TOWN OF COLONIAL BEACH, VIRGINIA

FINANCIAL REPORT

June 30, 2011

miLLer FoLeY GROUP

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PRINCIPAL OFFICIALS

For the Year Ended June 30, 2011

Town Council

Frederick Rummage - Mayor
Burkett Lyburn - Vice Mayor
Shane Buzby
Mike Ham
Karen Payne
Ronald Ridgely
Gary Seeber

Town Officials

Val Foulds - Town Manager
Joan H. Grant - Chief Financial Officer
Andrea G. Erard - Town Attorney
Barbara A. Goff - Town Clerk

School Board

Tim Trivett - School Board Chair
Mike Looney - Vice Chairman
Wayne Kennedy
Michelle Payne
Vicki Roberson

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Honorable Members of the Town Council
Town of Colonial Beach, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Colonial Beach, Virginia as of and for the year ended June 30, 2011, which collectively comprise the Town of Colonial Beach, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Colonial Beach, Virginia's management. Our responsibility is to express an opinion 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 *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accountants 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our 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 activity, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Colonial Beach, Virginia as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2011 on our consideration of the Town of Colonial Beach, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

1121 Heatherstone Drive Fredericksburg, Virginia 22407

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on Exhibit VIII 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 principally 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Colonial Beach, Virginia's financial statements as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Miller Foley Group

Fredericksburg, Virginia
December 29, 2011

FINANCIAL STATEMENTS

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TOWN OF COLONIAL BEACH, VIRGINIA

STATEMENT OF NET ASSETS
June 30, 2011

Exhibit I

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
ASSETS				
Pooled cash and investments	$ 2,667,778	$ 1,078,534	$ 3,746,312	$ 316,363
Receivables, net	235,697	218,675	454,372	177,225
Interfund receivable (payable)	(10,000)	10,000	-	-
Prepaid expense	-	-	-	45,092
Due from component unit	338,487	-	338,487	(338,487)
Other assets	-	477,737	477,737	-
Capital assets, net:				
Non depreciable assets	1,395,942	270,222	1,666,164	172,207
Depreciable assets	858,768	15,890,177	16,748,945	1,559,468
Total assets	$ 5,486,672	$ 17,945,345	$ 23,432,017	$ 1,931,868
LIABILITIES				
Accounts payable and accrued amounts	$ 279,168	$ 172,238	$ 451,406	$ 452,321
Noncurrent liabilities:				
Due in less than one year	230,676	624,796	855,472	129,042
Due in more than one year	1,398,334	5,698,744	7,097,078	48,425
Total liabilities	$ 1,908,178	$ 6,495,778	$ 8,403,956	$ 629,788
NET ASSETS				
Invested in capital assets, net of related debt	$ 720,618	$ 9,836,859	$ 10,557,477	$ 1,302,080
Unrestricted	2,857,876	1,612,708	4,470,584	-
Total net assets	$ 3,578,494	$ 11,449,567	$ 15,028,061	$ 1,302,080

See accompanying notes

TOWN OF COLONIAL BEACH

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Exhibit II

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue & Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: School Board
Primary government:								
General government	$ 1,060,738	$ 19,015	$ 1,742	$ -	$ (1,039,981)		$ (1,039,981)	
Public safety	1,102,646	186,074	93,924	-	(822,648)		(822,648)	
Public works	815,546	47,444	5,597	-	(762,505)		(762,505)	
Health and welfare	3,920	-	-	-	(3,920)		(3,920)	
Education	1,757,850	-	2,400	-	(1,755,450)		(1,755,450)	
Culture and recreation	5,000	18,261	5,000	-	18,261		18,261	
Community development	244,269	-	18,589	-	(225,680)		(225,680)	
Interest on long-term debt	49,875	-	-	-	(49,875)		(49,875)	
Total government activities	$ 5,039,844	$ 270,794	$ 127,252	$ -	$ (4,641,798)		$ (4,641,798)	
Business-type activities:								
Water and sewer	$ 1,664,314	$ 2,037,804	$ -	$ -		$ 373,490	$ 373,490	
Total primary government	$ 6,704,158	$ 2,308,598	$ 127,252	$ -		$ 373,490	$ (4,268,308)	
Component unit:								
Education	$ 7,077,173	$ 194,556	$ 6,729,490	$ -				$ (153,127)
General revenues:								
Property taxes					$ 3,567,437	$ -	$ 3,567,437	$ -
Other					845,833	-	845,833	-
Grants and contributions not restricted to a specific program					240,352	-	240,352	-
Interest and investment earnings					19,383	-	19,383	3
Miscellaneous					20,677	-	20,677	91,671
Transfers					100,257	(100,257)	-	-
Total general revenues					$ 4,793,939	$ (100,257)	$ 4,693,682	$ 91,674
Change in net assets					152,141	273,233	425,374	(61,453)
Net assets, beginning, as restated					3,426,353	11,176,334	14,602,687	1,363,533
Net assets, ending					$ 3,578,494	$ 11,449,567	$15,028,061	$ 1,302,080

