

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT



Fiscal Year Ended

June 30, 2012

COUNTY OF CAROLINE, VIRGINIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2012

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YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION

Caroline County, Virginia

Board of Supervisors

Wayne A. Acors
Madison District

Jeff Black
Western Caroline District

Jeff Sili
Bowling Green District

Calvin B. Taylor, Sr.
Port Royal District

Floyd W. Thomas
Mattaponi District

Reginald L. Underwood
Reedy Church District

Charles M. Culley, Jr.
County Administrator

February 20, 2013

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, 2012 is herewith submitted. Section 15.2-2511 of the *Code of Virginia* essentially requires that all localities produce an independently audited financial report and this Comprehensive Annual Financial Report is provided to meet that requirement. It has been prepared by the County Department of Finance to conform with standards of financial reporting promulgated by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and the Commonwealth of Virginia Auditor of Public Accounts.

Responsibility for the completeness and reliability of all of the information presented in this report rests with Caroline County management. In order to take meaningful responsibility, County management must have reasonable assurance that the underlying financial information on which the report is based is also accurate and reliable. To that end, County management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

Caroline County, VA



"Committed To Service, Dedicated To The People"

212 North Main Street, P. O. Box 447, Bowling Green, Virginia 22427

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

www.visitcaroline.com

assurance that the financial statements of the County for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

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

Public education in the County is provided by the Caroline County School Board. The Caroline County Public Schools is a separate legal entity from the County and the School Board is separately elected. The School Board has no independent revenue raising authority, however, and must depend on the County for the local contribution required by the Virginia Constitution for the support of the public schools. As a result of this financial 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, 2012 population of 28,890. 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 52 persons per square mile compared to densities of well over 200 per mile in counties just to the north and south and the Virginia average of 179 confirm this perspective.

In recent years, its location along Interstate 95, the primary north-south transportation artery on the east coast, and increasing congestion in neighboring counties had brought extensive development interest to the County. Three new mixed use development projects had been approved that would have added almost 10,000 new homes to the County over a 25 year period along with a variety of commercial, recreational and other uses. Those projects were well underway with many new houses completed or under construction when the housing market dropped. It is likely to continue to be several years before the County sees a return of the 2% – 3% annual population growth it was experiencing several years ago.

The growth in population is expected to bring with it an expansion in retail and other non-residential development. This expansion, which had begun to occur, has been put on hold during this economic downturn. The decision by the State Fair of Virginia to relocate to Caroline County in 2009 helped raise the County's profile. McKesson Corporation built a large distribution center in Caroline County that has further raised the County's profile.

With this activity, the County is looking forward to and preparing itself for dramatic changes, once the economic downturn is over. Significant increases in demand on the County's services and infrastructure are expected. Thorough planning and a disciplined commitment to implementing those plans will be vital as the County addresses those pressures over the next several years. Maintaining a solid financial foundation will be an important part of that process.

Major Projects/Initiatives

Construction. \$241,986 to begin construction to convert the Bowling Green Primary School to a PK-5 school for the eastern side of the County.

Public Safety. \$418,550 for the purchase of 17 sheriff's vehicles to replace aging equipment, \$67,573 to complete the purchase of a new records management system to replace the system destroyed by lightning, and \$285,641 for two emergency response vehicles.

Library. \$113,996 to complete construction of the New Dawn Library for citizens in the southern end of the County.

Sewer. \$6,295,461 to continue construction on the expansion of the County's wastewater treatment plant.

Water. \$2,182,567 to continue construction on water system improvements including a new water line for Caroline Pines subdivision and new wells and sand filter treatment systems.

Other Information

The following is provided to supplement the information provided in the financial statements and to assist those with an interest in the financial affairs of the County.

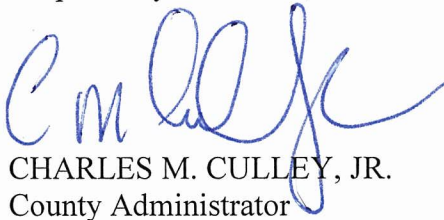
Risk Management. An active risk management program is essential for the County to protect itself from the many risks of loss it faces in providing services to the public. Risks of property damage, general and auto liability, and workers injury compensation are covered through premium contributions to an insurance pool operated by the Virginia Association of Counties (VACORP). The County works extensively with representatives of VACORP to identify loss trends and take corrective action to reduce claims. The County maintains a safety committee and emphasizes safety in its staff training programs. The County has also strengthened its emergency response planning to protect County resources and the public in the event of natural or man-made disasters.

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

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

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

Respectfully submitted,



CHARLES M. CULLEY, JR.
County Administrator



FRANCES K. HATCHER
Finance Director

COUNTY OF CAROLINE, VIRGINIA

Directory of Principal Officials
June 30, 2012

Board of Supervisors

Wayne A. Acors, Chairperson

Calvin B. Taylor
Jeffrey S. Black

Reginald L. Underwood
Jeffrey M. Sili

Floyd W. Thomas

County Administrator

Charles Culley

School Board

Nancy G. Carson, Chairperson

Dr. Mary J. Anderson
Tinka B. Harris

Shawn M. Kelley
George L. Spaulding

Mack A. Wright, Jr.

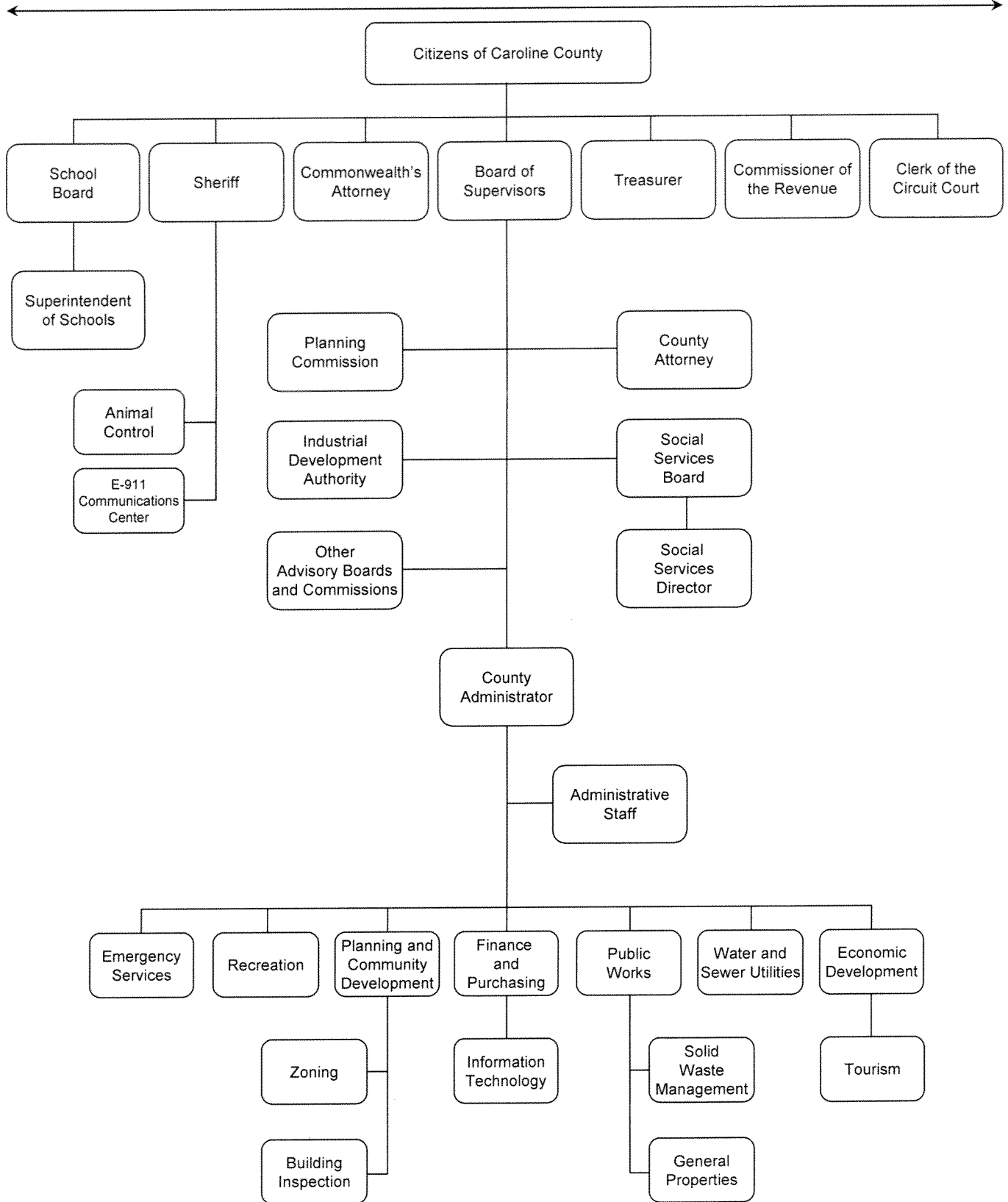
Other Officials

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

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

COUNTY OF CAROLINE, VIRGINIA

ORGANIZATION CHART



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Caroline, Virginia, (County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. 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 for 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 activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund, Virginia Public Assistance Fund and Proffers Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, the County restated beginning net assets in the governmental activities, business-type activities and the component unit – Industrial Development Authority, and the fund balances of the General Fund, Virginia Public Assistance Fund, Comprehensive Services Fund, Tourism Fund, and Caroline County Utility Fund to correct errors in recording materially significant transactions in previous fiscal years. We also audited the adjustments described in Note 14, that were applied to restate beginning net assets and fund balance. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013 on our consideration of the County's internal control over financial reporting and 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. That 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-11 and the required supplementary information on pages 68-69 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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 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 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 basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the County's basic financial statements. The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has 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 it.

PBMares, LLP

Harrisonburg, Virginia
February 20, 2013

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, 2012. 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 primary government of the County exceeded its liabilities at the close of the most recent fiscal year by \$11,139,560 (Total Net Assets). Of this amount, \$2,192,598 is invested in capital assets (net of depreciation and related debt). The County is reporting a deficit in investment in capital assets, net of related debt of \$2,885,427 in Governmental Activities.
- The County's total net assets increased by \$4,385,316, or 64.9%, in the fiscal year ended June 30, 2012.
- The County's total outstanding long-term debt increased by \$6,397,194 to \$125,309,832 during the fiscal year ended June 30, 2012 due to the issuance of debt for the conversion of the Bowling Green Primary School to PK-5, construction of a YMCA and purchase of public safety vehicles.

Fund Financial Statements

- Total fund balance of the County's Governmental Funds, reporting on a current financial resources basis, amounted to \$29,027,162 at June 30, 2012. This was a net increase of \$11,028,175 over the prior year. The General Fund increased 42.0% (\$3,889,569) and the Capital Projects Fund increased 100.7% (\$6,947,128). This is due largely to the funding for new projects not completed during the fiscal year in the capital projects fund and an increase in real estate, public service and personal property tax collections in the general fund. Only two special revenue funds have a negative fund balance.
- During the fiscal year ended June 30, 2012, the unassigned fund balance in the General Fund increased by \$2,490,568 to \$11,597,688. This fund balance represents 31.6% of total General Fund expenditures and operating transfers, an increase of 5.7% 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. Caroline County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *Statement of Net Assets* 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 assets 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 assets changed during the most recent fiscal year. All changes in net assets 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. These include the school division for which Caroline County is financially accountable, and the Industrial Development Authority. Financial information for these component units are reported separately from the financial information presented for the primary government 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 on balances of spendable resources available at the end of the fiscal year. Such information can be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Caroline County maintains 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 Virginia Public Assistance 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 new Dawn Wastewater System. *Internal service funds* are used to accumulate and allocate costs internally among Caroline County's various functions. Caroline County uses internal service funds to account for vehicle maintenance services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

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

Other information. Following the basic financial statements and accompanying notes, this report also presents the combining financial statements referred to earlier in connection with nonmajor governmental funds and individual budgetary comparison statements for governmental funds except the General Fund. Combining financial statements and fund budgetary comparisons are also presented for the discretely presented Caroline County School Division. The School Division does not issue a separate annual financial report.

Government-Wide Financial Analysis

As noted earlier, net assets indicate 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 assets for all governmental and business-type activities amounted to \$11,139,560 at June 30, 2012. The following table summarizes the County's Statement of Net Assets:

County of Caroline, Virginia Statement of Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 51,618,005	\$ 37,403,931	\$ 11,201,633	\$ 19,377,796	\$ 62,819,638	\$ 56,781,727
Capital assets	54,409,440	56,612,879	36,315,918	28,277,631	90,725,358	84,890,510
Total assets	106,027,445	94,016,810	47,517,551	47,655,427	153,544,996	141,672,237
Current liabilities	18,393,974	19,392,228	1,138,636	1,113,376	19,532,610	20,505,604
Long-term liabilities outstanding	76,198,088	67,640,027	46,674,738	46,772,362	122,872,826	114,412,389
Total liabilities	94,592,062	87,032,255	47,813,374	47,885,738	142,405,436	134,917,993
Net Assets:						
Investment in capital assets, net of related debt	(2,885,427)	(9,664,410)	5,078,025	3,603,236	2,192,598	(6,061,174)
Restricted	16,479,118	9,385,004	-	-	16,479,118	9,385,004
Unrestricted (deficit)	(2,158,308)	7,263,961	(5,373,848)	(3,833,547)	(7,532,156)	3,430,414
Total net assets	\$ 11,435,383	\$ 6,984,555	\$ (295,823)	\$ (230,311)	\$ 11,139,560	\$ 6,754,244

The County is reporting a decrease in the balance of unrestricted net assets due to the increase in the investment in capital assets. A portion of the County's assets, \$16,479,118, 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 assets.

The County's total balance of working capital, current and other assets minus current liabilities, increased from \$36,276,123 at June 30, 2011 to \$43,287,028. The County's investment in capital assets increased by \$8,253,772 and its long term liabilities increased by \$8,460,437 over the same period.

