housing market crash had dropped values for 2011 by an estimated 18%. Growth in the County continues to be low.
- The unemployment rate for the County increased from 3.4% to 8.8% due to the nation's COVID-19 pandemic.
- The burst of population growth the County had experienced several years ago has slowed dramatically as the nation-wide turnaround in real estate markets and recession has had an impact. After issuing a total of 318 residential building permits in the fiscal year ended June 30, 2007, the County building inspection division issued 140 in the fiscal year ended June 30, 2020 which is an increase of 39 permits over the fiscal year ended June 30, 2019. The County issued 3 commercial development permits in fiscal year June 30, 2020, the same as the previous year.

These and many other factors were considered in preparing the County's budget for fiscal year 2021. The total adopted General Fund budget for FY2021 is $55,500,500, a $2,219,199 or 4.17% increase over the FY2020 budget. The General Fund is the primary fund for most County operations. The increase in the General Fund includes $2,450,000 for the final payment to VDOT for the County's share of the cost of the Route 639 (Ladysmith Road) Widening Project. Without this payment, the General Fund would be at $53,050,500, a decrease of $230,801 from the previous fiscal year. The adopted real estate rate for calendar year 2021 remained the same at $0.83 per hundred dollars of assessed value. Personal property tax rates remained at $3.80.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	$ 23,650,591	$ 199,210	$ 23,849,801	$ 6,380,690	$ 72,721
Receivables (net of allowance for uncollectibles):					
Taxes receivable	23,945,289	-	23,945,289	-	-
Accounts receivable	509,894	312,874	822,768	-	-
Due from other governmental units	2,679,120	4,420	2,683,540	1,222,890	-
Inventories	6,052	-	6,052	-	-
Restricted cash and investments	6,739,419	1,665,793	8,405,212	-	-
Net pension asset	1,615,601	107,957	1,723,558	140,266	-
Capital assets (net of accumulated depreciation):					
Land	1,296,783	711,986	2,008,769	849,553	-
Buildings	57,653,554	952,366	58,605,920	3,220,050	-
Improvements other than buildings	5,245,220	39,842,687	45,087,907	464,013	-
Equipment	10,025,683	543,330	10,569,013	3,579,590	-
Intangibles	27,937	-	27,937	-	-
Construction in progress	480,054	782,420	1,262,474	86,356	-
Total assets	$ 133,875,197	$ 45,123,043	$ 178,998,240	$ 15,943,408	$ 72,721
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	$ 67,900	$ 906,963	$ 974,863	$ -	$ -
Pension related items	2,019,706	137,764	2,157,470	6,963,733	-
OPEB related items	819,414	65,936	885,350	2,957,359	-
Total deferred outflows of resources	$ 2,907,020	$ 1,110,663	$ 4,017,683	$ 9,921,092	$ -
LIABILITIES					
Accounts payable	$ 1,611,405	$ 145,376	$ 1,756,781	$ 671,719	$ -
Accrued payroll	391,092	19,162	410,254	2,865,862	-
Other accrued liabilities	134,864	13,262	148,126	-	-
Customer deposits	-	178,982	178,982	-	-
Accrued interest payable	993,306	341,029	1,334,335	22,840	-
Insurance and benefits claims	434,935	-	434,935	-	-
Unearned revenue	2,950,937	-	2,950,937	-	-
Long-term liabilities:					
Due within one year	5,994,798	1,489,407	7,484,205	313,843	-
Due in more than one year	75,198,680	34,909,379	110,108,059	50,899,082	-
Total liabilities	$ 87,710,017	$ 37,096,597	$ 124,806,614	$ 54,773,346	$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	$ 18,156,396	$ -	$ 18,156,396	$ -	$ -
Pension related items	1,090,342	64,428	1,154,770	3,478,339	-
OPEB related items	156,405	11,518	167,923	363,864	-
Total deferred inflows of resources	$ 19,403,143	$ 75,946	$ 19,479,089	$ 3,842,203	$ -

Statement of Net Position
June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
NET POSITION					
Net investment in capital assets	$ 455,769	$ 7,639,696	$ 8,095,465	$ 6,944,226	$ -
Restricted:					
Capital projects	2,129,817	1,665,793	3,795,610	-	-
Debt service	1,847,361	-	1,847,361	-	-
Social services	32,803	-	32,803	-	-
Law enforcement	176,570	-	176,570	-	-
Public safety grants	120,649	-	120,649	-	-
Fire/rescue	2,000	-	2,000	-	-
Fire/rescue grants	150,433	-	150,433	-	-
Housing	19,985	-	19,985	-	-
Courthouse maintenance	48,254	-	48,254	-	-
Law library	3,369	-	3,369	-	-
Tourism	106,958	-	106,958	-	-
Ladysmith Commons road improvements	37,499	-	37,499	-	-
Ladysmith library	365,327	-	365,327	-	-
Ladysmith recreation	163,606	-	163,606	-	-
Dawn library	5,412	-	5,412	-	-
Route 639 construction	275,000	-	275,000	-	-
Children's services	62,737	-	62,737	-	-
Unrestricted	23,665,508	(244,326)	23,421,182	(39,695,275)	72,721
Total net position	$ 29,669,057	$ 9,061,163	$ 38,730,220	$ (32,751,049)	$ 72,721

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

COUNTY OF CAROLINE, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 3,502,256	$ -	$ 840,911	$ -
Judicial administration	1,572,855	458,514	668,127	-
Public safety	15,897,122	2,276,453	2,872,629	-
Public works	5,738,631	43,563	15,021	-
Health and welfare	4,738,640	-	3,289,333	-
Education	17,947,984	-	-	-
Parks, recreation, and cultural	1,041,192	64,180	-	-
Community development	1,380,499	125	116,786	-
Interest on long-term debt	2,814,222	-	-	-
Total governmental activities	$ 54,633,401	$ 2,842,835	$ 7,802,807	$ -
Business-type activities:				
Public utilities	$ 5,422,786	$ 2,652,442	$ 20,600	$ 712,903
Total business-type activities	$ 5,422,786	$ 2,652,442	$ 20,600	$ 712,903
Total primary government	$ 60,056,187	$ 5,495,277	$ 7,823,407	$ 712,903
COMPONENT UNITS:				
School Board	$ 47,503,688	$ 623,110	$ 31,092,967	$ -
Economic Development Authority	780	-	-	-
Total component units	$ 47,504,468	$ 623,110	$ 31,092,967	$ -

General revenues:
General property taxes
Local sales and use tax
Consumer utility
Motor vehicle licenses and registration fees
Business license taxes
Meals tax
Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Grants and contributions not restricted to specific programs
Payment from Caroline County
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	EDA
$ (2,661,345)	$ -	$ (2,661,345)	$ -	$ -
(446,214)	-	(446,214)	-	-
(10,748,040)	-	(10,748,040)	-	-
(5,680,047)	-	(5,680,047)	-	-
(1,449,307)	-	(1,449,307)	-	-
(17,947,984)	-	(17,947,984)	-	-
(977,012)	-	(977,012)	-	-
(1,263,588)	-	(1,263,588)	-	-
(2,814,222)	-	(2,814,222)	-	-
$ (43,987,759)	$ -	$ (43,987,759)	$ -	$ -
$ -	$ (2,036,841)	$ (2,036,841)	$ -	$ -
$ -	$ (2,036,841)	$ (2,036,841)	$ -	$ -
$ (43,987,759)	$ (2,036,841)	$ (46,024,600)	$ -	$ -
$ -	$ -	$ -	$ (15,787,611)	$ -
-	-	-	-	(780)
$ -	$ -	$ -	$ (15,787,611)	$ (780)
$ 37,932,539	$ -	$ 37,932,539	$ -	$ -
2,855,615	-	2,855,615	-	-
86,655	-	86,655	-	-
1,050,059	-	1,050,059	-	-
890,641	-	890,641	-	-
1,192,417	-	1,192,417	-	-
1,156,240	-	1,156,240	-	-
488,630	25,668	514,298	35,250	565
613,810	329,242	943,052	674,885	174
3,272,404	-	3,272,404	-	-
-	-	-	15,925,868	-
(2,593,776)	2,593,776	-	-	-
$ 46,945,234	$ 2,948,686	$ 49,893,920	$ 16,636,003	$ 739
$ 2,957,475	$ 911,845	$ 3,869,320	$ 848,392	$ (41)
26,711,582	8,149,318	34,860,900	(33,599,441)	72,762
$ 29,669,057	$ 9,061,163	$ 38,730,220	$ (32,751,049)	$ 72,721

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FUND FINANCIAL STATEMENTS

COUNTY OF CAROLINE, VIRGINIA

Balance Sheet
Governmental Funds
June 30, 2020

	General	Debt Service	County Capital Projects
ASSETS			
Cash and cash equivalents	$ 17,224,821	$ 433,964	$ 193,440
Receivables (net of allowance for uncollectibles):			
Taxes receivable	23,945,289	-	-
Accounts receivable	267,722	181,571	-
Due from other governmental units	2,342,053	-	-
Due from other funds	3,010,993	-	-
Prepaid expense	-	6,052	-
Restricted cash and investments	1,682,532	-	5,056,887
Total assets	$ 48,473,410	$ 621,587	$ 5,250,327
LIABILITIES			
Accounts payable	$ 762,804	$ 467,827	$ 111,064
Accrued payroll	326,932	-	-
Other accrued liabilities	118,909	-	-
Due to other funds	-	-	3,009,446
Unearned revenue	500,000	-	-
Total liabilities	$ 1,708,645	$ 467,827	$ 3,120,510
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	$ 23,764,516	$ -	$ -
Total deferred inflows of resources	$ 23,764,516	$ -	$ -
FUND BALANCES			
Nonspendable	$ -	$ 6,052	$ -
Restricted	1,847,361	-	2,129,817
Committed	1,064,913	-	-
Assigned	3,007,004	147,708	-
Unassigned	17,080,971	-	-
Total fund balances	$ 23,000,249	$ 153,760	$ 2,129,817
Total liabilities, deferred inflows of resources, and fund balances	$ 48,473,410	$ 621,587	$ 5,250,327

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

Exhibit 3

Proffers	Virginia Public Assistance	Other Governmental Funds	Total
$ 757,588	$ -	$ 3,439,525	$ 22,049,338
-	-	-	23,945,289
-	-	60,601	509,894
-	201,228	135,839	2,679,120
-	-	-	3,010,993
-	-	-	6,052
-	-	-	6,739,419
$ 757,588	$ 201,228	$ 3,635,965	$ 58,940,105
$ -	$ 19,759	$ 249,951	$ 1,611,405
-	61,356	2,804	391,092
-	15,740	215	134,864
-	-	-	3,009,446
-	-	2,450,937	2,950,937
$ -	$ 96,855	$ 2,703,907	$ 8,097,744
$ -	$ -	$ -	$ 23,764,516
$ -	$ -	$ -	$ 23,764,516
$ -	$ -	$ -	$ 6,052
757,588	32,803	687,955	5,455,524
-	-	244,103	1,309,016
-	71,570	-	3,226,282
-	-	-	17,080,971
$ 757,588	$ 104,373	$ 932,058	$ 27,077,845
$ 757,588	$ 201,228	$ 3,635,965	$ 58,940,105

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Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:				
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds			$	27,077,845
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Capital assets, cost	$	119,820,352		
Accumulated depreciation		(45,091,121)		74,729,231
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.				
Unavailable revenue - property taxes	$	5,608,120		
Net pension asset		1,615,601		7,223,721
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.				
Deferred charge on refunding	$	67,900		
Pension related items		2,019,706		
OPEB related items		819,414		2,907,020
Internal service funds are used by management to charge the cost of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.				1,164,771
Long-term liabilities and related assets, including bonds payable. Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.				
Bonds payable, including unamortized premiums	$	(64,329,526)		
Capital leases		(10,011,836)		
Landfill postclosure cost		(3,292,190)		
Accrued interest payable		(993,306)		
Net OPEB liabilities		(2,711,273)		
Compensated absences		(848,653)		(82,186,784)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.				
Pension related items	$	(1,090,342)		
OPEB related items		(156,405)		(1,246,747)
Net position of governmental activities			$	29,669,057

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

COUNTY OF CAROLINE, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General	Debt Service	County Capital Projects
REVENUES			
General property taxes	$ 37,544,110	$ -	$ -
Other local taxes	5,351,686	1,739,506	-
Permits, privilege fees, and regulatory licenses	507,986	-	-
Fines and forfeitures	318,804	-	-
Revenue from the use of money and property	322,595	111,869	39,359
Charges for services	1,257,520	-	-
Miscellaneous	457,453	-	9,742
Recovered costs	566,474	-	32,380
Intergovernmental:			
Commonwealth	5,622,178	282,381	-
Federal	180,216	324,466	-
Total revenues	$ 52,129,022	$ 2,458,222	$ 81,481
EXPENDITURES			
Current:			
General government administration	$ 3,912,901	$ -	$ -
Judicial administration	1,415,987	-	-
Public safety	14,712,193	-	-
Public works	4,002,202	-	-
Health and welfare	549,616	-	-
Education	15,578,605	-	-
Parks, recreation, and cultural	951,445	-	-
Community development	1,554,923	-	-
Capital outlay	-	-	3,197,942
Debt service:			
Principal retirement	-	9,520,249	-
Interest and other fiscal charges	-	3,184,101	-
Total expenditures	$ 42,677,872	$ 12,704,350	$ 3,197,942
Excess (deficiency) of revenues over (under) expenditures	$ 9,451,150	$ (10,246,128)	$ (3,116,461)
OTHER FINANCING SOURCES (USES)			
Transfers in	$ -	$ 6,117,315	$ 2,224,873
Transfers out	(11,173,504)	-	(41,420)
Issuance of refunding bond	-	3,525,000	-
Issuance of capital lease	-	-	2,120,000
Bond issuance premium	-	600,259	-
Total other financing sources (uses)	$ (11,173,504)	$ 10,242,574	$ 4,303,453
Net change in fund balances	$ (1,722,354)	$ (3,554)	$ 1,186,992
Fund balances - beginning	24,722,603	157,314	942,825
Fund balances - ending	$ 23,000,249	$ 153,760	$ 2,129,817

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

Proffers	Virginia Public Assistance	Other Governmental Funds	Total
$ -	$ -	$ -	$ 37,544,110
-	-	140,435	7,231,627
-	-	-	507,986
-	-	-	318,804
1,568	-	13,239	488,630
-	-	758,525	2,016,045
125,934	5,069	15,612	613,810
-	-	-	598,854
-	764,322	1,080,023	7,748,904
-	1,654,665	1,166,960	3,326,307
$ 127,502	$ 2,424,056	$ 3,174,794	$ 60,395,077
$ -	$ -	$ 1,698	$ 3,914,599
-	-	7,345	1,423,332
-	-	1,389,697	16,101,890
-	-	114,904	4,117,106
-	2,956,218	1,403,316	4,909,150
-	-	354,500	15,933,105
-	-	-	951,445
-	-	191,169	1,746,092
-	-	-	3,197,942
-	-	-	9,520,249
-	-	-	3,184,101
$ -	$ 2,956,218	$ 3,462,629	$ 64,999,011
$ 127,502	$ (532,162)	$ (287,835)	$ (4,603,934)
$ -	$ 524,720	$ 455,241	$ 9,322,149
-	-	(701,000)	(11,915,924)
-	-	-	3,525,000
-	-	-	2,120,000
-	-	-	600,259
$ -	$ 524,720	$ (245,759)	$ 3,651,484
$ 127,502	$ (7,442)	$ (533,594)	$ (952,450)
630,086	111,815	1,465,652	28,030,295
$ 757,588	$ 104,373	$ 932,058	$ 27,077,845

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, 2020

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (952,450)
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 depreciation exceeded capital outlays in the current period.		
Capital asset additions	$ 3,316,550	
Depreciation expense	(4,826,461)	(1,509,911)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		388,429
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of long-term debt	$ (5,645,000)	
Issuance of bond premium	(600,259)	
Change in long-term liability payable to Utility Fund	158,234	
Principal payments	9,520,249	
Change in landfill postclosure liability	(15,315)	
Amortization of bond premium	201,200	3,619,109
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.		
Change in compensated absences	$ (20,202)	
Change in pension related items	1,233,902	
Change in OPEB related items	(112,167)	
Amortization of deferred charges on refunding	(4,850)	
Change in accrued interest payable	15,295	1,111,978
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		300,320
Change in net position of governmental activities		$ 2,957,475

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

Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 199,210	$ -	$ 199,210	$ 1,601,253
Accounts receivable, net	301,457	11,417	312,874	-
Internal balances	11,711	(11,711)	-	-
Due from other governmental units	4,420	-	4,420	-
Total current assets	$ 516,798	$ (294)	$ 516,504	$ 1,601,253
Noncurrent assets:				
Restricted cash and cash equivalents	$ 1,665,793	$ -	$ 1,665,793	$ -
Net pension asset	107,957	-	107,957	-
Capital assets:				
Land	561,986	150,000	711,986	-
Buildings	1,389,536	-	1,389,536	412,315
Improvements other than buildings	50,712,596	5,660,499	56,373,095	68,551
Equipment	1,917,163	-	1,917,163	-
Construction in progress	782,420	-	782,420	-
Accumulated depreciation	(16,847,698)	(1,493,713)	(18,341,411)	(480,866)
Total capital assets	$ 38,516,003	$ 4,316,786	$ 42,832,789	$ -
Total noncurrent assets	$ 40,289,753	$ 4,316,786	$ 44,606,539	$ -
Total assets	$ 40,806,551	$ 4,316,492	$ 45,123,043	$ 1,601,253
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	$ 906,963	$ -	$ 906,963	$ -
Pension related items	137,764	-	137,764	-
OPEB related items	65,936	-	65,936	-
Total deferred outflows of resources	$ 1,110,663	$ -	$ 1,110,663	$ -
LIABILITIES				
Current liabilities:				
Accounts payable	$ 128,210	$ 17,166	$ 145,376	$ -
Accrued payroll	19,162	-	19,162	-
Other accrued liabilities	13,262	-	13,262	-
Customer deposits	171,856	7,126	178,982	-
Accrued interest payable	341,029	-	341,029	-
Due to other funds	-	-	-	1,547
Insurance and benefit claims	-	-	-	434,935
Bonds payable - current portion	1,310,000	169,674	1,479,674	-
Compensated absences - current portion	9,733	-	9,733	-
Total current liabilities	$ 1,993,252	$ 193,966	$ 2,187,218	$ 436,482
Noncurrent liabilities:				
Bonds payable - net of current portion	$ 33,602,335	$ 1,018,047	$ 34,620,382	$ -
Net OPEB liabilities	201,398	-	201,398	-
Compensated absences - net of current portion	87,599	-	87,599	-
Total noncurrent liabilities	$ 33,891,332	$ 1,018,047	$ 34,909,379	$ -
Total liabilities	$ 35,884,584	$ 1,212,013	$ 37,096,597	$ 436,482

Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Funds
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ 64,428	$ -	$ 64,428	$ -
OPEB related items	11,518	-	11,518	-
Total deferred inflows of resources	$ 75,946	$ -	$ 75,946	$ -
NET POSITION				
Net investment in capital assets	$ 4,510,631	$ 3,129,065	$ 7,639,696	$ -
Restricted	1,665,793	-	1,665,793	-
Unrestricted	(219,740)	(24,586)	(244,326)	1,164,771
Total net position	$ 5,956,684	$ 3,104,479	$ 9,061,163	$ 1,164,771

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

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds			
	Caroline County Utility Fund	**Dawn Wastewater System Fund**	**Total**	**Internal Service Funds**
OPERATING REVENUES				
Charges for services:				
Water	$ 885,351	$ -	$ 885,351	$ -
Sewer	1,692,120	74,971	1,767,091	-
Risk management	-	-	-	4,665,919
Other revenue	329,242	-	329,242	-
Total operating revenues	$ 2,906,713	$ 74,971	$ 2,981,684	$ 4,665,919
OPERATING EXPENSES				
Personnel services	$ 870,534	$ 12,454	$ 882,988	$ -
Fringe benefits	295,038	1,485	296,523	-
Contractual services	339,691	40,008	379,699	-
Risk financing and benefit payments	-	-	-	4,365,599
Other charges	1,014,983	95,015	1,109,998	-
Depreciation	1,299,647	141,513	1,441,160	-
Total operating expenses	$ 3,819,893	$ 290,475	$ 4,110,368	$ 4,365,599
Operating income (loss)	$ (913,180)	$ (215,504)	$ (1,128,684)	$ 300,320
NONOPERATING REVENUES (EXPENSES)				
Connection availability fees	$ 696,768	$ 16,135	$ 712,903	$ -
Interest revenue	25,668	-	25,668	-
Federal revenue - BABs subsidy	20,600	-	20,600	-
Interest expense	(1,312,418)	-	(1,312,418)	-
Total nonoperating revenues (expenses)	$ (569,382)	$ 16,135	$ (553,247)	$ -
Income (loss) before transfers	$ (1,482,562)	$ (199,369)	$ (1,681,931)	$ 300,320
Transfers in	2,394,077	199,699	2,593,776	-
Change in net position	$ 911,515	$ 330	$ 911,845	$ 300,320
Total net position - beginning	5,045,169	3,104,149	8,149,318	864,451
Total net position - ending	$ 5,956,684	$ 3,104,479	$ 9,061,163	$ 1,164,771

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 2,925,215	$ 75,042	$ 3,000,257	$ 4,665,919
Claims and benefits paid	-	-	-	(4,188,796)
Payments to suppliers for goods and services	(1,387,871)	(107,263)	(1,495,134)	(128,032)
Payments to employees for services	(1,249,484)	(13,939)	(1,263,423)	-
Net cash provided by (used for) operating activities	$ 287,860	$ (46,160)	$ 241,700	$ 349,091
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	$ 2,394,077	$ 199,699	$ 2,593,776	$ -
Net cash provided by (used for) noncapital financing activities	$ 2,394,077	$ 199,699	$ 2,593,776	$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant revenue	$ 17,093	$ -	$ 17,093	$ -
Connection availability fees	696,768	16,135	712,903	-
Cash received from bond refunding	2,695,000	-	2,695,000	
Principal paid on bonds	(4,390,001)	(169,674)	(4,559,675)	-
Interest and other fiscal charges	(966,963)	-	(966,963)	-
Acquisition and construction of capital assets	(604,167)	-	(604,167)	-
Net cash provided by (used for) capital and related financing activities	$ (2,552,270)	$ (153,539)	$ (2,705,809)	$ -
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investment securities	$ 25,668	$ -	$ 25,668	$ -
Net cash provided by (used for) investing activities	$ 25,668	$ -	$ 25,668	$ -
Net increase (decrease) in cash and cash equivalents	$ 155,335	$ -	$ 155,335	$ 349,091
Cash and cash equivalents - beginning, including restricted	1,709,668	-	1,709,668	1,252,162
Cash and cash equivalents - ending, including restricted	$ 1,865,003	$ -	$ 1,865,003	$ 1,601,253
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (913,180)	$ (215,504)	$ (1,128,684)	$ 300,320
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	$ 1,299,647	$ 141,513	$ 1,441,160	$ -
(Increase) decrease in accounts receivable	6,034	(450)	5,584	-
(Increase) decrease in interfund balances	(11,711)	11,711	-	-
(Increase) decrease in pension related deferred outflows of resources	(65,448)	-	(65,448)	-
(Increase) decrease in OPEB related deferred outflows of resources	(44,953)	-	(44,953)	-
Increase (decrease) in accounts payable	(21,063)	16,049	(5,014)	(129,579)
Increase (decrease) in accrued payroll	1,001	-	1,001	-
Increase (decrease) in other accrued liabilities	(423)	-	(423)	-
Increase (decrease) in customer deposits	12,468	521	12,989	-
Increase (decrease) in insurance and benefit claims	-	-	-	176,803
Increase (decrease) in pension related deferred inflows of resources	(73,695)	-	(73,695)	-
Increase (decrease) in OPEB related deferred inflows of resources	4,995	-	4,995	-
Increase (decrease) in net pension liability	20,594	-	20,594	-
Increase (decrease) in net OPEB liabilities	71,048	-	71,048	-
Increase (decrease) in compensated absences	2,546	-	2,546	-
Increase (decrease) in due to other funds	-	-	-	1,547
Total adjustments	$ 1,201,040	$ 169,344	$ 1,370,384	$ 48,771
Net cash provided by (used for) operating activities	$ 287,860	$ (46,160)	$ 241,700	$ 349,091

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

		Agency Funds
ASSETS		
Cash and cash equivalents	$	1,275,160
Total assets	$	1,275,160
LIABILITIES		
Amounts held for social services clients	$	41,155
Amounts held for consortium		38,704
Refundable escrow deposits payable		1,195,301
Total liabilities	$	1,275,160

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

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Financial Statement Presentation

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2020.

Discretely Presented Component Unit

The School Board members are elected by the citizens of Caroline County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. Additionally, the School Board provides a potential benefit or burden to the County, and cannot be included as part of another financial reporting entity. The County not only provides financial support to the School Board but also is responsible for any debt or financial obligation. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2020.

The Caroline County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of six members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2020. The Authority does not issue a separate financial report.

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

C. Other Related Organizations

Middle Peninsula Juvenile Detention Commission

The Middle Peninsula Juvenile Detention Commission (the "Commission") is a political subdivision of the Commonwealth of Virginia and is governed by a separate board. The Commission was created to enhance the region for the protection of the citizens by the construction, equipping, maintenance and operation of a juvenile detention facility (the "Center") serving the eighteen member jurisdictions of which the County Administrator serves as the County's representative on the board. The Commission is fiscally independent of the County because substantially all of its income will be generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. Under the Service Agreement, the County is obligated to pay a per diem rate to be determined annually by the Commission for each day a juvenile from the County is held at the Center or in another detention facility secured by the Commission. If the sum of all per diem rates paid during the fiscal year is below $2,500, the County shall pay the Commission the amount equal to the difference. The County made per diem contributions totaling $150,266 in fiscal year 2020. Separate audited financial statements for the Commission can be obtained from the fiscal agent's office at James City County, P.O. Box 8784, Williamsburg, Virginia 23187.

Pamunkey Regional Jail Authority

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

The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the County is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. The County made per diem contributions totaling $1,364,922 in fiscal year 2020. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

Included in the County's Financial Report

None

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   General Fund – 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 revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for fund reporting purposes.