See accompanying notes

BALANCE SHEET-GOVERNMENTAL FUNDS
June 30, 2011

Exhibit III

	General Fund	Other Governmental Funds	Totals (Memorandum only)
ASSETS			
Cash	$ 2,633,017	$ 34,761	$ 2,667,778
Receivable, net	235,697	-	235,697
Due from component unit	338,487	-	338,487
Total assets	$ 3,207,201	$ 34,761	$ 3,241,962
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued amounts	$ 252,936	$ -	$ 252,936
Interfund payable	10,000	-	10,000
Deferred revenue	107,392	-	107,392
Total liabilities	$ 370,328	$ -	$ 370,328
FUND BALANCES			
Nonspendable	$ 338,487	$ -	$ 338,487
Committed for erosion projects	-	34,761	34,761
Assigned:			
Capital projects	42,351	-	42,351
Erosion funds	34,761	-	34,761
Unassigned	2,421,274	-	2,421,274
Total fund balances	$ 2,836,873	$ 34,761	$ 2,871,634
Total liabilities and fund balances	$ 3,207,201	$ 34,761	$ 3,241,962

Adjustments for the Statement of Net Assets	
Total fund balances, above	$ 2,871,634
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,254,710
Long-term liabilities, including lease payables, are not due and payable in the current period and therefore are not reported in the funds.	(1,655,242)
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.	107,392
Net assets of governmental activities	$ 3,578,494

See accompanying notes

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS

Year Ended June 30, 2011

Exhibit IV

	General Fund	Other Governmental Funds	Total (Memorandum Only)
Revenues:			
General property taxes	$ 3,304,102	$ -	$ 3,304,102
Other local taxes	1,180,779	-	1,180,779
Permits, privilege fees, and regulatory licenses	98,405	-	98,405
Revenues use of money and property	40,735	-	40,735
Charges for services	47,444	-	47,444
Miscellaneous	38,076	-	38,076
Intergovernmental	365,204	-	365,204
Total revenues	$ 5,074,745	$ -	$ 5,074,745
Expenditures:			
Current:			
General government administration	$ 1,034,038	$ -	$ 1,034,038
Public safety	1,091,008	-	1,091,008
Public works	747,637	-	747,637
Health and welfare	3,920	-	3,920
Education	1,757,850	-	1,757,850
Parks, recreation, and culture	5,000	-	5,000
Community development	246,327	-	246,327
Capital outlay	61,718	-	61,718
Debt service:			
Principal	137,693	-	137,693
Interest	58,114	-	58,114
Total expenditures	$ 5,143,305	$ -	$ 5,143,305
Excess (deficit) of revenues over expenditures	$ (68,560)	$ -	$ (68,560)
Other financing sources:			
Transfer in	$ 100,257	$ -	$ 100,257
Total other financing sources	$ 100,257	$ -	$ 100,257
Excess of revenues and other financing sources over expenditures	$ 31,697	$ -	$ 31,697
Fund balance, beginning, as restated	2,805,176	34,761	2,839,937
Fund balance, ending	$ 2,836,873	$ 34,761	$ 2,871,634

Adjustments for Statement of Activities

Net change in fund balances	$ 31,697
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	(32,081)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.	16,983
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.	135,542
Change in net assets of governmental activities	$ 152,141

See accompanying notes

TOWN OF COLONIAL BEACH, VIRGINIA

STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2011

Exhibit V

ASSETS	
Current assets:	
Pooled cash and investments	$ 1,078,534
Receivables	218,675
Interfund receivable	10,000
Total current assets	$ 1,307,209
Noncurrent assets:	
Other assets	$ 477,737
Nondepreciable assets	270,222
Depreciable assets (net of accumulated depreciation)	15,890,177
Total noncurrent assets	$ 16,638,136
Total assets	$ 17,945,345
LIABILITIES	
Current liabilities:	
Accounts payable and accrued amounts	$ 172,238
Current maturities of long-term debt	624,796
Total current liabilities	$ 797,034
Revenue bonds payable, less current maturities	$ 5,698,744
Total liabilities	$ 6,495,778
NET ASSETS	
Invested in capital assets, net of related debt	$ 9,836,859
Unrestricted	1,612,708
Total net assets	$ 11,449,567