As previously indicated, the County's net assets increased \$4,385,316. Net assets of governmental activities increased by \$4,450,828 and those of business-type activities, the County's water and sewer utility operations, decreased \$65,612. The following table summarizes the change in the County's net assets as shown in the Statement of Activities:

County of Caroline, Virginia
Statement of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,529,052	\$ 1,368,578	\$ 2,879,029	\$ 3,091,297	\$ 5,408,081	\$ 4,459,875
Operating grants and contributions	5,931,154	5,864,302	380,573	259,417	6,311,727	6,123,719
Capital grants and contributions	83,646	-	-	118,716	83,646	118,716
Total program revenues	8,543,852	7,232,880	3,259,602	3,469,430	11,803,454	10,702,310
General revenues:						
General property taxes	30,377,123	26,968,633	-	-	30,377,123	26,968,633
Other sales and use taxes	1,527,122	1,540,189	-	-	1,527,122	1,540,189
Consumer utility taxes	79,963	86,658	-	-	79,963	86,658
Motor vehicle licenses	823,632	667,779	-	-	823,632	667,779
Other local taxes	2,833,908	2,252,697	-	-	2,833,908	2,252,697
Intergovernmental revenues-state	3,677,032	3,812,870	-	-	3,677,032	3,812,870
Use of money and property	218,274	196,662	44,154	35,149	262,428	231,811
Miscellaneous	259,275	459,470	151,939	-	411,214	459,470
Transfers	(1,079,642)	-	1,079,642	-	-	-
Total general revenues	38,716,687	35,984,958	1,275,735	35,149	39,992,422	36,020,107
Expenses:						
General government administration	3,373,633	3,834,523	-	-	3,373,633	3,834,523
Judicial administration	1,321,551	1,305,420	-	-	1,321,551	1,305,420
Public safety	12,399,082	10,851,996	-	-	12,399,082	10,851,996
Public works	2,488,278	3,224,196	-	-	2,488,278	3,224,196
Health and social services	4,678,442	4,486,438	-	-	4,678,442	4,486,438
Education	12,688,448	12,473,709	-	-	12,688,448	12,473,709
Parks, recreation and cultural	1,014,718	593,795	-	-	1,014,718	593,795
Community development	1,466,009	1,357,445	-	-	1,466,009	1,357,445
Interest and other fiscal charges	3,379,550	2,770,309	-	-	3,379,550	2,770,309
Water and sewer utilities	-	-	4,600,849	4,833,897	4,600,849	4,833,897
Total expenses	42,809,711	40,897,831	4,600,849	4,833,897	47,410,560	45,731,728
Change in net assets	4,450,828	2,320,007	(65,512)	(1,329,318)	4,385,316	990,689
Net assets, beginning	6,984,555	4,664,548	(230,311)	1,099,007	6,754,244	5,763,555
Net assets, ending	\$ 11,435,383	\$ 6,984,555	\$ (295,823)	\$ (230,311)	\$ 11,139,560	\$ 6,754,244

Expenses in the County's governmental activities increased 4.7% over the prior year with expenses increasing in all functions except general government administration and public works. Education again consumed the largest share of the total combined expenses of the primary County government and its component units during the fiscal year ended June 30, 2012 at 59.3% of the total. Public safety spending represents 14.5% of the total. Program revenues, which include fees, charges and special purpose grants and contributions, funded 44.5% of total functional expenses in fiscal year 2012, a slightly increased level as compared to fiscal year 2011. Despite a 12.6% increase in general property tax revenues over the prior year, total general revenues for the County's governmental activities only rose 7.6%. In the County's business type activities, expenses decreased 4.8% and program revenues decreased 6.0% from the prior year. The County's water and sewer utility operations are 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 \$29,027,162 at June 30, 2012, \$16,479,118 of that balance is reserved by external restrictions, \$950,660 is committed or assigned and the remaining \$11,597,384 is unassigned. Fund balances in the governmental funds increased \$11,028,175 during the fiscal year ended June 30, 2012. Fund balance in the General Fund increased by \$3,889,569. Expenditures for the conversion of a primary school to a PK-5 school, public safety equipment, construction of a YMCA and construction of a new library were offset by the borrowing of funds for long term library and school debt and capital leases resulting in an increase of \$6,947,128 in the fund balance of the Capital Projects Fund.

In the General Fund, fund balance increased to \$13,147,707, a 42% increase over the prior year. General property taxes remain the primary revenue source in the General Fund contributing 70.6% of the total during fiscal year 2012, slightly more than in the prior year. Intergovernmental revenue from the Commonwealth of Virginia increased by 1.6% over the prior year and was 12.7% of total General Fund revenues, versus 13.2% in the prior year. The share added by other local taxes remained at 9.0% for a second year. Education consumed the bulk of the General Fund's expenditures (35.7%). Public Safety (34.7%) and Public Works (9.1%) 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 deficit in net assets of \$2,231,197 at June 30, 2012, an increase in the deficit over the previous year of \$245,249. The County has made significant investments in the utility system over the last ten years that have not yet been fully recovered through revenues in the fund. The County's main utility fund, reported a net operating loss for the fiscal year ended June 30, 2012 of \$162,132, a 34.4% improvement from last fiscal year due to the increase in user fees. The Dawn Wastewater System also reported an operating loss of \$161,918, a 23.5% increase from last fiscal year. This year was the fourth full year of operation for the Dawn Wastewater System and the third full year of depreciation of \$123,613.

General Fund Budgetary Highlights

The original adopted budget of the General Fund was increased by 3.4% or \$1,268,196. Following is a partial summary of these increases/reductions by function:

- \$ 43,716 for General government administration
- \$ 195,735 for Public safety
- \$ (8,978) for Public works
- \$ 16,250 for Health and social services
- \$ (10,900) for Parks, recreation and cultural
- \$ (27,000) for Community development
- \$1,059,373 for Transfers to other funds

Actual revenue collections were \$1,662,599 greater than the final budget estimates. Revenue from property taxes, other local taxes, fines and forfeitures, use of money and property, miscellaneous revenue, recovered costs and intergovernmental revenue were above revenue projections. An increase in real estate and personal property tax rates contributed \$1,049,153 of the increase. Revenues from permits, fees and regulatory licenses and charges for services fell short of expectations.

Actual expenditures and operating transfers out to other funds totaled \$2,402,513 less than the amended budget appropriations, a variance of only 6.1%. The function of judicial administration exceeded the final amended budget appropriation. Actual expenditures fell under amended appropriations in all other functions.

Capital Assets and Debt Administration

Capital Assets. The County's total investment in capital assets (net of accumulated depreciation and amortization) for governmental and business-type activities amounted to \$90,725,358 as of June 30, 2012. 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:

- \$ 418,550 for sheriff vehicles
- \$ 285,641 for emergency services vehicles
- \$ 253,275 for other public safety equipment
- \$ 40,083 for information technology equipment
- \$ 241,986 for engineering for Bowling Green Primary School to a PK-5 school
- \$ 113,996 for construction on the Dawn Library
- \$8,478,028 in various water and wastewater system improvements and equipment

Long-Term Debt. At June 30, 2012, the County's total primary government and business-type long-term debt amounted to \$125,309,832. This total is comprised of:

- \$40,536,459 in lease revenue bonds issued through the County's Industrial Development Authority for a variety of general government, school and business-type activity improvements and equipment acquisitions.
- \$46,055,726 in utility system revenue bonds for the improvement and expansion of the County's utility enterprise operations and landfill closure.
- \$31,454,988 in general obligation bonds issued for the construction and improvement of County public schools and utility projects.
- \$1,446,011 in capital lease obligations for general government radio and motor vehicle equipment.
- \$3,022,929 as the County's liability for closure and post-closure care of the former County Sanitary Landfill.
- \$1,217,370 in accrued liabilities for leave benefits earned by County employees.
- \$1,576,349 for OPEB liabilities for retired County employees.

Payments made to retire County long-term debt totaled \$2,633,138 during the fiscal year ended June 30, 2012. Two long term debt transactions were completed during the fiscal year: a \$8,400,000 lease revenue bond anticipation bond was issued through the commercial market to construct a YMCA and convert a primary school to a PK-5 school; and a \$625,126 capital lease for the purchase of sheriff vehicles and equipment.

Economic Factors and Next Year's Budget and Tax Rates

- The population of Caroline County, based on the 2010 census has grown 1% since the April 2010 census to an estimated 28,890.
- The County conducted a real property reassessment during fiscal year 2010 to be effective January 2011 to be sure its values for tax purposes are in line with market values. Growth had pushed assessed values up for the January 2008 reassessment to almost \$3 billion, but the housing market crash had dropped values for 2011 by an estimated 18%. Growth in the County continues to be low.
- The unemployment rate for the County decreased from 7.7% to 6.7% and revenues were stable.
- The burst of population growth the County had experienced several years ago has slowed dramatically as the nation-wide turnaround in real estate markets and recession has had an impact. After issuing a total of 318 residential building permits in the fiscal year ended June 30, 2007, the County building inspection division only issued 76 in the fiscal year ended June 30, 2012 and is estimating those numbers will be approximately the same in fiscal year 2013. Commercial development has declined from 25 new commercial structures in fiscal year June 30, 2007 to 1 in fiscal year 2012.

These and many other factors were considered in preparing the County's budget for fiscal year 2013. The fiscal year 2013 general fund budget (excluding capital investments) increased 1.8%. Fiscal year 2012 budget included a \$1.2 million debt reserve obligation to Virginia Resources Authority. This amount is decreased to \$502,539 in fiscal year 2013, but is offset by increased transfers to debt retirement and the utility fund. Capital investments reflect a budget decrease of \$6,830,600 million due to funding restrictions. The adopted real estate rate for calendar year 2012 was increased to \$0.72 per hundred dollars (from \$0.68) of assessed value. Personal property tax rates were reduced to \$3.50 as the assessed values were changed from 50% to 100% of "clean retail."

Requests for Information

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

BASIC FINANCIAL STATEMENTS

COUNTY OF CAROLINE, VIRGINIA

Exhibit 1

STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	IDA
ASSETS					
Cash, cash equivalents and temporary cash investments	\$ 9,033,892	\$ -	\$ 9,033,892	\$ 1,311,710	\$ 175,055
Receivables, net:					
Property taxes	18,832,394	-	18,832,394	-	-
Other accounts	691,633	337,168	1,028,801	1,023	-
Due from other governments	2,611,851	94,143	2,705,994	3,882,698	-
Internal balances	5,358,380	(5,358,380)	-	-	-
Restricted cash	15,089,855	15,377,833	30,467,688	-	-
Financing costs, net of accumulated amortization	-	750,869	750,869	-	-
Capital assets, net of accumulated depreciation and amortization:					
Land	1,082,583	473,357	1,555,940	697,162	-
Buildings	62,264,179	840,542	63,104,721	7,990,998	-
Improvements other than buildings	5,494,818	28,546,700	34,041,518	92,806	-
Equipment	10,532,693	1,124,159	11,656,852	6,164,156	-
Intangibles	213,294	-	213,294	-	-
Construction in progress	1,857,891	13,192,042	15,049,933	-	-
Less: accumulated depreciation and amortization	(27,036,018)	(7,860,882)	(34,896,900)	(10,557,906)	-
Total assets	106,027,445	47,517,551	153,544,996	9,582,647	175,055
LIABILITIES					
Accounts payable	1,202,861	506,701	1,709,562	156,326	-
Accrued payroll	347,004	22,025	369,029	3,331,516	-
Accrued liabilities	310,819	-	310,819	113,430	-
Insurance and benefit claims	157,094	11,641	168,735	-	-
Accrued interest	1,028,144	545,176	1,573,320	18,888	-
Customer deposits	-	53,093	53,093	-	-
Unearned revenue	13,349,541	-	13,349,541	360,995	-
Due to other governments	1,998,511	-	1,998,511	-	-
Noncurrent liabilities:					
Due within one year:					
Bonds payable	3,362,324	972,583	4,334,907	-	-
Capital leases	320,453	-	320,453	46,560	-
Compensated absences	65,752	4,950	70,702	51,035	-
Due in more than one year:					
Bonds payable, net	68,069,123	45,643,143	113,712,266	-	-
Capital leases	632,822	-	632,822	446,176	-
Landfill obligation	3,022,929	-	3,022,929	-	-
Compensated absences	591,772	44,545	636,317	459,316	-
Other postemployment benefits	132,913	9,517	142,430	1,433,919	-
Total liabilities	94,592,062	47,813,374	142,405,436	6,418,161	-
NET ASSETS					
Invested in capital assets, net of related debt	(2,885,427)	5,078,025	2,192,598	3,894,480	-
Restricted:					
Capital projects	14,920,352	-	14,920,352	-	-
Debt service	1,176,599	-	1,176,599	-	-
Social services	13,404	-	13,404	-	-
Comprehensive services	57,916	-	57,916	-	-
Public safety grants	59,552	-	59,552	-	-
Fire/rescue grants	161,528	-	161,528	-	-
Housing	29,379	-	29,379	-	-
Courthouse maintenance	42,480	-	42,480	-	-
Tourism	17,908	-	17,908	-	-
Unrestricted (deficit)	(2,158,308)	(5,373,848)	(7,532,156)	(729,994)	175,055
Total net assets (deficit)	\$ 11,435,383	\$ (295,823)	\$ 11,139,560	\$ 3,164,486	\$ 175,055

See Notes to Financial Statements.