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

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

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

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

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

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

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

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

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

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

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments (external investment pools) are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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

Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

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

F. Investments (Continued)

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $1,001,414 at June 30, 2020 and is comprised primarily of property taxes totaling $906,670.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes. The County reassesses all existing real property every four to five years and the last reassessment was completed in 2017.

H. Restricted Cash

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

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

I. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction on governmental activities' capital assets in not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest is amortized using the straight-line method over the useful life of the asset. There is no capitalized interest for the year June 30, 2020.

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

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

J. Compensated Absences

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

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

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

K. Use of Estimates

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

L. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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 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 and School Board's Retirement Plan and the additions to/deductions from the County's and School Board'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.

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

N. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, Teacher HIC, and Medical and Dental Pay-As-You-Go OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

P. Prepaid Items

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

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

Q. Fund Balance

The following classifications of fund balance 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 that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally

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

Q. Fund Balance (Continued)

- have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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:

				Major Special Revenue Funds			
	General Fund	Major Debt Service Fund	Major County Capital Projects Fund	Proffers Fund	Virginia Public Assistance Fund	Other Governmental Funds	Total
Fund Balances:							
Nonspendable:							
Prepaid items	$ -	$ 6,052	$ -	$ -	$ -	$ -	$ 6,052
Total Nonspendable	$ -	$ 6,052	$ -	$ -	$ -	$ -	$ 6,052
Restricted:							
Capital projects	$ -	$ -	$ 2,129,817	$ -	$ -	$ -	$ 2,129,817
Debt service	1,847,361	-	-	-	-	-	1,847,361
Social services	-	-	-	-	32,803	-	32,803
Law enforcement	-	-	-	1,000	-	175,570	176,570
Public safety grants	-	-	-	-	-	120,649	120,649
Fire/rescue	-	-	-	2,000	-	-	2,000
Fire/rescue grants	-	-	-	-	-	150,433	150,433
Housing	-	-	-	-	-	19,985	19,985
Courthouse maintenance	-	-	-	-	-	48,254	48,254
Law library	-	-	-	-	-	3,369	3,369
Tourism	-	-	-	-	-	106,958	106,958
Ladysmith Commons and improvements	-	-	-	37,499	-	-	37,499
Ladysmith library	-	-	-	273,071	-	-	273,071
Ladysmith recreation	-	-	-	163,606	-	-	163,606
Dawn library	-	-	-	5,412	-	-	5,412
Route 639 construction	-	-	-	275,000	-	-	275,000
Children's services	-	-	-	-	-	62,737	62,737
Total Restricted	$ 1,847,361	$ -	$ 2,129,817	$ 757,588	$ 32,803	$ 687,955	$ 5,455,524
Committed:							
Capital projects	$ 964,913	$ -	$ -	$ -	$ -	$ -	$ 964,913
Education	100,000	-	-	-	-	244,103	344,103
Total Committed	$ 1,064,913	$ -	$ -	$ -	$ -	$ 244,103	$ 1,309,016
Assigned:							
Operations	$ 1,818,577	$ -	$ -	$ -	$ -	$ -	$ 1,818,577
Capital projects	1,188,427	-	-	-	-	-	1,188,427
Debt service	-	147,708	-	-	-	-	147,708
Social services	-	-	-	-	71,570	-	71,570
Total Assigned	$ 3,007,004	$ 147,708	$ -	$ -	$ 71,570	$ -	$ 3,226,282
Unassigned	$ 17,080,971	$ -	$ -	$ -	$ -	$ -	$ 17,080,971
Total Fund Balances	$ 23,000,249	$ 153,760	$ 2,129,817	$ 757,588	$ 104,373	$ 932,058	$ 27,077,845

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

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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 multiple 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 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 asset/liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

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

1. Prior to March 1 of each year, the County Administrator submits to the Board of Supervisors a proposed operating capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

2. The Board of Supervisors conducts work sessions to review the budget and public hearings are required to be conducted to obtain citizen comments

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within the primary government's department; however, the Component Unit – School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds of the County and Component Unit – School Board.

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

6. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

7. Appropriations lapse on June 30.

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the following funds at June 30, 2020.

Fund	Amount
Debt Service	$ 3,984,574
Confiscated Asset	6,358
Housing	13,964
Sheriff	31,477
CARES Act	229,701

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments (Continued)

Local Government Investment Pool (LGIP)

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

Virginia State Non-Arbitrage Program (SNAP)

Investment in the SNAP is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the *Code of Virginia*, the Government Non-Arbitrage Investment Act authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities or any combination of the foregoing ("Virginia governments") in the management of and accounting for their bond funds, including without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof. The Virginia SNAP has been assigned an "AAAm" rating by Standard & Poor's. The SNAP fund is managed to maintain a dollar-weighted average portfolio maturity of 90 days or less and seeks to maintain a constant net value (NAV) per share of $1. The Commonwealth of Virginia's Treasury Board has contracted with PFM Asset Management, LLC, Wells Fargo, N.A., U. S. Bank, N.A., and the Bank of New York Mellon Corporation to provide professional services and regulating oversight to the SNAP program.

Custodial Credit Risk (Deposits)

This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires all deposits to be insured under FDIC or comply with the Act. At year end, none of the County's deposits were exposed to custodial credit risk.

Custodial Credit Risk (Investments)

The County's investment policy requires that all securities purchased for the County be held by the County or by the County's designated custodian. The County's investments at June 30, 2020 were held by the County or in the County's name by the County's custodial banks. The investments also should have a credit rating no less than AA rated by Standard and Poor or Aa by Moody's Investor Service.

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NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2020 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The County's investment policy limits investments to those allowed by the Code of Virginia. The County may however restrict investments beyond the limits imposed by the Code of Virginia as such restrictions serve the purpose of further safeguarding County funds or are in the best interest of the County.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
Local Government Investment Pool	$ 24,442,608	$ -
Virginia State Non-Arbitrage Pool	5,335,196	-
Money Market Funds	3,616,587	-
U.S. Agency Bonds	-	1,040,386
Total	$ 33,394,391	$ 1,040,386

Interest Rate Risk

The County's investment policies authorize the County to invest in Repurchase Agreements with a maturity no greater than thirty (30) days, unless the collateral is held by another banking institution, and deposits in banks not to exceed five years at the time of purchase.

Investment Maturities (in years)

Investment Type	Fair Value	Less than 1 Year	1-5 Years
Local Government Investment Pool	$ 24,442,608	$ 24,442,608	$ -
Virginia State Non-Arbitrage Pool	5,335,196	5,335,196	-
Certificates of Deposit	607,416	334,240	273,176
Money Market Funds	3,616,587	3,616,587	-
Repurchase Agreements - Underlying:			
U.S. Agency Bonds	1,040,386	1,040,386	-
Total	$ 35,042,193	$ 34,769,017	$ 273,176

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Fair Value Measurement

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

- 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, 2020:

- U. S. Agency Bonds of $1,040,386 are valued using quoted market prices (Level 1 inputs).
- Money Market Funds of $3,616,587 are valued using quoted market prices (Level 1 inputs).

External Investment Pools

LGIP and SNAP are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) are the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury.

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NOTE 4—DUE FROM AND TO OTHER GOVERNMENTS:

At June 30, 2020, the County has amounts due from other governments as follows:

	Primary Government	Business-type Activities	Component Unit School Board
Other Local Governments:			
Town of Port Royal	$ -	$ 4,420	$ -
Commonwealth of Virginia:			
State sales tax	-	-	694,274
Motor vehicle carrier tax	15,064	-	-
Personal property tax relief funds	1,147,226	-	-
Auto rental tax	1,653	-	-
Additional tax on deeds	12,317	-	-
Rolling stock tax	8,619	-	-
Mobile home titling tax	6,475	-	-
E-911 wireless funds	19,863	-	-
School resource officer grant	12,352	-	-
Victim witness grant	23,218	-	-
Soil conservationist reimbursement	194,959	-	-
VA domestic violence victim grant	28,767	-	-
Welfare	70,139	-	-
Children's services	135,839	-	-
Communication sales tax	106,706	-	-
Constitutional officer reimbursements	178,397	-	-
Local sales tax	484,427	-	-
Other state funds	4,613	-	113,916
Federal Government:			
School fund grants	-	-	414,700
FEMA grants	12,116	-	-
E-rate income	28,266	-	-
Victim witness	6,872	-	-
Bulletproof vest grant	3,103	-	-
State homeland security program	47,040	-	-
Welfare	131,089	-	-
Total due from other governments	$ 2,679,120	$ 4,420	$ 1,222,890

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

Primary Government:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities:				
General government:				
Capital assets not subject to depreciation:				
Land	$ 1,242,883	$ 53,900	$ -	$ 1,296,783
Construction in progress	72,551	407,503	-	480,054
Total capital assets not subject to depreciation	$ 1,315,434	$ 461,403	$ -	$ 1,776,837
Capital assets subject to depreciation:				
Buildings	$ 86,298,005	$ 279,700	$ -	$ 86,577,705
Equipment	18,759,438	2,510,581	322,793	20,947,226
Improvements other than buildings	9,657,049	64,866	-	9,721,915
Intangibles	315,803	-	-	315,803
Total capital assets being depreciated	$ 115,030,295	$ 2,855,147	$ 322,793	$ 117,562,649
Accumulated depreciation:				
Buildings	$ 26,219,564	$ 2,704,587	$ -	$ 28,924,151
Equipment	9,670,710	1,573,626	322,793	10,921,543
Improvements other than buildings	3,952,097	524,598	-	4,476,695
Intangibles	264,216	23,650	-	287,866
Total accumulated depreciation	$ 40,106,587	$ 4,826,461	$ 322,793	$ 44,610,255
Total capital assets being depreciated, net	$ 74,923,708	$ (1,971,314)	$ -	$ 72,952,394
General government activities capital assets, net	$ 76,239,142	$ (1,509,911)	$ -	$ 74,729,231

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NOTE 5—CAPITAL ASSETS: (CONTINUED)

Primary Government: (Continued)

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Internal Service Fund:				
Capital assets subject to depreciation:				
Buildings	$ 412,315	$ -	$ -	$ 412,315
Improvements other than buildings	68,551	-	-	68,551
Total capital assets being depreciated	$ 480,866	$ -	$ -	$ 480,866
Accumulated depreciation:				
Buildings	$ 412,315	$ -	$ -	$ 412,315
Improvements other than buildings	68,551	-	-	68,551
Total accumulated depreciation	$ 480,866	$ -	$ -	$ 480,866
Total capital assets being depreciated, net	$ -	$ -	$ -	$ -
Internal Service Fund capital assets, net	$ -	$ -	$ -	$ -
Total governmental activities:				
Capital assets not subject to depreciation:				
Land	$ 1,242,883	$ 53,900	$ -	$ 1,296,783
Construction in progress	72,551	407,503	-	480,054
Total capital assets not subject to depreciation	$ 1,315,434	$ 461,403	$ -	$ 1,776,837
Capital assets subject to depreciation:				
Buildings	$ 86,710,320	$ 279,700	$ -	$ 86,990,020
Equipment	18,759,438	2,510,581	322,793	20,947,226
Improvements other than buildings	9,725,600	64,866	-	9,790,466
Intangibles	315,803	-	-	315,803
Total capital assets being depreciated	$ 115,511,161	$ 2,855,147	$ 322,793	$ 118,043,515
Accumulated depreciation:				
Buildings	$ 26,631,879	$ 2,704,587	$ -	$ 29,336,466
Equipment	9,670,710	1,573,626	322,793	10,921,543
Improvements other than buildings	4,020,648	524,598	-	4,545,246
Intangibles	264,216	23,650	-	287,866
Total accumulated depreciation	$ 40,587,453	$ 4,826,461	$ 322,793	$ 45,091,121
Total capital assets being depreciated, net	$ 74,923,708	$ (1,971,314)	$ -	$ 72,952,394
General government activities capital assets, net	$ 76,239,142	$ (1,509,911)	$ -	$ 74,729,231

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NOTE 5—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

Primary Government: (Continued)

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not subject to depreciation:				
Land	$ 849,553	$ -	$ -	$ 849,553
Construction in progress	-	177,239	90,883	86,356
Total capital assets not subject to depreciation	$ 849,553	$ 177,239	$ 90,883	$ 935,909
Capital assets subject to depreciation:				
Buildings	$ 17,173,478	$ -	$ -	$ 17,173,478
Improvements other than buildings	454,409	212,623	-	667,032
Equipment	9,777,854	855,691	771,293	9,862,252
Total capital assets being depreciated	$ 27,405,741	$ 1,068,314	$ 771,293	$ 27,702,762
Accumulated depreciation:				
Buildings	$ 13,670,901	$ 282,527	$ -	$ 13,953,428
Improvements other than buildings	138,617	64,402	-	203,019
Equipment	6,388,699	665,256	771,293	6,282,662
Total accumulated depreciation	$ 20,198,217	$ 1,012,185	$ 771,293	$ 20,439,109
Total capital assets being depreciated, net	$ 7,207,524	$ 56,129	$ -	$ 7,263,653
Capital assets, net	$ 8,057,077	$ 233,368	$ 90,883	$ 8,199,562

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NOTE 5—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

Component Unit—School Board:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not subject to depreciation:				
Land	$ 849,553	$ -	$ -	$ 849,553
Construction in progress	-	177,239	90,883	86,356
Total capital assets not subject to depreciation	$ 849,553	$ 177,239	$ 90,883	$ 935,909
Capital assets subject to depreciation:				
Buildings	$ 17,173,478	$ -	$ -	$ 17,173,478
Improvements other than buildings	454,409	212,623	-	667,032
Equipment	9,777,854	855,691	771,293	9,862,252
Total capital assets being depreciated	$ 27,405,741	$ 1,068,314	$ 771,293	$ 27,702,762
Accumulated depreciation:				
Buildings	$ 13,670,901	$ 282,527	$ -	$ 13,953,428
Improvements other than buildings	138,617	64,402	-	203,019
Equipment	6,388,699	665,256	771,293	6,282,662
Total accumulated depreciation	$ 20,198,217	$ 1,012,185	$ 771,293	$ 20,439,109
Total capital assets being depreciated, net	$ 7,207,524	$ 56,129	$ -	$ 7,263,653
Capital assets, net	$ 8,057,077	$ 233,368	$ 90,883	$ 8,199,562

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NOTE 5—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government administration	$	580,190
Judicial administration		231,737
Public safety		1,386,716
Public works		295,512
Health and welfare		13,609
Education		2,092,618
Parks, recreation and cultural		130,685
Community development		95,394
Total Governmental activities	$	4,826,461
Component Unit School Board	$	1,012,185
Business-type Activities	$	1,441,160

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the new law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Caroline, Virginia for the year ended June 30, 2020, is that school financed assets in the amount of $64,984,113 and related accumulated depreciation of $14,696,759 are reported in the Primary Government for financial reporting purposes.

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NOTE 6—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2020, consisted of the following below. Amounts may differ slightly from financial statements due to rounding.

Fund		Transfers In		Transfers Out
Governmental Funds:				
General	$	-	$	11,173,505
County Capital Projects		2,224,873		41,420
Debt Service		6,117,315		-
Detention Facility		-		701,000
Tourism		16		-
Virginia Public Assistance		524,720		-
Children's Services		455,225		-
Total Governmental Funds	$	9,322,149	$	11,915,925
Enterprise Funds:				
Caroline County Utility	$	2,394,077	$	-
Dawn Wastewater System		199,699		-
Total Enterprise Funds	$	2,593,776	$	-
Total-All Funds	$	11,915,925	$	11,915,925

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.

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NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government:

The following is a summary of long-term obligations of the County for the year ended June 30, 2020:

	Balance July 1, 2019 (as restated)	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2020	Amounts Due Within One Year
Governmental Activities:					
Incurred by County:					
Compensated absences	$ 828,451	$ 103,047	$ 82,845	$ 848,653	$ 84,865
Net OPEB liabilities	2,080,720	1,058,653	428,100	2,711,273	-
Landfill postclosure cost	3,276,875	15,315	-	3,292,190	-
Capital leases	9,209,264	2,120,000	1,317,428	10,011,836	1,574,130
Direct borrowings and direct placements:					
General obligation bonds	40,321,049	-	2,365,797	37,955,252	2,436,150
Lease revenue bonds	25,193,895	3,525,000	5,837,024	22,881,871	1,777,283
Lease revenue bond debt allocable from business-type activities	630,580	473,246	631,480	472,346	122,370
Unamortized premiums	2,620,998	600,259	201,200	3,020,057	-
Total Governmental Activities	$ 84,161,832	$ 7,895,520	$ 10,863,874	$ 81,193,478	$ 5,994,798
Business-type Activities:					
Compensated absences	$ 94,786	$ 12,023	$ 9,477	$ 97,332	$ 9,733
Net OPEB liabilities	130,350	76,043	4,995	201,398	-
Direct borrowings and direct placements:					
Revenue bonds	35,387,396	2,695,000	4,559,675	33,522,721	1,479,674
Lease revenue bond debt allocable from business-type activities	(630,580)	(473,246)	(631,480)	(472,346)	-
Unamortized premium	3,206,568	351,347	508,234	3,049,681	-
Total Business-type Activities	$ 38,188,520	$ 2,661,167	$ 4,450,901	$ 36,398,786	$ 1,489,407

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NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

	Governmental Activities Obligations			
	Bonds from Direct Borrowings and Direct Placements			
Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest
2021	$ 2,436,150	$ 1,870,793	$ 1,777,283	$ 672,625
2022	2,526,785	1,769,180	1,491,064	622,442
2023	2,616,412	1,664,574	1,535,605	579,432
2024	2,711,280	1,556,092	1,574,810	535,108
2025	2,812,704	1,442,113	1,629,786	489,355
2026	2,914,466	1,323,382	1,674,538	442,014
2027	3,021,583	1,200,227	1,671,270	393,353
2028	2,705,498	801,984	1,701,876	344,521
2029	2,449,338	677,341	1,753,820	294,556
2030	2,554,338	569,281	1,807,535	243,085
2031	2,654,338	455,301	1,860,129	190,148
2032	2,759,338	351,103	1,511,155	135,976
2033	2,869,338	240,441	750,000	97,696
2034	2,874,338	126,479	768,000	73,700
2035	49,346	20,837	240,000	49,281
2036	-	-	250,000	38,991
2037	-	-	210,000	28,975
2038	-	-	215,000	20,109
2039	-	-	225,000	11,659
2040	-	-	235,000	3,672
Total	$ 37,955,252	$ 14,069,128	$ 22,881,871	$ 5,266,698

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NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30	Governmental Activities Obligations	
	Capital Leases	
	Principal	Interest
2021	$ 1,574,130	$ 250,244
2022	1,494,117	212,022
2023	1,434,501	174,014
2024	1,298,842	140,604
2025	1,170,214	110,469
2026	1,198,166	81,122
2027	450,195	51,041
2028	206,835	41,010
2029	212,439	34,623
2030	219,129	28,045
2031	178,910	21,770
2032	184,784	15,807
2033	191,754	9,632
2034	197,820	3,244
Total	$ 10,011,836	$ 1,173,647

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NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30	Business-type Activities Obligations: Revenue Bonds from Direct Borrowings and Direct Placements	
	Principal	Interest
2021	$ 1,479,674	$ 1,355,835
2022	1,459,674	1,290,306
2023	1,524,674	1,223,279
2024	1,414,674	1,157,403
2025	1,479,674	1,091,932
2026	1,539,674	1,023,256
2027	1,664,677	950,540
2028	1,575,000	873,297
2029	1,660,000	792,375
2030	1,735,000	707,954
2031	1,825,000	619,453
2032	1,905,000	526,722
2033	1,375,000	447,672
2034	1,435,000	393,363
2035	1,485,000	346,834
2036	1,530,000	299,484
2037	1,585,000	251,534
2038	1,635,000	201,163
2039	1,680,000	147,072
2040	1,740,000	89,606
2041	1,795,000	30,181
Total	$ 33,522,721	$ 13,819,261

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NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Governmental Activities:

Direct Borrowings and Direct Placements:

General Obligation Bonds: (a)

$6,364,713 VPSA School Bonds (2007B) issued November 2007, maturing annually from $308,371 to $371,160 through July 2027, with interest payable semi-annually at 5.10%.	$	2,785,168
$19,915,000 VPSA School Bonds issued December 2008, maturing annually from $775,000 to $1,220,000 through July 2033, with interest payable semi-annually at rates varying from 4.10% to 5.35%.		12,370,000
$6,000,000 2011 VPSA Direct Payment Qualified School Construction Bonds issued June 2011, maturing annually at $428,571 through June 2027, with interest payable semi-annually at an average coupon rate of 7.60%.		3,000,007
$1,085,447 2012 A series VPSA Qualified School Construction Bonds issued October 2012, maturing annually at $49,339 through December 2034, with interest payable semi-annually at 3.84%.		740,077
$1,450,000 2012 B series VPSA School Bonds issued November 2012, maturing annually from $55,000 to $100,000 through July 2032, with interest due semi-annually at varying rates of 2.05% to 5.05%.		1,070,000
$20,120,000 2018 series VPSA School Bonds issued June 2018, maturing annually from $920,000 to $1,605,000 through June 2034, with interest due semi-annually at varying rates of 3.00% to 5.00%.		17,990,000
Total general obligation bonds	$	37,955,252

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

Direct Borrowings and Direct Placements:
Lease Revenue Bonds: (b)

$3,525,000 VRA lease revenue refunding bond, issued June 2019, maturing annually with variable amounts from $100,000 to $415,000 through October 2039, with interest payable semi-annually at varying rates from 3.125% to 5.125%.	$ 3,495,000
$795,000 VRA lease revenue bond, issued October 2012, maturing annually from $25,000 to $50,000 through October 2035, with interest payable semi-annually at 4.10%.	30,000
$8,487,000 EDA of Caroline County public facility lease revenue, issued April 2014, maturing annually from $346,000 to $543,000 through June 2034, with interest payable semi-annually at 2.70%.	6,426,000
$5,328,275 EDA of Caroline County lease revenue and refunding bond, issued December 2015, maturing annually from $321,909 to $405,999 through January 2031, with interest payable semi-annually at 2.67%.	3,775,464
$7,273,400 EDA of Caroline County lease revenue refunding bond, issued July 29, 2016, maturing annually from $404,981 to $573,901 through June 30, 2032, with interest semi-annually ay 2.49%.	6,027,567
$3,142,769 VRA lease revenue bond, issued, issued March 17, 2017, maturing annually from $168,481 to $247,677 through June 30, 2032, with interest semi-annually at 2.95%.	2,572,840
$555,000 VRA refunding bond, issued, issued May 8, 2019, maturing annually from $25,000 to $50,000 beginning October1, 2021 through October 1, 2035, with interest semi-annually beginning October 1, 2019 at all-in true interest cost of 2.973%.	555,000
$473,246 2009B VRA revenue bond debt, refunded, allocable from the Caroline County Utility Fund.	472,346
Total lease revenue bonds	$ 23,354,217

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Capital Leases:

$6,574,068 capital lease obligation (payable from the General Fund) issued July 2013, secured by equipment, annual maturity from $579,117 to $675,059 beginning January 2016 through January 2026, with interest payable semi-annually at 2.53%.	$ 3,808,559
$179,130 capital lease obligation issued March 8, 2017, secured by a vehicle, annual principal payments of $37,967 beginning March 20, 2017 through March 2021, with interest payable annually at 2.99%.	36,865
$779,000 capital lease obligation issued January 13, 2017, secured by public safety vehicles, annual principal payments of $85,384 beginning January 13, 2017 through January 13, 2026, with interest payable annually at 1.86%.	476,666
$57,000 capital lease obligation issued January 13, 2017, secured by a vehicle, annual principal payments of $8,634 beginning January 13, 2017 through January 13, 2023, with interest payable annually at 1.86%.	24,900
$308,500 capital lease obligation issued October 12, 2017, secured by vehicles, annual payments of $79,879 beginning October 2017 through October 2020, with interest payable annually at 2.39%.	78,014
$305,750 capital lease obligation issued October 12, 2017, secured by a vehicle, annual payments of $64,195 beginning October 2017 through October 2020, with interest payable annually at 2.49%.	123,748
$794,000 capital lease obligation issued October 12, 2017, secured by a vehicle, annual payments of $89,215 beginning October 2017 through October 2020, with interest payable annually at 2.69%.	562,384
$160,000 capital lease obligation issued May 8, 2018, secured by a vehicle, annual principal payments from $29,194 to $34,935 beginning May 2018 through May 2022, with interest payable annually at 4.59%.	65,337

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NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Capital Leases: (Continued)

$1,128,000 capital lease obligation issued September 1, 2018, secured by HVAC and other energy performance improvements, annual principal payments from $46,637 to $94,823 beginning December 30, 2019 through 2033, with interest payable semi-annually at 3.29%.	$	1,081,363
$1,843,000 capital lease obligation issued September 19, 2018, secured by vehicles and equipment, annual principal payments from $84,000 to $230,000 beginning August 2019 through 2033, with interest payable semi-annually at coupon rates between 2.97% and 3.27%.		1,634,000
$1,034,000 capital lease obligation issued October 17, 2019, secured by vehicles and equipment, annual principal payments from $42,000 to $199,000 beginning June 2021 through 2030, with interest payable annually at coupon rates between 1.919% and 2.182%.		1,034,000
$1,086,000 capital lease obligation issued March 3, 2020, secured by equipment, annual principal payments from $163,000 to $148,000 beginning August 2020 through 2026, with interest payable semi-annually at coupon rates of 1.835%		1,086,000
Total capital leases	$	10,011,836
Unamortized premiums	$	3,020,057
Net OPEB liabilities	$	2,711,273
Compensated absences	$	848,653
Landfill postclosure cost	$	3,292,190
Total Governmental Activities	$	81,193,478

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NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Business-type Activities:

Direct Borrowings and Direct Placements:

Revenue Bonds: (c)

$3,310,000 refunding Virginia Pooled Financing Program bond issued November 2010, maturing annually from $480,000 to $620,000 beginning in 2026 through 2032, with interest payable semi-annually at varying rates of 4.83% through 4.85%.	$	3,310,000
$3,366,314 revenue bond issued March 2006, maturing in equal annual installments of $169,674 through 2025. No interest is payable on the bond.		1,187,721
$2,695,000 2019B VRA revenue bond issued June 2019, maturing annually from $5,000 to $535,000 through October 2025 with interest payable semi-annually at coupon rate of 5.125%.		2,690,000
Less: Revenue bond debt allocable to general government		(472,346)
$8,525,000 2010A pooled revenue bond issued May 2010, maturing annually from $65,000 to $625,000 through October 2040 with interest payable semi-annually at varying rates of 3.76% to 5.20%.		195,000
$20,655,000 2010CB pooled revenue bond issued November 2010, maturing annually from $170,000 to $1,320,000 through October 2040, with interest payable semi-annually at varying rates of 4.5% to 6.14%.		630,000
$7,580,000 2017 pooled revenue bond issued November 15, 2017, maturing annually from $5,000 to $580,000 through October 2040, with interest payable semi-annually at varying rates of 3.125% to 5.125%.		7,570,000
$17,940,000 2019 pooled VRA revenue bond issued May 8, 2019, maturing annually beginning October 1, 2021 through 2040 from $575,000 to $1,215,000 through October 2040, with interest payable semi-annually at varying coupon rates from 2.862% to 5.125%.		17,940,000
Total lease revenue bonds	$	33,050,375
Unamortized premium	$	3,049,681
Compensated absences	$	97,332
Net OPEB liabilities	$	201,398
Total Business-type Activities	$	36,398,786

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Direct Borrowings and Direct Placements:

(a) In the event of default for any general obligation bond, the Commonwealth of Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of Virginia, 1950 as amended.