See accompanying notes

TOWN OF COLONIAL BEACH, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND

Year Ended June 30, 2011

Exhibit VI

Operating revenues:	
Charges for services-water and sewer	$ 1,904,934
Other	2,870
	$ 1,907,804
Operating expenses:	
Personnel	$ 428,222
Operating expenses	527,706
Depreciation	533,906
	$ 1,489,834
Operating income	$ 417,970
Non-operating revenues (expenses):	
Connection fees	$ 130,000
Interest and fiscal charges	(174,480)
	$ (44,480)
Income before contributions and transfers	$ 373,490
Transfers (out)	$ (100,257)
	$ (100,257)
Change in net assets	$ 273,233
Net assets, beginning, as restated	11,176,334
Net assets, ending	$ 11,449,567

See accompanying notes

TOWN OF COLONIAL BEACH, VIRGINIA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended June 30, 2011

Exhibit VII

Cash flows from operating activities:	
Cash received from customers	$ 1,921,594
Cash payments to suppliers for goods and services	(472,403)
Cash payments to employees for services	(428,222)
Net cash provided by operating activities	$ 1,020,969
Cash flows from noncapital financing activities:	
Transfers to other funds	$ (110,257)
Connection fees	130,000
Net cash provided by noncapital financing activities	$ 19,743
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	$ (482,685)
Loan proceeds	174,023
Interest paid on capital debt	(124,737)
Principal paid on capital debt	(785,321)
Net cash (used in) capital and related financing activities	$ (1,218,720)
Purchase of investment securities	$ (6,433)
Net cash (used in) investing activities	$ (6,433)
Net (decrease) in cash and cash equivalents	$ (184,441)
Cash and cash equivalents:	
Beginning	1,192,370
Ending	$ 1,007,929
Shown as:	
Pooled cash and investments	$ 1,078,534
Less: investments	(70,605)
Cash and cash equivalents	$ 1,007,929
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 417,970
Depreciation	533,906
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	13,790
(Increase) decrease in liabilities:	
Accounts payable and accrued expenses	55,303
Net cash provided by operating activities	$ 1,020,969

See accompanying notes

Note 1. Summary of Significant Accounting Policies

The Town of Colonial Beach, Virginia (the Town) was established by an act of the Virginia General Assembly in 1837, and is one of two incorporated towns in Westmoreland County, Virginia. It is a political subdivision of the Commonwealth of Virginia, and operated under the Town Council-Mayor form of government, as elected by the residents of the Town of Colonial Beach. The Town owns and operates its own water and sewer systems, provides trash and garbage pickup, and police protection for its residents.

The financial statements of the Town, have been prepared in conformity with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the Town are described below.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

A. Financial Reporting Entity

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. 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. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government.

The Colonial Beach School Board has been included as a discretely presented component unit of the Town. While the Town does not appoint members to the Board, the Town does approve the School Board's budget and any debt issued and does provide significant funding. The School Board does not issue separate financial reports.

B. Government-Wide and Fund Financial Statements

State and local governments traditionally have used a financial reporting model substantially different from one used to prepare private-sector financial reports.

Management's Discussion and Analysis - GASB Standards require that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). Management has elected not to include this analysis.

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 (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

Statement of Net Assets - The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statements of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Programs revenues* include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. 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. The Town and many governments revise their original budgets over the course of the year for a variety of reasons. Presentation of the original budget to the final budget and actual results are required.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *erosion fund* is used to account for financial resources required to be accounted for separately.

The government reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewage treatment plants, sewage pumping stations and collection systems, and the water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility enterprise fund are charges to the customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Measurement Focus, Basics of Accounting and Financial Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the 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 provider have been met.

Governmental fund financial statements are accounted for using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenues and property taxes receivable when billed. Real and personal property taxes recorded at June 30, and received within the first 45 days after year-end are included in tax revenues, with the related amount reduced from deferred revenues. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the Town, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally two months preceding receipt by the town. Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditures. Revenues from general purpose grants are recognized during the period in which the grants apply.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: 1) accumulated unpaid vacation leave, which are recorded as compensated absences, and are recognized when paid, and 2) principal and interest payments on general long-term debt, both of which are recognized when paid.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. The budget is prepared by fund, function and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Budgets are not adopted for the erosion fund.

E. Equity in Pooled Cash and Investments

Cash resources of the individual funds in the General Fund, Special Revenue Fund, Proprietary Fund, and discretely presented component unit are combined to form a pool of cash and investments to maximize interest earnings. Income from pooled investments is allocated only when contractually or legally required.

All investment earnings not legally or contractually required to be credited to individual accounts or funds are credited to the General Fund.