COUNTY OF CAROLINE, VIRGINIA

Exhibit 2

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Totals	School Board	IDA	
Primary Government:										
Governmental activities:										
General government administration	\$ 3,373,633	\$ 700	\$ 248,570	\$ -	\$ (3,124,363)	\$ -	\$ (3,124,363)	\$ -	\$ -	
Judicial administration	1,321,551	194,859	623,334	12,112	(491,246)	-	(491,246)	-	-	
Public safety	12,399,082	1,931,399	2,059,081	71,534	(8,337,068)	-	(8,337,068)	-	-	
Public works	2,488,278	54,082	10,560	-	(2,423,636)	-	(2,423,636)	-	-	
Health and welfare	4,678,442	-	2,906,033	-	(1,772,409)	-	(1,772,409)	-	-	
Education	12,688,448	-	-	-	(12,688,448)	-	(12,688,448)	-	-	
Parks, recreation and cultural	1,014,718	88,076	10,980	-	(915,662)	-	(915,662)	-	-	
Community development	1,466,009	259,936	72,596	-	(1,133,477)	-	(1,133,477)	-	-	
Interest	3,379,550	-	-	-	(3,379,550)	-	(3,379,550)	-	-	
Total governmental activities	42,809,711	2,529,052	5,931,154	83,646	(34,265,859)	-	(34,265,859)	-	-	
Business-type activities:										
Public utilities	4,600,849	2,879,029	380,573	-	-	(1,341,247)	(1,341,247)	-	-	
Total business-type activities	4,600,849	2,879,029	380,573	-	-	(1,341,247)	(1,341,247)	-	-	
Total primary government	\$ 47,410,560	\$ 5,408,081	\$ 6,311,727	\$ 83,646	(34,265,859)	(1,341,247)	(35,607,106)	-	-	
Component Units:										
Caroline County School Board	\$ 37,829,262	\$ 747,012	\$ 25,307,686	\$ -	-	-	-	(11,774,564)	-	
Industrial Development Authority	10,787	13,267	50,000	-	-	-	-	-	52,480	
Total component units	\$ 37,840,049	\$ 760,279	\$ 25,357,686	\$ -	-	-	-	(11,774,564)	52,480	

General Revenues:					
Taxes:					
General property taxes	30,377,123	-	30,377,123	-	-
Other local taxes:					
Local sales and use	1,527,122	-	1,527,122	-	-
Consumer utility	79,963	-	79,963	-	-
Motor vehicle licenses	823,632	-	823,632	-	-
Other	2,833,908	-	2,833,908	-	-
Grants and contributions not restricted to specific programs	-	-	-	11,096,989	-
Intergovernmental, non-categorical aid	3,677,032	-	3,677,032	-	-
Use of money and property	218,274	44,154	262,428	237	611
Miscellaneous	259,275	151,939	411,214	9,525	-
Transfers	(1,079,642)	1,079,642	-	-	-
Total general revenues	38,716,687	1,275,735	39,992,422	11,106,751	611
Change in net assets	4,450,828	(65,512)	4,385,316	(667,813)	53,091
Net assets (deficit), beginning, as restated	6,984,555	(230,311)	6,754,244	3,832,299	121,964
Net assets (deficit), ending	<u>\$ 11,435,383</u>	<u>\$ (295,823)</u>	<u>\$ 11,139,560</u>	<u>\$ 3,164,486</u>	<u>\$ 175,055</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Debt Service	General Capital Projects	Proffers	Virginia Public Assistance	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash, cash equivalents and temporary cash investments	\$ 7,160,596	\$ 389,287	\$ 473,926	\$ 720,794	\$ 32,803	\$ 250,668	\$ 9,028,074
Receivables, net:							
Property taxes	18,832,394	-	-	-	-	-	18,832,394
Other accounts	533,503	128,499	75	-	-	29,556	691,633
Due from other governments	2,074,052	59,382	-	-	172,807	305,610	2,611,851
Due from other funds	5,164,565	-	-	356,858	-	-	5,521,423
Restricted cash	1,176,599	-	13,913,256	-	-	-	15,089,855
Total assets	\$ 34,941,709	\$ 577,168	\$ 14,387,257	\$ 1,077,652	\$ 205,610	\$ 585,834	\$ 51,775,230
LIABILITIES							
Accounts payable	\$ 446,700	\$ -	\$ 544,485	\$ -	\$ 9,659	\$ 199,721	\$ 1,200,565
Accrued payroll	347,004	-	-	-	-	-	347,004
Accrued liabilities	305,829	-	-	-	14	4,976	310,819
Insurance and benefit claims	137,604	-	-	-	19,490	-	157,094
Due to other governments	1,998,511	-	-	-	-	-	1,998,511
Due to other funds	-	-	-	-	163,043	-	163,043
Deferred revenue	18,558,354	-	-	-	-	12,678	18,571,032
Total liabilities	21,794,002	-	544,485	-	192,206	217,375	22,748,068
FUND BALANCES							
Restricted for:							
Capital projects	-	-	13,842,700	1,077,652	-	-	14,920,352
Debt service	1,176,599	-	-	-	-	-	1,176,599
Social services	-	-	-	-	13,404	-	13,404
Comprehensive services	-	-	-	-	-	57,916	57,916
Public safety grants	-	-	-	-	-	59,552	59,552
Fire/rescue grants	-	-	-	-	-	161,528	161,528
Housing	-	-	-	-	-	29,379	29,379
Courthouse maintenance	-	-	-	-	-	42,480	42,480
Tourism	-	-	-	-	-	17,908	17,908
Committed to:							
Capital projects	366,000	-	-	-	-	-	366,000
Assigned to:							
Capital projects	7,420	-	72	-	-	-	7,492
Debt service	-	577,168	-	-	-	-	577,168
Unassigned:							
General fund	11,597,688	-	-	-	-	-	11,597,688
Law library	-	-	-	-	-	(304)	(304)
Total fund balances	13,147,707	577,168	13,842,772	1,077,652	13,404	368,459	29,027,162
Total liabilities and fund balances	\$ 34,941,709	\$ 577,168	\$ 14,387,257	\$ 1,077,652	\$ 205,610	\$ 585,834	\$ 51,775,230

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

		Governmental Funds
Total fund balances - total governmental funds		\$ 29,027,162
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	\$ 80,964,592	
Less accumulated depreciation and amortization	(26,637,615)	
Net capital assets		54,326,977
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		5,221,491
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		85,985
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Bonds payable, including unamortized premiums	(71,431,447)	
Capital leases	(953,275)	
Landfill obligation	(3,022,929)	
Compensated absences	(657,524)	
Interest payable	(1,028,144)	
Other postemployment benefits	(132,913)	
		(77,226,232)
Net assets of governmental activities		\$ 11,435,383

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Debt Service	General Capital Projects	Proffers	Virginia Public Assistance	Other Governmental Funds	Total Governmental Funds
Revenues:							
General property taxes	\$ 28,661,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,661,523
Other local taxes	3,671,276	1,431,757	-	-	-	161,592	5,264,625
Permits, privilege fees and regulatory licenses	311,443	-	-	-	-	-	311,443
Fines and forfeitures	702,704	-	-	-	-	-	702,704
Use of money and property	62,506	111,600	21,375	11,026	-	11,767	218,274
Charges for services	335,226	-	-	-	-	34,074	369,300
Miscellaneous	74,472	-	-	111,314	36,296	37,193	259,275
Recovered costs	1,145,605	-	-	-	-	-	1,145,605
Intergovernmental	5,645,252	609,001	83,646	-	2,004,362	1,349,571	9,691,832
Total revenues	40,610,007	2,152,358	105,021	122,340	2,040,658	1,594,197	46,624,581
Expenditures:							
Current:							
General government administration	2,742,445	-	-	-	-	-	2,742,445
Judicial administration	1,181,221	-	-	-	-	15,092	1,196,313
Public safety	10,801,746	-	-	-	-	346,007	11,147,753
Public works	2,822,731	-	-	-	-	-	2,822,731
Health and welfare	582,316	-	-	-	2,420,581	1,680,718	4,683,615
Education	11,096,989	-	-	-	-	-	11,096,989
Parks, recreation and cultural	655,308	-	-	-	-	-	655,308
Community development	1,120,934	-	-	-	-	178,870	1,299,804
Capital outlay	-	-	2,009,291	-	-	-	2,009,291
Debt service:							
Principal	-	2,459,712	-	-	-	-	2,459,712
Interest and fiscal charges	96,503	3,086,130	360,208	-	-	-	3,542,841
Total expenditures	31,100,193	5,545,842	2,369,499	-	2,420,581	2,220,687	43,656,802
Revenues over (under) expenditures	9,509,814	(3,393,484)	(2,264,478)	122,340	(379,923)	(626,490)	2,967,779
Other financing sources (uses):							
Transfers in	-	3,551,143	71,568	-	360,100	776,561	4,759,372
Transfers out	(5,620,245)	-	-	(70,452)	-	(148,317)	(5,839,014)
Issuance of lease revenue bond anticipation note	-	-	8,400,000	-	-	-	8,400,000
Premium on lease revenue bond anticipation note	-	-	114,912	-	-	-	114,912
Issuance of capital lease	-	-	625,126	-	-	-	625,126
Other financing sources (uses), net	(5,620,245)	3,551,143	9,211,606	(70,452)	360,100	628,244	8,060,396
Net change in fund balances	3,889,569	157,659	6,947,128	51,888	(19,823)	1,754	11,028,175
Fund balance, beginning, as restated	9,258,138	419,509	6,895,644	1,025,764	33,227	366,705	17,998,987
Fund balance, ending	\$ 13,147,707	\$ 577,168	\$ 13,842,772	\$ 1,077,652	\$ 13,404	\$ 368,459	\$ 29,027,162

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	11,028,175
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.		
Expenditures for capital assets	\$	1,663,081
Less depreciation and amortization expense		(3,736,828)
Excess of depreciation and amortization over capital outlays		(2,073,747)
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.		(115,949)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue		1,715,600
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Debt issued or incurred:		
Lease revenue bond anticipation note		(8,400,000)
Premium on lease revenue bond anticipation note		(114,912)
Capital leases		(625,126)
Principal repayments:		
General obligation debt		2,459,712
Landfill obligation		707,242
		(5,973,084)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest		83,535
Compensated absences		(241,515)
Other postemployment benefits		(48,866)
Amortization of premium		79,756
		(127,090)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.		
Total revenues		163,771
Total expenses		(166,848)
		(3,077)
Change in net assets of governmental activities	\$	4,450,828

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2012**

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
General property taxes	\$ 26,407,491	\$ 27,362,954	\$ 28,661,523	\$ 1,298,569
Other local taxes	3,299,905	3,299,905	3,671,276	371,371
Permits, privilege fees and regulatory licenses	401,820	401,820	311,443	(90,377)
Fines and forfeitures	600,000	600,000	702,704	102,704
Use of money and property	56,811	56,811	62,506	5,695
Charges for services	470,678	470,678	335,226	(135,452)
Miscellaneous	63,000	63,000	74,472	11,472
Recovered costs	1,121,887	1,121,887	1,145,605	23,718
Intergovernmental	5,413,163	5,570,353	5,645,252	74,899
Total revenues	37,834,755	38,947,408	40,610,007	1,662,599
Expenditures:				
Current:				
General government administration	2,855,806	2,899,522	2,742,445	(157,077)
Judicial administration	1,176,344	1,176,344	1,181,221	4,877
Public safety	10,787,367	10,983,102	10,801,746	(181,356)
Public works	2,918,286	2,909,308	2,822,731	(86,577)
Health and social services	566,566	582,816	582,316	(500)
Education	11,566,270	11,566,270	11,096,989	(469,281)
Parks, recreation and cultural	749,403	738,503	655,308	(83,195)
Community development	1,186,019	1,159,019	1,120,934	(38,085)
Debt service:				
Interest and fiscal charges	125,000	125,000	96,503	(28,497)
Total expenditures	31,931,061	32,139,884	31,100,193	(1,039,691)
Revenues over expenditures	5,903,694	6,807,524	9,509,814	2,702,290
Other financing source (uses):				
Transfers in	20,000	20,000	-	(20,000)
Transfers out	(5,923,694)	(6,983,067)	(5,620,245)	1,362,822
Other financing uses, net	(5,903,694)	(6,963,067)	(5,620,245)	1,342,822
Net change in fund balance	-	(155,543)	3,889,569	4,045,112
Fund balance, beginning, as restated	-	155,543	9,258,138	9,102,595
Fund balance, ending	\$ -	\$ -	\$ 13,147,707	\$ 13,147,707

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - VIRGINIA PUBLIC ASSISTANCE FUND
Year Ended June 30, 2012**

	Virginia Public Assistance				Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues:					
Miscellaneous	\$ -	\$ -	\$ 36,296	\$	36,296
Intergovernmental	2,057,592	2,070,287	2,004,362		(65,925)
Total revenues	2,057,592	2,070,287	2,040,658		(29,629)
Expenditures:					
Current:					
Health and welfare	2,599,327	2,628,126	2,420,581		(207,545)
Total expenditures	2,599,327	2,628,126	2,420,581		(207,545)
Revenues under expenditures	(541,735)	(557,839)	(379,923)		177,916
Other financing sources:					
Transfers in	541,735	557,839	360,100		(197,739)
Net change in fund balance	-	-	(19,823)		(19,823)
Fund balance, beginning, as restated	-	-	33,227		33,227
Fund balance, ending	\$ -	\$ -	\$ 13,404	\$	13,404

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - PROFFERS FUND
Year Ended June 30, 2012**

	Proffers Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 11,026	\$ 10,026
Miscellaneous	90,000	90,000	111,314	21,314
Total revenues	91,000	91,000	122,340	31,340
Other financing use:				
Transfer out	(128,822)	(128,822)	(70,452)	58,370
Net change in fund balance	(37,822)	(37,822)	51,888	89,710
Fund balance, beginning	37,822	37,822	1,025,764	987,942
Fund balance, ending	\$ -	\$ -	\$ 1,077,652	\$ 1,077,652

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	Internal Service Fund
ASSETS				
Current Assets:				
Cash, cash equivalents and temporary cash investments	\$ -	\$ -	\$ -	\$ 5,818
Other accounts receivable, net	311,901	25,267	337,168	-
Due from other governments	94,143	-	94,143	-
Total current assets	406,044	25,267	431,311	5,818
Noncurrent Assets:				
Restricted cash	15,377,833	-	15,377,833	-
Financing costs, net of accumulated amortization	750,869	-	750,869	-
Capital assets:				
Land	323,357	150,000	473,357	-
Buildings	840,542	-	840,542	412,315
Improvements other than buildings	23,602,153	4,944,547	28,546,700	68,551
Equipment	1,124,159	-	1,124,159	-
Construction in progress	13,192,042	-	13,192,042	-
Less accumulated depreciation and amortization	(7,469,439)	(391,443)	(7,860,882)	(398,403)
Total capital assets (net of accumulated depreciation and amortization)	31,612,814	4,703,104	36,315,918	82,463
Total noncurrent assets	47,741,516	4,703,104	37,066,787	82,463
Total assets	48,147,560	4,728,371	37,498,098	88,281
LIABILITIES				
Current Liabilities:				
Accounts payable	493,338	13,363	506,701	2,296
Compensated absences	4,950	-	4,950	-
Accrued payroll	22,025	-	22,025	-
Insurance and benefit claims	11,641	-	11,641	-
Accrued interest	545,176	-	545,176	-
Customer deposits	52,943	150	53,093	-
Due to other funds	5,124,011	234,369	5,358,380	-
Revenue bonds	802,909	169,674	972,583	-
Total current liabilities	7,056,993	417,556	7,474,549	2,296
Noncurrent Liabilities:				
Compensated absences	44,545	-	44,545	-
Other postemployment benefits	9,517	-	9,517	-
Revenue bonds	43,267,702	2,375,441	45,643,143	-
Total noncurrent liabilities	43,321,764	2,375,441	45,697,205	-
Total liabilities	50,378,757	2,792,997	53,171,754	2,296
NET ASSETS				
Invested in capital assets, net of related debt	2,920,036	2,157,989	5,078,025	82,463
Unrestricted (deficit)	(5,151,233)	(222,615)	(5,373,848)	3,522
Total net assets (deficit)	\$ (2,231,197)	\$ 1,935,374	\$ (295,823)	\$ 85,985