(b) Lease revenue bonds totaling $23,354,217 contain a provision that, in the event of default, the Lender may declare the entire unpaid principal and interest on the issue as due and payable. In addition, the lease revenue bonds issued through the EDA of Caroline County have prepayment penalties of 1% of outstanding principal if the bond is redeemed in advance of specific dates.

(c) Lease revenue bonds totaling $33,050,375 contain a provision that, in the event of default, the Lender may declare the entire unpaid principal and interest on the issue as due and payable.

Capital Leases

The County has entered into lease agreements for financing the acquisition of trucks, vehicles and radio equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

		Governmental Activities
Asset:		
Trucks and vehicles	$	4,084,756
Radio equipment		5,003,786
HVAC and other energy performance equipment		1,161,254
Less: Accumulated depreciation		(3,711,581)
	$	6,538,215

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NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

Year Ending June 30		Governmental Activities
2021	$	1,824,374
2022		1,706,139
2023		1,608,515
2024		1,439,446
2025		1,280,683
2026		1,279,288
2027		501,236
2028		247,845
2029		247,062
2030		247,174
2031		200,680
2032		200,591
2033		201,386
2034		201,064
Total minimum lease payments	$	11,185,483
Less: amount respresenting interest		(1,173,647)
Present value of minimum lease payments	$	10,011,836

Component Unit—School Board

The following is a summary of long-term obligations for the fiscal year ended June 30, 2020:

	Balance at July 1, 2019 (as restated)	Increases	Decreases	Balance at June 30, 2020	Amounts Due Within One Year
Compensated absences	$ 662,316	$ 122,032	$ 66,232	$ 718,116	$ 71,812
Net pension liability	30,483,000	10,478,071	7,456,896	33,504,175	-
Net OPEB liabilities	12,988,649	4,147,850	1,401,201	15,735,298	-
Capital leases	1,490,565	-	235,229	1,255,336	242,031
Total Component Unit School Board	$ 45,624,530	$ 14,747,953	$ 9,159,558	$ 51,212,925	$ 313,843

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—School Board (Continued)

Capital Leases

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

The assets acquired through capital leases are as follows:

		Governmental Activities
Asset:		
School buses	$	2,314,239
Less: Accumulated depreciation		(756,551)
	$	1,557,688

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

Year Ending June 30		Governmental Activities
2021	$	275,086
2022		208,532
2023		209,231
2024		157,801
2025		157,483
2026		158,150
2027		157,801
2028		42,985
2029		12,191
Total minimum lease payments	$	1,379,260
Less: amount respresenting interest		(123,924)
Present value of minimum lease payments	$	1,255,336

NOTE 8—CURRENT REFUNDING:

On August 13, 2019, the County issued a $3,525,000 Lease Revenue Refunding Series 2019B Bond through Virginia Resources Authority (VRA) to refund the Series 2009A VRA Bond. The net proceeds were used to pay off the remaining balance of the County's outstanding Series 2009A VRA Bond, as well as the costs of issuance associated with the Series 2019B bond. The current refunding will decrease its total debt service payments by $977,154 and resulted in an economic gain of $765,687.

On May 8, 2020, the County issued a $2,695,000 Lease Revenue Refunding Series 2019B Summer Pool Bond through Virginia Resources Authority to refund the Series 2009B VRA Bond. The net proceeds were used to pay off a portion of the remaining balance of the County's outstanding Series 2009B VRA Bond, as well as the costs of issuance associated with the Series 2019B Summer Pool Bond. The current refunding will decrease its total debt service payments by $288,167 and resulted in an economic gain of $276,374.

NOTE 9—LANDFILL POSTCLOSURE COSTS:

State and federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill operated by the County was certified by the Department of Environmental Quality was closed on December 8, 2003 and all obligations of the County with regard to the closure have been met. The $3,292,190 reported as landfill postclosure care liability at June 30, 2020 represents the remaining engineering estimate of 20 years of postclosure monitoring and care. These amounts are based on what it would cost to perform all postclosure care in 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulation. The County intends to fund these costs from general tax revenues and from any special revenue source that may become available for this purpose.

NOTE 10—DEFERRED/UNAVAILABLE REVENUE:

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

Unavailable Property Tax Revenue: Revenue representing uncollected tax billings not available for funding of current expenditures totaled $22,942,170, of which $5,608,120 represents delinquent property taxes receivable at June 30, 2020.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2020, but paid in advance by the taxpayers totaled $822,346 at June 30, 2020.

Unavailable revenue in the School Operating Fund consisted of:

Unavailable Insurance Refund Revenue: Unavailable revenue representing pending refunds requested by the School Board for self-insurance fund over-payments, realized when switching self-insurance plans, not available for funding of current expenditures totaled $27,264 at June 30, 2020.

NOTE 11—COMMITMENTS AND CONTINGENCIES:

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

NOTE 11—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

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:

At June 30, 2020, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 13—RISK MANAGEMENT:

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

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

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

Health Insurance

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

The County records an estimated liability for indemnity healthcare claims. Prior to fiscal year 2015, the liability was recorded in the respective fund; however, during fiscal year 2015, the County established a separate Self-Insurance Fund to account for this activity. The following represents the changes in the fund's claim liability for 2015 through 2020.

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2015	$ 137,587	$ 542,776	$ 532,388	$ 147,975
June 30, 2016	147,975	578,945	524,471	202,449
June 30, 2017	202,449	1,838,776	1,822,271	218,954
June 30, 2018	218,954	2,494,257	2,471,787	241,424
June 30, 2019	241,424	2,659,331	2,642,623	258,132
June 30, 2020	258,132	3,077,575	2,900,772	434,935

NOTE 14—PENSION PLANS:

Plan Description

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

Benefit Structures

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, as detailed below.

a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 14—PENSION PLANS: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board (nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	194	50
Inactive members:		
Vested inactive members	78	7
Non-vested inactive members	136	17
Inactive members active elsewhere in VRS	183	11
Total inactive members	397	35
Active members	246	48
Total covered employees	837	133

NOTE 14—PENSION PLANS: (CONTINUED)

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

The County's contractually required employer contribution rate for the year ended June 30, 2020 was 9.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 $1,158,551 and $1,393,678 for the years ended June 30, 2020 and June 30, 2019, respectively.

The Component Unit School Board's contractually employer required contribution rate for nonprofessional employees for the year ended June 30, 2020 was 3.76% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 $42,388 and $45,910 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

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, 2018, 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, 2019.

NOTE 14—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTE 14—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTE 14—PENSION PLANS: (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*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by

NOTE 14—PENSION PLANS: (CONTINUED)

Discount Rate (Continued)

the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue 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 (Asset)

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	$ 50,668,402	$ 53,129,838	$ (2,461,436)
Changes for the year:			
Service cost	$ 1,481,996	$ -	$ 1,481,996
Interest	3,474,793	-	3,474,793
Changes of assumptions	1,678,455	-	1,678,455
Difference between expected and actual experience	(181,649)	-	(181,649)
Contributions - employer	-	1,394,668	(1,394,668)
Contributions - employee	-	779,833	(779,833)
Net investment income	-	3,577,752	(3,577,752)
Benefit payments, including refunds of employee contributions	(2,056,998)	(2,056,998)	-
Administrative expense	-	(34,270)	34,270
Other changes	-	(2,266)	2,266
Net changes	$ 4,396,597	$ 3,658,719	$ 737,878
Balances at June 30, 2019	$ 55,064,999	$ 56,788,557	$ (1,723,558)

NOTE 14—PENSION PLANS: (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, 2018	$ 5,045,281	$ 5,355,554	$ (310,273)
Changes for the year:			
Service cost	$ 121,390	$ -	$ 121,390
Interest	342,048	-	342,048
Changes of assumptions	131,436	-	131,436
Difference between expected and actual experience	31,018	-	31,018
Contributions - employer	-	45,420	(45,420)
Contributions - employee	-	64,818	(64,818)
Net investment income	-	349,463	(349,463)
Benefit payments, including refunds of employee contributions	(317,776)	(317,776)	-
Administrative expense	-	(3,597)	3,597
Other changes	-	(219)	219
Net changes	$ 308,116	$ 138,109	$ 170,007
Balances at June 30, 2019	$ 5,353,397	$ 5,493,663	$ (140,266)

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	(5.75%)	(6.75%)	(7.75%)
County's Net Pension Liability (Asset)	$ 5,917,777	$ (1,723,558)	$ (7,773,964)
Component Unit School Board's (nonprofessional) Net Pension Liability (Asset)	$ 437,340	$ (140,266)	$ (603,970)

NOTE 14—PENSION PLANS: (CONTINUED)

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

For the year ended June 30, 2020, the County and Component Unit School Board (nonprofessional) recognized pension expense of ($192,909) and $87,079 respectively. At June 30, 2020, 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	$ -	$ 638,015	$ 19,444	$ 11,078
Changes of assumptions	998,919	14,702	82,393	3,221
Net difference between projected and actual earnings on pension plan investments	-	502,053	-	44,973
Employer contributions subsequent to the measurement date	1,158,551	-	42,388	-
Total	$ 2,157,470	$ 1,154,770	$ 144,225	$ 59,272

$1,158,551 and $42,388 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 ending June 30, 2021. 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)
2021	$ 27,148	$ 48,349
2022	(198,458)	(8,693)
2023	(13,376)	(696)
2024	28,835	3,605
2025	-	-
Thereafter	-	-

NOTE 14—PENSION PLANS: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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 related to the plan description is included 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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually required employer contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $3,264,607 and $3,259,196 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of $33,504,175 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 0.25458% as compared to 0.25921% at June 30, 2018.

NOTE 14—PENSION PLANS: (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, 2020, the school division recognized pension expense of $3,510,170. 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, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,145,414
Change of assumptions	3,317,699	-
Net difference between projected and actual earnings on pension plan investments	-	735,672
Changes in proportion and differences between employer contributions and proportionate share of contributions	237,202	537,981
Employer contributions subsequent to the measurement date	3,264,607	-
Total	$ 6,819,508	$ 3,419,067

$3,264,607 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 ending June 30, 2021. 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	
2021	$ (3,182)
2022	(711,568)
2023	195,616
2024	435,946
2025	219,022

NOTE 14—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTE 14—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	$	49,683,336
Plan Fiduciary Net Position		36,522,769
Employers' Net Pension Liability (Asset)	$	13,160,567
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		73.51%

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

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	(5.75%)	**(6.75%)**	**(7.75%)**
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$ 50,438,388	$ 33,504,175	$ 19,502,758

NOTE 14—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	$ 2,157,470	$ 1,154,770	$ (1,723,558)	$ (192,909)	$ -	$ -	$ -	$ -
School Board Nonprofessional	-	-	-	-	144,225	59,272	(140,266)	87,079
School Board Professional	-	-	-	-	6,819,508	3,419,067	33,504,175	3,510,170
Totals	$ 2,157,470	$ 1,154,770	$ (1,723,558)	$ (192,909)	$ 6,963,733	$ 3,478,339	$ 33,363,909	$ 3,597,249

NOTE 15—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

NOTE 15—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living calculation. The minimum benefit adjusted for the COLA was $8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the County were $68,267 and $82,033 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board professional group were $112,551 and $111,966, for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions to the Group Life Insurance Plan from the Component Unit School Board nonprofessional group were $6,773 and $7,190 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2020, the County reported a liability of $1,309,461 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of $1,787,389 and $114,722, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the County's proportion was 0.08047% as compared to 0.06429% at June 30, 2018. At June 30, 2019, the Component Unit School Board professional and nonprofessional groups' proportion was 0.10984% and 0.00705%, respectively as compared to 0.11123% and 0.00727% respectively at June 30, 2018.

NOTE 15—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

For the year ended June 30, 2020, the County recognized GLI OPEB expense of $91,885. For the year ended June 30, 2020, the Component Unit School Board professional group recognized GLI OPEB expense of $42,338. For the year ended June 30, 2020, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of $1,742. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 87,087	$ 16,986	$ 118,872	$ 23,183	$ 7,630	$ 1,489
Net difference between projected and actual earnings on GLI OPEB plan investments	-	26,897	-	36,714	-	2,356
Change of assumptions	82,672	39,486	112,845	53,898	7,243	3,459
Changes in proportionate share	304,790	-	21,708	26,685	3,876	9,448
Employer contributions subsequent to the measurement date	68,267	-	112,551	-	6,773	-
Total	$ 542,816	$ 83,369	$ 365,976	$ 140,480	$ 25,522	$ 16,752

$68,267, $112,551 and $6,773, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
2021	$ 66,258	$ 7,357	$ (503)
2022	66,259	7,359	(503)
2023	77,651	22,909	495
2024	86,068	33,640	786
2025	74,082	32,593	1,245
Thereafter	20,862	9,087	477

NOTE 15—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

NOTE 15—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTE 15—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTE 15—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	$	3,390,238
Plan Fiduciary Net Position		1,762,972
GLI Net OPEB Liability (Asset)	$	1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

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NOTE 15—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTE 15—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

		Rate	
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
County's proportionate share of the GLI PLan Net OPEB Liability	$ 1,720,269	$ 1,309,461	$ 976,307
Component School Board (professional)'s proportionate share of the GLI Plan Net OPEB Liability	$ 2,348,134	$ 1,787,389	$ 1,332,640
Component School Board (nonprofessional)'s proportionate share of the GLI Plan Net OPEB Liability	$ 150,713	$ 114,722	$ 85,534

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):

Plan Description (Continued)

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: $4.00 per month, multiplied by twice the amount of service credit, or $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 from the school division to the VRS Teacher Employee HIC Plan were $259,437 and $257,761 for the years ended June 30, 2020 and June 30, 2019, respectively.

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2020, the school division reported a liability of $3,352,467 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB for the year ended June 30, 2019

NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC OPEB: (Continued)

relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.25609% as compared to 0.26116% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC OPEB expense of $273,711. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 18,989
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	212	-
Change of assumptions	78,027	23,295
Changes in proportionate share	34,527	61,690
Employer contributions subsequent to the measurement date	259,437	-
Total	$ 372,203	$ 103,974

$259,437 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2021	$ 975
2022	972
2023	2,441
2024	1,949
2025	609
Thereafter	1,846

NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates – Teachers

Pre-Retirement:
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

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NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee net HIC OPEB Liability (Asset)	$	1,309,098
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.97%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS 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 VRS 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*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

NOTE 16—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	$ 3,751,981	$ 3,352,467	$ 3,013,081

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 17—MEDICAL AND DENTAL INSURANCE – PAY-AS-YOU-GO (OPEB PLAN):

County and School Board

Plan Description

In addition to the pension benefits described in Note 14, the County administers a single-employer defined benefit healthcare plan, The County of Caroline Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

In addition to the pension benefits described in Note 14, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The Caroline County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

NOTE 17—MEDICAL AND DENTAL INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Benefits Provided

Postemployment benefits that are provided to eligible County retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Postemployment benefits that are provided to eligible School Board retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Plan Membership

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	240	650
Total retirees and spouses with coverage	7	39
Total	247	689

Contributions

The County nor the School Board pre-funds benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or School Board. The amount paid by the County and the School Board for OPEB as the benefits came due during the year ended June 30, 2020 was $28,353 and $601,048.

Total OPEB Liability

The County and School Board’s total OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

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NOTE 17—MEDICAL AND DENTAL INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2020
Discount Rate	2.21% per year as of June 30, 2020
Actuarial cost method	Entry Age Normal
Medical Trend Rate - County	2.00% for fiscal 2020, 4.80% for fiscal 2021, 5.20% for fiscal 2022, then grading to an ultimate rate of 4.00% for fiscal 2074.
Medical Trend Rate - School Board	10.80% for fiscal 2020, 4.80% for fiscal 2021, 5.20% for fiscal 2022, then grading to an ultimate rate of 4.00% for fiscal 2074.
Salary Increases	Graded Scale

In setting the assumed rates of retirement, mortality, withdrawal, and disability, actuaries relied on the most recent experience study performed for VRS. This study examined actual VRS experience over the four-year period ending June 30, 2016. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 26, 2017.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer 20-Year General Obligation 20-Bond Municipal Index.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2019	$ 1,234,070	$ 7,874,649
Changes for the year:		
Service cost	50,939	564,228
Interest	44,483	284,933
Difference between expected and actual experience	(80,769)	1,176,838
Changes of assumptions	382,840	1,181,120
Benefit payments	(28,353)	(601,048)
Net changes	$ 369,140	$ 2,606,071
Balances at June 30, 2020	$ 1,603,210	$ 10,480,720

NOTE 17—MEDICAL AND DENTAL INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	Rate		
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Primary Government:			
Total OPEB liability	$ 1,796,298	$ 1,603,210	$ 1,434,555
Component Unit School Board:			
Total OPEB liability	$ 11,255,343	$ 10,480,720	$ 9,737,103

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Rates		
	1% Decrease	Current Trend Rate	1% Increase
Primary Government:			
Total OPEB liability	$ 1,379,195	$ 1,603,210	$ 1,876,892

	Rates		
	1% Decrease	Current Trend Rate	1% Increase
Component Unit School Board:			
Total OPEB liability	$ 9,154,199	$ 10,480,720	$ 12,069,216

NOTE 17—MEDICAL AND DENTAL INSURANCE – PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2020, the County and the School Board recognized OPEB expense in the amount of $148,562 and $1,151,987. At June 30, 2020, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit School Board	
	Deferred Outflows of Resouces	Deferred Inflows of Resources	Deferred Outflows of Resouces	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 67,528	$ 1,029,733	$ -
Changes in assumptions	342,534	17,026	1,163,925	102,658
Total	$ 342,534	$ 84,554	$ 2,193,658	$ 102,658

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board
2021	$ 53,140	$ 302,826
2022	51,329	302,826
2023	49,520	306,370
2024	49,520	294,745
2025	49,520	294,745
Thereafter	4,951	589,488

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

NOTE 18—LINE OF DUTY ACT (LODA) (OPEB BENEFITS):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

NOTE 18—LINE OF DUTY ACT (LODA) (OPEB BENEFITS): (CONTINUED)

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2020 was $67,462.

NOTE 19—SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT PLANS:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 15):								
County	$ 542,816	$ 83,369	$ 1,309,461	$ 91,885	$ -	$ -	$ -	$ -
School Board Nonprofessional	-	-	-	-	25,522	16,752	114,722	1,742
School Board Professional	-	-	-	-	365,976	140,480	1,787,389	42,338
Teacher Health Insurance Credit Program (Note 16)	-	-	-	-	372,203	103,974	3,352,467	273,711
Line of Duty Act Program (Note 18)	-	-	-	67,462	-	-	-	-
County Stand-Alone Plan (Note 17)	342,534	84,554	1,603,210	148,562	-	-	-	-
School Stand-Alone Plan (Note 17)	-	-	-	-	2,193,658	102,658	10,480,720	1,151,987
Totals	$ 885,350	$ 167,923	$ 2,912,671	$ 307,909	$ 2,957,359	$ 363,864	$ 15,735,298	$ 1,469,778

NOTE 20—RESTATEMENT OF NET POSITION AND FUND BALANCE:

The following adjustments were made to beginning net position and fund balance:

	Net Position		Fund Balance
	Governmental Activities	Component-Unit School Board	School Operating Fund
Balance, June 30, 2019, as previously stated	$ 26,609,582	$ (33,975,820)	$ 557,728
Adjustment to reclassify prior year debt	102,000	(102,000)	-
Adjustment to recognize certain revenues in prior period	-	478,379	478,379
Balance, July 1, 2019, as restated	$ 26,711,582	$ (33,599,441)	$ 1,036,107

NOTE 21—UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

NOTE 21—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No, 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

NOTE 21—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32,* (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

NOTE 22—SUBSEQUENT EVENTS:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. County of Caroline, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was $339.8 billion designated for programs for state and local government, which included $150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately $3.1 billion from the CRF, of which $1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. County of Caroline, Virginia, received the second round of CRF funds in the amount of $2,680,638 on August 31, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

REQUIRED SUPPLEMENTARY INFORMATION

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General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	$ 36,048,624	$ 36,048,624	$ 37,544,110	$ 1,495,486
Other local taxes	4,876,737	4,876,737	5,351,686	474,949
Permits, privilege fees, and regulatory licenses	452,579	452,579	507,986	55,407
Fines and forfeitures	612,421	612,421	318,804	(293,617)
Revenue from the use of money and property	463,233	463,233	322,595	(140,638)
Charges for services	1,310,196	1,310,196	1,257,520	(52,676)
Miscellaneous	253,838	253,838	457,453	203,615
Recovered costs	536,261	536,261	566,474	30,213
Intergovernmental:				
Commonwealth	5,803,064	5,838,284	5,622,178	(216,106)
Federal	73,031	73,031	180,216	107,185
Total revenues	$ 50,429,984	$ 50,465,204	$ 52,129,022	$ 1,663,818
EXPENDITURES				
Current:				
General government administration	$ 3,954,545	$ 3,995,127	$ 3,912,901	$ 82,226
Judicial administration	1,437,405	1,470,047	1,415,987	54,060
Public safety	15,158,732	15,439,452	14,712,193	727,259
Public works	3,972,786	4,225,444	4,002,202	223,242
Health and welfare	558,274	591,424	549,616	41,808
Education	15,979,687	15,706,004	15,578,605	127,399
Parks, recreation, and cultural	1,026,160	1,026,820	951,445	75,375
Community development	1,724,304	1,726,392	1,554,923	171,469
Total expenditures	$ 43,811,893	$ 44,180,710	$ 42,677,872	$ 1,502,838
Excess (deficiency) of revenues over (under) expenditures	$ 6,618,091	$ 6,284,494	$ 9,451,150	$ 3,166,656
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (9,072,602)	$ (10,007,732)	$ (11,173,504)	$ (1,165,772)
Total other financing sources (uses)	$ (9,072,602)	$ (10,007,732)	$ (11,173,504)	$ (1,165,772)
Net change in fund balances	$ (2,454,511)	$ (3,723,238)	$ (1,722,354)	$ 2,000,884
Fund balances - beginning	2,454,511	3,723,238	24,722,603	20,999,365
Fund balances - ending	$ -	$ -	$ 23,000,249	$ 23,000,249

COUNTY OF CAROLINE, VIRGINIA **Exhibit 12**

Virginia Public Assistance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Miscellaneous	$ -	$ -	$ 5,069	$ 5,069
Intergovernmental:				
Commonwealth	1,456,588	1,456,588	764,322	(692,266)
Federal	933,728	933,728	1,654,665	720,937
Total revenues	$ 2,390,316	$ 2,390,316	$ 2,424,056	$ 33,740
EXPENDITURES				
Current:				
Health and welfare	$ 3,161,196	$ 3,181,886	$ 2,956,218	$ 225,668
Total expenditures	$ 3,161,196	$ 3,181,886	$ 2,956,218	$ 225,668
Excess (deficiency) of revenues over (under) expenditures	$ (770,880)	$ (791,570)	$ (532,162)	$ 259,408
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 770,880	$ 791,570	$ 524,720	$ (266,850)
Total other financing sources (uses)	$ 770,880	$ 791,570	$ 524,720	$ (266,850)
Net change in fund balances	$ -	$ -	$ (7,442)	$ (7,442)
Fund balances - beginning	-	-	111,815	111,815
Fund balances - ending	$ -	$ -	$ 104,373	$ 104,373

Proffers Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 750	$ 750	$ 1,568	$ 818
Miscellaneous	55,000	55,000	125,934	70,934
Total revenues	$ 55,750	$ 55,750	$ 127,502	$ 71,752
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (55,750)	$ (55,750)	$ -	$ 55,750
Total other financing sources (uses)	$ (55,750)	$ (55,750)	$ -	$ 55,750
Net change in fund balances	$ -	$ -	$ 127,502	$ 127,502
Fund balances - beginning	-	-	630,086	630,086
Fund balances - ending	$ -	$ -	$ 757,588	$ 757,588

COUNTY OF CAROLINE, VIRGINIA

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Total pension liability		
Service cost	$ 1,481,996	$ 1,538,835
Interest	3,474,793	3,443,422
Changes in benefit terms	-	-
Changes of assumptions	1,678,455	-
Difference between expected and actual experience	(181,649)	(2,476,536)
Benefit payments	(2,056,998)	(2,058,127)
Net change in total pension liability	$ 4,396,597	$ 447,594
Total pension liability - beginning	50,668,402	50,220,808
Total pension liability - ending (a)	$ 55,064,999	$ 50,668,402
Plan fiduciary net position		
Contributions - employer	$ 1,394,668	$ 1,070,190
Contributions - employee	779,833	606,816
Net investment income	3,577,752	3,686,625
Benefit payments	(2,056,998)	(2,058,127)
Administrator charges	(34,270)	(31,508)
Other	(2,266)	(3,297)
Net change in plan fiduciary net position	$ 3,658,719	$ 3,270,699
Plan fiduciary net position - beginning, as restated	53,129,838	49,859,139
Plan fiduciary net position - ending (b)	$ 56,788,557	$ 53,129,838
County's net pension liability - ending (a) - (b)	$ (1,723,558)	$ (2,461,436)
Plan fiduciary net position as a percentage of the total pension liability	103.13%	104.86%
Covered payroll	$ 15,636,529	$ 12,223,133
County's net pension liability as a percentage of covered payroll	-11.02%	-20.14%

The beginning net position at July 1, 2017 was restated to include the activity of the Peumansend Creek Regional Jail after its closure. For GASB 68 reporting, the VRS Actuary consolidated the beginning balances, deferred inflows and deferred outflows at July 1, 2017.