For purposes of the statement of cash flows, the Proprietary Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments for the government, as well as for its component units, are reported at fair value. The Local Government's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

F. Receivables and Payables

Advances between funds and the primary government/component unit, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources. These advances are not expected to be repaid within the next year.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy is divided into two billings. The first billing (due June 5th) is for real estate taxes only and is an estimate of the current year's levy based on the prior year's taxes. The second billing (due December 5th) for both real estate and personal property taxes reflects adjustments to the current year's actual levy. When the billings are past due, the applicable property is subject to lien, and penalties and interest are assessed.

G. Restricted Assets

Certain proceeds of the Town's bonds are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

H. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets with a basis in excess of $5,000 and an estimated useful life greater than one year are capitalized. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Renovation and repairs	20
Vehicles	5-20
Street improvements	20

I. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

J. Government-wide and Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

* Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

* Restricted net assets - consists of net assets that are restricted by the Town's creditor's (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the Town's parks endowment).

* Unrestricted - all other net assets are reported in this category.

K. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

* **Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

* **Restricted** - Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.

* **Committed** - Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. This included the Budget Reserve Account.

* **Assigned** - Amounts that are designated by the Town Manager for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.

* **Unassigned** - All amounts not included in other spendable classifications.

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

The Town has, through an ordinance passed by Town Council, adopted a reserve of $500,000. This reserve requires a super majority of two-thirds to spend. Since it does not specify the specific criteria to spend, it does not meet the "committed" criteria under standards for fund balance classifications. Therefore, the reserve is in "unassigned" fund balance.

Note 2. Cash 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 and certain corporate notes, banker's acceptances, repurchase agreement, the State Treasurer's Local Governmental Investment Pool (LGIP).

The Town has not adopted an investment policy.

Note 3. Receivables

Receivables at June 30, 2011 consist of the following:

	Primary Government	Component Unit School Board
Taxes receivable	165,952	-
Accounts receivable	334,220	8,426
Intergovernmental receivables	69,485	168,799
Gross receivables	$ 569,657	$ 177,225
Less: Allowance for uncollectibles	(115,285)	-
Net Receivables	$ 454,372	$ 177,225

The taxes receivable account represents the current and past four years of uncollected tax levies for personal property taxes and the current and past 20 years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is 14.3% of the total taxes receivable at June 30, 2011 and is based on historical collection rates.

Receivables on a government-wide basis include taxes receivable of $90,409 that are not available to pay for current period expenditure and are therefore offset by the deferred revenue for the governmental funds.

Note 4. Interfund and Component Unit Balances

Interfund balances at June 30, 2011, consisted of $10,000 due from the general fund to the utility fund expected to be repaid during the next fiscal year.

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The Component Unit School Board has an obligation of $338,287 to the general fund resulting from deficits in prior years. Currently there are no plans to liquidate this obligation. As a result, it is reflected as nonspendable fund balances in the general fund.

Note 5. Property Taxes

The Town collects real property taxes semiannually and personal property taxes annually. Real property in the Town is assessed by the Commissioner of Revenue of the County of Westmoreland, Virginia. Personal property is assessed by the Commissioner of Revenue of the County of Westmoreland, Virginia annually for property owned on January 1st. Town Council adopts tax rates in May of each year as a part of the budget process. Real property taxes are levied and attached as an enforceable lien, as of January 1st for a calendar year; penalties and interest accrue on all unpaid balances as of these dates. Personal property taxes are levied as of January 1st and are due on December 5th of each year; penalties and interest accrue on all unpaid balances of these dates. The town bills and collects its own property taxes.

Real estate taxes are billed in equal semi-annual installments due June 5 and December 5. The taxes receivable balance at June 30, 2011 includes amounts not yet received from the January 1, 2011 levy (due June 5 and December 5, 2011), less an allowance for uncollectibles. The considered installment due on December 5, 2011 is not included as revenue since these taxes are for use until fiscal year 2012. Liens are placed on the property on the date real estate taxes are delinquent, and must be satisfied prior to the sale or transfer of the property.

In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The tax rate was $0.60 per $100 of assessed value during 2011.

Personal property tax assessments are based upon a percentage of fair market value on January 1 of each year. Motor vehicles are assessed at 50% of fair market value and the tax may be prorated for the length of time the vehicle has status in the Town. Personal property taxes for the calendar year are due in annual installments on December 5. Personal property taxes do not create a lien on property, however, a hold on the issuance of Virginia Department of Motor Vehicles license plates may be issued to any individual having outstanding personal property taxes.

The taxes receivable balance at June 30, 2011 includes amounts not yet billed or received from the January 1, 2011 levy. The tax rates during 2011 were $3.75 per $100 of assessed value. In addition, any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the Town receives a flat reimbursement from the State of $240,317, for the local personal property tax payments.