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	
Operating revenues:				
Charges for services:				
Water	\$ 787,766	\$ -	\$ 787,766	\$ -
Sewer	1,355,985	58,643	1,414,628	-
Other revenue	151,939	-	151,939	163,771
Total operating revenues	2,295,690	58,643	2,354,333	163,771
Operating expenses:				
Personnel services	516,611	20,259	536,870	-
Fringe benefits	221,148	4,712	225,860	-
Contractual services	289,238	14,816	304,054	-
Other charges	826,946	57,161	884,107	153,105
Depreciation and amortization	603,879	123,613	727,492	13,743
Total operating expenses	2,457,822	220,561	2,678,383	166,848
Operating loss	(162,132)	(161,918)	(324,050)	(3,077)
Nonoperating revenues (expenses):				
Connection availability fees	643,257	33,378	676,635	-
Interest revenue	44,154	-	44,154	-
Federal revenue - BABs subsidy	376,573	-	376,573	-
Federal revenue - DEQ	4,000	-	4,000	-
Interest expense	(1,922,466)	-	(1,922,466)	-
Total nonoperating revenues (expenses), net	(854,482)	33,378	(821,104)	-
Loss before transfers	(1,016,614)	(128,540)	(1,145,154)	(3,077)
Transfers in	771,085	308,557	1,079,642	-
Change in net assets	(245,529)	180,017	(65,512)	(3,077)
Net assets (deficit), beginning, as restated	(1,985,668)	1,755,357	(230,311)	89,062
Net assets (deficit), ending	\$ (2,231,197)	\$ 1,935,374	\$ (295,823)	\$ 85,985

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	Activity - Internal Service Fund
Cash Flows From Operating Activities:				
Receipts from customers	\$ 2,252,091	\$ 60,533	\$ 2,312,624	\$ -
Payments to suppliers for goods and services	(928,426)	(59,505)	(987,931)	(10,666)
Payments to employees for services	(735,216)	(24,971)	(760,187)	-
Internal activity - payments to other funds	-	-	-	(153,105)
Other receipts	151,939	-	151,939	163,771
Net cash provided by (used in) operating activities	740,388	(23,943)	716,445	-
Cash Flows from Noncapital Financing Activities:				
Grant revenue	380,573	-	380,573	-
Transfers from other funds	771,085	308,557	1,079,642	-
Net cash provided by noncapital financing activities	1,151,658	308,557	1,460,215	-
Cash Flows From Capital and Related Financing Activities:				
Payment of advance from other funds	-	(315,035)	(315,035)	-
Advance from other funds	497,748	-	497,748	-
Connection availability fees	643,257	33,378	676,635	-
Principal paid on bonds	(3,751)	(169,675)	(173,426)	-
Interest and other fiscal charges	(2,003,072)	-	(2,003,072)	-
Acquisition and construction of capital assets	(8,765,779)	-	(8,765,779)	-
Net cash used in capital and related financing activities	(9,631,597)	(451,332)	(10,082,929)	-
Cash Flows From Investing Activities:				
Interest received on investment securities	44,154	-	44,154	-
Net cash provided by investing activities	44,154	-	44,154	-
Net decrease in cash and cash equivalents	(7,695,397)	(166,718)	(7,862,115)	-
Cash and Cash Equivalents:				
Beginning	23,073,230	166,718	23,239,948	5,818
Ending	\$ 15,377,833	\$ -	\$ 15,377,833	\$ 5,818

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental
	Caroline County Utility Fund	Dawn Wastewater System Fund	Totals	Activity - Internal Service Fund
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (162,132)	\$ (161,918)	\$ (324,050)	\$ (3,077)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	603,879	123,613	727,492	13,743
Change in assets and liabilities:				
Decrease in accounts receivable	97,903	1,890	99,793	-
Increase (decrease) in:				
Accounts payable and deposits	186,554	12,472	199,026	(10,666)
Accrued liabilities	14,184	-	14,184	-
Net cash provided by (used in) operating activities	\$ 740,388	\$ (23,943)	\$ 716,445	\$ -

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Agency Funds
<hr/>	
ASSETS	
Cash, cash equivalents and temporary cash investments	<u>\$ 249,647</u>
LIABILITIES	
Amounts held for social services clients	\$ 3,946
Amounts held for consortium	38,704
Refundable escrow deposits payable	<u>206,997</u>
Total liabilities	<u>\$ 249,647</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

In determining how to define the financial reporting entity, management considered all potential component units using the standards prescribed under GASB Statement No. 14, *The Financial Reporting Entity* and amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Component units include any legally separate organizations for which the Board of Supervisors is financially accountable. Financial accountability results where the Board of Supervisors appoints a voting majority of the organization's governing body and 1) is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County. Financial accountability may also result where an organization is fiscally dependent on the county regardless of whether the organization has 1) a separately elected governing board, 2) a governing board appointed by higher level of government, or 3) a jointly appointed board.

A. Reporting Entity

These financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations and so data from these units are combined with data of the County. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the County. Each discretely presented component unit has a June 30 year end.

The County has no blended component units.

Discretely Presented Component Unit. The County's government-wide financial statements include component unit columns that reflect the financial data of the School Board and the Industrial Development Authority. This data is reported in a separate column to emphasize that these entities are legally separate from the County.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

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

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

B. Other Related Organizations

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

The Commission was created to enhance the region for protection of the citizens by the construction, equipping, maintenance, and operation of a new juvenile detention facility serving the 18 member jurisdictions. 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. During the year, the County payments to the Commission totaled \$146,679. Separate audited financial statements are available from the Commission, c/o the County of James City, P. O. Box 8784, Williamsburg, VA 23187-8784.

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Other Related Organizations (Continued)

The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the County is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. The County made per diem contributions totaling \$1,733,329 in fiscal year 2012. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

C. Government-wide and Fund Financial Statements

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

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

Statement of Net 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 will report all capital assets in the government-wide Statement of Net Assets and will report depreciation and amortization expense – the cost of “using up” capital assets – in the Statement 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, and 3) unrestricted.

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Internal Service Fund – accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the County government, on a cost reimbursement basis. The County's internal service fund is the Vehicle Maintenance Fund.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

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

F. Investments

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

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$829,000 at June 30, 2012 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Restricted Cash

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

I. Capital Assets

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

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

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

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

Vested or accumulated vacation leave is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recognized for that portion of accumulated sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

Compensated absences are accrued when incurred in proprietary funds and reported as a fund liability. The General Fund is responsible for paying the liability for compensated absences for general government employees and has been used in prior years to liquidate the governmental funds’ liability.

K. Long-Term Obligations

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

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

L. Net Assets

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Equity

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

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

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

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

N. Use of Estimates

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Note 2. Budgetary Data

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments

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

Investments

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

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

Virginia State Non-Arbitrage Program (SNAP). Investment in the SNAP is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the *Code of Virginia*, the Government Non-Arbitrage Investment Act authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities or any combination of the foregoing (“Virginia governments”) in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof. The Virginia SNAP has been assigned an “AAAm” rating by Standard & Poor’s. The SNAP Fund is managed to maintain a dollar-weighted average portfolio maturity of 90 days or less and seeks to maintain a constant net value (NAV) per share of \$1.00. The Commonwealth of Virginia’s Treasury Board has contracted with PFM Asset Management, LLC, Wells Fargo, N.A., U.S. Bank, N.A., and the Bank of New York Mellon Corporation to provide professional services and regulating oversight to the SNAP Program.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Custodial Credit Risk (Deposits). This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires all deposits to be insured under FDIC or comply with the Virginia Security for Public Deposits Act. At year end, none of the County's deposits were exposed to custodial credit risk.

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

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

The County's rated debt investments as of June 30, 2012 are presented in the following table using the Standard & Poor's rating scale.

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
Local Government Investment Pool	\$ 7,883,618	\$ -
Virginia State Non-Arbitrage Pool	27,662,202	-
U.S. Treasury Securities	991,028	-
Repurchase Agreements – Underlying: U.S. Agency Securities	-	4,420,043
Total	<u>\$ 36,536,848</u>	<u>\$ 4,420,043</u>

Investment Policy

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Deposits

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

The Act places certain guidelines upon deposits as follows:

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

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

Investments

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

Diversification of Investments

Diversification by Instrument – percent of portfolio not to exceed:

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Diversification of Investments (Continued)

Diversification by Financial Institution:

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

Diversification of funds to be invested in any one issue:

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

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

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

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2012, 89% of the County's investments were invested in "AAAm" rated Money Market Funds. All credit ratings presented in this paragraph are Standard & Poor's ratings.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

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

Investment Type	Investment Maturities (in years)	
	Fair Value	Less Than One Year
U.S. Treasury Securities	\$ 991,028	\$ 991,028
Repurchase Agreements – Underlying:		
U.S. Agency Securities	4,420,043	4,420,043
Total	\$ 5,411,071	\$ 5,411,071

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

Note 4. Due From Other Governments

At June 30, 2012, the County had receivables due from other governments as follows:

	Primary Government	Component Unit - School Board
Other Local Governments:		
County of Caroline	\$ -	\$ 1,998,511
Commonwealth of Virginia:		
Local sales tax	268,649	-
Communications tax	136,762	-
Mobile home titling tax	5,045	-
Victim witness grant	12,380	-
School fund grants	-	123,613
VPA funds	64,220	-
State sales tax	-	720,425
Constitutional officer reimbursements	149,730	-
Rolling stock tax	5,487	-
Comprehensive services	171,131	-
Personal property tax relief funds	1,147,226	-
Wireless funds	6,119	-
Soil conservationist reimbursement	133,154	-
Domestic violence grant	39,134	-
DMV license agent fee	2,648	-
Recordation tax	52,692	-
School resource officer	27,126	-
Rental - Health Department	9,939	-
Other state funds	24,846	-

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments (Continued)

	Primary Government	Business-type Activities	Component Unit - School Board
Federal Government:			
School fund grants	\$ -	\$ -	\$ 1,040,149
SAFER	86,145	-	-
VPA funds	108,587	-	-
FEMA funds	15,746	-	-
Assistance for Firefighters grant	124,164	-	-
BAB's subsidy	-	94,143	-
Other federal grants	20,921	-	-
Total due from other governments	\$ 2,611,851	\$ 94,143	\$ 3,882,698

Amounts due to other governments are as follows:

Other Local Governments:			
Caroline County School Board	\$ 1,998,511	\$ -	\$ -

Note 5. Interfund Obligations

Details of the County's interfund receivables and payables as of June 30, 2012 are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 5,164,565	\$ -
Proffers	356,858	-
Virginia Public Assistance	-	163,043
Total Governmental Funds	\$ 5,521,423	\$ 163,043
Enterprise Funds:		
Caroline County Utility	\$ -	\$ 5,124,011
Dawn Wastewater System	-	234,369
Total Enterprise Funds	\$ -	\$ 5,358,380
Total All Funds	\$ 5,521,423	\$ 5,521,423

The outstanding balances between funds result mainly 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.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2012 is as follows:

Primary Government:

	Beginning Balance, as Restated	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
General government:				
Capital assets, not being depreciated or amortized:				
Land	\$ 1,082,583	\$ -	\$ -	\$ 1,082,583
Construction in progress	1,340,925	848,852	(331,886)	1,857,891
Total capital assets, not being depreciated or amortized	2,423,508	848,852	(331,886)	2,940,474
Capital assets, being depreciated or amortized:				
Buildings	61,838,147	13,717	-	61,851,864
Improvements other than buildings	5,426,267	-	-	5,426,267
Intangibles	27,478	42,626	143,190	213,294
Equipment	10,187,635	757,886	(412,828)	10,532,693
Total capital assets being depreciated or amortized	77,479,527	814,229	(269,638)	78,024,118
Less accumulated depreciation or amortization for:				
Buildings	(14,827,974)	(2,162,078)	-	(16,990,052)
Improvements other than buildings	(2,117,190)	(272,720)	-	(2,389,910)
Intangibles	(1,624)	(31,230)	-	(32,854)
Equipment	(6,439,574)	(1,270,800)	485,575	(7,224,799)
Total accumulated depreciation or amortization	(23,386,362)	(3,736,828)	485,575	(26,637,615)
Total capital assets being depreciated or amortized, net	54,093,165	(2,922,599)	215,937	51,386,503
General government capital assets, net	\$ 56,516,673	\$ (2,073,747)	\$ (115,949)	\$ 54,326,977
Internal Service Fund:				
Capital assets, being depreciated or amortized:				
Buildings	\$ 412,315	\$ -	\$ -	\$ 412,315
Improvements other than buildings	68,551	-	-	68,551
Total capital assets being depreciated or amortized	480,866	-	-	480,866
Less accumulated depreciation or amortization for:				
Buildings	(316,109)	(13,743)	-	(329,852)
Improvements other than buildings	(68,551)	-	-	(68,551)
Total accumulated depreciation or amortization	(384,660)	(13,743)	-	(398,403)
Internal Service Fund capital assets, net	\$ 96,206	\$ (13,743)	\$ -	\$ 82,463

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Primary Government: (Continued)

	Beginning Balance, as Restated	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 1,082,583	\$ -	\$ -	\$ 1,082,583
Construction in progress	1,340,925	848,852	(331,886)	1,857,891
Total capital assets, not being depreciated or amortized	2,423,508	848,852	(331,886)	2,940,474
Capital assets, being depreciated or amortized:				
Buildings	62,250,462	13,717	-	62,264,179
Improvements other than buildings	5,494,818	-	-	5,494,818
Intangibles	27,478	42,626	143,190	213,294
Equipment	10,187,635	757,886	(412,828)	10,532,693
Total capital assets being depreciated or amortized	77,960,393	814,229	(269,638)	78,504,984
Less accumulated depreciation or amortization for:				
Buildings	(15,144,083)	(2,175,821)	-	(17,319,904)
Improvements other than buildings	(2,185,741)	(272,720)	-	(2,458,461)
Intangibles	(1,624)	(31,230)	-	(32,854)
Equipment	(6,439,574)	(1,270,800)	485,575	(7,224,799)
Total accumulated depreciation or amortization	(23,771,022)	(3,750,571)	485,575	(27,036,018)
Total capital assets being depreciated or amortized, net	54,189,371	(2,936,342)	215,937	51,468,966
Governmental activities capital assets, net	\$ 56,612,879	\$ (2,087,490)	\$ (115,949)	\$ 54,409,440

Depreciation and amortization expense was charged to functions/programs/funds as follows:

Governmental activities:	
General government administration	\$ 659,084
Judicial administration	121,753
Public safety	859,534
Public works	367,376
Health and welfare	1,917
Education	1,591,459
Parks, recreation and cultural	20,724
Community development	128,724
Total governmental activities	\$ 3,750,571

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Primary Government: (Continued)

	Beginning Balance, as Restated	Increases	(Deletions)/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 439,759	\$ -	\$ 33,598	\$ 473,357
Construction in progress	4,540,437	8,706,787	(55,182)	13,192,042
Total capital assets, not being depreciated or amortized	4,980,196	8,706,787	(21,584)	13,665,399
Capital assets, being depreciated or amortized:				
Buildings	840,542	-	-	840,542
Improvements other than buildings	28,525,116	-	21,584	28,546,700
Equipment	1,077,691	58,992	(12,524)	1,124,159
Total capital assets being depreciated or amortized	30,443,349	58,992	9,060	30,511,401
Less accumulated depreciation or amortization for:				
Buildings	(148,580)	(17,250)	-	(165,830)
Improvements other than buildings	(6,284,982)	(623,204)	-	(6,908,186)
Equipment	(712,352)	(87,038)	12,524	(786,866)
Total accumulated depreciation or amortization	(7,145,914)	(727,492)	12,524	(7,860,882)
Total capital assets being depreciated or amortized, net	23,297,435	(668,500)	21,584	22,650,519
Business-type activities capital assets, net	\$ 28,277,631	\$ 8,038,287	\$ -	\$ 36,315,918

Depreciation and amortization expense was charged to functions/programs/funds as follows:

Business-type activities:	
Utilities	\$ 603,879
Dawn Wastewater System	123,613
Total business-type activities	\$ 727,492

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the *Code of Virginia*, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by governments “on behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the current law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County for the year ended June 30, 2012 is that school financed assets in the amount of \$40,580,416 and related accumulated depreciation and amortization of \$10,661,257 are reported in the County for financial reporting purposes.