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.

Exhibit 14

2017	2016	2015	2014
$ 1,322,358	$ 1,315,617	$ 1,268,316	$ 1,235,508
2,388,469	2,280,789	2,133,282	1,988,555
-	-	-	-
(233,781)	-	-	-
(402,886)	(710,814)	(105,098)	-
(1,377,034)	(1,317,577)	(1,060,932)	(1,252,134)
$ 1,697,126	$ 1,568,015	$ 2,235,568	$ 1,971,929
34,809,501	33,241,486	31,005,918	29,033,989
$ 36,506,627	$ 34,809,501	$ 33,241,486	$ 31,005,918
$ 935,246	$ 1,054,497	$ 1,035,823	$ 1,130,296
534,202	513,189	490,688	529,552
3,886,201	549,598	1,352,878	3,930,748
(1,377,034)	(1,317,577)	(1,060,932)	(1,252,134)
(21,938)	(18,864)	(17,793)	(20,616)
(3,475)	(231)	(289)	207
$ 3,953,202	$ 780,612	$ 1,800,375	$ 4,318,053
31,609,917	30,829,305	29,028,930	24,710,877
$ 35,563,119	$ 31,609,917	$ 30,829,305	$ 29,028,930
$ 943,508	$ 3,199,584	$ 2,412,181	$ 1,976,988
97.42%	90.81%	92.74%	93.62%
$ 10,622,138	$ 10,121,380	$ 9,873,655	$ 9,776,909
8.88%	31.61%	24.43%	20.22%

COUNTY OF CAROLINE, VIRGINIA

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Total pension liability		
Service cost	$ 121,390	$ 123,863
Interest	342,048	334,384
Changes in benefit terms	-	-
Changes of assumptions	131,436	-
Difference between expected and actual experience	31,018	(22,287)
Benefit payments	(317,776)	(335,183)
Net change in total pension liability	$ 308,116	$ 100,777
Total pension liability - beginning	5,045,281	4,944,504
Total pension liability - ending (a)	$ 5,353,397	$ 5,045,281
Plan fiduciary net position		
Contributions - employer	$ 45,420	$ 67,242
Contributions - employee	64,818	66,330
Net investment income	349,463	377,177
Benefit payments	(317,776)	(335,183)
Administrator charges	(3,597)	(3,358)
Other	(219)	(332)
Net change in plan fiduciary net position	$ 138,109	$ 171,876
Plan fiduciary net position - beginning	5,355,554	5,183,678
Plan fiduciary net position - ending (b)	$ 5,493,663	$ 5,355,554
School Division's net pension liability (asset) - ending (a) - (b)	$ (140,266)	$ (310,273)
Plan fiduciary net position as a percentage of the total pension liability	102.62%	106.15%
Covered payroll	$ 1,361,896	$ 1,383,281
School Division's net pension liability (asset) as a percentage of covered payroll	-10.30%	-22.43%

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.

Exhibit 15

2017	2016	2015	2014
$ 133,441	$ 153,443	$ 149,404	$ 150,905
330,501	320,673	324,711	314,768
-	-	-	-
(43,484)	-	-	-
(47,939)	18,143	(153,442)	-
(298,923)	(404,793)	(351,906)	(295,363)
$ 73,596	$ 87,466	$ (31,233)	$ 170,310
4,870,908	4,783,442	4,814,675	4,644,365
$ 4,944,504	$ 4,870,908	$ 4,783,442	$ 4,814,675
$ 71,009	$ 60,039	$ 98,179	$ 128,159
69,626	46,198	68,865	66,968
573,732	80,716	221,665	682,678
(298,923)	(404,793)	(351,906)	(295,363)
(3,400)	(3,193)	(3,169)	(3,726)
(507)	(35)	(45)	36
$ 411,537	$ (221,068)	$ 33,589	$ 578,752
4,772,141	4,993,209	4,959,620	4,380,868
$ 5,183,678	$ 4,772,141	$ 4,993,209	$ 4,959,620
$ (239,174)	$ 98,767	$ (209,767)	$ (144,945)
104.84%	97.97%	104.39%	103.01%
$ 1,440,998	$ 1,332,950	$ 1,393,169	$ 1,342,563
-16.60%	7.41%	-15.06%	-10.80%

COUNTY OF CAROLINE, VIRGINIA

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Employer's Proportion of the Net Pension Liability (Asset)	0.25458%	0.25921%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 33,504,175	$ 30,483,000
Employer's Covered Payroll	21,632,911	21,373,776
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	154.88%	142.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	74.81%

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.

Exhibit 16

	2017		2016		2015		2014
	0.25981%		0.25725%		0.25632%		0.25288%
$	31,951,000	$	36,052,000	$	32,261,000	$	30,560,000
	20,703,961		19,594,595		14,871,331		20,468,405
	154.32%		183.99%		216.93%		149.30%
	72.92%		68.28%		70.68%		70.88%

Schedule of Employer Contributions
Pension Plans
For the Years Ended June 30, 2011 through June 30, 2020

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)
Primary Government					
2020	$ 1,158,551	$ 1,158,551	$ -	$ 13,128,214	8.82%
2019	1,393,678	1,393,678	-	15,636,529	8.91%
2018	1,071,076	1,071,076	-	12,223,133	8.76%
2017	958,117	958,117	-	10,622,138	9.02%
2016	1,066,793	1,066,793	-	10,121,380	10.54%
2015	1,040,683	1,040,683	-	9,873,655	10.54%
2014	1,130,211	1,130,211	-	9,776,909	11.56%
2013	1,075,027	1,075,027	-	9,299,541	11.56%
2012	746,934	746,934	-	8,839,458	8.45%
2011	728,402	728,402	-	8,620,146	8.45%
Component Unit School Board (nonprofessional)					
2020	$ 42,388	$ 42,388	$ -	$ 1,298,925	3.26%
2019	45,910	45,910	-	1,361,896	3.37%
2018	67,671	67,671	-	1,383,281	4.89%
2017	75,652	75,652	-	1,440,998	5.25%
2016	94,140	94,140	-	1,332,950	7.06%
2015	98,497	98,497	-	1,393,169	7.07%
2014	128,349	128,349	-	1,342,563	9.56%
2013	127,812	127,812	-	1,336,951	9.56%
2012	77,773	77,773	-	1,248,360	6.23%
2011	76,933	76,933	-	1,234,877	6.23%
Component Unit School Board (professional)					
2020	$ 3,264,607	$ 3,264,607	$ -	$ 21,619,772	15.10%
2019	3,259,196	3,259,196	-	21,632,911	15.07%
2018	3,353,929	3,353,929	-	21,373,776	15.69%
2017	3,027,810	3,027,810	-	20,703,961	14.62%
2016	2,755,000	2,755,000	-	19,594,595	14.06%
2015	2,156,343	2,156,343	-	14,871,331	14.50%
2014	2,386,616	2,386,616	-	20,468,405	11.66%
2013	1,776,015	1,776,015	-	15,231,690	11.66%
2012	1,812,374	1,812,374	-	15,543,516	11.66%
2011	1,584,258	1,584,258	-	17,982,497	8.81%

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

Notes to Required Supplementary Information
Penion Plans
For the Year Ended June 30, 2020

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non-10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of County's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2019	0.08047%	$ 1,309,461	$ 15,775,548	8.30%	52.00%
2018	0.06429%	977,000	12,225,710	7.99%	51.22%
2017	0.05762%	867,000	10,627,798	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2019	0.00705%	$ 114,722	$ 1,382,646	8.30%	52.00%
2018	0.00727%	110,000	1,383,281	7.95%	51.22%
2017	0.00781%	118,000	1,440,998	8.19%	48.86%
Component Unit School Board (professional):					
2019	0.10984%	$ 1,787,389	$ 21,531,862	8.30%	52.00%
2018	0.11123%	1,689,000	21,151,187	7.99%	51.22%
2017	0.11197%	1,685,000	20,653,533	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2011 through June 30, 2020

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)
Primary Government:					
2020	$ 68,267	$ 68,267	$ -	$ 13,128,214	0.52%
2019	82,033	82,033	-	15,775,548	0.52%
2018	63,574	63,574	-	12,225,710	0.52%
2017	55,265	55,265	-	10,627,798	0.52%
2016	48,599	48,599	-	10,124,824	0.48%
2015	47,429	47,429	-	9,881,046	0.48%
2014	46,958	46,958	-	9,782,957	0.48%
2013	44,753	44,753	-	9,323,518	0.48%
2012	24,795	24,795	-	8,855,425	0.28%
2011	24,152	24,152	-	8,625,567	0.28%
Component Unit School Board (nonprofessional):					
2020	$ 6,773	$ 6,773	$ -	$ 1,302,541	0.52%
2019	7,190	7,190	-	1,382,646	0.52%
2018	7,193	7,193	-	1,383,281	0.52%
2017	7,493	7,493	-	1,440,998	0.52%
2016	6,398	6,398	-	1,332,950	0.48%
2015	6,687	6,687	-	1,393,169	0.48%
2014	6,444	6,444	-	1,342,563	0.48%
2013	6,450	6,450	-	1,343,763	0.48%
2012	3,530	3,530	-	1,260,877	0.28%
2011	3,458	3,458	-	1,234,877	0.28%
Component Unit School Board (professional):					
2020	$ 112,551	$ 112,551	$ -	$ 21,644,486	0.52%
2019	111,966	111,966	-	21,531,862	0.52%
2018	109,986	109,986	-	21,151,187	0.52%
2017	107,398	107,398	-	20,653,533	0.52%
2016	94,520	94,520	-	19,691,658	0.48%
2015	91,753	91,753	-	19,115,185	0.48%
2014	89,081	89,081	-	18,558,634	0.48%
2013	89,650	89,650	-	18,677,168	0.48%
2012	49,658	49,658	-	17,734,888	0.28%
2011	49,679	49,679	-	17,742,352	0.28%

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of County School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through 2019

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2019	0.25609%	$ 3,352,467	$ 21,480,123	15.61%	8.97%
2018	0.26116%	3,315,000	21,121,292	15.70%	8.08%
2017	0.26170%	3,320,000	20,653,533	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2011 through June 30, 2020

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)
2020	$ 259,437	$ 259,437	$ -	$ 21,619,772	1.20%
2019	257,761	257,761	-	21,480,123	1.20%
2018	259,792	259,792	-	21,121,292	1.23%
2017	229,254	229,254	-	20,653,533	1.11%
2016	207,922	207,922	-	19,615,237	1.06%
2015	202,005	202,005	-	19,057,060	1.06%
2014	205,278	205,278	-	18,493,509	1.11%
2013	206,880	206,880	-	18,637,878	1.11%
2012	106,318	106,318	-	17,719,619	0.60%
2011	106,254	106,254	-	17,709,081	0.60%

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2020

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2018 through June 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	$ 50,939	$ 43,544	$ 45,603
Interest	44,483	44,470	39,799
Changes of assumptions	382,840	52,395	(51,076)
Differences between expected and actual experience	(80,769)	-	-
Benefit payments	(28,353)	(23,580)	(17,029)
Net change in total OPEB liability	$ 369,140	$ 116,829	$ 17,297
Total OPEB liability - beginning	1,234,070	1,117,241	1,099,944
Total OPEB liability - ending	$ 1,603,210	$ 1,234,070	$ 1,117,241
Covered payroll	$ 12,322,278	$ 10,892,500	$ 10,892,500
County's total OPEB liability (asset) as a percentage of covered payroll	13.01%	11.33%	10.26%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Component Unit School Board
For the Measurement Dates of June 30, 2018 through June 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	$ 564,228	$ 510,600	$ 520,808
Interest	284,933	294,790	263,614
Changes of assumptions	1,181,120	217,407	(208,858)
Differences between expected and actual experience	1,176,838	-	-
Benefit payments	(601,048)	(504,902)	(455,710)
Net change in total OPEB liability	$ 2,606,071	$ 517,895	$ 119,854
Total OPEB liability - beginning	7,874,649	7,356,754	7,236,900
Total OPEB liability - ending	$ 10,480,720	$ 7,874,649	$ 7,356,754
Covered payroll	$ 24,743,166	$ 24,975,600	$ 24,975,600
School Board's total OPEB liability (asset) as a percentage of covered payroll	42.36%	31.53%	29.46%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - Primary Government OPEB
For the Year Ended June 30, 2020

Valuation Date: 7/1/2019
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Discount Rate	2.21% based on the Bond Buyer 20-Year Bond GO Municipal Index
Inflation	2.50% per year as of June 30, 2020
Healthcare Trend Rate	The healthcare trend rate assumption starts at 2.00% for fiscal 2020, 4.80% for fiscal 2021, 5.20% for fiscal 2022, then grading to an ultimate rate of 4.00% for fiscal 2074.

Notes to Required Supplementary Information - Component Unit School Board OPEB
For the Year Ended June 30, 2020

Valuation Date: 7/1/2019
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Discount Rate	2.21% based on the Bond Buyer 20-Year Bond GO Municipal Index
Inflation	2.50% per year as of June 30, 2020
Healthcare Trend Rate	The healthcare trend rate assumption starts at 10.80% for fiscal 2020, 4.80% for fiscal 2021, 5.20% for fiscal 2022, then grading to an ultimate rate of 4.00% for fiscal 2074.

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OTHER SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND SCHEDULES

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Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Other local taxes	$ 1,893,916	$ 1,893,916	$ 1,739,506	$ (154,410)
Revenue from the use of money and property	76,675	76,675	111,869	35,194
Intergovernmental:				
Commonwealth	315,567	315,567	282,381	(33,186)
Federal	410,426	410,426	324,466	(85,960)
Total revenues	$ 2,696,584	$ 2,696,584	$ 2,458,222	$ (238,362)
EXPENDITURES				
Debt service:				
Principal retirement	$ 5,568,331	$ 5,568,331	$ 9,520,249	$ (3,951,918)
Interest and other fiscal charges	3,151,445	3,151,445	3,184,101	(32,656)
Total expenditures	$ 8,719,776	$ 8,719,776	$ 12,704,350	$ (3,984,574)
Excess (deficiency) of revenues over (under) expenditures	$ (6,023,192)	$ (6,023,192)	$ (10,246,128)	$ (4,222,936)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 6,023,192	$ 6,023,192	$ 6,117,315	$ 94,123
Issuance of refunding bond	-	-	3,525,000	3,525,000
Bond issuance premium	-	-	600,259	600,259
Total other financing sources (uses)	$ 6,023,192	$ 6,023,192	$ 10,242,574	$ 4,219,382
Net change in fund balances	$ -	$ -	$ (3,554)	$ (3,554)
Fund balances - beginning	-	-	157,314	157,314
Fund balances - ending	$ -	$ -	$ 153,760	$ 153,760

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County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ 39,359	$ 39,359
Miscellaneous	-	-	9,742	9,742
Recovered costs	-	-	32,380	32,380
Total revenues	$ -	$ -	$ 81,481	$ 81,481
EXPENDITURES				
Capital outlay	$ 4,027,929	$ 4,646,048	$ 3,197,942	$ 1,448,106
Total expenditures	$ 4,027,929	$ 4,646,048	$ 3,197,942	$ 1,448,106
Excess (deficiency) of revenues over (under) expenditures	$ (4,027,929)	$ (4,646,048)	$ (3,116,461)	$ 1,529,587
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 590,000	$ 672,440	$ 2,224,873	$ 1,552,433
Transfers out	-	-	(41,420)	(41,420)
Issuance of bonds	1,500,000	1,500,000	-	(1,500,000)
Issuance of capital lease	1,937,929	2,364,069	2,120,000	(244,069)
Total other financing sources (uses)	$ 4,027,929	$ 4,536,509	$ 4,303,453	$ (233,056)
Net change in fund balances	$ -	$ (109,539)	$ 1,186,992	$ 1,296,531
Fund balances - beginning	-	109,539	942,825	833,286
Fund balances - ending	$ -	$ -	$ 2,129,817	$ 2,129,817

COUNTY OF CAROLINE, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			
	Children's Services	Law Library	Courthouse Maintenance	Tourism
ASSETS				
Cash and cash equivalents	$ 18,364	$ 2,983	$ 47,358	$ 99,948
Receivables, net	-	386	896	11,082
Due from other governmental units	135,839	-	-	-
Total assets	$ 154,203	$ 3,369	$ 48,254	$ 111,030
LIABILITIES				
Accounts payable	$ 91,466	$ -	$ -	$ 1,053
Accrued payroll	-	-	-	2,804
Other accrued liabilities	-	-	-	215
Unearned revenue	-	-	-	-
Total liabilities	$ 91,466	$ -	$ -	$ 4,072
FUND BALANCES				
Restricted	$ 62,737	$ 3,369	$ 48,254	$ 106,958
Committed	-	-	-	-
Total fund balances	$ 62,737	$ 3,369	$ 48,254	$ 106,958
Total liabilities and fund balances	$ 154,203	$ 3,369	$ 48,254	$ 111,030

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

Special Revenue Funds						
Confiscated Asset	Fire/Rescue Grant	Housing	Sheriff	Detention Facility	CARES Act	Total Nonmajor Governmental Funds
$ 122,928	$ 221,832	$ 21,262	$ 256,850	$ 197,063	$ 2,450,937	$ 3,439,525
-	-	-	1,197	47,040	-	60,601
-	-	-	-	-	-	135,839
$ 122,928	$ 221,832	$ 21,262	$ 258,047	$ 244,103	$ 2,450,937	$ 3,635,965
$ 2,279	$ 71,399	$ 1,277	$ 82,477	$ -	$ -	$ 249,951
-	-	-	-	-	-	2,804
-	-	-	-	-	-	215
-	-	-	-	-	2,450,937	2,450,937
$ 2,279	$ 71,399	$ 1,277	$ 82,477	$ -	$ 2,450,937	$ 2,703,907
$ 120,649	$ 150,433	$ 19,985	$ 175,570	$ -	$ -	$ 687,955
-	-	-	-	244,103	-	244,103
$ 120,649	$ 150,433	$ 19,985	$ 175,570	$ 244,103	$ -	$ 932,058
$ 122,928	$ 221,832	$ 21,262	$ 258,047	$ 244,103	$ 2,450,937	$ 3,635,965

COUNTY OF CAROLINE, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Children's Services	Law Library	Courthouse Maintenance	Tourism
REVENUES				
Other local taxes	$ -	$ -	$ -	$ 140,435
Revenue from the use of money and property	-	-	-	-
Charges for services	-	5,520	17,490	-
Miscellaneous	10,402	-	-	5,210
Intergovernmental:				
Commonwealth	848,662	-	-	-
Federal	21,684	-	-	-
Total revenues	$ 880,748	$ 5,520	$ 17,490	$ 145,645
EXPENDITURES				
Current:				
General government administration	$ -	$ -	$ -	$ -
Judicial administration	-	4,746	2,599	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	1,403,316	-	-	-
Education	-	-	-	-
Community development	-	-	-	162,636
Total expenditures	$ 1,403,316	$ 4,746	$ 2,599	$ 162,636
Excess (deficiency) of revenues over (under) expenditures	$ (522,568)	$ 774	$ 14,891	$ (16,991)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 455,225	$ -	$ -	$ 16
Transfers out	-	-	-	-
Total other financing sources (uses)	$ 455,225	$ -	$ -	$ 16
Net change in fund balances	$ (67,343)	$ 774	$ 14,891	$ (16,975)
Fund balances - beginning	130,080	2,595	33,363	123,933
Fund balances - ending	$ 62,737	$ 3,369	$ 48,254	$ 106,958

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

Exhibit 32

Confiscated Asset	Fire/ Rescue Grant	Housing	Sheriff	Dentention Facility	CARES Act	Total Nonmajor Governmental Funds
Special Revenue Funds						
$ -	$ -	$ -	$ -	$ -	$ -	$ 140,435
-	-	11,173	-	2,066	-	13,239
-	-	-	24,980	710,535	-	758,525
-	-	-	-	-	-	15,612
6,487	224,874	-	-	-	-	1,080,023
10,989	904,586	-	-	-	229,701	1,166,960
$ 17,476	$ 1,129,460	$ 11,173	$ 24,980	$ 712,601	$ 229,701	$ 3,174,794
$ -	$ -	$	$	$	$ 1,698	$ 1,698
-	-	-	-	-	-	7,345
6,360	1,187,761	-	82,477	-	113,099	1,389,697
-	-	-	-	-	114,904	114,904
-	-	-	-	-	-	1,403,316
-	-	-	-	354,500	-	354,500
-	-	28,533	-	-	-	191,169
$ 6,360	$ 1,187,761	$ 28,533	$ 82,477	$ 354,500	$ 229,701	$ 3,462,629
$ 11,116	$ (58,301)	$ (17,360)	$ (57,497)	$ 358,101	$ -	$ (287,835)
$ -	$ -	$ -	$ -	$ -	-	$ 455,241
-	-	-	-	(701,000)	-	(701,000)
$ -	$ -	$ -	$ -	$ (701,000)	-	$ (245,759)
$ 11,116	$ (58,301)	$ (17,360)	$ (57,497)	$ (342,899)	$ -	$ (533,594)
109,533	208,734	37,345	233,067	587,002	-	1,465,652
$ 120,649	$ 150,433	$ 19,985	$ 175,570	$ 244,103	$ -	$ 932,058

COUNTY OF CAROLINE, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

	Children's Services Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Other local taxes	$ -	$ -	$ -	$ -
Revenue from the use of money and property	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	23,000	23,000	10,402	(12,598)
Intergovernmental:				
Commonwealth	1,547,525	1,547,525	848,662	(698,863)
Federal	-	-	21,684	21,684
Total revenues	$ 1,570,525	$ 1,570,525	$ 880,748	$ (689,777)
EXPENDITURES				
Current:				
General government administration	$ -	$ -	$ -	$ -
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	2,300,000	2,300,000	1,403,316	896,684
Education	-	-	-	-
Community development	-	-	-	-
Total expenditures	$ 2,300,000	$ 2,300,000	$ 1,403,316	$ 896,684
Excess (deficiency) of revenues over (under) expenditures	$ (729,475)	$ (729,475)	$ (522,568)	$ 206,907
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 729,475	$ 729,475	$ 455,225	$ (274,250)
Transfers out	-	-	-	-
Total other financing sources (uses)	$ 729,475	$ 729,475	$ 455,225	$ (274,250)
Net change in fund balances	$ -	$ -	$ (67,343)	$ (67,343)
Fund balances - beginning	-	-	130,080	130,080
Fund balances - ending	$ -	$ -	$ 62,737	$ 62,737

Law Library Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual Amounts	
$ -	$ -	$ -	$ -
-	-	-	-
5,348	5,348	5,520	172
-	-	-	-
-	-	-	-
-	-	-	-
$ 5,348	$ 5,348	$ 5,520	$ 172
$ -	$ -	$ -	$ -
5,348	5,348	4,746	602
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 5,348	$ 5,348	$ 4,746	$ 602
$ -	$ -	$ 774	$ 774
$ -	$ -	$ -	$ -
-	-	-	-
$ -	$ -	$ -	$ -
$ -	$ -	$ 774	$ 774
-	-	2,595	2,595
$ -	$ -	$ 3,369	$ 3,369

COUNTY OF CAROLINE, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

	Courthouse Maintenance Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Other local taxes	$ -	$ -	$ -	$ -
Revenue from the use of money and property	-	-	-	-
Charges for services	26,574	26,574	17,490	(9,084)
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	$ 26,574	$ 26,574	$ 17,490	$ (9,084)
EXPENDITURES				
Current:				
General government administration	$ -	$ -	$ -	$ -
Judicial administration	134,574	134,574	2,599	131,975
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	-	-	-	-
Community development	-	-	-	-
Total expenditures	$ 134,574	$ 134,574	$ 2,599	$ 131,975
Excess (deficiency) of revenues over (under) expenditures	$ (108,000)	$ (108,000)	$ 14,891	$ 122,891
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ -	$ -	$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	$ -	$ -	$ -	$ -
Net change in fund balances	$ (108,000)	$ (108,000)	$ 14,891	$ 122,891
Fund balances - beginning	108,000	108,000	33,363	(74,637)
Fund balances - ending	$ -	$ -	$ 48,254	$ 48,254

Tourism Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual Amounts	
$ 189,415	$ 189,415	$ 140,435	$ (48,980)
-	-	-	-
-	-	-	-
10,325	10,325	5,210	(5,115)
-	-	-	-
-	-	-	-
$ 199,740	$ 199,740	$ 145,645	$ (54,095)
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
199,740	199,756	162,636	37,120
$ 199,740	$ 199,756	$ 162,636	$ 37,120
$ -	$ (16)	$ (16,991)	$ (16,975)
$ -	$ 16	$ 16	$ -
-	-	-	-
$ -	$ 16	$ 16	$ -
$ -	$ -	$ (16,975)	$ (16,975)
-	-	123,933	123,933
$ -	$ -	$ 106,958	$ 106,958

COUNTY OF CAROLINE, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

	Confiscated Asset Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Other local taxes	$ -	$ -	$ -	$ -
Revenue from the use of money and property	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	6,487	6,487
Federal	-	-	10,989	10,989
Total revenues	$ -	$ -	$ 17,476	$ 17,476
EXPENDITURES				
Current:				
General government administration	$	$	$	$ -
Judicial administration	-	-	-	-
Public safety	-	-	6,360	(6,360)
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	-	-	-	-
Community development	-	-	-	-
Total expenditures	$ -	$ -	$ 6,360	$ (6,360)
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ 11,116	$ 11,116
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ -	$ -	$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	$ -	$ -	$ -	$ -
Net change in fund balances	$ -	$ -	$ 11,116	$ 11,116
Fund balances - beginning	-	-	109,533	109,533
Fund balances - ending	$ -	$ -	$ 120,649	$ 120,649