Note 6. Capital Assets

A summary of changes in capital assets is presented below:

	Balance, Beginning	Increases	Decreases	Balance, Ending
Primary Government - government activities:				
Capital assets, not being depreciated:				
Land	$ 1,550,942	$ -	$ 155,000	$ 1,395,942
Total capital assets, not being depreciated	$ 1,550,942	$ -	$ 155,000	$ 1,395,942
Capital assets, being depreciated:				
Building and improvements	$ 791,898	$ 6,972	$ -	$ 798,870
Equipment	496,971	50,031	-	547,002
Vehicles	857,949	4,715	-	862,664
Total capital assets, being depreciated	$ 2,146,818	$ 61,718	$ -	$ 2,208,536
Less accumulated depreciation for:				
Building and improvements	$ 227,653	$ 16,334	$ -	$ 243,987
Equipment	373,744	23,890	-	397,634
Vehicles	654,572	53,575	-	708,147
Total accumulated depreciation	$ 1,255,969	$ 93,799	$ -	$ 1,349,768
Total capital assets, net-governmental activities	$ 2,441,791	$ (32,081)	$ 155,000	$ 2,254,710

	Balance, Beginning	Increases	Decreases	Balance, Ending
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 29,280	$ -	$ -	$ 29,280
Construction in progress	8,568,956	-	8,328,014	240,942
Total capital assets, not being depreciated	$ 8,598,236	$ -	$8,328,014	$ 270,222
Capital assets, being depreciated:				
Building and improvements	$23,274,910	$ 14,595	$ -	$23,289,505
Equipment	192,385	9,400	-	201,785
Vehicles	124,892	265,428	-	390,320
Total capital assets, being depreciated	$23,592,187	$ 289,423	$ -	$23,881,610
Less accumulated depreciation for:				
Building and improvements	$ 7,218,796	$ 486,733	$ -	$ 7,705,529
Equipment	148,956	21,123	-	170,079
Vehicles	89,775	26,050	-	115,825
Total accumulated depreciation	$ 7,457,527	$ 533,906	$ -	$ 7,991,433
Total capital assets, net-business-type activities	$24,732,896	$ (244,483)	$8,328,014	$16,160,399
Total capital assets, net-primary government	$27,174,687	$ (276,564)	$8,483,014	$18,415,109
Component unit-school board:				
Capital assets, not being depreciated:				
Land	$ 106,699	$ 65,508	$ -	$ 172,207
Total capital assets, not being depreciated	$ 106,699	$ 65,508	$ -	$ 172,207
Capital assets, being depreciated:				
Building and improvements	$ 1,988,930	$ 517,277	$ -	$ 2,506,207
Vehicles	433,604	36,888	-	470,492
Total capital assets, being depreciated	$ 2,422,534	$ 554,165	$ -	$ 2,976,699
Less accumulated depreciation for:				
Building and improvements	$ 857,072	$ 282,992	$ -	$ 1,140,064
Vehicles	290,706	-	13,539	277,167
Total accumulated depreciation	$ 1,147,778	$ 282,992	$ 13,539	$ 1,417,231
Total capital assets, net-component unit-school board	$ 1,381,455	$ 336,681	$ (13,539)	$ 1,731,675

Depreciation expense was charged to the following functions for the primary government-government activities.

General government	$ 10,991
Public safety	12,201
Public works	69,154
Parks, recreation & cultural	1,453
	$ 93,799

All of the component unit depreciation is charged to education.

Note 7. Capital Leases

The School Board has the following capital lease obligation June 30, 2011:

Bus lease, dated August 2007, annual payments of $26,952 including interest.

Following is a schedule of future minimum lease payments:

	Year	Amount
	2012	26,952
	2013	26,952
		$ 53,904
Less amount representing interest		(4,176)
		$ 49,728

The total value of assets purchased is $126,620.

Note 8. Long-Term Debt

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within One Year
PRIMARY GOVERNMENT:					
Governmental activities:					
General obligation bonds payable	$ 1,641,541	$ -	$ 107,450	$ 1,534,091	$ 148,138
Compensated absences	85,260	82,071	72,412	94,919	82,436
Total governmental activities	$ 1,726,801	$ 82,071	$ 179,862	$ 1,629,010	$ 230,676
Business-type activities:					
General obligation bonds payable	$ 2,988,246	$ 193,262	$ 143,903	$ 3,037,605	$ 154,800
Revenue bonds payable	3,917,448	-	641,417	3,285,935	469,995
Total business-type activities	$ 6,905,694	$ 193,262	$ 785,320	$ 6,323,540	$ 624,796
	$ 8,632,495	$ 275,333	$ 965,182	$ 7,952,550	$ 855,472