A summary of Component Unit – School Board property, plant and equipment at June 30, 2012 follows:

Component Unit - School Board:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 697,162	\$ -	\$ -	\$ 697,162
Total capital assets, not being depreciated or amortized	697,162	-	-	697,162
Capital assets, being depreciated or amortized:				
Buildings	7,990,998	-	-	7,990,998
Improvements other than buildings	92,806	-	-	92,806
Equipment	5,719,487	582,656	(137,987)	6,164,156
Total capital assets being depreciated or amortized	13,803,291	582,656	(137,987)	14,247,960
Less accumulated depreciation or amortization for:				
Buildings	(6,457,335)	(167,440)	-	(6,624,775)
Improvements other than buildings	(27,455)	(4,640)	-	(32,095)
Equipment	(3,705,165)	(333,858)	137,987	(3,901,036)
Total accumulated depreciation or amortization	(10,189,955)	(505,938)	137,987	(10,557,906)
Total capital assets being depreciated or amortized, net	3,613,336	76,718	-	3,690,054
School Board capital assets, net	\$ 4,310,498	\$ 76,718	\$ -	\$ 4,387,216

Depreciation and amortization expense was charged to functions/programs/funds as follows:

Component Unit – School Board	<u>\$ 505,938</u>
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COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Interfund Transfers

Interfund transfers for the year ended June 30, 2012 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General	\$ -	\$ 5,620,245
Debt Service	3,551,143	-
General Capital Projects	71,568	-
Proffers	-	70,452
Virginia Public Assistance	360,100	-
Housing	-	148,317
Law Library	3,680	-
Comprehensive Services	772,881	-
Total Governmental Funds	\$ 4,759,372	\$ 5,839,014
Enterprise Funds:		
Caroline County Utility	\$ 771,085	\$ -
Dawn Wastewater System	308,557	-
Total Enterprise Funds	\$ 1,079,642	\$ -
Total All Funds	\$ 5,839,014	\$ 5,839,014

The transfer to the Debt Service Fund of \$3,551,143 includes a transfer of \$3,480,691 from the General Fund to account for debt service payments, not funded by other revenue sources, and a transfer of \$70,452 from the Proffer Fund to account for debt service payments on the YMCA debt.

The transfer to the General Capital Projects Fund of \$71,568 from the General Fund was the County's portion of the purchase of an ambulance for which the remaining portion was funded by a grant.

The transfer to the Virginia Public Assistance Fund and the Comprehensive Services Fund of \$360,100 and \$722,881, respectively, from the General Fund were to satisfy the local match requirement for these Funds.

The transfer to the Law Library Fund of \$3,680 from the General Fund was to fund expenditures not covered by the fees generated by the Law Library charges for services.

The transfer to the Caroline County Utility Fund of \$771,085 from the General Fund was to cover debt service payments that were not generated by user charges in the Fund.

The transfer to the Dawn Wastewater System Fund of \$308,557, includes a transfer from the Housing Fund of \$148,317 to properly reflect the amount of the final drawdown for the Wastewater Treatment Plant project in the Dawn Wastewater Fund, and a transfer of \$160,240 from the General Fund to cover debt service payments that were not generated by user charges in the Fund.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations

The following is a summary of long-term liability activity of the primary government for the year ended June 30, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government:					
Governmental activities:					
Bonds payable	\$ 62,319,560	\$ 8,400,000	\$ (2,138,861)	\$ 68,580,699	\$ 3,243,700
Capital leases	647,751	625,126	(319,602)	953,275	320,453
Unamortized premiums	1,313,441	114,912	(79,756)	1,348,597	-
Revenue bond debt allocable from business-type activities	1,503,400	-	(1,249)	1,502,151	118,624
	65,784,152	9,140,038	(2,539,468)	72,384,722	3,682,777
Compensated absences	416,009	507,840	(266,325)	657,524	65,752
Governmental activities long-term liabilities	\$ 66,200,161	\$ 9,647,878	\$ (2,805,793)	\$ 73,042,246	\$ 3,748,529
Component Unit - School Board:					
Capital lease	\$ -	\$ 559,006	\$ (66,270)	\$ 492,736	\$ 46,560
Compensated absences	584,307	-	(73,956)	510,351	51,035
Component Unit - School Board long-term liabilities	\$ 584,307	\$ 559,006	\$ (140,226)	\$ 1,003,087	\$ 97,595

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

Year Ending June 30,	Lease Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 2,188,724	\$ 1,426,528	\$ 1,173,600	\$ 1,209,213
2014	2,487,770	1,621,310	1,548,887	1,158,624
2015	2,579,364	1,526,936	1,572,936	1,107,927
2016	2,687,259	1,418,005	1,596,564	1,056,494
2017	10,738,850	1,128,979	1,635,770	1,000,082
2018-2022	5,629,345	3,819,931	7,480,330	4,120,841
2023-2027	4,427,139	2,712,325	7,699,752	2,774,005
2028-2032	5,274,900	1,626,992	5,306,160	1,328,041
2033-2037	2,885,500	462,347	2,375,000	128,801
2038-2040	795,000	60,522	-	-
	\$ 39,693,851	\$ 15,803,875	\$ 30,388,999	\$ 13,884,028

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Primary Government:

Year Ending June 30,	Capital Leases	
	Principal	Interest
2013	\$ 320,453	\$ 25,142
2014	248,088	15,465
2015	255,919	8,146
2016	128,815	2,962
	<u>\$ 953,275</u>	<u>\$ 51,715</u>

Component Unit – School Board

Year Ending June 30,	Capital Leases	
	Principal	Interest
2013	\$ 46,560	\$ 19,709
2014	48,423	17,847
2015	50,359	15,910
2016	52,374	13,896
2017	54,469	11,801
2018-2022	240,551	24,527
	<u>\$ 492,736</u>	<u>\$ 103,690</u>

Capital Lease Obligations:

\$700,000 capital lease obligation (payable from the General Fund) issued March 18, 2003, secured by equipment, principal due in various annual installments through 2013, interest payable semi-annually at 3.24%. \$ 80,133

\$1,100,000 capital lease obligation (payable from the General Fund) issued August 1, 2004, secured by equipment, principal due in various annual installments through 2015, interest payable semi-annually at 3.52%. 375,000

\$625,126 capital lease obligation (payable from the General Fund) issued April 1, 2011, secured by equipment, principal due in various annual installments through 2016, interest payable semi-annually at 2.30%. 498,142

Total Capital Leases \$ 953,275

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Lease Revenue Bonds:

\$9,240,000 lease revenue refunding bond payable in varying annual installments through 2039. Interest payable semi-annually at rates varying from 3.297% to 5.125%.	\$ 9,125,000
\$10,455,000 lease revenue bond payable in varying annual installments through 2034. Interest payable semi-annually at rates varying from 2.7% to 5.125%.	8,870,000
\$7,800,000 lease revenue bond payable in varying annual installments through 2033. Interest payable semi-annually at 3.90%.	6,326,700
\$3,540,000 lease revenue bond payable in varying annual installments through October 1, 2016. Interest payable semi-annually at rates varying from 2.200% to 4.501%.	2,990,000
\$795,000 lease revenue bond payable in varying annual installments through October 1, 2035. Interest payable semi-annually at rates varying from 4.20% to 6.157%.	795,000
\$8,400,000 IDA Revenue Anticipation Note (RAN) payable in varying annual installments, with a lump-sum payment of \$8,280,000 due in August 2016. Interest payable semi-annually at 4.00%.	8,400,000
\$1,685,000 2009 EDA lease revenue bonds issued September 1, 2009, maturing annually beginning October 1, 2012 with interest payable semi-annually at 4.60% through October 1, 2016.	<u>1,685,000</u>
Total lease revenue bonds	38,191,700
Revenue bond debt allocable from the Caroline County Utility Fund	<u>1,502,151</u>
Total incurred by County	<u>\$ 39,693,851</u>

General Obligation Bonds:

\$2,425,000 School Bonds (1993) issued 1994, maturing annually with interest payable semi-annually at rates varying from 4.475% to 5.00% through July 2013.	\$ 25,000
\$1,407,825 School Bonds (1992) issued November 12, 1992, maturing annually with interest payable semi-annually at varying rates through July 2012.	86,893

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

General Obligation Bonds: (Continued)

\$315,997 School Bonds (1994B) issued November 22, 1994, maturing annually with interest payable semi-annually at varying rates through July 2014.	\$ 58,398
\$459,597 School Bonds (1996B) issued November 14, 1996, maturing annually with interest payable semi-annually at varying rates through July 2016.	130,487
\$1,179,008 Virginia Retirement System Obligation Refunding Bonds (Taxable Series 2003) issued July 1, 2003, maturing annually with interest payable annually at 4.61% through July 2018.	649,088
\$6,364,713 School Bonds (2007B) issued November 8, 2007, maturing annually with interest payable semi-annually at rates varying from 4.35% to 5.10% through July 15, 2027.	5,239,133
\$19,915,000 VPSA School Bonds issued December 11, 2008, maturing annually with interest payable semi-annually at rates varying from 3.60% to 5.35% through July 15, 2033.	18,200,000
\$6,000,000 2011 VPSA Direct Payment Qualified School Construction Bonds issued June 16, 2011, maturing annually beginning June 1, 2014 with interest payable semi-annually at an average coupon rate of 7.603% through June 1, 2027.	<u>6,000,000</u>
Total general obligation bonds	<u>\$ 30,388,999</u>

School Board Component Unit:

Capital Lease Obligation:

\$559,006 capital lease obligation issued July 15, 2011, secured by equipment, principal due in various installments through 2020, interest payable annually at 4.00%.	<u>\$ 492,736</u>
Total capital lease obligations	<u>\$ 492,736</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government:					
Business-type activities:					
Bonds payable	\$ 46,443,239	\$ -	\$ (174,675)	\$ 46,268,564	\$ 972,583
Revenue bond debt allocable from business-type activities	(1,503,400)	-	1,249	(1,502,151)	-
Compensated absences	52,288	39,193	(41,986)	49,495	4,950
Unamortized discount	(59,343)	-	9,890	(49,453)	-
Unamortized premium	2,012,335	-	(113,569)	1,898,766	-
Business-type activities long-term liabilities	\$ 46,945,119	\$ 39,193	\$ (319,091)	\$ 46,665,221	\$ 977,533

Business-type Activities				
Year Ending June 30,	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 972,583	\$ 1,949,154	\$ -	\$ 24,749
2014	1,100,885	1,916,351	-	24,749
2015	1,142,969	1,733,093	130,000	22,245
2016	1,330,083	1,543,942	135,000	16,907
2017	1,364,733	1,495,183	145,000	10,708
2018-2022	7,036,528	7,351,636	150,000	3,671
2023-2027	8,268,632	5,418,864	-	-
2028-2032	8,220,000	4,731,038	-	-
2033-2037	7,475,000	2,427,755	-	-
2038-2041	7,295,000	652,160	-	-
	\$ 44,206,413	\$ 29,219,176	\$ 560,000	\$ 103,029

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Revenue Bond Obligations:

\$4,291,207 revenue bond issued 1994, maturing annually with interest payable semi-annually at varying rates through October 2016.	\$ 703,449
\$3,310,000 refunding Virginia Pooled Financing Program bond issued November 4, 2010, maturing annually in 2026 through 2032 with interest payable semi-annually at varying rates of 4.828% through 4.845%.	3,310,000
\$2,495,000 infrastructure revenue bonds (2003 C/D) issued August 7, 2003, maturing annually with interest payable semi-annually at varying rates through October 2016.	1,015,000
\$3,366,314 revenue bond issued March 3, 2006, maturing in equal annual installments through 2025. No interest is payable on the bond.	2,545,115
\$2,060,000 VRA revenue bond issued 2009, maturing annually beginning October 2012 with interest payable semi-annually at varying rates through October 2019.	2,060,000
\$6,905,000 2009B VRA revenue bond issued November 2009, payable in various annual installments through October 1, 2025 with interest payable semi-annually at varying rates of 3.125% through 5.125%.	6,895,000
Less: Revenue bond debt allocable to general government	(1,502,151)
\$8,525,000 2009B pooled revenue bond issued May 25, 2010, payable in various annual installments through October 1, 2040 with interest payable semi-annually at varying rates of 2.20% - 5.20%.	8,525,000
\$20,655,000 2010CB pooled revenue bond issued November 4, 2010, payable in various annual installments through October 1, 2040 with interest payable semi-annually at varying rates of 4.200% through 6.142%.	<u>20,655,000</u>
Total revenue bond obligations	<u>\$ 44,206,413</u>
\$560,000 VRA general obligation refunding bond issued 2009, maturing annually beginning October 2014 with interest payable semi-annually at varying rates through October 2017.	<u>\$ 560,000</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Component Unit - School Board
Asset:		
Equipment	\$ 1,977,159	\$ 559,006
Less: accumulated depreciation and amortization	1,381,019	37,267
Net asset value	<u>\$ 596,140</u>	<u>\$ 521,739</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

Year Ending June 30,	Governmental Activities	Component Unit - School Board
2013	\$ 345,595	\$ 66,269
2014	263,553	66,270
2015	264,065	66,269
2016	131,777	66,270
2017	-	66,270
2018-2022	-	265,078
Total minimum lease payments	<u>1,004,990</u>	<u>596,426</u>
Less: amount representing interest	51,715	103,690
Present value of minimum lease payments	<u>\$ 953,275</u>	<u>\$ 492,736</u>

Revenue Anticipation Note

The County had a Revenue Anticipation Note (RAN) in the amount of \$4,500,000 during the fiscal year, under which the County borrowed on an unsecured basis at 1.28%, as of June 30, 2012. The RAN was used to provide interim financing for various general government operating expenditures. There were no amounts outstanding under this RAN at June 30, 2012.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Landfill Postclosure Costs

State and federal laws and regulations required the County to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The landfill operated by the County was certified by the Virginia Department of Environmental Quality as closed on December 8, 2003 and all obligations of the County with regard to closure have been met. The \$3,022,929 reported as landfill postclosure care liability at June 30, 2012, 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 2012. 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. The County has demonstrated financial assurance requirements for closure and postclosure care costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 10. Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$18,571,032 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$18,114,655, of which \$5,221,491 represents delinquent property taxes receivable at June 30, 2012.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2012 but paid in advance by the taxpayers totaled \$443,699 at June 30, 2012.