Fire/Rescue Grant Fund			
Budgeted Amounts			**Variance with Final Budget - Positive (Negative)**
Original	**Final**	**Actual Amounts**	
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
150,000	63,046	224,874	161,828
-	904,586	904,586	-
$ 150,000	$ 967,632	$ 1,129,460	$ 161,828
$ -	$ -	$ -	$ -
-	-	-	-
150,000	1,198,898	1,187,761	11,137
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 150,000	$ 1,198,898	$ 1,187,761	$ 11,137
$ -	$ (231,266)	$ (58,301)	$ 172,965
$ -	$ -	$ -	$ -
-	-	-	-
$ -	$ -	$ -	$ -
$ -	$ (231,266)	$ (58,301)	$ 172,965
-	40,438	208,734	168,296
$ -	$ (190,828)	$ 150,433	$ 341,261

COUNTY OF CAROLINE, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

	Housing Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Other local taxes	$ -	$ -	$ -	$ -
Revenue from the use of money and property	14,570	14,570	11,173	(3,397)
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	$ 14,570	$ 14,570	$ 11,173	$ (3,397)
EXPENDITURES				
Current:				
General government administration	$ -	$ -	$ -	-
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	-	-	-	-
Community development	14,570	$ 14,570	$ 28,533	$ (13,963)
Total expenditures	$ 14,570	$ 14,570	$ 28,533	$ (13,963)
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ (17,360)	$ (17,360)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ -	$ -	$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	$ -	$ -	$ -	$ -
Net change in fund balances	$ -	$ -	$ (17,360)	$ (17,360)
Fund balances - beginning	-	-	37,345	37,345
Fund balances - ending	$ -	$ -	$ 19,985	$ 19,985

Sheriff Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual Amounts	
$ -	$ -	$ -	$ -
-	-	-	-
51,000	51,000	24,980	(26,020)
-	-	-	-
-	-	-	-
-	-	-	-
$ 51,000	$ 51,000	$ 24,980	$ (26,020)
$ -	$ -	$ -	$ -
-	-	-	-
-	-	82,477	(82,477)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ -	$ -	$ 82,477	$ (82,477)
$ 51,000	$ 51,000	$ (57,497)	$ (108,497)
$ -	$ -	$ -	$ -
(51,000)	(51,000)	-	51,000
$ (51,000)	$ (51,000)	$ -	$ 51,000
$ -	$ -	$ (57,497)	$ (57,497)
-	-	233,067	233,067
$ -	$ -	$ 175,570	$ 175,570

COUNTY OF CAROLINE, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

	Detention Facility Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Other local taxes	$ -	$ -	$ -	$ -
Revenue from the use of money and property	-	-	2,066	2,066
Charges for services	844,500	944,500	710,535	(233,965)
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	$ 844,500	$ 944,500	$ 712,601	$ (231,899)
EXPENDITURES				
Current:				
General government administration	$ -	$ -	$ -	$ -
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Education	254,500	354,500	354,500	-
Community development	-	-	-	-
Total expenditures	$ 254,500	$ 354,500	$ 354,500	$ -
Excess (deficiency) of revenues over (under) expenditures	$ 590,000	$ 590,000	$ 358,101	$ (231,899)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ -	$ -	$ -
Transfers out	(590,000)	(590,000)	(701,000)	111,000
Total other financing sources (uses)	$ (590,000)	$ (590,000)	$ (701,000)	$ 111,000
Net change in fund balances	$ -	$ -	$ (342,899)	$ (120,899)
Fund balances - beginning	-	-	587,002	-
Fund balances - ending	$ -	$ -	$ 244,103	$ (120,899)

CARES Act Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual Amounts	
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	229,701	229,701
$ -	$ -	$ 229,701	$ 229,701
$ -	$ -	$ 1,698	$ (1,698)
-	-	-	-
-	-	113,099	(113,099)
-	-	114,904	(114,904)
-	-	-	-
-	-	-	-
-	-	-	-
$ -	$ -	$ 229,701	$ (229,701)
$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -
-	-	-	-
$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -
-	-	-	-
$ -	$ -	$ -	$ -

Combining Statement of Net Position
Internal Service Funds
June 30, 2020

	Vehicle Maintenance	Self-Insurance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 4,143	$ 1,597,110	$ 1,601,253
Total current assets	$ 4,143	$ 1,597,110	$ 1,601,253
Noncurrent assets:			
Capital assets:			
Buildings	$ 412,315	$ -	$ 412,315
Improvements other than buildings	68,551	-	68,551
Less accumulated depreciation	(480,866)	-	(480,866)
Total noncurrent assets	$ -	$ -	$ -
Total assets	$ 4,143	$ 1,597,110	$ 1,601,253
LIABILITIES			
Current liabilities:			
Due to other funds	$ -	$ 1,547	$ 1,547
Insurance and benefit claims	-	434,935	434,935
Total liabilities	$ -	$ 436,482	$ 436,482
NET POSITION			
Unrestricted	$ 4,143	$ 1,160,628	$ 1,164,771
Total net position	$ 4,143	$ 1,160,628	$ 1,164,771

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2020

	Vehicle Maintenance	Self-Insurance	Total
OPERATING REVENUES			
Charges for services	$ -	$ 4,665,919	$ 4,665,919
Total operating revenues	$ -	$ 4,665,919	$ 4,665,919
OPERATING EXPENSES			
Risk financing and benefit payments	$ -	$ 4,365,599	$ 4,365,599
Total operating expenses	$ -	$ 4,365,599	$ 4,365,599
Change in net position	$ -	$ 300,320	$ 300,320
Total net position - beginning	$ 4,143	$ 860,308	$ 864,451
Total net position - ending	$ 4,143	$ 1,160,628	$ 1,164,771

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

	Vehicle Maintenance	Self-Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	$ -	$ 4,665,919	$ 4,665,919
Claims and benefits paid	-	(4,188,796)	(4,188,796)
Payments to suppliers for goods and services	-	(128,032)	(128,032)
Net cash provided by (used for) operating activities	$ -	$ 349,091	$ 349,091
Net increase (decrease) in cash and cash equivalents	$ -	$ 349,091	$ 349,091
Cash and cash equivalents - beginning	4,143	1,248,019	1,252,162
Cash and cash equivalents - ending	$ 4,143	$ 1,597,110	$ 1,601,253
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ -	$ 300,320	$ 300,320
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Increase (decrease) in accounts payable	$ -	$ (129,579)	$ (129,579)
Increase (decrease) in insurance and benefit claims	-	176,803	176,803
Increase (decrease) in due to other funds	-	1,547	1,547
Total adjustments	$ -	$ 48,771	$ 48,771
Net cash provided by (used for) operating activities	$ -	$ 349,091	$ 349,091

Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Agency Funds			
	Special Welfare	**Four Rivers Technology in Education Consortium**	**Deposit Escrow**	**Total**
ASSETS				
Cash and cash equivalents	$ 41,155	$ 38,704	$ 1,195,301	$ 1,275,160
Total assets	$ 41,155	$ 38,704	$ 1,195,301	$ 1,275,160
LIABILITIES				
Amounts held for social services clients	$ 41,155	$ -	$ -	$ 41,155
Amounts held for consortium	-	38,704	-	38,704
Refundable escrow deposits payable	-	-	1,195,301	1,195,301
Total liabilities	$ 41,155	$ 38,704	$ 1,195,301	$ 1,275,160

Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities - Agency Funds
Year Ended June 30, 2020

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	$ 30,039	$ 39,930	$ 28,814	$ 41,155
Total assets	$ 30,039	$ 39,930	$ 28,814	$ 41,155
Liabilities:				
Amounts held for social services clients	$ 30,039	$ 39,930	$ 28,814	$ 41,155
Total liabilities	$ 30,039	$ 39,930	$ 28,814	$ 41,155
Four Rivers Technology in Education Consortium:				
Assets:				
Cash and cash equivalents	$ 38,704	$ -	$ -	$ 38,704
Total assets	$ 38,704	$ -	$ -	$ 38,704
Liabilities:				
Amounts held for consortium	$ 38,704	$ -	$ -	$ 38,704
Total liabilities	$ 38,704	$ -	$ -	$ 38,704
Deposit Escrow:				
Assets:				
Cash and cash equivalents	$ 1,105,297	$ 250,925	$ 160,921	$ 1,195,301
Total assets	$ 1,105,297	$ 250,925	$ 160,921	$ 1,195,301
Liabilities:				
Refundable escrow deposits payable	$ 1,105,297	$ 250,925	$ 160,921	$ 1,195,301
Total liabilities	$ 1,105,297	$ 250,925	$ 160,921	$ 1,195,301
Totals -- All Agency Funds:				
Assets:				
Cash and cash equivalents	$ 1,174,040	$ 290,855	$ 189,735	$ 1,275,160
Total assets	$ 1,174,040	$ 290,855	$ 189,735	$ 1,275,160
Liabilities:				
Amounts held for social services clients	$ 30,039	$ 39,930	$ 28,814	$ 41,155
Amounts held for consortium	38,704	-	-	38,704
Refundable escrow deposits payable	1,105,297	250,925	160,921	1,195,301
Total liabilities	$ 1,174,040	$ 290,855	$ 189,735	$ 1,275,160

DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD

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Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2020

	School Operating Fund	School Cafeteria Fund	Capital Projects Fund	School Grant Fund	School Textbook Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 5,245,530	$ 475,630	$ 280,701	$ 219,926	$ 158,903	$ 6,380,690
Receivables (net of allowance for uncollectibles):						
Due from other governmental units	1,015,866	21,972	-	185,052	-	1,222,890
Total assets	$ 6,261,396	$ 497,602	$ 280,701	$ 404,978	$ 158,903	$ 7,603,580
LIABILITIES						
Accounts payable	$ 543,622	$ 7,825	$ 113,538	$ 6,734	$ -	$ 671,719
Accrued payroll	2,687,088	105,785	-	72,989	-	2,865,862
Total liabilities	$ 3,230,710	$ 113,610	$ 113,538	$ 79,723	$ -	$ 3,537,581
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - insurance refunds	$ 27,264	$ -	$ -	$ -	$ -	$ 27,264
Total deferred inflows of resources	$ 27,264	$ -	$ -	$ -	$ -	$ 27,264
FUND BALANCES						
Assigned:						
Cafeteria	$ -	$ 383,992	$ -	$ -	$ -	$ 383,992
Capital outlay	-	-	167,163	-	-	167,163
School grants	-	-	-	325,255	-	325,255
Textbooks	-	-	-	-	158,903	158,903
Unassigned	3,003,422	-	-	-	-	3,003,422
Total fund balances	$ 3,003,422	$ 383,992	$ 167,163	$ 325,255	$ 158,903	$ 4,038,735
Total liabilities, deferred inflows of resources, and fund balances	$ 6,261,396	$ 497,602	$ 280,701	$ 404,978	$ 158,903	$ 7,603,580

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

Total fund balances per above		$ 4,038,735
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets cost	$ 28,638,671	
Less: accumulated depreciation	(20,439,109)	8,199,562
The net pension asset is not an available resource and, therefore, is not reported in the funds.		140,266
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	$ 6,963,733	
OPEB related items	2,957,359	9,921,092
Unavailable revenue to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		27,264
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	$ (718,116)	
Accrued interest payable	(22,840)	
Capital leases	(1,255,336)	
Net pension liability	(33,504,175)	
Net OPEB liabilities	(15,735,298)	(51,235,765)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	$ (3,478,339)	
OPEB related items	(363,864)	(3,842,203)
Net position of governmental activities		$ (32,751,049)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	School Textbook Fund	Total Governmental Funds
REVENUES						
Revenue from the use of money and property	$ 35,250	$ -	$ -	$ -	$ -	$ 35,250
Charges for services	-	623,110	-	-	-	623,110
Miscellaneous	617,857	57,028	-	-	-	674,885
Intergovernmental:						
Local government	15,382,703	-	401,737	-	141,428	15,925,868
Commonwealth	27,082,188	30,181	-	-	268,623	27,380,992
Federal	1,027,676	1,463,315	-	1,220,984	-	3,711,975
Total revenues	$ 44,145,674	$ 2,173,634	$ 401,737	$ 1,220,984	$ 410,051	$ 48,352,080
EXPENDITURES						
Current:						
Education	$ 41,902,945	$ 2,278,464	$ -	$ 1,220,984	$ 442,023	$ 45,844,416
Capital outlay	-	-	254,890	-	-	254,890
Debt service:						
Principal retirement	235,229	-	-	-	-	235,229
Interest and other fiscal charges	40,185	-	-	-	-	40,185
Total expenditures	$ 42,178,359	$ 2,278,464	$ 254,890	$ 1,220,984	$ 442,023	$ 46,374,720
Excess (deficiency) of revenues over (under) expenditures	$ 1,967,315	$ (104,830)	$ 146,847	$ -	$ (31,972)	$ 1,977,360
Net change in fund balances	$ 1,967,315	$ (104,830)	$ 146,847	$ -	$ (31,972)	$ 1,977,360
Fund balances - beginning, as restated	1,036,107	488,822	20,316	325,255	190,875	2,061,375
Fund balances - ending	$ 3,003,422	$ 383,992	$ 167,163	$ 325,255	$ 158,903	$ 4,038,735

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020

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		$ 1,977,360
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital asset additions	$ 1,154,670	
Depreciation expense	(1,012,185)	142,485
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Increase (decrease) in unavailable revenue - insurance refunds		(677,680)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments		235,229
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.		
Change in accrued interest payable	$ 5,848	
Change in compensated absences	(55,800)	
Change in pension related items	(288,111)	
Change in OPEB related items	(490,938)	(829,001)
Change in net position of governmental activities		$ 848,393

COUNTY OF CAROLINE, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 42,420	$ 42,420	$ 35,250	$ (7,170)
Charges for services	-	-	-	-
Miscellaneous	631,023	631,023	617,857	(13,166)
Intergovernmental:				
Local government	15,323,703	15,485,085	15,382,703	(102,382)
Commonwealth	26,760,399	26,760,399	27,082,188	321,789
Federal	1,303,300	1,303,300	1,027,676	(275,624)
Total revenues	$ 44,060,845	$ 44,222,227	$ 44,145,674	$ (76,553)
EXPENDITURES				
Current:				
Education	$ 44,060,845	$ 44,195,227	$ 41,902,945	$ 2,292,282
Capital projects	-	-	-	-
Debt service:				
Principal retirement	-	-	235,229	(235,229)
Interest and other fiscal charges	-	-	40,185	(40,185)
Total expenditures	$ 44,060,845	$ 44,195,227	$ 42,178,359	$ 2,016,868
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 27,000	$ 1,967,315	$ 1,940,315
Net change in fund balances	$ -	$ 27,000	$ 1,967,315	$ 1,940,315
Fund balances - beginning, as restated	-	89,382	1,036,107	946,725
Fund balances - ending	$ -	$ 116,382	$ 3,003,422	$ 2,887,040

School Cafeteria Fund

Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -
1,300,000	1,300,000	623,110	(676,890)
50,000	50,000	57,028	7,028
-	-	-	-
30,948	30,948	30,181	(767)
950,000	950,000	1,463,315	513,315
$ 2,330,948	$ 2,330,948	$ 2,173,634	$ (157,314)
$ 2,330,948	$ 2,330,948	$ 2,278,464	$ 52,484
-	-	-	-
-	-	-	-
-	-	-	-
$ 2,330,948	$ 2,330,948	$ 2,278,464	$ 52,484
$ -	$ -	$ (104,830)	$ (104,830)
$ -	$ -	$ (104,830)	$ (104,830)
-	-	488,822	488,822
$ -	$ -	$ 383,992	$ 383,992

COUNTY OF CAROLINE, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020

	School Capital Projects Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental:				
Local government	762,190	427,125	401,737	(25,388)
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	$ 762,190	$ 427,125	$ 401,737	$ (25,388)
EXPENDITURES				
Current:				
Education	$ -	$ -	$ -	$ -
Capital projects	762,190	934,815	254,890	679,925
Total expenditures	$ 762,190	$ 934,815	$ 254,890	$ 679,925
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (507,690)	$ 146,847	$ 654,537
Net change in fund balances	$ -	$ (507,690)	$ 146,847	$ 654,537
Fund balances - beginning, as restated	-	-	20,316	20,316
Fund balances - ending	$ -	$ (507,690)	$ 167,163	$ 674,853

School Grant Fund			
Budgeted Amounts			Variance with Final Budget Positive
Original	Final	Actual	(Negative)
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,000,000	2,000,000	1,220,984	(779,016)
$ 2,000,000	$ 2,000,000	$ 1,220,984	$ (779,016)
$ 2,000,000	$ 2,000,000	$ 1,220,984	$ 779,016
-	-	-	-
$ 2,000,000	$ 2,000,000	$ 1,220,984	$ 779,016
$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -
-	-	325,255	325,255
$ -	$ -	$ 325,255	$ 325,255

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020

	School Textbook Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental:				
Local government	141,428	141,428	141,428	-
Commonwealth	268,984	268,984	268,623	(361)
Federal	-	-	-	-
Total revenues	$ 410,412	$ 410,412	$ 410,051	$ (361)
EXPENDITURES				
Current:				
Education	$ 410,412	$ 527,542	$ 442,023	$ 85,519
Capital projects	-	-	-	-
Total expenditures	$ 410,412	$ 527,542	$ 442,023	$ 85,519
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (117,130)	$ (31,972)	$ 85,158
Net change in fund balances	$ -	$ (117,130)	$ (31,972)	$ 85,158
Fund balances - beginning, as restated	-	117,130	190,875	73,745
Fund balances - ending	$ -	$ -	$ 158,903	$ 158,903

DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY

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Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2020

ASSETS		
Current assets:		
Cash and cash equivalents	$	72,721
Total assets	$	72,721
NET POSITION		
Unrestricted	$	72,721
Total net position	$	72,721

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2020

OPERATING REVENUES		
Miscellaneous	$	174
Total operating revenues	$	174
OPERATING EXPENSES		
Economic development	$	780
Total operating expenses	$	780
Operating income (loss)	$	(606)
NONOPERATING REVENUES (EXPENSES)		
Interest income	$	565
Total nonoperating revenues (expenses)	$	565
Change in net position	$	(41)
Total net position - beginning		72,762
Total net position - ending	$	72,721

Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	174
Payments for operating activities		(780)
Net cash provided by (used for) operating activities	$	(606)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment to the County of Caroline	$	(500,000)
Net cash provided (used) by noncapital financing activities	$	(500,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	$	565
Net cash provided by (used for) investing activities	$	565
Net increase (decrease) in cash and cash equivalents	$	(500,041)
Cash and cash equivalents - beginning		572,762
Cash and cash equivalents - ending	$	72,721
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	(606)
Net cash provided by (used for) operating activities	$	(606)

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SUPPORTING SCHEDULES

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 21,653,270	$ 21,653,270	$ 22,259,769	$ 606,499
Real and personal public service corporation taxes	3,493,060	3,493,060	3,580,335	87,275
Personal property taxes	9,547,866	9,547,866	10,306,209	758,343
Machinery and tools taxes	476,770	476,770	418,512	(58,258)
Penalties	464,879	464,879	461,884	(2,995)
Interest	412,779	412,779	517,401	104,622
Total general property taxes	$ 36,048,624	$ 36,048,624	$ 37,544,110	$ 1,495,486
Other local taxes:				
Local sales and use taxes	$ 2,350,445	$ 2,350,445	$ 2,855,615	$ 505,170
Consumer utility taxes	92,282	92,282	86,655	(5,627)
Business license taxes	925,000	925,000	890,641	(34,359)
Bank stock taxes	75,274	75,274	89,619	14,345
Motor vehicle licenses and registration fees	1,084,680	1,084,680	1,050,059	(34,621)
Taxes on recordation and wills	349,056	349,056	379,097	30,041
Total other local taxes	$ 4,876,737	$ 4,876,737	$ 5,351,686	$ 474,949
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 29,796	$ 29,796	$ 21,914	$ (7,882)
Permits and other licenses	422,783	422,783	486,072	63,289
Total permits, privilege fees, and regulatory licenses	$ 452,579	$ 452,579	$ 507,986	$ 55,407
Fines and forfeitures:				
Court fines and forfeitures	$ 595,604	$ 595,604	$ 304,893	$ (290,711)
Library fees	16,817	16,817	13,911	(2,906)
Total fines and forfeitures	$ 612,421	$ 612,421	$ 318,804	$ (293,617)
Revenue from use of money and property:				
Revenue from use of money	$ 420,778	$ 420,778	$ 287,535	$ (133,243)
Revenue from use of property	42,455	42,455	35,060	(7,395)
Total revenue from use of money and property	$ 463,233	$ 463,233	$ 322,595	$ (140,638)
Charges for services:				
Charges for court costs	$ 11,798	$ 11,798	$ 11,724	$ (74)
Commonwealth attorney's fees	3,600	3,600	2,733	(867)
Courthouse security and protective services	185,994	185,994	116,154	(69,840)
Data processing	1,250	1,250	501	(749)
Parks and recreation	99,380	99,380	50,269	(49,111)
Sanitation and waste removal	52,531	52,531	43,563	(8,968)
Sale of publications and commemorative material	-	-	125	125
Ambulance recover services	949,343	949,343	1,023,137	73,794
Other	6,300	6,300	9,314	3,014
Total charges for services	$ 1,310,196	$ 1,310,196	$ 1,257,520	$ (52,676)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	$ 253,838	$ 253,838	$ 457,453	$ 203,615
Total miscellaneous	$ 253,838	$ 253,838	$ 457,453	$ 203,615
Recovered costs:				
Soil conservationist	$ 348,532	$ 348,532	$ 380,140	$ 31,608
Postage reimbursement general district court	4,500	4,500	4,193	(307)
Other	183,229	183,229	182,141	(1,088)
Total recovered costs	$ 536,261	$ 536,261	$ 566,474	$ 30,213
Total revenue from local sources	$ 44,553,889	$ 44,553,889	$ 46,326,628	$ 1,772,739
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	$ 85,213	$ 85,213	$ 85,568	$ 355
Communications sales and use taxes	450,276	450,276	367,966	(82,310)
Mobile home titling taxes	28,000	28,000	44,650	16,650
Rental vehicles taxes	3,368	3,368	9,823	6,455
Personal property tax relief	2,371,897	2,371,897	2,371,897	-
Recordation taxes	235,202	235,202	161,004	(74,198)
Total noncategorical aid	$ 3,173,956	$ 3,173,956	$ 3,040,908	$ (133,048)
Categorical aid:				
Shared expenses:				
Commonwealth attorney	$ 244,381	$ 272,914	$ 322,062	$ 49,148
Sheriff	1,295,886	1,295,886	1,260,551	(35,335)
Commissioner of revenue	127,209	127,209	128,363	1,154
Treasurer	108,999	108,999	105,701	(3,298)
Registrar/electoral board	41,896	41,896	65,845	23,949
Clerk of the Circuit Court	303,923	303,923	280,220	(23,703)
Total shared expenses	$ 2,122,294	$ 2,150,827	$ 2,162,742	$ 11,915
Other categorical aid:				
Litter control	$ 26,000	$ 26,000	$ 15,021	$ (10,979)
DMV license agent	45,000	45,000	40,159	(4,841)
Wireless E911 PSAP funding	110,000	110,000	117,120	7,120
Emergency services	12,120	12,120	-	(12,120)
Victim witness	66,642	66,642	28,696	(37,946)
Domestic violence	94,927	94,927	60,041	(34,886)
Library	113,256	113,256	116,786	3,530
Other state grants	38,869	45,556	40,705	(4,851)
Total other categorical aid	$ 506,814	$ 513,501	$ 418,528	$ (94,973)
Total categorical aid	$ 2,629,108	$ 2,664,328	$ 2,581,270	$ (83,058)
Total revenue from the Commonwealth	$ 5,803,064	$ 5,838,284	$ 5,622,178	$ (216,106)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	$ 1,778	$ 1,778	$ 1,795	$ 17
Total noncategorical aid	$ 1,778	$ 1,778	$ 1,795	$ 17
Categorical aid:				
DMV ground transportation	$ 22,000	$ 22,000	$ 30,860	$ 8,860
FEMA	12,120	12,120	12,116	(4)
Bulletproof vest partnership	2,328	2,328	8,428	6,100
Victim witness	34,805	34,805	127,017	92,212
Total categorical aid	$ 71,253	$ 71,253	$ 178,421	$ 107,168
Total revenue from the federal government	$ 73,031	$ 73,031	$ 180,216	$ 107,185
Total General Fund	$ 50,429,984	$ 50,465,204	$ 52,129,022	$ 1,663,818
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	$ -	$ -	$ 5,069	$ 5,069
Total miscellaneous	$ -	$ -	$ 5,069	$ 5,069
Total revenue from local sources	$ -	$ -	$ 5,069	$ 5,069
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	$ 1,456,588	$ 1,456,588	$ 764,322	$ (692,266)
Total categorical aid	$ 1,456,588	$ 1,456,588	$ 764,322	$ (692,266)
Total revenue from the Commonwealth	$ 1,456,588	$ 1,456,588	$ 764,322	$ (692,266)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	$ 933,728	$ 933,728	$ 1,654,665	$ 720,937
Total categorical aid	$ 933,728	$ 933,728	$ 1,654,665	$ 720,937
Total revenue from the federal government	$ 933,728	$ 933,728	$ 1,654,665	$ 720,937
Total Virginia Public Assistance Fund	$ 2,390,316	$ 2,390,316	$ 2,424,056	$ 33,740
Proffers Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 750	$ 750	$ 1,568	$ 818
Total revenue from use of money and property	$ 750	$ 750	$ 1,568	$ 818