The annual requirements to amortize all primary government debt outstanding as of June 30, 2011 are as follows:

	General Government		Business Type Activity		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
6/30/2012	$ 148,138	$ 57,697	$ 626,204	$ 143,745	$ 774,342	$ 201,442
6/30/2013	142,620	52,523	624,796	138,042	767,416	190,565
6/30/2014	150,224	47,501	630,112	132,427	780,336	179,928
6/30/2015	154,386	42,061	294,638	126,335	449,024	168,396
2016-2020	490,723	133,753	1,363,163	536,893	1,853,886	670,646
2021-2025	182,000	77,167	1,230,345	408,191	1,412,345	485,358
2026-2030	117,250	44,173	1,041,042	291,571	1,158,292	335,744
2031-2035	120,750	20,039	617,586	179,096	738,336	199,135
2036-2040	28,000	630	361,638	68,564	389,638	69,194
2041-2045	-	-	182,312	36,528	182,312	36,528
2046-2050	-	-	194,620	12,339	194,620	12,339
Totals	$ 1,534,091	$ 475,544	$ 7,166,456	$ 2,073,731	$ 8,700,547	$ 2,549,275

The preceding amortization assumes that the Town has borrowed all funds available (an additional $842,916) under Sewer Bond 2010.

General obligation bonds payable at June 30, 2011 backed by full faith and credit of the Town, are comprised of the following individual issues:

$ in Thousands

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments	Original Issue	Principal Outstanding
General Government						
Refunding 2004	3.46%	05/04/2004	07/01/2017	$52-149	$ 1,191	$ 718
Revenue 2005A	4.67% to 14.86%	07/28/2005	08/01/2035		1,343	816
					$ 2,534	$ 1,534

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments	Original Issue	Principal Outstanding
Utilities						
Refunding 2004	3.46%	05/04/2004	07/01/2017		$ 624	$ 382
Revenue 2005A	4.67% to 14.86%	07/28/2005	08/01/2035		1,343	1,449
Sewer bond 1993	0.00%	08/12/1993	03/01/2014		6,875	1,037
RUS Loan Sewer 1997	4.50%	12/29/1999	12/29/2039		1,161	975
Sewer Bond 2008	0.00%	04/30/2008	06/01/2029		2,672	2,239
Sewer Bond 2010	2.50%	05/27/2010	02/27/2010	17-42	1,088	241
					$ 13,763	$ 6,323
					$ 16,297	$ 7,857

Sewer bond 2008 has imputed interest at 2.50% recorded as a loan discount. Interest is ratably amortized over the life of the loan.

Sewer bond 2010 was issued during 2010 and the Town has the ability to borrow up to $1,088,000. The amount drawn is $240,942 at June 30, 2011.

The following is a summary of changes in long-term obligations for the component unit-School Board for the year ended June 30, 2011.

	Beginning	Additions	Payments	Ending	Current
Capital lease	$ 72,649	$ -	$ 22,921	$ 49,728	$ 24,193
Accrued vacation	130,770	101,818	104,849	127,739	104,849
	$ 203,419	$ 101,818	$ 127,770	$ 177,467	$ 129,042

Note 9. Retirement Plan

Primary Government

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit
Pension Plan Administering Entity:	Virginia Retirement System (VRS)

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

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

* Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.

* Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

* Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required, by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual reported compensation to the VRS. The employer has assumed this 5.00% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2011 was 10.02% of annual covered payroll.

The School Board's contribution rate for the fiscal year ended June 30, 2011 was 3.93% of annual covered payroll.

The School Board's required contribution to the teacher cost sharing pool for professional employees was $280,793, $326,409, and $374,113 for 2011, 2010 and 2009, respectively. 100% of the required contribution was paid for each year.

C. Annual Pension Cost

For fiscal year ended June 30, 2011, the Town's annual pension cost of $260,620 for VRS was equal to the Town's required and actual contributions.

Three year trend information for the Town is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	$ 260,620	100%	$ 0
June 30, 2010	$ 237,818	100%	$ 0
June 30, 2009	$ 198,981	100%	$ 0

The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 100% funded. The actuarial accrued liability (AAL) for benefits was $3,998,454 and the actuarial value of assets was $4,092,348, resulting in an unfunded actuarial accrued liability (UAAL) of ($93,894). The covered payroll (annual payroll of active employees covered by the plan) was $1,615,284 and the ratio of the UAAL to the covered payroll was 5.81%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2010	$4,092,348	$ 3,998,454	$ (93,894)	102.35%	1,615,284	(5.81)%
June 30, 2009	$3,936,379	$ 3,443,554	$ (492,825)	114.00%	1,583,076	(31.13)%
June 30, 2008	$3,738,308	$ 3,184,235	$ (554,072)	117.00%	1,696,728	(33.00)%

Note 10. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town participates in a public entity risk pool which provides coverage for all of these risks of loss. Settled claims from these risks have not exceeded coverage in any of the past three fiscal years.