Deferred Grant Revenue: Deferred revenue representing amounts received under grants, for which expenditures had not been incurred at June 30, 2012, totaled \$12,678.

Note 11. Risk Management

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

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Risk Management (Continued)

Health Insurance

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

Based on the requirements of GASB Statement No. 10, the County records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claim liability for 2012:

	Beginning Liability	Claims and Changes in Estimates	Ending Liability
General Fund	\$ -	\$ 137,604	\$ 137,604
Virginia Public Assistance Fund	-	19,490	19,490
Governmental activities	\$ -	\$ 157,094	\$ 157,094
Caroline County Utility Fund	\$ -	\$ 11,641	\$ 11,641
Business-type activities	\$ -	\$ 11,641	\$ 11,641

Note 12. Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

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

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

- 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 five years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. 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 that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/pdf/publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Defined Benefit Pension Plan (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the County. In addition, the County 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. For the fiscal year ended June 30, 2012, the contribution rate for the County was 13.45%, for the School Board's professional employees, 11.33%; and for the School Board's non-professional employees, 11.23% of annual covered payroll.

For the years ended June 30, 2012, 2011, and 2010, total employer and employee contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were \$1,812,374, \$1,584,258, and \$1,143,529, respectively, and were equal to 100% of the required contribution for professional employees for each year.

C. Annual Pension Cost (APC)

For fiscal year 2012, the County and the School Board's non-professional employees' annual pension costs of \$1,317,718 were equal to the required and actual contributions.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2012	\$ 1,185,461	100%	\$ -
June 30, 2011	1,160,321	100%	-
June 30, 2010	608,479	100%	-
School Board Non-Professional:			
June 30, 2012	\$ 132,257	100%	\$ -
June 30, 2011	76,901	100%	-
June 30, 2010	71,001	100%	-

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (APC) (Continued)

The fiscal year 2012 required contributions were 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 7.0%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a COLA of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's non-professional employees' unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the Plan was 79.89% funded. The actuarial accrued liability for benefits was \$26,770,010, and the actuarial value of assets was \$21,385,638, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,384,372. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,717,300, and ratio of the UAAL to the covered payroll was 61.77%.

At June 30, 2011, the most recent actuarial valuation date, the Plan for the School Board's non-professional employees was 85.40% funded. The actuarial accrued liability for benefits was \$4,791,823, and the actuarial value of assets was \$4,092,052, resulting in an unfunded actuarial accrued liability (UAAL) of \$699,771. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,251,179, and ratio of the UAAL to the covered payroll was 55.93%.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

A. Plan Description

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

B. Funding Policy

The County retirees pay 100% of the premiums directly to the subscriber. Coverage is for eligible retirees and their spouses and dependents. Monthly premiums vary from \$461.34 for retiree only coverage to \$1,664.74 for the retiree plus family. Retirees of the County School System must meet the eligibility requirements based on service earned with the VRS to be eligible to receive benefits. Participants who do not retire directly from active service are not eligible.

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

C. Annual OPEB Cost and Net OPEB Obligation

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

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

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

	Primary Government	Component Unit - School Board
Annual required contribution	\$ 52,000	\$ 571,200
Interest on net OPEB obligation	3,598	54,518
Adjustment to annual required contribution	(3,111)	(47,135)
Annual OPEB cost (expense)	52,487	578,583
Estimated contributions made	-	(507,600)
Increase in net OPEB obligation	52,487	70,983
Net OPEB obligation, beginning of year	89,943	1,362,936
Net OPEB obligation, end of year	\$ 142,430	\$ 1,433,919

The County's and School System's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2010 through 2012 were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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County:

June 30, 2012	\$ 52,487	0.00%	\$ 142,430
June 30, 2011	49,543	37.74%	89,943
June 30, 2010	48,200	38.80%	59,100

School Board:

June 30, 2012	\$ 578,583	87.73%	\$ 1,433,919
June 30, 2011	537,936	103.79%	1,362,936
June 30, 2010	1,207,400	46.24%	1,383,300

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent valuation, the County's actuarial accrued liability for benefits was \$477,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,642,900, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.53%.

As of June 30, 2011, the School System's actuarial accrued liability for benefits was \$5,501,400, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$19,119,800, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.77%.

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

E. Methods and Assumptions

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

The following simplifying assumptions were made:

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

Mortality – Life expectancies were based on mortality tables from the RP-2000 Combined Healthy Mortality Tables for males and females projected to 2011 using Scale AA.

Coverage elections – The actuary assumed that 30% of current actives of Caroline County will elect medical coverage when they retire and that 30% of retirees who elect coverage will cover a spouse. The actuary also assumed that surviving spouses will decline COBRA. The actuary assumed that 73% of current actives of the Schools will elect medical coverage. 11% of retirees who elect medical coverage will elect to cover a spouse. 50% of current active employees will elect dental coverage and 15% of retirees who elect dental coverage will elect to cover a spouse.

Based on the historical and expected returns of the County and School System's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was 30 years.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Restatement of Net Assets and Fund Balances

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

	Governmental Funds			
	General Fund	Virginia Public Assistance Fund	Comprehensive Services Fund	Tourism Fund
Fund balance, June 30, 2011, as previously reported	\$ 9,552,107	\$ 123,315	\$ 163,607	\$ 22,607
Effect of omission of accounts payable liability as of June 30, 2011	-	(44,388)	(105,691)	-
Effect of omission of accrued payroll liability as of June 30, 2011	(293,969)	(45,700)	-	(3,389)
Fund balance, June 30, 2011, as restated	<u>\$ 9,258,138</u>	<u>\$ 33,227</u>	<u>\$ 57,916</u>	<u>\$ 19,218</u>

	Proprietary Funds
	Caroline County Utility Fund
Fund balance (deficit), June 30, 2011, as previously reported	\$ (2,584,493)
Effect of prior year bond issuance costs, expensed in lieu of capitalization, net of amortization expense at June 30, 2011	425,247
Effect of omission of capitalized interest associated with debt issued and related construction in progress at June 30, 2011	193,888
Effect of omission of accrued payroll liability as of June 30, 2011	<u>(20,310)</u>
Fund balance, June 30, 2011, as restated	<u>\$ (1,985,668)</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Restatement of Net Assets and Fund Balances (Continued)

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

	Primary Government		Component Unit -
	Governmental Activities	Business- type Activities	Industrial Development Authority
Net assets, June 30, 2011, as previously reported	\$ 8,750,564	\$ (829,136)	\$ 109,404
Effect of prior year bond issuance costs, expensed in lieu of capitalization, net of amortization expense at June 30, 2011	-	425,247	-
Effect of recording cash balance previously excluded	-	-	12,560
Effect of omission of capitalized interest associated with debt issued and related construction in progress at June 30, 2011	-	193,888	-
Effect of omission of accounts payable liability as of June 30, 2011	(150,079)	-	-
Effect of omission of accrued payroll liability as of June 30, 2011	(343,058)	(20,310)	-
Effect of correcting capital asset costs, and related accumulated depreciation, as of June 30, 2011	(1,272,872)	-	-
Net assets, June 30, 2011, as restated	\$ 6,984,555	\$ (230,311)	\$ 121,964

Note 15. Pending GASB Statements

At June 30, 2012, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 61, *Financial Reporting Entity Omnibus*, will result in the financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. Statement No. 61 will be effective for periods beginning after June 15, 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Statement No. 62 will be effective for periods beginning after December 15, 2011.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 15. Pending GASB Statements (Continued)

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

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

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

Note 16. Subsequent Event and Contingencies

Federal and State-Assisted Programs

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

Subsequent Event

In July 2012, the County obtained financing through the issuance of a Revenue Anticipation Note (RAN) in the amount of \$4,000,000, interest payable on December 30, 2012 and at final maturity, at a fixed interest rate of 1.26%. Principal is payable in full at final maturity, which per the agreement, is June 30, 2013. As with previous RAN issuances of the County, these General Obligation funds are used to provide interim financing for various general government operating expenditures.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. Subsequent Event and Contingencies

In October 2012, the County entered into a capital lease for a roll-off truck in the amount of \$133,840, with payments of \$14,255 due semi-annually through April 2017, and an interest rate of 2.858%.

In October 2012, the County issued QSCB bonds in the amount of \$1,085,000, for which \$1,070,000 will be used to retire a portion of the \$8,400,000, 2011 Revenue. Principal payments of \$49,339 begin December 2013 and interest is due semi-annually through December 2034.

In October 2012, the County issued VPSA School bonds in the amount of \$1,450,000. Principal payments are due in various installments from \$40,000 to \$100,000 and interest is due semi-annually at rates from 2.050% to 5.050% through July 2032.

**REQUIRED SUPPLEMENTARY
INFORMATION**

COUNTY OF CAROLINE, VIRGINIA AND COMPONENT UNITS

Exhibit 14

SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government employees:						
June 30, 2009	\$ 19,847,084	\$ 21,966,054	\$ 2,118,970	90.35%	\$ 8,788,178	24.11%
June 30, 2010	20,331,710	24,176,761	3,845,051	84.10%	8,720,641	44.09%
June 30, 2011	21,385,638	26,770,010	5,384,372	79.89%	8,717,300	61.77%
B. Component Unit - School Board non-professional employees:						
June 30, 2009	\$ 4,158,223	\$ 4,292,716	\$ 134,493	96.87%	\$ 1,152,850	11.67%
June 30, 2010	4,083,801	4,564,612	480,811	89.47%	1,254,169	38.34%
June 30, 2011	4,092,052	4,791,823	699,771	85.40%	1,251,179	55.93%

COUNTY OF CAROLINE, VIRGINIA AND COMPONENT UNITS

Exhibit 14

Page 2

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
A. Primary Government:		
2010	\$ 48,200	38.80%
2011	49,300	37.93%
2012	52,000	0.00%
B. Component Unit - School Board employees:		
2010	\$ 1,207,400	53.76%
2011	562,600	99.24%
2012	571,200	88.87%

OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DEBT SERVICE FUND
Year Ended June 30, 2012**

	Debt Service Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Other local taxes	\$ 1,397,902	\$ 1,397,902	\$ 1,431,757	\$ 33,855
Use of money and property	144,587	111,600	111,600	-
Intergovernmental	368,230	363,242	609,001	245,759
Total revenues	1,910,719	1,872,744	2,152,358	279,614
Expenditures:				
Debt service:				
Principal	2,486,507	2,486,507	2,459,712	(26,795)
Interest and fiscal charges	3,208,024	3,170,049	3,086,130	(83,919)
Total expenditures	5,694,531	5,656,556	5,545,842	(110,714)
Revenues over under expenditures	(3,783,812)	(3,783,812)	(3,393,484)	390,328
Other financing sources:				
Transfers in	3,783,812	3,783,812	3,551,143	(232,669)
Other financing sources	3,783,812	3,783,812	3,551,143	(232,669)
Net change in fund balance	-	-	157,659	157,659
Fund balance, beginning	-	-	419,509	419,509
Fund balance, ending	\$ -	\$ -	\$ 577,168	\$ 577,168

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COUNTY CAPITAL PROJECTS FUND
Year Ended June 30, 2012**

	General Capital Projects Fund				Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues:					
Use of money and property	\$ -	\$ 21,500	\$ 21,375	\$	(125)
Intergovernmental	-	71,500	83,646		12,146
Total revenues	-	93,000	105,021		12,021
Expenditures:					
Capital outlay	40,941,400	1,571,000	2,009,291		438,291
Debt service:					
Interest and fiscal charges	-	229,000	360,208		131,208
Total expenditures	40,941,400	1,800,000	2,369,499		569,499
Revenues under expenditures	(40,941,400)	(1,707,000)	(2,264,478)		(557,478)
Other financing sources:					
Transfers in	-	-	71,568		71,568
Issuance of debt	32,041,400	-	-		-
Issuance of lease revenue bond anticipation note	-	650,400	8,400,000		7,749,600
Premium on lease revenue bond anticipation note	-	-	114,912		114,912
Issuance of capital lease	-	506,000	625,126		119,126
Other financing sources	32,041,400	1,156,400	9,211,606		8,055,206
Net change in fund balance	(8,900,000)	(550,600)	6,947,128		7,497,728
Fund balance, beginning	8,900,000	550,600	6,895,644		6,345,044
Fund balance, ending	\$ -	\$ -	\$ 13,842,772	\$	13,842,772

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Comprehensive Services	Law Library	Courthouse Maintenance	Tourism	Sheriff's Grant	Fire/Rescue Grant	Housing		
ASSETS									
Cash, cash equivalents and temporary cash investments	\$ 340	\$ 125	\$ 40,194	\$ 2,752	\$ 60,570	\$ 115,946	\$ 30,741	\$	250,668
Receivables, net	-	593	2,286	26,677	-	-	-		29,556
Due from other governments	171,131	-	-	-	-	134,479	-		305,610
Total assets	\$ 171,471	\$ 718	\$ 42,480	\$ 29,429	\$ 60,570	\$ 250,425	\$ 30,741	\$	585,834
LIABILITIES									
Accounts payable	\$ 113,555	\$ 1,022	\$ -	\$ 7,823	\$ 1,018	\$ 76,219	\$ 84	\$	199,721
Accrued liabilities	-	-	-	3,698	-	-	1,278		4,976
Deferred revenue	-	-	-	-	-	12,678	-		12,678
Total liabilities	113,555	1,022	-	11,521	1,018	88,897	1,362		217,375
FUND BALANCES									
Restricted for:									
Comprehensive services	57,916	-	-	-	-	-	-		57,916
Public safety grants	-	-	-	-	59,552	-	-		59,552
Fire/rescue grants	-	-	-	-	-	161,528	-		161,528
Housing	-	-	-	-	-	-	29,379		29,379
Courthouse maintenance	-	-	42,480	-	-	-	-		42,480
Tourism	-	-	-	17,908	-	-	-		17,908
Unassigned:									
Law library	-	(304)	-	-	-	-	-		(304)
Total fund balances	57,916	(304)	42,480	17,908	59,552	161,528	29,379		368,459
Total liabilities and fund balances	\$ 171,471	\$ 718	\$ 42,480	\$ 29,429	\$ 60,570	\$ 250,425	\$ 30,741	\$	585,834