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Proffers Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Proffers	$ 55,000	$ 55,000	$ 125,934	$ 70,934
Total miscellaneous	$ 55,000	$ 55,000	$ 125,934	$ 70,934
Total Proffers Fund	$ 55,750	$ 55,750	$ 127,502	$ 71,752
Children's Services Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	$ 23,000	$ 23,000	$ 10,402	$ (12,598)
Total miscellaneous	$ 23,000	$ 23,000	$ 10,402	$ (12,598)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Children's services act	$ 1,547,525	$ 1,547,525	$ 848,662	$ (698,863)
Total categorical aid	$ 1,547,525	$ 1,547,525	$ 848,662	$ (698,863)
Total revenue from the Commonwealth	$ 1,547,525	$ 1,547,525	$ 848,662	$ (698,863)
Revenue from the federal government:				
Categorical aid:				
Children's services act	$ -	$ -	$ 21,684	$ 21,684
Total categorical aid	$ -	$ -	$ 21,684	$ 21,684
Total revenue from the federal government	$ -	$ -	$ 21,684	$ 21,684
Total Children's Services Fund	$ 1,570,525	$ 1,570,525	$ 880,748	$ (689,777)
Law Library Fund:				
Charges for services:				
Law library fees	$ 5,348	$ 5,348	$ 5,520	$ 172
Total charges for services	$ 5,348	$ 5,348	$ 5,520	$ 172
Total Law Library Fund	$ 5,348	$ 5,348	$ 5,520	$ 172
Courthouse Maintenance Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse maintenance fees	$ 26,574	$ 26,574	$ 17,490	$ (9,084)
Total charges for services	$ 26,574	$ 26,574	$ 17,490	$ (9,084)
Total Courthouse Maintenance Fund	$ 26,574	$ 26,574	$ 17,490	$ (9,084)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Tourism Fund:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes	$ 189,415	$ 189,415	$ 140,435	$ (48,980)
Total other local taxes	$ 189,415	$ 189,415	$ 140,435	$ (48,980)
Miscellaneous:				
Miscellaneous	$ 10,325	$ 10,325	$ 5,210	$ (5,115)
Total miscellaneous	$ 10,325	$ 10,325	$ 5,210	$ (5,115)
Total revenue from local sources	$ 199,740	$ 199,740	$ 145,645	$ (54,095)
Total Tourism Fund	$ 199,740	$ 199,740	$ 145,645	$ (54,095)
Confiscated Asset Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Confiscated assets	$ -	$ -	$ 6,487	$ 6,487
Total categorical aid	$ -	$ -	$ 6,487	$ 6,487
Total revenue from the Commonwealth	$ -	$ -	$ 6,487	$ 6,487
Revenue from the federal government:				
Categorical aid:				
Confiscated assets	$ -	$ -	$ 10,989	$ 10,989
Total categorical aid	$ -	$ -	$ 10,989	$ 10,989
Total revenue from the federal government	$ -	$ -	$ 10,989	$ 10,989
Total Confiscated Asset Fund	$ -	$ -	$ 17,476	$ 17,476
Fire/Rescue Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Fire program fund	$ 91,000	$ 4,046	$ 194,874	$ 190,828
EMS vehicle registration grant	29,000	29,000	-	(29,000)
Radiological preparedness grant	30,000	30,000	30,000	-
Total categorical aid	$ 150,000	$ 63,046	$ 224,874	$ 161,828
Total revenue from the Commonwealth	$ 150,000	$ 63,046	$ 224,874	$ 161,828
Revenue from the federal government:				
Categorical aid:				
Assistance to firefighters grant	$ -	$ 904,586	$ 904,586	$ -
Total categorical aid	$ -	$ 904,586	$ 904,586	$ -
Total revenue from the federal government	$ -	$ 904,586	$ 904,586	$ -
Total Fire/Rescue Fund	$ 150,000	$ 967,632	$ 1,129,460	$ 161,828

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Housing Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	$ 14,570	$ 14,570	$ 11,173	$ (3,397)
Total revenue from use of money and property	$ 14,570	$ 14,570	$ 11,173	$ (3,397)
Total Housing Fund	$ 14,570	$ 14,570	$ 11,173	$ (3,397)
Sheriff Fund:				
Revenue from local sources:				
Charges for services:				
Sheriff fees	$ 51,000	$ 51,000	$ 24,980	$ (26,020)
Total charges for services	$ 51,000	$ 51,000	$ 24,980	$ (26,020)
Total Sheriff Fund	$ 51,000	$ 51,000	$ 24,980	$ (26,020)
Detention Facility Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 2,066	$ 2,066
Total revenue from use of money and property	$ -	$ -	$ 2,066	$ 2,066
Charges for services:				
Inmate detention	$ -	$ 944,500	$ 710,535	$ (233,965)
Total charges for services	$ -	$ 944,500	$ 710,535	$ (233,965)
Total Detention Facility Fund	$ -	$ 944,500	$ 712,601	$ (231,899)
CARES Act Fund:				
Intergovernmental:				
Revenue from the federal government:				
Noncategorical aid:				
CARES Act	$ -	$ -	$ 229,701	$ 229,701
Total noncategorical aid	$ -	$ -	$ 229,701	$ 229,701
Total revenue from the federal government	$ -	$ -	$ 229,701	$ 229,701
Total CARES Act Fund	-	-	229,701	229,701
Total Special Revenue Funds	$ 4,463,823	$ 6,225,955	$ 5,726,352	$ (499,603)
Debt Service Fund:				
Revenue from local sources:				
Other local taxes:				
Consumer utility	$ 540,171	$ 540,171	$ 547,089	$ 6,918
Meals tax	1,353,745	1,353,745	1,192,417	(161,328)
Total other local taxes	$ 1,893,916	$ 1,893,916	$ 1,739,506	$ (154,410)
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 268	$ 268
Revenue from the use of property	76,675	76,675	111,601	34,926
Total revenue from use of money and property	$ 76,675	$ 76,675	$ 111,869	$ 35,194
Total revenue from local sources	$ 1,970,591	$ 1,970,591	$ 1,851,375	$ (119,216)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Debt Service Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Communication tax	$ 315,567	$ 315,567	$ 282,381	$ (33,186)
Total categorical aid	$ 315,567	$ 315,567	$ 282,381	$ (33,186)
Total revenue from the Commonwealth	$ 315,567	$ 315,567	$ 282,381	$ (33,186)
Revenue from the federal government:				
Categorical aid:				
Federal tax credit	$ 288,000	$ 288,000	$ 211,241	$ (76,759)
Refunding credit	111,688	111,688	112,588	900
BABs interest subsidy	10,738	10,738	637	(10,101)
Total categorical aid	$ 410,426	$ 410,426	$ 324,466	$ (85,960)
Total revenue from the federal government	$ 410,426	$ 410,426	$ 324,466	$ (85,960)
Total Debt Service Fund	$ 2,696,584	$ 2,696,584	$ 2,458,222	$ (238,362)
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 39,359	$ 39,359
Total revenue from use of money and property	$ -	$ -	$ 39,359	$ 39,359
Miscellaneous:				
Other miscellaneous	$ -	$ -	$ 9,742	$ 9,742
Total miscellaneous	$ -	$ -	$ 9,742	$ 9,742
Recovered costs:				
Other recovered costs	$ -	$ -	$ 32,380	$ 32,380
Total recovered costs	$ -	$ -	$ 32,380	$ 32,380
Total revenue from local sources	$ -	$ -	$ 81,481	$ 81,481
Total County Capital Projects Fund	$ -	$ -	$ 81,481	$ 81,481
Total Primary Government	$ 57,590,391	$ 59,387,743	$ 60,395,077	$ 1,007,334
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	$ 42,420	$ 42,420	$ 35,250	$ (7,170)
Total revenue from use of money and property	$ 42,420	$ 42,420	$ 35,250	$ (7,170)
Miscellaneous:				
Other miscellaneous	$ 631,023	$ 631,023	$ 617,857	$ (13,166)
Total miscellaneous	$ 631,023	$ 631,023	$ 617,857	$ (13,166)
Total revenue from local sources	$ 673,443	$ 673,443	$ 653,107	$ (20,336)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Caroline, Virginia	$ 15,323,703	$ 15,485,085	$ 15,382,703	$ (102,382)
Total revenues from local governments	$ 15,323,703	$ 15,485,085	$ 15,382,703	$ (102,382)
Revenue from the Commonwealth:				
Categorical aid:				
State sales tax receipts	$ 5,364,393	$ 5,364,393	$ 5,501,326	$ 136,933
Basic school aid	12,624,838	12,624,838	12,533,783	(91,055)
Compensation supplement	770,764	770,764	762,225	(8,539)
Other state funds	8,000,404	8,000,404	8,284,854	284,450
Total categorical aid	$ 26,760,399	$ 26,760,399	$ 27,082,188	$ 321,789
Total revenue from the Commonwealth	$ 26,760,399	$ 26,760,399	$ 27,082,188	$ 321,789
Revenue from the federal government:				
Categorical aid:				
Title VI-B, special education flow-through	$ 1,130,000	$ 1,130,000	$ 872,001	$ (257,999)
Other federal funds	173,300	173,300	155,675	(17,625)
Total categorical aid	$ 1,303,300	$ 1,303,300	$ 1,027,676	$ (275,624)
Total revenue from the federal government	$ 1,303,300	$ 1,303,300	$ 1,027,676	$ (275,624)
Total School Operating Fund	$ 44,060,845	$ 44,222,227	$ 44,145,674	$ (76,553)
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	$ 1,300,000	$ 1,300,000	$ 623,110	$ (676,890)
Total charges for services	$ 1,300,000	$ 1,300,000	$ 623,110	$ (676,890)
Miscellaneous:				
Other miscellaneous	$ 50,000	$ 50,000	$ 57,028	$ 7,028
Total miscellaneous	$ 50,000	$ 50,000	$ 57,028	$ 7,028
Total revenue from local sources	$ 1,350,000	$ 1,350,000	$ 680,138	$ (669,862)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	$ 30,948	$ 30,948	$ 30,181	$ (767)
Total categorical aid	$ 30,948	$ 30,948	$ 30,181	$ (767)
Total revenue from the Commonwealth	$ 30,948	$ 30,948	$ 30,181	$ (767)
Revenue from the federal government:				
Categorical aid:				
School food program grant	$ 950,000	$ 950,000	$ 1,270,930	$ 320,930
Commodities	-	-	192,385	192,385
Total categorical aid	$ 950,000	$ 950,000	$ 1,463,315	$ 513,315
Total revenue from the federal government	$ 950,000	$ 950,000	$ 1,463,315	$ 513,315
Total School Cafeteria Fund	$ 2,330,948	$ 2,330,948	$ 2,173,634	$ (157,314)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Capital Projects Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Caroline, Virginia	$ 762,190	$ 427,125	$ 401,737	$ (25,388)
Total revenues from local governments	$ 762,190	$ 427,125	$ 401,737	$ (25,388)
Total School Capital Projects Fund	$ 762,190	$ 427,125	$ 401,737	$ (25,388)
School Grant Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Title I	$ 1,300,000	$ 1,300,000	$ 907,294	$ (392,706)
Other federal funds	700,000	700,000	313,690	(386,310)
Total categorical aid	$ 2,000,000	$ 2,000,000	$ 1,220,984	$ (779,016)
Total revenue from the federal government	$ 2,000,000	$ 2,000,000	$ 1,220,984	$ (779,016)
Total School Grant Fund	$ 2,000,000	$ 2,000,000	$ 1,220,984	$ (779,016)
School Textbook Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Caroline, Virginia	$ 141,428	$ 141,428	$ 141,428	$ -
Total revenues from local governments	$ 141,428	$ 141,428	$ 141,428	$ -
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payments	$ 268,984	$ 268,984	$ 268,623	$ (361)
Total categorical aid	$ 268,984	$ 268,984	$ 268,623	$ (361)
Total School Textbook Fund	$ 410,412	$ 410,412	$ 410,051	$ (361)
Total Discretely Presented Component Unit - School Board	$ 49,564,395	$ 49,390,712	$ 48,352,080	$ (1,038,632)

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Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 209,496	$ 209,496	$ 218,670	$ (9,174)
Total legislative	$ 209,496	$ 209,496	$ 218,670	$ (9,174)
General and financial administration:				
County administrator	$ 612,217	$ 612,286	$ 637,721	$ (25,435)
Legal services	229,000	229,000	316,136	(87,136)
Commissioner of revenue	889,792	889,886	839,069	50,817
Professional services	190,000	190,000	180,300	9,700
Treasurer	659,671	659,738	653,933	5,805
Finance	395,040	395,090	358,302	36,788
Information technology	379,551	379,562	368,885	10,677
Other general and financial administration	88,205	88,205	72,072	16,133
Total general and financial administration	$ 3,443,476	$ 3,443,767	$ 3,426,418	$ 17,349
Board of elections:				
Electoral board and officials	$ 301,573	$ 341,864	$ 267,813	$ 74,051
Total board of elections	$ 301,573	$ 341,864	$ 267,813	$ 74,051
Total general government administration	$ 3,954,545	$ 3,995,127	$ 3,912,901	$ 82,226
Judicial administration:				
Courts:				
Circuit court	$ 102,218	$ 106,196	$ 102,733	$ 3,463
General district court	22,925	22,925	26,511	(3,586)
Magistrate	1,700	1,700	2,180	(480)
Juvenile and domestic relations court	19,635	19,635	17,259	2,376
Clerk of the circuit court	607,062	607,122	608,462	(1,340)
Juvenile crime control	49,189	49,189	17,482	31,707
Victim witness program	111,579	111,587	98,203	13,384
Total courts	$ 914,308	$ 918,354	$ 872,830	$ 45,524
Commonwealth attorney:				
Commonwealth attorney	$ 523,097	$ 551,693	$ 543,157	$ 8,536
Total commonwealth attorney	$ 523,097	$ 551,693	$ 543,157	$ 8,536
Total judicial administration	$ 1,437,405	$ 1,470,047	$ 1,415,987	$ 54,060
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 4,695,399	$ 4,734,307	$ 4,741,221	$ (6,914)
E911 dispatch	1,541,119	1,579,545	1,663,390	(83,845)
Other protection services	359,128	359,560	337,386	22,174
Total law enforcement and traffic control	$ 6,595,646	$ 6,673,412	$ 6,741,997	$ (68,585)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Other fire and rescue	$ 17,536	$ 17,536	$ 17,372	$ 164
Emergency services	5,676,070	5,875,909	5,582,121	293,788
Total fire and rescue services	$ 5,693,606	$ 5,893,445	$ 5,599,493	$ 293,952
Correction and detention:				
Regional jail contributions	$ 1,918,758	$ 1,918,758	$ 1,481,622	$ 437,136
Juvenile probation and detention	212,288	212,288	150,266	62,022
Caroline Detention Facility	-	-	428	(428)
Total correction and detention	$ 2,131,046	$ 2,131,046	$ 1,632,316	$ 498,730
Building inspections:				
Inspections	$ 315,831	$ 316,851	$ 308,265	$ 8,586
Board of building code appeals	1,600	1,600	451	1,149
Total building inspections	$ 317,431	$ 318,451	$ 308,716	$ 9,735
Other protection:				
Animal control	$ 420,703	$ 422,798	$ 429,231	$ (6,433)
Medical examiner	300	300	440	(140)
Total other protection	$ 421,003	$ 423,098	$ 429,671	$ (6,573)
Total public safety	$ 15,158,732	$ 15,439,452	$ 14,712,193	$ 727,259
Public works:				
Maintenance of infrastructure:				
Public works administration	$ 258,370	$ 258,649	$ 239,644	$ 19,005
Streetlights	3,600	3,600	3,014	586
Total maintenance of infrastructure	$ 261,970	$ 262,249	$ 242,658	$ 19,591
Sanitation and waste removal:				
Refuse collection and disposal	$ 1,737,002	$ 1,742,684	$ 1,713,676	$ 29,008
Total sanitation and waste removal	$ 1,737,002	$ 1,742,684	$ 1,713,676	$ 29,008
Maintenance of general buildings and grounds:				
General properties	$ 1,973,814	$ 2,220,511	$ 2,045,868	$ 174,643
Total maintenance of general buildings and grounds	$ 1,973,814	$ 2,220,511	$ 2,045,868	$ 174,643
Total public works	$ 3,972,786	$ 4,225,444	$ 4,002,202	$ 223,242
Health and welfare:				
Health:				
Supplement of local health department	$ 275,404	$ 275,404	$ 275,404	$ -
Total health	$ 275,404	$ 275,404	$ 275,404	$ -
Mental health and mental retardation:				
Community services board	$ 113,974	$ 113,974	$ 113,974	$ -
Total mental health and mental retardation	$ 113,974	$ 113,974	$ 113,974	$ -

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Contributions to outside welfare agencies	$ 168,896	$ 202,046	$ 160,238	$ 41,808
Total welfare	$ 168,896	$ 202,046	$ 160,238	$ 41,808
Total health and welfare	$ 558,274	$ 591,424	$ 549,616	$ 41,808
Education:				
Other instructional costs:				
Contribution to community colleges	$ 6,866	$ 6,866	$ 7,237	$ (371)
Contribution to County School Board	15,972,821	15,699,138	15,571,368	127,770
Total other instructional costs	$ 15,979,687	$ 15,706,004	$ 15,578,605	$ 127,399
Total education	$ 15,979,687	$ 15,706,004	$ 15,578,605	$ 127,399
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	$ 516,459	$ 517,095	$ 436,747	$ 80,348
Total parks and recreation	$ 516,459	$ 517,095	$ 436,747	$ 80,348
Cultural:				
County Library	$ 509,701	$ 509,725	$ 514,698	$ (4,973)
Total cultural	$ 509,701	$ 509,725	$ 514,698	$ (4,973)
Total parks, recreation, and cultural	$ 1,026,160	$ 1,026,820	$ 951,445	$ 75,375
Community development:				
Planning and community development:				
Planning development	$ 766,809	$ 768,081	$ 727,453	$ 40,628
Planning commission	39,638	39,638	23,279	16,359
Economic development	358,455	358,975	245,330	113,645
Planning regional	56,418	56,418	58,418	(2,000)
Industrial development authority	1,000	1,000	8	992
Board of zoning appeals	3,991	3,991	2,432	1,559
Total planning and community development	$ 1,226,311	$ 1,228,103	$ 1,056,920	$ 171,183
Environmental management:				
Contribution to soil and water conservation district	$ 65,621	$ 65,621	$ 65,621	$ -
Environmental management	355,841	356,137	376,037	(19,900)
Total environmental management	$ 421,462	$ 421,758	$ 441,658	$ (19,900)
Cooperative extension program:				
Extension office	$ 76,531	$ 76,531	$ 56,345	$ 20,186
Total cooperative extension program	$ 76,531	$ 76,531	$ 56,345	$ 20,186
Total community development	$ 1,724,304	$ 1,726,392	$ 1,554,923	$ 171,469
Total General Fund	$ 43,811,893	$ 44,180,710	$ 42,677,872	$ 1,502,838

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	$ 2,332,061	$ 2,332,751	$ 2,304,776	$ 27,975
Public assistance	641,299	661,299	586,507	74,792
Purchased services	182,915	182,915	59,196	123,719
Local only	4,921	4,921	5,739	(818)
Total welfare and social services	$ 3,161,196	$ 3,181,886	$ 2,956,218	$ 225,668
Total health and welfare	$ 3,161,196	$ 3,181,886	$ 2,956,218	$ 225,668
Total Virginia Public Assistance Fund	$ 3,161,196	$ 3,181,886	$ 2,956,218	$ 225,668
Children's Services Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	$ 2,300,000	$ 2,300,000	$ 1,403,316	$ 896,684
Total health and welfare	$ 2,300,000	$ 2,300,000	$ 1,403,316	$ 896,684
Total Children's Services Fund	$ 2,300,000	$ 2,300,000	$ 1,403,316	$ 896,684
Law Library Fund:				
Judicial administration:				
Law library	$ 5,348	$ 5,348	$ 4,746	$ 602
Total judicial administration	$ 5,348	$ 5,348	$ 4,746	$ 602
Total Law Library Fund	$ 5,348	$ 5,348	$ 4,746	$ 602
Courthouse Maintenance Fund:				
Judicial administration:				
Courthouse maintenance	$ 134,574	$ 134,574	$ 2,599	$ 131,975
Total judicial administration	$ 134,574	$ 134,574	$ 2,599	$ 131,975
Total Courthouse Maintenance Fund	$ 134,574	$ 134,574	$ 2,599	$ 131,975
Tourism Fund:				
Community development:				
Planning and community development	$ 199,740	$ 199,756	$ 162,636	$ 37,120
Total community development	$ 199,740	$ 199,756	$ 162,636	$ 37,120
Total Tourism Fund	$ 199,740	$ 199,756	$ 162,636	$ 37,120

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Confiscated Asset Fund:				
Public safety:				
Confiscated assets	$ -	$ -	$ 6,360	$ (6,360)
Total public safety	$ -	$ -	$ 6,360	$ (6,360)
Total Confiscated Asset Fund	$ -	$ -	$ 6,360	$ (6,360)
Fire/Rescue Fund:				
Public safety:				
Fire and rescue services	$ 150,000	$ 1,198,898	$ 1,187,761	$ 11,137
Total public safety	$ 150,000	$ 1,198,898	$ 1,187,761	$ 11,137
Total Fire/Rescue Fund	$ 150,000	$ 1,198,898	$ 1,187,761	$ 11,137
Housing Fund:				
Community development:				
Housing rehabilitation	$ 14,570	$ 14,570	$ 28,533	$ (13,963)
Total community development	$ 14,570	$ 14,570	$ 28,533	$ (13,963)
Total Housing Fund	$ 14,570	$ 14,570	$ 28,533	$ (13,963)
Sheriff Fund:				
Public safety:				
Machinery and equipment	$ -	$ -	$ 82,477	$ (82,477)
Total public safety	$ -	$ -	$ 82,477	$ (82,477)
Total Sheriff Fund	$ -	$ -	$ 82,477	$ (82,477)
Detention Facility Fund:				
Education:				
Other instructional costs:				
Contribution to County School Board	$ 254,500	$ 354,500	$ 354,500	$ -
Total education	$ 254,500	$ 354,500	$ 354,500	$ -
Total Detention Facility Fund	$ 254,500	$ 354,500	$ 354,500	$ -
CARES Act Fund:				
General and financial administration:				
Information technology	$ -	$ -	$ 1,698	$ (1,698)
Total general and financial administration	$ -	$ -	$ 1,698	$ (1,698)
Public safety:				
Other services	$ -	$ -	$ 113,099	(113,099)
Total public safety	$ -	$ -	$ 113,099	(113,099)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
CARES Act Fund: (Continued)				
Public works:				
General properties	$ -	$ -	$ 114,904	(114,904)
Total public works	$ -	$ -	$ 114,904	$ (114,904)
Total CARES Act Fund	$ -	$ -	$ 229,701	$ (229,701)
Total Special Revenue Funds	$ 6,219,928	$ 7,389,532	$ 6,418,847	$ 970,685
Debt Service Fund:				
Debt service:				
Principal retirement	$ 5,568,331	$ 5,568,331	$ 9,520,249	$ (3,951,918)
Interest and other fiscal charges	3,151,445	3,151,445	3,184,101	(32,656)
Total debt service	$ 8,719,776	$ 8,719,776	$ 12,704,350	$ (3,984,574)
Total Debt Service Fund	$ 8,719,776	$ 8,719,776	$ 12,704,350	$ (3,984,574)
Capital Projects Funds:				
County Capital Projects Fund:				
Capital outlay:				
Capital projects	$ 4,027,929	$ 4,646,048	$ 3,197,942	$ 1,448,106
Total capital outlay	$ 4,027,929	$ 4,646,048	$ 3,197,942	$ 1,448,106
Total County Capital Projects Fund	$ 4,027,929	$ 4,646,048	$ 3,197,942	$ 1,448,106
Total Primary Government	$ 62,779,526	$ 64,936,066	$ 64,999,011	$ (62,945)
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Education:				
Instruction	$ 34,259,644	$ 34,259,644	$ 32,435,243	$ 1,824,401
Administration, attendance and health	1,769,614	1,769,614	1,653,725	115,889
Pupil transportation services	4,280,507	4,369,889	4,046,478	323,411
Operation and maintenance services	3,751,080	3,796,080	3,767,499	28,581
Total education	$ 44,060,845	$ 44,195,227	$ 41,902,945	$ 2,292,282
Debt service:				
Principal retirement	$ -	$ -	$ 235,229	$ (235,229)
Interest and other fiscal charges	-	-	40,185	(40,185)
Total debt service	$ -	$ -	$ 275,414	$ (275,414)
Total School Operating Fund	$ 44,060,845	$ 44,195,227	$ 42,178,359	$ 2,016,868

Schedule of Expenditures - Budget and Actual
Governmental Funds

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Cafeteria Fund:				
Education:				
School food services	$ 2,330,948	$ 2,330,948	$ 2,086,079	$ 244,869
Commodities	-	-	192,385	(192,385)
Total education	$ 2,330,948	$ 2,330,948	$ 2,278,464	$ 52,484
Total School Cafeteria Fund	$ 2,330,948	$ 2,330,948	$ 2,278,464	$ 52,484
School Capital Projects Fund:				
Capital outlay:				
Capital projects	$ 762,190	$ 934,815	$ 254,890	$ 679,925
Total capital outlay	$ 762,190	$ 934,815	$ 254,890	$ 679,925
Total School Capital Projects Fund	$ 762,190	$ 934,815	$ 254,890	$ 679,925
School Grant Fund:				
Education:				
Instruction	$ 2,000,000	$ 2,000,000	$ 1,220,984	$ 779,016
Total education	$ 2,000,000	$ 2,000,000	$ 1,220,984	$ 779,016
Total School Grant Fund	$ 2,000,000	$ 2,000,000	$ 1,220,984	$ 779,016
School Textbook Fund:				
Education:				
Instruction	$ 410,412	$ 527,542	$ 442,023	$ 85,519
Total education	$ 410,412	$ 527,542	$ 442,023	$ 85,519
Total School Textbook Fund	$ 410,412	$ 527,542	$ 442,023	$ 85,519
Total Discretely Presented Component Unit - School Board	$ 49,564,395	$ 49,988,532	$ 46,374,720	$ 3,613,812

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OTHER STATISTICAL INFORMATION

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Statistical Section
Comments Relative to Statistical Section

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

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

COUNTY OF CAROLINE, VIRGINIA

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

	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	$ (7,898,401)	$ (2,885,427)	$ (15,106,264)	$ (39,754,963)
Restricted	-	16,479,118	8,348,530	30,368,696
Unrestricted	16,648,965	(2,158,308)	13,248,670	18,392,597
Total governmental activities net position	$ 8,750,564	$ 11,435,383	$ 6,490,936	$ 9,006,330
Business-type activities				
Net investment in capital assets	$ 3,409,348	$ 5,078,025	$ 2,505,703	$ 5,160,081
Restricted	-	-	4,712,149	2,646,388
Unrestricted	(4,238,484)	(5,373,848)	217,706	(837,006)
Total business-type activities net position	$ (829,136)	$ (295,823)	$ 7,435,558	$ 6,969,463
Primary government				
Net investment in capital assets	$ (4,489,053)	$ 2,192,598	$ (12,600,561)	$ (34,594,882)
Restricted	-	16,479,118	13,060,679	33,015,084
Unrestricted	12,410,481	(7,532,156)	13,466,376	17,555,591
Total primary government net position	$ 7,921,428	$ 11,139,560	$ 13,926,494	$ 15,975,793

(1) June 30, 2014 net position was restated for the implementation of GASB Statement No. 68 and June 30, 2017 net position was restated for the implementation of GASB Statement No. 75.