Note 11. Contingent Liabilities

Federal programs in which the Town participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-profit Organizations*. Pursuant to the provisions of these documents certain programs were tested for compliance with applicable grant requirements. The State and/or the Federal Government may also subject grant programs to additional compliance tests, which may result in disallowed expenditures.

Note 12. Commitments

The Town expects to extend construction contracts totaling approximately $1,000,000 for improvements to the sewer system. The Town has loan and grant funds available to meet the construction requirement.

Note 13. Restatement

The Town determined that loans borrowed jointly between the Town governmental funds and water/sewer proprietary fund had been incorrectly classified in prior years. In addition, the School Board inventoried its capital assets and, as a result, restated net assets. The Town has restated beginning balances as follows:

	General Fund	Component Unit School Board
Fund balance, beginning	$ 3,143,207	
Correct allocation	(338,031)	
Fund balance, beginning, as restated	$ 2,805,176	
Net assets, beginning		$ 896,778
Correct capital assets		466,775
Net assets, ending		$ 1,363,553

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REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Statement No. 34, the following information is a required part of the general purpose statements.

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TOWN OF COLONIAL BEACH

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL

Year Ended June 30, 2011

Exhibit VIII

	General Fund Original Budget	General Fund Amended Budget	Actual	Variance
Revenues				
General property taxes	$ 3,213,697	$ 3,298,697	$ 3,304,102	$ 5,405
Other local taxes	1,194,000	1,194,000	1,180,779	(13,221)
Permits and privileges fees	110,311	110,311	98,405	(11,906)
Revenues from use of money and property	61,900	61,900	40,735	(21,165)
Charges for services	70,200	70,200	47,444	(22,756)
Miscellaneous revenues	5,400	5,400	38,076	32,676
Intergovernmental	344,290	391,651	365,204	(26,447)
Total revenues	$ 4,999,798	$ 5,132,159	$ 5,074,745	$ (57,414)
Expenditures				
Current:				
General government administration	$ 1,144,177	$ 1,184,177	$ 1,034,038	$ 150,139
Public safety	1,072,061	1,080,325	1,091,008	(10,683)
Public works	719,306	722,813	747,637	(24,824)
Health and welfare	3,920	3,920	3,920	-
Education	1,757,850	1,757,850	1,757,850	-
Park, recreation, and culture	5,000	5,000	5,000	-
Community development	222,897	258,487	246,327	12,160
Capital outlay	-	-	61,718	(61,718)
Debt service	174,587	174,587	195,807	(21,220)
Total expenditures	$ 5,099,798	$ 5,187,159	$ 5,143,305	$ 43,854
Excess (deficiency) of revenues over expenditures	$ (100,000)	$ (55,000)	$ (68,560)	$ (13,560)
Other financing sources				
Transfer in	$ 100,000	$ 140,000	$ 100,257	$ (39,743)
Total other financing sources	$ 100,000	$ 140,000	$ 100,257	$ (39,743)
Excess of revenues over expenditures before other sources	$ -	$ 85,000	$ 31,697	$ (53,303)
Fund balance, beginning	-	(85,000)	2,805,176	2,890,176
Fund balance, ending	$ -	$ -	$ 2,836,873	$ 2,836,873

All budgets are presented on the modified accrual basis of accounting.

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SUPPLEMENTARY INFORMATION

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TOWN OF COLONIAL BEACH

COMBINING BALANCE SHEET SCHEDULE
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2011

Schedule A-1

	Operating	Cafeteria	Capital Projects	Total
ASSETS				
Equity in pooled cash and investments	$ 225,412	$ 56,943	$ 34,008	$ 316,363
Receivables, net	177,225	-	-	177,225
Total assets	$ 402,637	$ 56,943	$ 34,008	$ 493,588
LIABILITIES				
Accounts payable and accrued expenditures	$ 451,490	$ 831	$ -	$ 452,321
Payable to primary government	20,683	-	317,804	338,487
Total liabilities	$ 472,173	$ 831	$ 317,804	$ 790,808
FUND EQUITY				
Fund balance:				
Unreserved:				
Undesignated	$ (69,536)	$ 56,112	$ (283,796)	$ (297,220)
Total fund equity and other credits	$ (69,536)	$ 56,112	$ (283,796)	$ (297,220)
Total liabilities and fund equity	$ 402,637	$ 56,943	$ 34,008	$ 493,588