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Comprehensive Services	Law Library	Courthouse Maintenance	Tourism	Sheriff's Grant	Fire/Rescue Grant	Housing	
Revenues:								
Other local taxes	\$ -	\$ -	\$ -	\$ 161,592	\$ -	\$ -	\$ -	\$ 161,592
Use of money	-	-	-	-	2	-	11,765	11,767
Charges for services	-	5,641	28,433	-	-	-	-	34,074
Miscellaneous	22,718	-	-	14,475	-	-	-	37,193
Intergovernmental	885,119	-	-	-	16,472	375,384	72,596	1,349,571
Total revenues	907,837	5,641	28,433	176,067	16,474	375,384	84,361	1,594,197
Expenditures:								
Current:								
Judicial administration	-	10,429	-	-	4,663	-	-	15,092
Public safety	-	-	19,000	-	22,234	304,773	-	346,007
Health and welfare	1,680,718	-	-	-	-	-	-	1,680,718
Community development	-	-	-	177,377	-	-	1,493	178,870
Total expenditures	1,680,718	10,429	19,000	177,377	26,897	304,773	1,493	2,220,687
Revenues over (under) expenditures	(772,881)	(4,788)	9,433	(1,310)	(10,423)	70,611	82,868	(626,490)
Other financing sources (uses):								
Transfers in	772,881	3,680	-	-	-	-	-	776,561
Transfers out	-	-	-	-	-	-	(148,317)	(148,317)
Other financing sources (uses), net	772,881	3,680	-	-	-	-	(148,317)	628,244
Net change in fund balances	-	(1,108)	9,433	(1,310)	(10,423)	70,611	(65,449)	1,754
Fund balance, beginning, as restated	57,916	804	33,047	19,218	69,975	90,917	94,828	366,705
Fund balance (deficit), ending	\$ 57,916	\$ (304)	\$ 42,480	\$ 17,908	\$ 59,552	\$ 161,528	\$ 29,379	\$ 368,459

COUNTY OF CAROLINE, VIRGINIA

Exhibit 19

Page 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2012

	Comprehensive Services Fund				Law Library Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	10,000	10,000	5,641	(4,359)
Miscellaneous	26,000	26,000	22,718	(3,282)	-	-	-	-
Intergovernmental	1,043,990	1,112,046	885,119	(226,927)	-	-	-	-
Total revenues	1,069,990	1,138,046	907,837	(230,209)	10,000	10,000	5,641	(4,359)
Expenditures:								
Current:								
Judicial administration	-	-	-	-	13,145	13,145	10,429	(2,716)
Public safety	-	-	-	-	-	-	-	-
Health and welfare	1,505,056	1,685,056	1,680,718	(4,338)	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Total expenditures	1,505,056	1,685,056	1,680,718	(4,338)	13,145	13,145	10,429	(2,716)
Revenues over (under) expenditures	(435,066)	(547,010)	(772,881)	(225,871)	(3,145)	(3,145)	(4,788)	(1,643)
Other financing sources (uses):								
Transfers in	435,066	547,010	772,881	225,871	3,145	3,145	3,680	535
Transfers out	-	-	-	-	-	-	-	-
Other financing sources (uses), net	435,066	547,010	772,881	225,871	3,145	3,145	3,680	535
Net change in fund balance	-	-	-	-	-	-	(1,108)	(1,108)
Fund balance, beginning, as restated	-	-	57,916	57,916	-	-	804	804
Fund balance (deficit), ending	\$ -	\$ -	\$ 57,916	\$ 57,916	\$ -	\$ -	\$ (304)	\$ (304)

COUNTY OF CAROLINE, VIRGINIA

Exhibit 19

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2012

	Courthouse Maintenance Fund				Tourism Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ 186,436	\$ 186,436	\$ 161,592	\$ (24,844)
Use of money and property	-	-	-	-	-	-	-	-
Charges for services	28,000	28,000	28,433	433	-	-	-	-
Miscellaneous	-	-	-	-	14,700	14,700	14,475	(225)
Intergovernmental	-	-	-	-	-	-	-	-
Total revenues	28,000	28,000	28,433	433	201,136	201,136	176,067	(25,069)
Expenditures:								
Current:								
Judicial administration	-	-	-	-	-	-	-	-
Public safety	-	28,000	19,000	(9,000)	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Community development	-	-	-	-	186,474	186,474	177,377	(9,097)
Debt service:								
Principal	-	-	-	-	20,000	20,000	-	(20,000)
Total expenditures	-	28,000	19,000	(9,000)	206,474	206,474	177,377	(9,097)
Revenues over (under) expenditures	28,000	-	9,433	9,433	(5,338)	(5,338)	(1,310)	(15,972)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(28,000)	-	-	-	-	-	-	-
Other financing sources (uses), net	(28,000)	-	-	-	-	-	-	-
Net change in fund balance	-	-	9,433	9,433	(5,338)	(5,338)	(1,310)	4,028
Fund balance, beginning, as restated	-	-	33,047	33,047	5,338	5,338	19,218	13,880
Fund balance (deficit), ending	\$ -	\$ -	\$ 42,480	\$ 42,480	\$ -	\$ -	\$ 17,908	\$ 17,908

COUNTY OF CAROLINE, VIRGINIA

Exhibit 19

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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2012**

	Sheriff's Grant Fund				Fire/Rescue Grant Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	2	2	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Intergovernmental	-	4,000	16,472	12,472	108,000	305,000	375,384	70,384
Total revenues	-	4,000	16,474	12,474	108,000	305,000	375,384	70,384
Expenditures:								
Current:								
Judicial administration	-	5,750	4,663	(1,087)	-	-	-	-
Public safety	-	9,250	22,234	12,984	108,000	305,000	304,773	(227)
Health and welfare	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Total expenditures	-	15,000	26,897	11,897	108,000	305,000	304,773	(227)
Revenues over (under) expenditures	-	(11,000)	(10,423)	577	-	-	70,611	70,611
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Other financing sources (uses), net	-	-	-	-	-	-	-	-
Net change in fund balance	-	(11,000)	(10,423)	577	-	-	70,611	70,611
Fund balance, beginning, as restated	-	11,000	69,975	58,975	-	-	90,917	90,917
Fund balance (deficit), ending	\$ -	\$ -	\$ 59,552	\$ 59,552	\$ -	\$ -	\$ 161,528	\$ 161,528

COUNTY OF CAROLINE, VIRGINIA

Exhibit 19
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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2012

	Housing Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	20,400	20,400	11,765	(8,635)
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental	-	72,600	72,596	(4)
Total revenues	20,400	93,000	84,361	(8,639)
Expenditures:				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	20,400	1,680	1,493	(187)
Debt service:				
Principal	-	-	-	-
Total expenditures	20,400	1,680	1,493	(187)
Revenues over (under) expenditures	-	91,320	82,868	(8,452)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(148,320)	(148,317)	3
Other financing sources (uses), net	-	(148,320)	(148,317)	3
Net change in fund balance	-	(57,000)	(65,449)	(8,449)
Fund balance, beginning, as restated	-	57,000	94,828	37,828
Fund balance (deficit), ending	\$ -	\$ -	\$ 29,379	\$ 29,379

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Agency Funds			
	Four Rivers Technology in			
	Special Welfare	Education Consortium	Deposit Escrow	Totals
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 3,946	\$ 38,704	\$ 206,997	\$ 249,647
LIABILITIES				
Amounts held for social services clients	\$ 3,946	\$ -	\$ -	\$ 3,946
Amounts held for consortium	-	38,704	-	38,704
Refundable escrow deposits payable	-	-	206,997	206,997
Total liabilities	\$ 3,946	\$ 38,704	\$ 206,997	\$ 249,647

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>SPECIAL WELFARE</u>				
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 6,500	\$ 25,019	\$ 27,573	\$ 3,946
LIABILITIES				
Amounts held for social services clients	\$ 6,500	\$ 25,019	\$ 27,573	\$ 3,946

FOUR RIVERS TECHNOLOGY IN
EDUCATION CONSORTIUM

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 38,704	\$ -	\$ -	\$ 38,704
LIABILITIES				
Amounts held for consortium	\$ 38,704	\$ -	\$ -	\$ 38,704

DEPOSIT ESCROW

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 301,330	\$ 112,887	\$ 207,220	\$ 206,997
LIABILITIES				
Refundable escrow deposits payable	\$ 301,330	\$ 112,887	\$ 207,220	\$ 206,997

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 346,534	\$ 137,906	\$ 234,793	\$ 249,647
LIABILITIES				
Amounts held for social services clients	\$ 6,500	\$ 25,019	\$ 27,573	\$ 3,946
Amounts held for consortium	38,704	-	-	38,704
Refundable escrow deposits payable	301,330	112,887	207,220	206,997
Total liabilities	\$ 346,534	\$ 137,906	\$ 234,793	\$ 249,647

**DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD**

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2012

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
ASSETS					
Cash, cash equivalents and temporary cash investments	\$ 4,172	\$ 299,936	\$ 563,686	\$ 443,916	\$ 1,311,710
Trade and other accounts receivable	295	728	-	-	1,023
Due from other governments	3,522,826	181,229	-	178,643	3,882,698
Total assets	\$ 3,527,293	\$ 481,893	\$ 563,686	\$ 622,559	\$ 5,195,431
LIABILITIES					
Accounts payable	\$ 139,211	\$ 16,615	\$ -	\$ 500	\$ 156,326
Accrued payroll	3,158,747	94,611	-	78,158	3,331,516
Other accrued liabilities	-	-	-	113,430	113,430
Deferred revenue	65,005	-	-	295,990	360,995
Total liabilities	3,362,963	111,226	-	488,078	3,962,267
FUND BALANCES					
Assigned to:					
Capital outlay	-	-	563,686	-	563,686
Cafeteria	-	370,667	-	-	370,667
School grants	-	-	-	134,481	134,481
Unassigned	164,330	-	-	-	164,330
Total fund balances	164,330	370,667	563,686	134,481	1,233,164
Total liabilities and fund balances	\$ 3,527,293	\$ 481,893	\$ 563,686	\$ 622,559	\$ 5,195,431

Total Fund balances \$ 1,233,164

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

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

Governmental capital assets	\$ 14,945,122	
Less accumulated depreciation and amortization	(10,557,906)	
Net capital assets		4,387,216

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

Capital leases	(492,736)	
Compensated absences	(510,351)	
Interest payable	(18,888)	
Other postemployment benefits	(1,433,919)	
		(2,455,894)

Net assets of governmental activities \$ 3,164,486

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2012**

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
Revenues:					
Use of money and property	\$ -	\$ 131	\$ 106	\$ -	\$ 237
Charges for services	14,408	732,604	-	-	747,012
Miscellaneous	750	8,775	-	-	9,525
Appropriation from Primary Government	11,096,989	-	-	-	11,096,989
Intergovernmental	22,523,947	1,256,269	-	1,527,470	25,307,686
Total revenues	33,636,094	1,997,779	106	1,527,470	37,161,449
Expenditures:					
Current:					
Education	33,878,949	1,949,873	-	1,502,237	37,331,059
Capital outlay	559,006	-	-	-	559,006
Debt service	66,270	-	-	-	66,270
Total expenditures	34,504,225	1,949,873	-	1,502,237	37,956,335
Revenues over (under) expenditures	(868,131)	47,906	106	25,233	(794,886)
Other financing sources:					
Proceeds from capital lease	559,006	-	-	-	559,006
Net change in fund balances	(309,125)	47,906	106	25,233	(235,880)
Fund balances, beginning	473,455	322,761	563,580	109,248	1,469,044
Fund balances, ending	\$ 164,330	\$ 370,667	\$ 563,686	\$ 134,481	\$ 1,233,164
Net change in fund balances					\$ (235,880)
Reconciliation of amounts reported for governmental activities in the Statement of Activities:					
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays were more than depreciation and amortization in the current period.					
Expenditure for capital assets				\$ 582,656	
Less depreciation and amortization expense				(505,938)	
Excess of capital outlays over depreciation and amortization					76,718
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.					
Debt issued or incurred:					
Capital leases issued				(559,006)	
Principal repayments:					
Capital leases				66,270	
					(492,736)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.					
Compensated absences				73,956	
Accrued interest				(18,888)	
Other postemployment benefits				(70,983)	
					(15,915)
Change in net assets of governmental activities					\$ (667,813)

COUNTY OF CAROLINE, VIRGINIA

Exhibit 24
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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2012**

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Use of money and property	\$ -	\$ -	\$ -	\$ -	\$ 300	\$ 300	\$ 131	\$ (169)
Charges for services	20,000	20,000	14,408	(5,592)	745,500	745,500	732,604	(12,896)
Miscellaneous	8,000	8,000	750	(7,250)	6,800	6,800	8,775	1,975
Appropriation from Primary Government	11,566,270	11,566,270	11,096,989	(469,281)	-	-	-	-
Intergovernmental	22,451,568	22,729,514	22,523,947	(205,567)	871,337	1,076,591	1,256,269	179,678
Total revenues	34,045,838	34,323,784	33,636,094	(687,690)	1,623,937	1,829,191	1,997,779	168,588
Expenditures:								
Education	34,045,838	34,323,784	33,878,949	(444,835)	1,623,937	1,829,191	1,949,873	120,682
Capital outlay	-	492,736	559,006	66,270	-	-	-	-
Debt service	-	-	66,270	66,270	-	-	-	-
Total expenditures	34,045,838	34,816,520	34,504,225	(312,295)	1,623,937	1,829,191	1,949,873	120,682
Revenues over (under) expenditures	-	(492,736)	(868,131)	(375,395)	-	-	47,906	47,906
Other financing sources:								
Proceeds from capital lease	-	492,736	559,006	66,270	-	-	-	-
Other financing sources	-	492,736	559,006	66,270	-	-	-	-
Net change in fund balance	-	-	(309,125)	(309,125)	-	-	47,906	47,906
Fund balance, beginning	-	-	473,455	473,455	-	-	322,761	322,761
Fund balance, ending	\$ -	\$ -	\$ 164,330	\$ 164,330	\$ -	\$ -	\$ 370,667	\$ 370,667

COUNTY OF CAROLINE, VIRGINIA

Exhibit 24
Page 2

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2012**

	School Capital Projects Fund				School Grant Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Use of money and property	\$ -	\$ -	\$ 106	\$ 106	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	3,340,777	4,016,261	1,527,470	(2,488,791)
Total revenues	-	-	106	106	3,340,777	4,016,261	1,527,470	(2,488,791)
Expenditures:								
Education	-	-	-	-	3,340,777	4,016,261	1,502,237	(2,514,024)
Total expenditures	-	-	-	-	3,340,777	4,016,261	1,502,237	(2,514,024)
Net change in fund balance	-	-	106	106	-	-	25,233	25,233
Fund balance, beginning	-	-	563,580	563,580	-	-	109,248	109,248
Fund balance, ending	\$ -	\$ -	\$ 563,686	\$ 563,686	\$ -	\$ -	\$ 134,481	\$ 134,481