Table 2

2015	2016	2017	2018	2019	2020
$ (33,804,885)	$ (16,413,860)	$ (7,599,642)	$ (2,826,244)	$ (1,765,894)	$ 455,769
28,077,009	13,637,372	7,482,811	4,268,655	4,268,655	5,547,780
19,298,331	21,500,669	21,440,045	21,317,545	24,106,821	23,665,508
$ 13,570,455	$ 18,724,181	$ 21,323,214	$ 22,759,956	$ 26,609,582	$ 29,669,057
$ 5,132,270	$ 5,655,822	$ 5,996,430	$ 6,715,462	$ 6,934,568	$ 7,639,696
2,180,302	1,833,241	1,841,238	1,646,702	1,709,668	1,665,793
(573,962)	(358,259)	(579,857)	(735,707)	(494,918)	(244,326)
$ 6,738,610	$ 7,130,804	$ 7,257,811	$ 7,626,457	$ 8,149,318	$ 9,061,163
$ (28,672,615)	$ (10,758,038)	$ (1,603,212)	$ 3,889,218	$ 5,168,674	$ 8,095,465
30,257,311	15,470,613	9,324,049	5,915,357	5,978,323	7,213,573
18,724,369	21,142,410	20,860,188	20,581,838	23,611,903	23,421,182
$ 20,309,065	$ 25,854,985	$ 28,581,025	$ 30,386,413	$ 34,758,900	$ 38,730,220

COUNTY OF CAROLINE, VIRGINIA

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

	2011	2012	2013	2014
Expenses:				
Governmental activities:				
General Government Administration	$ 3,834,523	$ 3,373,633	$ 3,504,203	$ 3,609,988
Judicial Administration	1,305,420	1,321,551	1,559,830	1,407,147
Public Safety	10,851,996	12,399,082	12,005,540	12,143,942
Public Works	3,224,196	2,488,278	3,066,768	3,640,540
Health and Welfare	4,486,438	4,678,442	4,569,627	5,357,822
Education	12,473,709	12,688,448	16,789,588	12,874,519
Parks, Recreation and Cultural	593,795	1,014,718	2,682,085	3,201,043
Community Development	1,357,445	1,466,009	1,545,447	1,521,500
Interest and Fiscal Charges	2,770,309	3,379,550	3,311,236	3,775,429
Total governmental activities	$ 40,897,831	$ 42,809,711	$ 49,034,324	$ 47,531,930
Business-type activities:				
Water and Sewer Utilities	$ 4,833,897	$ 4,600,849	$ 4,708,177	$ 5,277,623
Total primary government expenses	$ 45,731,728	$ 47,410,560	$ 53,742,501	$ 52,809,553
Program Revenues				
Governmental Activities:				
Charges for services:				
Public Safety	$ 354,880	$ 1,931,399	$ 1,812,613	$ 1,923,375
Community Development	209	259,936	274,372	269,786
All other activities	1,013,489	337,717	345,711	195,341
Operating grants and contributions	5,864,302	5,931,154	5,435,809	6,437,297
Capital grants and contributions	-	83,646	158,272	-
Total governmental activities	$ 7,232,880	$ 8,543,852	$ 8,026,777	$ 8,825,799
Business-type activities:				
Charges for services	$ 3,091,297	$ 2,879,029	$ 3,891,144	$ 2,626,288
Operating grants and contributions	259,417	380,573	638,344	579,689
Capital grants and contributions	118,716	-	-	1,115,502
Total business-type activities	$ 3,469,430	$ 3,259,602	$ 4,529,488	$ 4,321,479
Total primary government program revenues	$ 10,702,310	$ 11,803,454	$ 12,556,265	$ 13,147,278
Net (Expense)Revenue				
Governmental activities	$ (33,664,951)	$ (34,265,859)	$ (41,007,547)	$ (38,706,131)
Business-type activities	(1,364,467)	(1,341,247)	(178,689)	(956,144)
Total primary government net expense	$ (35,029,418)	$ (35,607,106)	$ (41,186,236)	$ (39,662,275)
General Revenues and Transfers				
Governmental Activities:				
Taxes:				
General property taxes	$ 26,968,633	$ 30,377,123	$ 30,700,165	$ 32,695,438
Local sales and use taxes	1,540,189	1,527,122	1,521,998	1,672,694
Other local taxes	3,510,347	3,749,268	3,661,418	4,088,990
State personal property tax reimbursement	2,371,897	2,371,897	2,371,897	2,371,897
Other state non-categorical shared revenues	250,235	694,417	749,001	808,543
Proffers from new development	208,409	111,314	294,776	145,881
Other unrestricted revenue	1,135,248	965,188	1,263,776	1,184,640
Transfers	-	(1,079,642)	(4,630,231)	(959,896)
Total governmental activities	$ 35,984,958	$ 38,716,687	$ 35,932,800	$ 42,008,187
Business-type activities:				
Revenue from use of money and property	$ 35,149	$ 44,154	$ 22,127	$ 3,238
Miscellaneous	-	151,939	97,605	209,050
Transfers	-	1,079,642	4,630,231	959,896
Total business-type activities	$ 35,149	$ 1,275,735	$ 4,749,963	$ 1,172,184
Total primary government	$ 36,020,107	$ 39,992,422	$ 40,682,763	$ 43,180,371
Change in Net Position				
Governmental activities	$ 2,320,007	$ 4,450,828	$ (5,074,747)	$ 3,302,056
Business-type activities	(1,329,318)	(65,512)	4,571,274	216,040
Primary government	$ 990,689	$ 4,385,316	$ (503,473)	$ 3,518,096

Table 3

2015	2016	2017	2018	2019	2020
$ 3,883,714	$ 3,978,965	$ 3,789,710	$ 4,047,104	$ 3,693,835	3,502,256
1,396,050	1,402,447	1,497,332	1,518,859	1,457,236	1,572,855
11,880,667	12,426,927	13,510,255	14,205,256	14,116,709	15,897,122
2,908,638	3,051,951	3,428,499	4,232,947	5,933,547	5,738,631
4,961,442	5,099,553	5,208,004	5,297,241	4,748,908	4,738,640
13,388,679	15,040,013	15,859,165	16,899,064	16,802,131	17,947,984
834,612	607,087	797,543	804,264	940,443	1,041,192
1,575,697	1,515,175	1,254,830	1,343,428	1,335,556	1,380,499
3,788,183	3,620,914	3,424,233	3,303,659	3,071,552	2,814,222
$ 44,617,682	$ 46,743,032	$ 48,769,571	$ 51,651,822	$ 52,099,917	$ 54,633,401
$ 5,703,220	$ 5,720,201	$ 5,558,380	$ 5,386,681	$ 5,864,572	$ 5,422,786
$ 50,320,902	$ 52,463,233	$ 54,327,951	$ 57,038,503	$ 57,964,489	$ 60,056,187
$ 1,858,195	$ 1,963,237	$ 1,279,401	$ 1,388,237	$ 2,203,555	$ 2,276,453
282,212	285,233	-	-	240	125
183,155	168,470	855,923	941,548	862,024	566,257
5,863,274	5,969,693	6,976,522	7,516,459	7,043,657	7,802,807
607,776	78,074	215,241	-	-	-
$ 8,794,612	$ 8,464,707	$ 9,327,087	$ 9,846,244	$ 10,109,476	$ 10,645,642
$ 2,920,869	$ 2,633,815	$ 2,482,265	$ 2,636,964	$ 2,764,671	$ 2,652,442
349,083	350,877	350,877	256,922	352,383	20,600
1,170,762	1,326,260	979,279	937,671	637,770	712,903
$ 4,440,714	$ 4,310,952	$ 3,812,421	$ 3,831,557	$ 3,754,824	$ 3,385,945
$ 13,235,326	$ 12,775,659	$ 13,139,508	$ 13,677,801	$ 13,864,300	$ 14,031,587
$ (35,823,070)	$ (38,278,325)	$ (39,442,484)	$ (41,805,578)	$ (41,990,441)	$ (43,987,759)
(1,262,506)	(1,409,249)	(1,745,959)	(1,555,124)	(2,109,748)	(2,036,841)
$ (37,085,576)	$ (39,687,574)	$ (41,188,443)	$ (43,360,702)	$ (44,100,189)	$ (46,024,600)
$ 34,297,569	$ 34,439,462	$ 33,404,396	$ 35,811,884	$ 36,870,630	$ 37,932,539
1,779,229	1,990,779	1,997,309	2,294,305	2,233,473	2,855,615
4,195,865	4,041,865	4,318,766	4,417,068	4,528,215	4,376,012
2,371,897	2,371,897	2,371,897	2,371,897	2,371,897	2,371,897
693,511	1,378,963	740,820	656,676	847,473	900,507
123,245	127,026	151,871	98,309	101,537	125,934
1,077,555	693,240	719,206	805,922	1,064,576	976,506
(1,145,321)	(1,611,181)	(1,662,748)	(1,730,200)	(2,267,705)	(2,593,776)
$ 43,393,550	$ 43,432,051	$ 42,041,517	$ 44,725,861	$ 45,750,096	$ 46,945,234
$ 926	$ 2,244	$ 12,553	$ 23,287	$ 36,461	$ 25,668
71,867	188,018	197,665	255,114	328,443	329,242
1,145,321	1,611,181	1,662,748	1,730,200	2,267,705	2,593,776
$ 1,218,114	$ 1,801,443	$ 1,872,966	$ 2,008,601	$ 2,632,609	$ 2,948,686
$ 44,611,664	$ 45,233,494	$ 43,914,483	$ 46,734,462	$ 48,382,705	$ 49,893,920
$ 7,570,480	$ 5,153,726	$ 2,599,033	$ 2,920,283	$ 3,759,655	$ 2,957,475
(44,392)	392,194	127,007	453,477	522,861	911,845
$ 7,526,088	$ 5,545,920	$ 2,726,040	$ 3,373,760	$ 4,282,516	$ 3,869,320

COUNTY OF CAROLINE, VIRGINIA

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

	2011	2012	2013	2014
General Fund				
Restricted	$ -	$ 1,176,599	$ 1,827,272	$ 1,846,264
Committed	444,987	366,000	366,000	366,000
Assigned	-	7,420	421,395	1,420,225
Unassigned	9,107,120	11,597,688	10,901,101	14,297,822
Total General Fund	$ 9,552,107	$ 13,147,707	$ 13,515,768	$ 17,960,311
All Other Governmental Funds				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	6,924,638	15,302,519	6,521,258	28,522,432
Committed	1,496,793	-	-	-
Assigned	518,586	577,240	619,386	209,073
Unassigned	-	(304)	(43,865)	(50,154)
Total all other governmental funds	$ 8,940,017	$ 15,879,455	$ 7,096,779	$ 28,681,351

Table 4

2015	2016	2017	2018	2019	2020
$ 1,846,264	$ 1,847,361	$ 1,847,361	$ 1,847,361	$ 1,847,361	$ 1,847,361
366,000	175,000	3,553,910	2,392,483	2,784,575	1,064,913
2,962,590	4,598,162	1,818,577	3,007,004	3,007,004	3,007,004
15,979,092	16,346,543	17,398,812	18,313,245	17,083,663	17,080,971
$ 21,153,946	$ 22,967,066	$ 24,618,660	$ 25,560,093	$ 24,722,603	$ 23,000,249
$ -	$ -	$ -	$ -	$ -	$ 6,052
26,230,745	11,790,011	5,635,450	2,421,294	2,704,122	3,700,419
-	-	-	-	587,002	244,103
277,781	265,878	282,332	257,149	236,326	219,278
(127,250)	(139,160)	(420,770)	(322,446)	(219,758)	(92,256)
$ 26,381,276	$ 11,916,729	$ 5,497,012	$ 2,355,997	$ 3,307,692	$ 4,077,596

COUNTY OF CAROLINE, VIRGINIA

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

	2011	2012	2013	2014
Revenues				
General property taxes	$ 26,749,352	$ 28,661,523	$ 29,981,769	$ 31,936,888
Other local taxes	5,050,536	5,264,625	5,183,416	5,761,684
Permits, fees and regulatory licenses	343,737	311,443	480,770	529,470
Fines and forfeitures	599,320	702,704	463,215	560,756
Revenue from use of money/property	196,662	218,274	273,027	251,372
Charges for services	425,521	369,300	1,017,772	997,859
Other local revenue	1,770,522	1,404,880	1,114,255	1,228,772
Intergovernmental	9,196,070	9,691,832	9,280,763	10,262,274
Total revenues	$ 44,331,720	$ 46,624,581	$ 47,794,987	$ 51,529,075
Expenditures				
General government administration	$ 2,942,718	$ 2,742,445	$ 2,974,843	$ 3,151,105
Judicial administration	1,216,950	1,196,313	1,271,504	1,301,043
Public safety	11,072,836	11,147,753	11,311,969	12,382,980
Public works	2,837,204	2,822,731	2,661,656	2,713,043
Health and welfare	4,479,507	4,683,615	4,596,258	5,551,495
Education	11,000,000	11,096,989	11,055,989	11,748,926
Parks, recreation and cultural	616,506	655,308	662,455	678,432
Community development	1,181,333	1,299,804	1,343,020	1,381,345
Capital projects	2,600,429	2,009,291	10,279,612	9,597,593
Debt service:				
Principal retirement	1,897,834	2,459,712	4,779,582	4,399,722
Interest and fiscal charges	2,882,858	3,542,841	3,430,830	3,580,048
Total expenditures	$ 42,728,175	$ 43,656,802	$ 54,367,718	$ 56,485,732
Excess of revenues over(under) expenditures	$ 1,603,545	$ 2,967,779	$ (6,572,731)	$ (4,956,657)
Other Financing Sources (Uses):				
Transfers in	$ 4,106,070	$ 4,759,372	$ 6,051,030	$ 6,915,440
Transfers out	(4,106,070)	(5,839,014)	(10,681,261)	(7,733,736)
Issuance of debt	6,828,780	8,400,000	2,535,447	25,133,000
Premium in issuance of debt	-	114,912	119,060	-
Lease revenue and refunding bond issuance	-	-	-	-
Refunding bonds issued	-	-	-	8,487,000
Payment to refunded bond escrow agent	-	-	-	(8,390,000)
Issuance of capital leases	-	625,126	133,840	6,574,068
Total other financing sources (uses)	$ 6,828,780	$ 8,060,396	$ (1,841,884)	$ 30,985,772
Net change in fund balances	$ 8,432,325	$ 11,028,175	$ (8,414,615)	$ 26,029,115
Debt service as a percentage of noncapital expenditures	11.9%	14.4%	18.6%	17.0%

Table 5

2015	2016	2017	2018	2019	2020
$ 34,435,880	$ 34,510,102	$ 35,056,977	$ 35,894,593	$ 36,402,347	$ 37,544,110
5,975,094	6,032,644	6,316,075	6,711,373	6,761,688	7,231,627
392,539	502,416	417,770	468,716	527,310	507,986
522,562	484,591	522,735	586,242	521,650	318,804
255,286	284,644	348,824	484,436	698,912	488,630
1,092,983	1,129,021	1,194,819	1,274,827	2,016,859	2,016,045
619,896	778,426	858,606	774,577	5,426,062	1,212,664
10,057,363	9,856,735	10,304,480	10,545,032	10,263,027	11,075,211
$ 53,351,603	$ 53,578,579	$ 55,020,286	$ 56,739,796	$ 62,617,855	$ 60,395,077
$ 3,391,184	$ 3,424,540	$ 3,265,212	$ 3,553,879	$ 3,566,141	$ 3,914,599
1,330,592	1,324,354	1,309,884	1,372,101	1,373,148	1,423,333
11,801,540	11,958,767	12,545,663	13,731,491	18,621,696	16,101,889
2,801,214	3,034,572	3,263,001	3,428,930	3,741,639	4,117,106
5,068,757	5,140,027	5,206,983	5,299,278	5,074,095	4,909,150
11,986,533	12,211,095	13,513,761	14,479,789	14,652,485	15,933,105
676,680	677,341	807,428	758,817	890,567	951,445
1,435,597	1,396,369	1,458,096	1,564,618	1,705,736	1,746,093
2,958,062	16,036,771	11,595,557	5,310,476	4,874,535	3,197,943
5,794,072	6,479,052	6,284,425	27,497,973	5,948,502	9,520,249
4,068,491	3,798,912	3,625,400	3,690,464	2,922,877	3,184,101
$ 51,312,722	$ 65,481,800	$ 62,875,410	$ 80,687,816	$ 63,371,421	$ 64,999,013
$ 2,038,881	$ (11,903,221)	$ (7,855,124)	$ (23,948,020)	$ (753,566)	$ (4,603,936)
$ 9,155,668	$ 9,529,968	$ 8,430,878	$ 7,641,400	$ 9,003,235	$ 9,322,149
(10,300,989)	(11,141,149)	(10,093,626)	(9,371,600)	(11,270,940)	(11,915,924)
-	-	10,416,169	-	-	-
-	-	-	1,790,388	92,476	600,259
-	5,328,275	-	-	-	-
-	-	-	20,120,000	555,000	3,525,000
-	(4,465,300)	(7,175,000)	-	(585,000)	-
-	-	1,508,580	1,568,250	3,073,000	2,120,000
$ (1,145,321)	$ (748,206)	$ 3,087,001	$ 21,748,438	$ 867,771	$ 3,651,484
$ 893,560	$ (12,651,427)	$ (4,768,123)	$ (2,199,582)	$ 114,205	$ (952,452)
20.4%	20.8%	19.3%	41.4%	15.2%	20.6%

COUNTY OF CAROLINE, VIRGINIA

Table 6

Tax Revenues by Source - Governmental Funds
Last Ten Fiscal Years

Fiscal Year Ended	Property (1)	Local Sales And Use	Business License	Motor Vehicle Licenses	Recordation and Wills	Other	Total
2011	$ 26,013,620	$ 1,540,189	$ 905,568	$ 667,779	$ 217,128	$ 881,244	$ 30,225,528
2012	27,892,748	1,527,122	969,103	823,632	214,204	905,990	32,332,799
2013	29,247,485	1,521,998	1,065,597	596,577	330,602	875,773	33,638,032
2014	31,121,030	1,672,694	1,080,256	951,114	241,404	964,162	36,030,660
2015	33,554,227	1,779,229	998,994	1,038,375	229,367	1,929,129	39,529,321
2016	33,649,865	1,990,779	793,703	1,031,986	262,702	1,953,474	39,682,509
2017	34,180,894	1,997,309	850,591	1,067,923	337,059	2,063,193	40,496,969
2018	34,964,963	2,294,305	858,769	1,106,599	289,021	2,162,679	41,676,336
2019	35,484,094	2,233,473	905,098	1,155,454	296,994	2,170,669	42,245,782
2020	36,564,825	2,855,615	890,641	1,050,059	379,097	2,056,215	43,796,452

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

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Real Estate (1)		Personal Property (3)		Machinery and Tools		Public Utility (2)		Total Taxable Assessed Value
2011	$	2,438,863,853	$	150,301,120	$	7,303,910	$	434,199,114	$	3,030,667,997
2012		2,675,828,900		316,976,453		7,034,730		436,895,835		3,436,735,918
2013		2,690,621,100		254,081,388		7,045,530		447,027,197		3,398,775,215
2014		2,721,992,100		277,283,818		7,742,330		444,342,422		3,451,360,670
2015		2,739,975,000		282,284,550		7,383,110		457,707,814		3,487,350,474
2016		2,790,067,200		294,097,398		7,842,570		454,694,067		3,546,701,235
2017		3,209,399,962		303,805,730		7,962,840		450,539,996		3,971,708,528
2018		2,834,220,800		321,700,510		7,807,340		430,354,563		3,594,083,213
2019		2,853,736,200		339,639,631		7,735,500		418,038,530		3,619,149,861
2020		2,885,004,900		344,485,897		7,984,910		410,095,645		3,647,571,352

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

Direct Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property (1)(2)	Machinery and Tools	Public Service Corporations Real Estate	Public Service Corporations Personal Property
2011	$ 0.68	$ 6.25	$ 3.50	$ 0.07	$ 6.25
2012	0.72	3.50	3.50	0.72	3.50
2013	0.72	3.80	3.50	0.72	3.80
2014	0.83	3.80	3.50	0.83	3.80
2015	0.83	3.80	3.50	0.83	3.80
2016	0.82	3.80	3.50	0.82	3.80
2017	0.83	3.80	3.50	0.83	3.80
2018	0.83	3.80	3.50	0.83	3.80
2019	0.83	3.80	3.50	0.83	3.80
2020	0.83	3.80	3.50	0.83	3.80

(1) Assessed value for vehicles increased to 100% of market value in 2012.
(2) Assessed value for vehicles changed to 100% trade-in value in 2013.

Principal Property Taxpayers
Current Year and Nine Years Ago

	2020			2011		
Taxpayer/Type of Business	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Dominion Virginia Power/Electric Utility	$ 260,504,720	1	5.93%	$ 282,125,743	1	8.69%
Rappahannock Electric Cooperative/Electric Utility	63,154,736	2	1.65%	64,291,488	2	1.98%
McKesson Corporation/Pharmaceutical Distributor	29,013,450	3	1.54%			
Virginia Natural Gas, Inc./Gas Utility	23,223,033	4	0.53%	17,515,198	4	0.54%
CSX Transportation/Railroad	21,953,693	5	0.50%			
PFJ Southeast LLC	18,452,020	6	0.56%			
Carmel Church Properties/Bank	15,736,800	7	0.36%	15,736,800	6	0.48%
Commonwealth Fairs & Events LLC	15,122,100	8	0.35%			
Exeter 11266 Enterprises LLC (Value City)	13,908,600	9	0.32%			
Pendleton Land development LLC & Pendleton Land Company LLC	10,578,805	10	0.24%			
Verizon South\Telephone Utility				18,704,143	3	0.58%
Richmond, Fredericksburg and Potomac Railroad\Railroad				17,498,832	5	0.54%
JLB Ruther Glen LLC\Furniture Distribution				13,908,500	7	0.43%
Atlantic Rural Exposition & State Fair\Public Entertainment				13,163,675	8	0.41%
Highway Service Ventures Inc.\Highway Service Commercial				10,632,550	9	0.33%
NNP IV-Ladysmith\Property Development				10,493,700	10	0.32%
Totals	$ 471,647,957		11.96%	$ 464,070,629		14.30%

Source:
Caroline County Commissioner of The Revenue

COUNTY OF CAROLINE, VIRGINIA **Table 10**

Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year (1,3)	Collected Within the Fiscal Year of the Levy: Amount (1,3)	Collected Within the Fiscal Year of the Levy: Percentage of Levy	Delinquent Tax Collections	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy	Outstanding Delinquent Taxes (1,2)	Percentage of Delinquent Taxes to Tax Levy
2011	$ 28,430,141	$ 27,337,561	96.16%	$ 1,047,956	$ 28,385,517	99.84%	$ 3,659,723	12.87%
2012	30,790,303	29,222,222	94.91%	955,058	30,177,280	98.01%	4,021,078	13.06%
2013	31,992,621	30,609,324	95.68%	963,110	31,572,434	98.69%	4,478,787	14.00%
2014	33,707,074	31,483,184	93.40%	1,132,536	32,615,720	96.76%	4,799,184	14.24%
2015	36,315,452	34,636,181	95.38%	1,016,627	35,652,808	98.18%	4,677,178	12.88%
2016	36,339,139	34,852,070	95.91%	995,043	35,847,113	98.65%	4,729,311	13.01%
2017	36,999,802	35,374,665	95.61%	992,230	36,366,895	98.29%	4,909,900	13.27%
2018	37,602,914	35,994,290	95.72%	1,073,343	37,067,633	98.58%	4,999,558	13.30%
2019	38,195,184	36,480,464	95.51%	991,077	37,471,541	98.11%	5,313,939	13.91%
2020	39,138,496	37,227,216	95.12%	1,338,987	38,566,203	98.54%	5,526,405	14.12%

Source:
Caroline County Treasurer

Notes:

(1) Exclusive of penalties and interest. Includes Commonwealth of Virginia's reimbursement for personal property taxes and balances outstanding.

(2) Includes three most current delinquent tax years and first half of current year.

(3) Does not include land redemptions.