Adjustments for the Statement of Net Assets:	
Total fund balances, above	$ (297,220)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	(177,467)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	1,731,675
Assets using current financial resources but are expensed in future periods are reported in the governmental funds	45,092
Net assets of governmental activities	$ 1,302,080

TOWN OF COLONIAL BEACH

COMBINING BUDGETARY COMPARISON SCHEDULE - SCHOOL BOARD

Year Ended June 30, 2011

Schedule A-2
Page 1

	Operating				Cafeteria			
	Budgeted Amounts				Budgeted Amounts			
	Original	Final	Actual	Variance	Original	Final	Actual	Variance
Revenues:								
Revenues from use of money and property	$ -	$ -	$ -	$ -	$ -	$ -	$ 3	$ 3
Charges for services	1,000	81,000	172,898	91,898	-	217,592	82,547	(135,045)
Miscellaneous	10,000	25,000	30,782	5,782	-	-	-	-
Intergovernmental	4,968,121	5,197,514	4,834,529	(362,985)	-	-	137,111	137,111
Payments from primary government	1,973,420	1,973,420	1,757,850	(215,570)	-	-	-	-
	$ 6,952,541	$ 7,276,934	$ 6,796,059	$ (480,875)	$ -	$ 217,592	$ 219,661	$ 2,069
Expenditures:								
Current:								
Education	$ 6,952,541	$ 7,378,934	$ 6,755,032	$ 623,902	$ -	$ 217,592	$ 213,837	$ 3,755
Debt service:								
Principal	-	-	22,921	(22,921)	-	-	-	-
Interest and fiscal charges	-	-	4,031	(4,031)	-	-	-	-
	$ 6,952,541	$ 7,378,934	$ 6,781,984	$ 596,950	$ -	$ 217,592	$ 213,837	$ 3,755
Excess (deficiency) of revenues over expenditures	$ -	$ (102,000)	$ 14,075	$ 116,075	$ -	$ -	$ 5,824	$ 5,824
Fund balance, beginning	-	-	(83,611)	(83,611)	-	-	50,288	50,288
Fund balance, ending	$ -	$ (102,000)	$ (69,536)	$ 32,464	$ -	$ -	$ 56,112	$ 56,112

Budgets are prepared on a modified accrual basis adjusted for school debt service payments. The amounts presented here include school debt service payments and school bonds issued that are obligations of the primary government.

TOWN OF COLONIAL BEACH

COMBINING BUDGETARY COMPARISON SCHEDULE - SCHOOL BOARD

Year Ended June 30, 2011

Schedule A-2
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	Construction				Total			
	Budgeted Amounts				Budgeted Amounts			
	Original	Final	Actual	Variance	Original	Final	Actual	Variance
Revenues:								
Revenues from use of money and property	$ -	$ -	$ -	$ -	$ -	$ -	$ 3	$ 3
Charges for services	-	-	-	-	1,000	298,592	255,445	(43,147)
Miscellaneous	-	-	-	-	10,000	25,000	30,782	5,782
Intergovernmental	-	-	-	-	4,968,121	5,197,514	4,971,640	(225,874)
Payments from (to) primary government	-	-	-	-	1,973,420	1,973,420	1,757,850	(215,570)
	$ -	$ -	$ -	$ -	$ 6,952,541	$ 7,494,526	$ 7,015,720	$ (478,806)
Expenditures:								
Current:								
Education	$ -	$ -	$ -	$ -	$ 6,952,541	$ 7,596,526	$ 6,968,869	$ 627,657
Debt service:								
Principal	-	-	-	-	-	-	22,921	(22,921)
Interest and fiscal charges	-	-	-	-	-	-	4,031	(4,031)
	$ -	$ -	$ -	$ -	$ 6,952,541	$ 7,596,526	$ 6,995,821	$ 600,705
Excess (deficiency) of revenues over expenditures	$ -	$ -	$ -	$ -	$ -	$ (102,000)	$ 19,899	$ 121,899
Fund balance, beginning	-	-	(283,796)	(283,796)	-	-	(317,119)	(317,119)
Fund balance,ending	$ -	$ -	$ (283,796)	$ (283,796)	$ -	$ (102,000)	$ (297,220)	$ (195,220)

Net changes in fund balance	$ 19,899
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives	(116,535)
Some expenses deferred in the statement of activities require the use of current financial resources and are reported as expenditures in the governmental funds	9,231
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	25,952
Change in net assets of governmental activities	$ (61,453)