COUNTY OF CAROLINE, VIRGINIA **Table 11**

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

Fiscal Year	Population	Assessed Value (1)	Gross Bonded Debt (2)	Ratio of Gross Bonded Debt to Assessed Value	Gross Bonded Debt per Capita
2011	28,545	$ 3,030,667,997	$ 64,946,686	2.14%	$ 2,275
2012	28,972	3,436,735,918	70,082,850	2.04%	2,419
2013	29,298	3,398,775,215	68,185,970	2.01%	2,327
2014	29,481	3,451,360,670	89,289,968	2.59%	3,029
2015	29,727	3,487,350,474	84,171,514	2.41%	2,831
2016	29,792	3,546,701,235	79,630,525	2.25%	2,673
2017	30,178	3,971,708,528	77,413,509	1.95%	2,565
2018	30,292	3,594,083,213	71,088,302	1.98%	2,347
2019	30,318	3,619,149,861	66,145,524	1.83%	2,182
2020	30,318	3,647,571,352	61,309,469	1.68%	2,022

(1) See table 7 for property value data

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

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Personal Income (in 000s)	(2) Per Capita Personal Income	(3) School Enrollment- September 30 Membership	(4) Unemployment Rate
2011	28,545	$ 989,854	$ 34,574	4,257	7.7%
2012	28,972	1,086,741	37,510	4,317	6.7%
2013	29,298	1,110,966	37,920	4,340	6.9%
2014	29,481	1,119,643	37,978	4,386	5.9%
2015	29,727	1,140,455	38,035	4,357	5.5%
2016	29,792	N/A	N/A	4,330	4.2%
2017	30,178	N/A	N/A	4,299	4.3%
2018	30,292	N/A	N/A	4,076	3.6%
2019	30,318	N/A	N/A	4,214	3.6%
2020	30,318	N/A	N/A	4,131	8.8%

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

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

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
County Administrator	3	3	4	4	4	4	4	4	4	4
Finance	4	4	3	3	3	3	3	3	3	3
Information Technology			1	1	1	1	1	1	2	2
Emergency Services	26	26	30	30	30	30	33	40	48	48
Public Works	13	13	13	13	13	14	16	17	17	17
Social Services	29	29	29	29	29	31	31	32	34	34
Recreation	3	3	3	3	3	3	3	3	3	3
Library	-	-	-	-	-	-	-	4	4	4
Planning and Community Development	10	10	10	10	10	10	10	11	11	11
Economic Development	2	2	2	2	2	2	2	2	2	2
Utilities	15	15	15	15	15	16	16	17	17	17
Constitutional Officers:										
Commissioner of the Revenue	11	12	13	13	13	13	13	13	13	13
Treasurer	7	7	8	8	8	8	8	8	9	9
Clerk of the Circuit Court	8	8	8	8	8	8	8	8	8	8
Commonwealth's Attorney	5	5	5	5	5	5	5	5	5	5
Sheriff:										
Sworn	52	52	52	52	52	52	52	52	53	54
Non sworn	19	19	19	19	19	19	20	20	22	22
Total full time employees	207	208	215	215	215	219	225	240	255	256

Source: Caroline County Budgets

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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Caroline Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise County of Caroline, Virginia's basic financial statements and have issued our report thereon dated November 27, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Caroline, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

County of Caroline, Virginia's Response to Finding

County of Caroline, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Caroline, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 27, 2020

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

CPAs | Consultants

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Caroline, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Caroline, Virginia's major federal programs for the year ended June 30, 2020. County of Caroline, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Caroline, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 27, 2020

COUNTY OF CAROLINE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number		Federal Expenditures
Department of Agriculture:				
Pass Through Payments:				
Virginia Department of Social Services:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	10119/10120/ 040119/040120		$ 375,603
Pass Through Payments:				
Child Nutrition Cluster:				
Department of Education:				
Summer Food Service Program for Children	10.559	17901	$ 21,972	
COVID-19 - Summer Food Service Program for Children	10.559	17,901	213,449	
Sub-total CFDA 10.559			$ 235,421	
Department of Education:				
School Breakfast Program	10.553	17901-40591	265,953	
COVID-19 - School Breakfast Program	10.553	17901-40591	17,828	
Sub-total CFDA 10.553			$ 283,781	
National School Lunch Program	10.555	17901-40623	705,376	
COVID-19 - National School Lunch program	10.555	17901-40623	46,352	
Department of Agriculture:				
Food Distribution - School Nutrition Program	10.555	17901-45707	192,385	
Sub-total CFDA 10.555			$ 944,113	
	Child Nutrition Cluster			$ 1,463,315
Total Department of Agriculture				$ 1,838,918
Department of Homeland Security:				
Direct Payments:				
Assistance to Firefighters Grant	97.044	N/A		$ 904,586
Pass Through Payments:				
Emergency Management Performance Grants	97.042	77501-114363		12,116
Total Department of Homeland Security				$ 916,702
Department of Justice:				
Direct Payments:				
Bulletproof Vest Partnership Program	16.607	N/A		$ 8,428
Equitable Sharing Program	16.922	N/A		10,989
Pass Through Payments:				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	39001-102200		99,127
Violence Against Women Formula Grants	16.588	39001-99001		27,889
Total Department of Justice				$ 146,433
Department of Health and Human Services:				
Pass Through Payments:				
Virginia Department of Social Services:				
MaryLee Allen Promoting Safe and Stable Families	93.556	950118/950119		$ 15,656
Temporary Assistance for Needy Families Program	93.558	400119/400120		211,136
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	500120		396
Low-Income Home Energy Assistance	93.568	600419/600420		41,308
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	760119/760120		40,241
Adoption and Legal Guardianship Incentive Payments	93.603	1130117		691
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900118/900119		401
Foster Care - Title IV-E	93.658	1100119/1100120		228,441
Adoption Assistance	93.659	1120119/1120120		196,641
Social Services Block Grant	93.667	1000119/1000120		168,793

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020 (Continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number		Federal Expenditures
Department of Health and Human Services: (Continued)				
Pass Through Payments: (Continued)				
Virginia Department of Social Services: (Continued)				
John H. Chafee Foster Care Program for Sucessful Transition to Adulthood	93.674	9150118/9150119		3,896
Children's Health Insurance Program	93.767	540119/540120		6,089
Medical Assistance Program (Medicaid Cluster)	93.778	1200119/1200120		387,058
Total Department of Health and Human Services				$ 1,300,747
Department of Education:				
Pass Through Payments:				
Department of Education:				
Title I Grants to Local Educational Agencies	84.010	179001-39922		$ 907,294
Career and Technical Education - Basic Grants to States	84.048	179001-61095		73,571
Supporting Effective Instruction State Grants	84.367	179001-61480		33,622
English Language Acquisition State Grants	84.365	179001		5,166
Student Support and Academic Enrichment Program	84.424	S424A170048		45,994
State Improvement Grants	84.377	179001-42327		228,908
Special Education Cluster:				
Special Education - Preschool Grants	84.173	179001-62521	$ 18,875	
Special Education - Grants to States	84.027	179001-45170	872,001	
	Special Education Cluster			890,876
Total Department of Education				$ 2,185,431
Department of Defense:				
Direct Payments:				
ROTC Instruction	12.U01	N/A		$ 63,229
Total Department of Defense				$ 63,229
Department of Transportation:				
Pass Through Payments:				
Department of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	60507-59165		$ 4,333
National Priority Safety Programs (Highway Safety Cluster)	20.616	60507-50271		26,527
Total Department of Transportation				$ 30,860
Department of the Treasury:				
Pass Through Payments:				
Department of Accounts:				
COVID-19 - Coronavirus Relief Funds (CRF)	21.019	10110-728021		$ 229,701
Total Department of the Treasury				$ 229,701
Total Expenditures of Federal Awards				$ 6,712,021

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

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Caroline, Virginia under programs of the federal government for the year ended June 30, 2020. 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). Because the Schedule presents only a selected portion of the operations of the County of Caroline, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Caroline, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:		
Primary government:		
General Fund	$	180,216
Less: Payment in lieu of taxes		(1,795)
Special Revenue Funds:		
Virginia Public Assistance Fund		1,654,665
CSA Fund		21,684
Fire/Rescue Grant Fund		904,586
CARES Act Fund		229,701
Confiscated Asset Fund		10,989
Debt Service Fund:		
Debt Service Fund		324,466
Less: BaBs federal interest rate subsidy and other federal credits		(324,466)
Total primary government	$	3,000,046
Component Unit - School Board:		
School Operating Fund	$	1,027,676
School Cafeteria Fund		1,463,315
School Grant Fund		1,220,984
Total component unit school board	$	3,711,975
Total federal expenditures per basic financial statements	$	6,712,021
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	6,712,021

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I–Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified	
Internal control over financial reporting:		
a. Material weakness(es) identified?	___ yes	✓ no
b. Significant deficiency(ies) identified?	___ yes	✓ none reported
Noncompliance material to financial statements noted?	___ yes	✓ no

Federal Awards

Internal control over major programs		
a. Material weakness(es) identified?	___ yes	✓ no
b. Significant deficiency(ies) identified?	___ yes	✓ none reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	___ yes	✓ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
10.553/10.555/10.559	Child Nutrition Cluster
97.044	Assistance to Firefighters Grant
93.778	Medical Assistance Program (Medicaid 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 Finding

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Commonwealth of Virginia Findings and Questioned Costs

Finding 2020-001:

Criteria:

Section 2.2-3115 of the *Code of Virginia* requires members of every governing body and school board of each county and city and of towns with population in excess of 3,500, as a condition of assuming office or employment, complete a disclosure statement of their personal interest and other information as required.

Condition:

We noted one School Board member did not complete a disclosure statement prior to assuming office.

Effect of Condition:

The School Board violated Section 2.2-3115 of the *Code of Virginia* .

Cause of Condition:

Internal policy states disclosure statements are to be completed prior to February 1st of each year. The policy is silent to completion of disclosure statements as a condition of assuming office.

Recommendation:

The School Board should update policy to be in compliance with Section 2.2-3115 of the *Code of Virginia.*

Management's Recommendation:

The School Board office is considering corrective action for FY21 to include policy updates.

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

Findings - Financial Statement Audit:

2019-001:

Condition:

We noted errors which required adjustments to current financial statements, indicating a material weakness in controls over financial reporting.

Recommendation:

The County should implement steps to improve its financial reporting process.

Current Status:

Planned corrective action completed and noted.

William T. Newborg, Director of Grants and Funding, joined Atlantic Broadband (acquired MetroCast Communications) in January 2018 as General Manager of Virginia Systems. Mr. Newborg was responsible for the day-to-day operations of cable systems serving approximately 22,000 households and businesses in Virginia. Mr. Newborg has over 30 years of experience in the cable television industry having held management positions with both large and small operators in Virginia. In April 2020, Mr. Newborg was promoted to Atlantic Broadband's Director of Grants and Funding covering eleven states. Mr. Newborg has been active in a number of industry organizations including the National Cable Television Association ("NCTA") as a member of the NCTA Operator's Committee. He currently serves as a Board Member of the Broadband Association of Virginia (VCTA). Mr. Newborg graduated from San Diego Mesa College majoring in Aeronautical Sciences and attended San Jose State University pursuing a degree in Business Management.

Crystal Duke, Grants and Funding Manager at Atlantic Broadband, has over 15 years of experience in the cable industry. In this role, she manages the grant planning, preparation and proposal process. Her previous experience in the cable industry includes working in Marketing, Customer Service, Sales and Administrative roles. She has served on the Women in Cable Telecommunications ("WICT") Virginia Chapter Board as Sponsorship Co-Chair and on the Lancaster By the Bay Chamber of Commerce Board. Mrs. Duke is an active member of the WICT Virginia Chapter and Fiber Broadband Association.

Michael Scott, Construction Supervisor for Virginia Systems, is a 34-year telecommunications veteran experienced in all phases of technical and construction methods for Residential and Commercial telephone, cable and High-speed Internet, including Enterprise level Commercial Services. Currently Mr. Scott is responsible for the day-to-day operations for the Atlantic Broadband residential and commercial construction team in Virginia. Prior to Atlantic Broadband, Mr. Scott served as a Maintenance Technician and Construction Lead for MetroCast during the Rebuild of the Virginia systems. In 2018, Mr. Scott was promoted to Supervisor of Construction for Virginia and Maryland. Mr. Scott started his telecommunications career with Verizon in South Carolina doing underground service drop burials. During his 20-year employment with Verizon, he was promoted to the Local Manager of Operations. During his tenure, he developed and implemented the National Bury Service Wire Group, which is still operating today on a national basis. Mr. Scott is a member of the Society of Cable Television Engineers and is a past member of the Board of Directors of the Palmetto Protection Utility Services in South Carolina.

David Sadler, Caroline County

David Sadler is the Point of Contact for Caroline County -for questions pertaining to the 2021 VATI grant application. Mr. Sadler realizes that the problem of lack of access in rural Virginia is not a problem unique to Caroline. This is the reason he works to support solutions that not only help Caroline residents, but area residents, such as the current VATI Grant.

Mr. Sadler currently serves as IT director for Caroline County, and owns an IT installation and consulting company that serves many businesses from Fredericksburg to Richmond. As IT director he has worked with current wired and wireless providers to provide solutions the County Administration offices need to conduct business. Currently he manages the County owned wireless network that connects multiple sites to allow them to conduct business on Caroline Counties private network. This network connects offices that are separated and spread across our rural county. He currently oversees the county network, and is working hard to modernize the network with the focus being on improved security.

Prior to starting with Caroline County, Mr. Sadler worked in the Private Sector as sole proprietor of On-Site P.C. In this position he worked to coordinate with Cable, Telephone and Fiber providers to integrate solutions to businesses large and small. He has overseen and actually performed large scale wired and wireless network installations in Virginia and Maryland. Mr. Sadler has been in IT for 22 years and has worked with all Wired and many of the wireless providers that offer internet in Caroline County. He has extensive knowledge of both the availability of broadband in Caroline, as well as the limitations of possible solutions. Because of this knowledge he has been appointed to

Caroline County Broadband Committee, where he works with a panel of highly qualified county residents in the IT field, to find viable solutions to bridge the digital divide that exists in Caroline county. He also manages Carolines portion of the current ABB VATI effort awarded in FY2021.

Caroline County's Plan For Universal Coverage

as developed and approved by

The Caroline Broadband Advisory Committee

In August of 2020 The Caroline Broadband Advisory Committee Adopted the Strategic plan which outlined the guidelines that it would use to guide future discussions involving broadband. It was decided in this plan that we would prioritize solutions that were in current use to deliver broadband to rural areas. The committee considered multiple solutions. The committee then Ranked solutions based on their ability to deliver internet to houses in rural areas with challenging topography and thick vegetation such as the unserved areas in Caroline County. The committee researched solutions and provided the following list to drive future conversation based on years of engineering construction, maintenance, and ISP experience.

1st Fiber to the Home

2nd Hybrid Fiber Coax/Coax

3rd Fixed Wireless

4th Satellite

5th Existing wireless/ hotspots.

In discussing all options, it was acknowledged that a short-term solution may be needed until the best and final solutions can be delivered. It was also discussed that due the scalability of Coax that it can deliver near fiber speeds however the speeds were not symmetrical.

In August 2021, based on the strategic plan, The Committee formulated a roadmap, the Plan for Universal Coverage to deliver an Internet connection to all homes in Caroline County. The Committee acknowledged that the successful VATI 2021 project should be part of multiyear project to deliver internet availability to each and every home.

By building on the Year 2021 project, and following our strategic plan of expanding existing footprints of Cable providers, we can avoid the cost of mid-mile construction and deliver a solution that is saleable and will not need to be replaced with a different solution in the near future. Expansion beyond 2021 was approved by the Committee to presented to the Board of Supervisors. The plan involves two providers, Comcast and Atlantic Broadband. Since we have form Private/Public partnerships with both companies, a tiered approach will need to be used to attain universal Coverage.

Caroline County has been working for over 4 years to encourage Comcast to expand their footprint in the western portion of Caroline County to reach unserved houses that are surrounded by Comcast service areas. Jericho Road, and Anderson Mill Road identified and approved by the Board of Supervisors as the 2022 VATI project. During the second VATI cycle Caroline should work to develop a partnership with Comcast to complete coverage of remaining unserved addresses identified in the attached map as areas West of 95. The Attached map titled Caroline County/Comcast Project Areas.

Due the expansion of VATI funding for 2022 and the willingness of Atlantic Broadband to partner with Caroline County the Broadband Advisory committee decided to Prioritize the Dawn Area, then followed by Woodford and Corbin. This left only a large area in Sparta/Central point to be covered and it had already been targeted for RDOF funding. This area would be covered in 6 years. In discussions with ABB they could actually cover the RDOF during year three of the funding cycle. This will complete coverage of all areas East of 95. The Eastern Area Plan for universal Coverage is defined in the attached Caroline County /ABB FY2022 Project Areas map.

The Caroline Broadband advisory committee recommends that we work to expand coverage as described to attain an available internet connection to all Unserved rooftops in Caroline County.

Jason Barlow

Chairman, Caroline Broadband Advisory Committee

Caroline County’s Plan For Universal Coverage

as developed and approved by

The Caroline Broadband Advisory Committee

For consideration by

The Caroline County Board of Supervisors

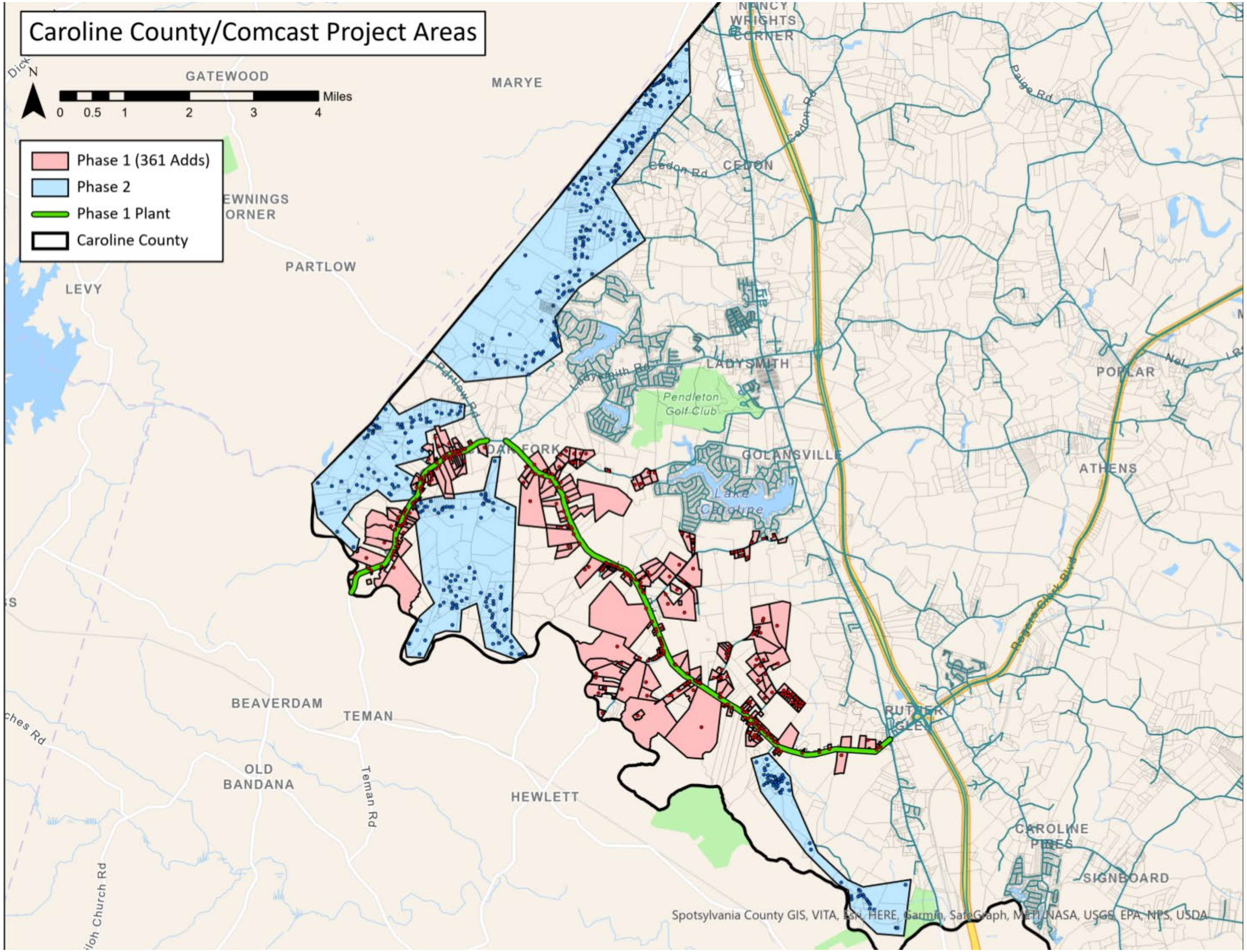
Strategic Plan to Plan for Universal Coverage

- August 2020 Strategic Plan was formulated and adopted by the Caroline Broadband Advisory Committee

- Service Type was Prioritized based on the expertise of the Committee
  - Fiber to the Home
  - Hybrid Fiber Coax/Coax
  - Fixed Wireless
  - Satellite
  - Existing Cell/Wireless providers

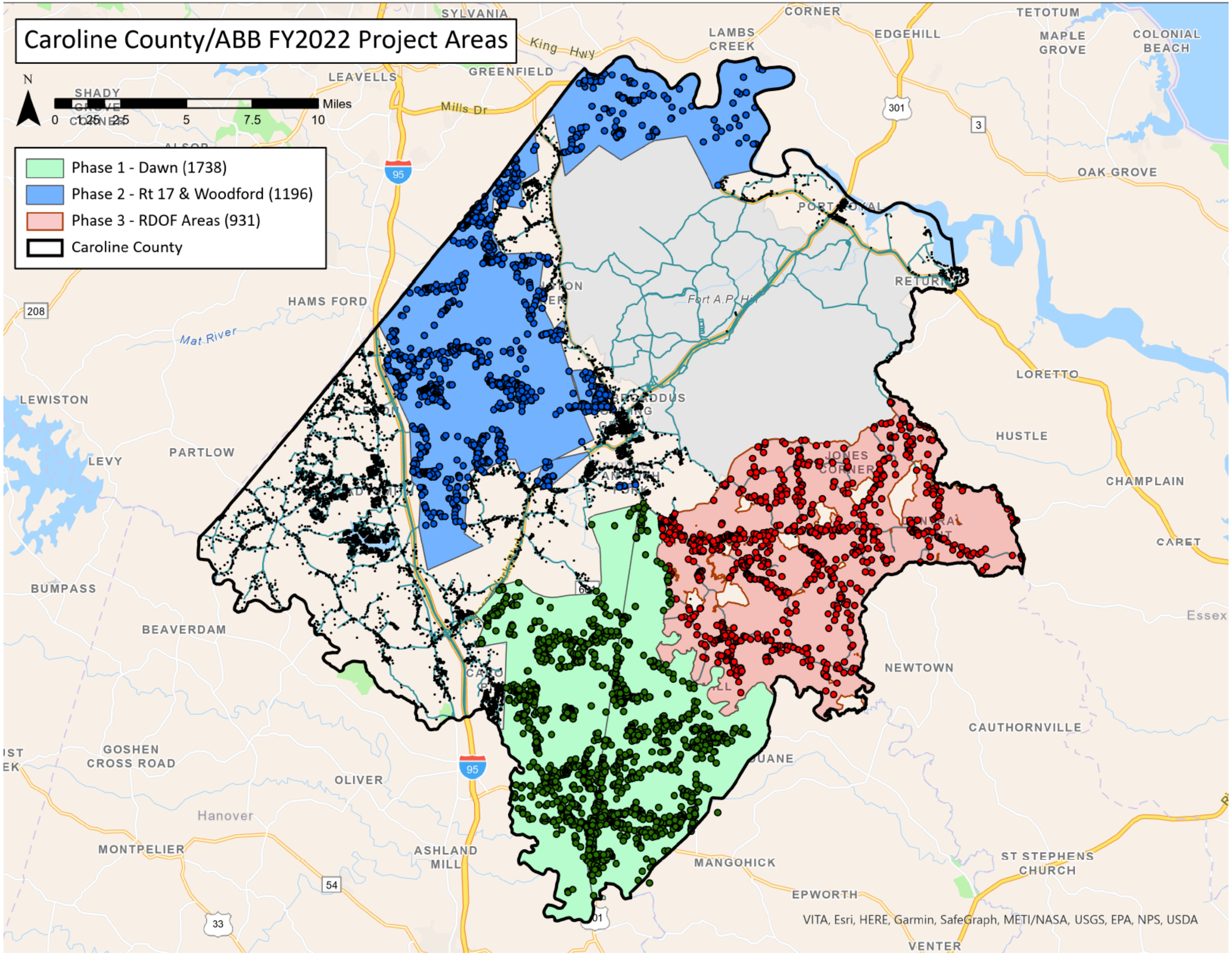
Strategic Plan to Plan for Universal Coverage

- Using the strategic Plan a Plan for Universal Coverage was developed
- Building on 2021 VATI
  - Partner with Comcast to address needs near its existing footprint
  - Break expansion in two phases a 2022 VATI C, and a 2023 VATI C project
  - Covers Caroline County West entirely in two VATI Cycles


Caroline County/Comcast Project Areas
N
0 0.5 1 2 3 4 Miles
Phase 1 (361 Adds)
Phase 2
Phase 1 Plant
Caroline County
GATEWOOD
MARYE
NANCY WRIGHTS CORNER
CEDON
Cedon Rd
Paige Rd
PARTLOW
LEVY
LADYSMITH
Ladysmith Rd
Partlow Rd
Pendleton Golf Club
POPLAR
DAN FORK
GOLANSVILLE
Lake Caroline
ATHENS
Rogers Clark Blvd
BEAVERDAM
TEMAN
Teman Rd
OLD BANDANA
HEWLETT
RUTHER GLEN
CAROLINE PINES
SIGNBOARD
Spotsylvania County GIS, VITA, Esri, HERE, Garmin, SafeGraph, METI/NASA, USGS, EPA, NPS, USDA

Strategic Plan to Plan for Universal Coverage

- The Plan for Universal Coverage for Caroline County East
  - 3 year project
  - Can be applied for in 1 VATI application
  - Covers Caroline County East in 3 phased as seen in attached map


Caroline County/ABB FY2022 Project Areas
N
0 1.25 2.5 5 7.5 10
Miles
Phase 1 - Dawn (1738)
Phase 2 - Rt 17 & Woodford (1196)
Phase 3 - RDOF Areas (931)
Caroline County
SYLVANIA
CORNER
TETOTUM
LAMBS CREEK
EDGEHILL
MAPLE GROVE
COLONIAL BEACH
King Hwy
GREENFIELD
LEAVELLS
Mills Dr
301
3
95
OAK GROVE
HAMS FORD
208
Mat River
Fort A.P. Hill
RETURN
LORETTO
LEWISTON
HUSTLE
PARTLOW
LEVY
JONES CORNER
CHAMPLAIN
CARET
BUMPASS
BEAVERDAM
Essex
NEWTOWN
CAUTHORNVILLE
GOSHEN CROSS ROAD
OLIVER
95
Hanover
MONTPELIER
ASHLAND MILL
MANGOHICK
ST STEPHENS CHURCH
54
EPWORTH
33
VITA, Esri, HERE, Garmin, SafeGraph, METI/NASA, USGS, EPA, NPS, USDA
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