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

STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - IDA
June 30, 2012

ASSETS	
Current assets:	
Cash, cash equivalents and temporary cash investments	<u>\$ 175,055</u>
Total assets	<u>175,055</u>
NET ASSETS	
Unrestricted	<u>175,055</u>
Total net assets	<u><u>\$ 175,055</u></u>

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - IDA
Year Ended June 30, 2012**

Operating revenues:	
Contributions from local governments	\$ 50,000
Other	13,267
	<hr/>
Total operating revenues	63,267
	<hr/>
Operating expenses:	
Other charges	10,787
	<hr/>
Total operating expenses	10,787
	<hr/>
Operating income	52,480
	<hr/>
Nonoperating revenue:	
Interest revenue	611
	<hr/>
Total nonoperating revenue	611
	<hr/>
Change in net assets	53,091
	<hr/>
Net assets, beginning, as restated	121,964
	<hr/>
Net assets, ending	\$ 175,055
	<hr/> <hr/>

SUPPLEMENTAL SCHEDULES

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 16,085,139	\$ 16,585,139	\$ 17,120,853	\$ 535,714
Real and personal public service corporation property taxes	3,048,835	3,048,835	3,154,445	105,610
Personal property taxes	6,329,264	6,784,727	7,192,556	407,829
Mobile home taxes	29,848	29,848	39,113	9,265
Machinery and tools taxes	242,377	242,377	244,713	2,336
Motor vehicle carrier	100,256	100,256	141,068	40,812
Penalties	304,801	304,801	419,535	114,734
Interest	266,971	266,971	349,240	82,269
Total general property taxes	26,407,491	27,362,954	28,661,523	1,298,569
Other local taxes:				
Local sales and use taxes	1,465,000	1,465,000	1,527,122	62,122
Consumer utility taxes	80,000	80,000	79,963	(37)
Business license taxes	804,000	804,000	969,103	165,103
Bank stock taxes	60,905	60,905	57,252	(3,653)
Motor vehicle licenses	700,000	700,000	823,632	123,632
Taxes on recordation and wills	190,000	190,000	214,204	24,204
Total other local taxes	3,299,905	3,299,905	3,671,276	371,371
Permits, privilege fees and regulatory licenses:				
Animal licenses	14,500	14,500	27,978	13,478
Permits and other licenses	387,320	387,320	283,465	(103,855)
Total permits, privilege fees and regulatory licenses	401,820	401,820	311,443	(90,377)
Fines and forfeitures	600,000	600,000	702,704	102,704
Use of money and property:				
Revenue from use of money	13,800	13,800	15,254	1,454
Revenue from use of property	43,011	43,011	47,252	4,241
Total use of money and property	56,811	56,811	62,506	5,695

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
Charges for services:				
Charges for court costs	\$ 37,900	\$ 37,900	\$ 13,332	\$ (24,568)
Commonwealth attorney's fees	825	825	2,665	1,840
Courthouse security and protective services	216,467	216,467	167,050	(49,417)
Data processing	1,500	1,500	700	(800)
Miscellaneous dog fees	2,250	2,250	8,361	6,111
Parks and recreation	138,336	138,336	88,076	(50,260)
Sanitation and waste removal	72,300	72,300	54,082	(18,218)
Sale of publications and commemorative material	1,100	1,100	960	(140)
Total charges for services	470,678	470,678	335,226	(135,452)
Miscellaneous	63,000	63,000	74,472	11,472
Recovered costs:				
Soil conservationist	257,691	257,691	258,976	1,285
School resource officer and criminal justice class	146,996	146,996	112,222	(34,774)
Postage reimbursement general district court	4,500	4,500	4,436	(64)
Ambulance recovery services	690,000	690,000	723,168	33,168
Jurors	20,000	20,000	28,130	8,130
Other	2,700	2,700	18,673	15,973
Total recovered costs	1,121,887	1,121,887	1,145,605	23,718
Total revenue from local sources	32,421,592	33,377,055	34,964,755	1,587,700
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rolling stock tax	81,269	81,269	71,234	(10,035)
Communications sales and use taxes	475,000	475,000	453,087	(21,913)
Mobile home titling taxes	19,175	19,175	21,987	2,812
Rental vehicle taxes	2,500	2,500	2,281	(219)
Personal property tax relief	2,371,897	2,371,897	2,371,897	-
Recordation taxes	184,172	184,172	145,828	(38,344)
Reduction in state aid to local governments	(131,874)	(131,874)	-	131,874
Total non-categorical aid	3,002,139	3,002,139	3,066,314	64,175

COUNTY OF CAROLINE, VIRGINIA

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GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Shared costs:				
Commonwealth attorney	\$ 161,589	\$ 161,589	\$ 153,735	\$ (7,854)
Sheriff	1,123,905	1,123,905	1,082,272	(41,633)
Commissioner of the revenue	112,460	112,460	108,684	(3,776)
Treasurer	91,894	91,894	90,601	(1,293)
Registrar/Electoral Board	48,993	48,993	49,285	292
Clerk of circuit court	258,359	258,359	257,429	(930)
Total shared costs	1,797,200	1,797,200	1,742,006	(55,194)
Other categorical aid:				
Litter control	6,996	6,996	6,871	(125)
DMV license agent	24,500	24,500	28,449	3,949
Wireless E911 PSAP funding	82,961	82,961	66,899	(16,062)
Emergency services	-	27,560	27,560	-
CHINS	20,259	20,259	14,041	(6,218)
Victim witness	53,942	53,942	55,021	1,079
Fire programs	-	2,505	2,505	-
Social services quality initiative	10,000	10,000	16,552	6,552
Domestic violence	40,000	87,320	114,627	27,307
Forestry	-	10,980	10,980	-
Other	-	1,386	14,935	13,549
Total other categorical aid	238,658	328,409	358,440	30,031
Total categorical aid	2,035,858	2,125,609	2,100,446	(25,163)
Total revenue from the Commonwealth	5,037,997	5,127,748	5,166,760	39,012
Revenue from the federal government:				
Non-categorical aid:				
Payment for federal lands	1,915	1,915	1,717	(198)
Categorical aid:				
DMV ground transportation	15,000	23,833	23,833	-
FEMA	12,120	12,120	34,974	22,854
Bulletproof vest partnership	-	2,106	5,112	3,006
ARRA violence against women grants	47,320	-	-	-
Byrne justice assistance	-	74,863	2,884	(71,979)
Homeland security program	-	28,957	28,957	-
Victim witness	11,315	11,315	25,961	14,646
SAFER	287,496	287,496	355,054	67,558
Total categorical aid	373,251	440,690	476,775	36,085
Total revenue from the federal government	375,166	442,605	478,492	35,887
Total intergovernmental	5,413,163	5,570,353	5,645,252	74,899
Total General Fund	\$ 37,834,755	\$ 38,947,408	\$ 40,610,007	\$ 1,662,599

COUNTY OF CAROLINE, VIRGINIA

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GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous	\$ -	\$ -	\$ 36,296	\$ 36,296
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	539,982	539,982	571,071	31,089
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	1,517,610	1,530,305	1,433,291	(97,014)
Total intergovernmental	2,057,592	2,070,287	2,004,362	(65,925)
Total Virginia Public Assistance Fund	2,057,592	2,070,287	2,040,658	(29,629)
Proffers Fund:				
Revenue from local sources:				
Revenue from use of money	1,000	1,000	11,026	(10,026)
Miscellaneous:				
Proffers	90,000	90,000	111,314	21,314
Total revenue from local sources	91,000	91,000	122,340	11,288
Total Proffers Fund	91,000	91,000	122,340	11,288
Comprehensive Services Fund:				
Revenue from local sources:				
Miscellaneous	26,000	26,000	22,718	(3,282)
Intergovernmental:				
Revenue from the Commonwealth:				
Comprehensive services act funds	1,043,990	1,112,046	885,119	(226,927)
Total Comprehensive Services Fund	1,069,990	1,138,046	907,837	(230,209)
Law Library Fund:				
Revenue from local sources:				
Charges for services:				
Law library fees	10,000	10,000	5,641	4,359
Total Law Library Fund	10,000	10,000	5,641	4,359
Courthouse Maintenance Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse maintenance fees	28,000	28,000	28,433	(433)
Total Courthouse Maintenance Fund	28,000	28,000	28,433	(433)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Special Revenue Funds:				
Tourism Fund:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes	\$ 186,436	\$ 186,436	\$ 161,592	\$ (24,844)
Miscellaneous	14,700	14,700	14,475	(225)
Total revenue from local sources	201,136	201,136	176,067	(25,069)
Total Tourism Fund	201,136	201,136	176,067	(25,069)
Sheriff's Grant Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	2	2
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical:				
Public safety	-	4,000	16,472	12,472
Total Sheriff's Grant Fund	-	4,000	16,474	12,474
Fire/Rescue Grant Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical:				
Fire program fund	55,000	55,000	73,000	18,000
EMS vehicle registration grant	28,000	28,000	27,323	(677)
Radiological preparedness grant	25,000	25,000	18,500	(6,500)
Total revenue from the Commonwealth	108,000	108,000	118,823	10,823
Revenue from the federal government:				
Categorical:				
Assistance to firefighter grant	-	197,000	256,561	59,561
Total intergovernmental	108,000	305,000	375,384	70,384
Total Fire/Rescue Grant Fund	108,000	305,000	375,384	70,384
Housing Fund:				
Revenue from local sources:				
Revenue from use of money and property	20,400	20,400	11,765	(8,635)
Intergovernmental:				
Revenue from the federal government:				
Categorical:				
CDBG housing project	-	72,600	72,596	(4)
Total Housing Fund	20,400	93,000	84,361	(8,639)
Total Special Revenue Funds	\$ 3,586,118	\$ 3,940,469	\$ 3,757,195	\$ (195,474)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Debt Service Fund:				
Revenue from local sources:				
Other local taxes:				
Consumer utility	\$ 506,117	\$ 506,117	\$ 507,332	\$ 1,215
Meals	891,785	891,785	924,425	32,640
Total other local taxes	1,397,902	1,397,902	1,431,757	33,855
Revenue from use of money and property:				
Revenue from use of money	32,987	-	-	-
Revenue from use of property	111,600	111,600	111,600	-
Total revenue from use of money and property	144,587	111,600	111,600	-
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical:				
Communications tax	356,682	351,694	347,703	(3,991)
Revenue from the federal government:				
Non-categorical:				
Federal tax credit	-	-	249,750	249,750
BABs interest subsidy	11,548	11,548	11,548	-
Total revenue from the federal government	11,548	11,548	261,298	249,750
Total intergovernmental	368,230	363,242	609,001	245,759
Total Debt Service Fund	1,910,719	1,872,744	2,152,358	279,614
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	-	21,500	21,375	(125)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Rescue squad assistance fund	-	71,500	71,534	34
Revenue from the federal government:				
Categorical aid:				
Justice assistance grant	-	-	12,112	12,112
Total intergovernmental	-	71,500	83,646	12,146
Total Capital Projects Fund	-	93,000	105,021	12,021
Grand Total Revenues - Primary Government	\$ 43,331,592	\$ 44,853,621	\$ 46,624,581	\$ 1,758,760

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services	\$ 20,000	\$ 20,000	\$ 14,408	\$ (5,592)
Miscellaneous	8,000	8,000	750	(7,250)
Appropriation from Primary Government	11,566,270	11,566,270	11,096,989	(469,281)
Total revenue from local sources	11,594,270	11,594,270	11,112,147	(482,123)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State sales tax receipts	4,482,376	4,482,376	4,467,694	(14,682)
Basic school aid	10,807,123	10,807,123	10,968,151	161,028
Other state school funds	5,828,402	5,828,402	5,865,517	37,115
Total revenue from the Commonwealth	21,117,901	21,117,901	21,301,362	183,461
Revenue from the federal government:				
Categorical aid:				
Title VIB	928,381	1,206,327	978,413	(227,914)
Other school funds	405,286	405,286	244,172	(161,114)
Total revenue from the federal government	1,333,667	1,611,613	1,222,585	(389,028)
Total intergovernmental	22,451,568	22,729,514	22,523,947	(205,567)
Total School Operating Fund	34,045,838	34,323,784	33,636,094	(687,690)
School Grant Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
Project graduation	13,930	21,004	18,463	(2,541)
Virginia performance pay incentives	-	322,950	-	(322,950)
ARRA - McKinney-Vento	15,005	15,005	7,942	(7,063)
Virginia tobacco settlement	42,168	42,168	7,452	(34,716)
Mentor teacher project	20,454	20,454	5,066	(15,388)
Total revenue from the Commonwealth	91,557	421,581	38,923	(382,658)
Revenue from the federal government:				
Categorical aid:				
Title I	863,087	1,090,121	609,724	(480,397)
Title II, Part A	120,241	191,529	48,155	(143,374)
ARRA - IDEA, Part B Section 611	250,000	250,000	38,082	(211,918)
ARRA - Title I	192,000	192,000	154,665	(37,335)
ARRA - State fiscal stabilization	476,049	476,049	476,049	-
ARRA - Education Jobs Fund	946,574	946,574	107,457	(839,117)
ARRA - other school funds	33,077	33,077	10,815	(22,262)
Other school funds	368,192	415,330	43,600	(371,730)
Total revenue from the federal government	3,249,220	3,594,680	1,488,547	(2,106,133)
Total School Grant Fund	3,340,777	4,016,261	1,527,470	(2,488,791)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 300	\$ 300	\$ 131	\$ (169)
Miscellaneous	6,800	6,800	8,775	1,975
Charges for services	745,500	745,500	732,604	(12,896)
Total revenue from local sources	752,600	752,600	741,510	(11,090)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	25,800	25,800	28,865	3,065
Revenue from the federal government:				
Categorical aid:				
School food program grant	845,537	1,050,791	1,227,404	176,613
Total intergovernmental	871,337	1,076,591	1,256,269	179,678
Total School Cafeteria Fund	1,623,937	1,829,191	1,997,779	168,588
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	106	106
Total School Capital Projects Fund	-	-	106	106
Grand Total Revenues - Component Unit - School Board	\$ 39,010,552	\$ 40,169,236	\$ 37,161,449	\$ (3,007,787)

COUNTY OF CAROLINE, VIRGINIA

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GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 167,584	\$ 167,584	\$ 174,377	\$ 6,793
General and financial:				
County administrator	440,456	440,456	325,278	(115,178)
Legal services	210,869	210,869	250,512	39,643
Commissioner of the revenue	745,859	738,859	682,550	(56,309)
Professional services	19,611	40,111	39,457	(654)
Treasurer	489,564	489,564	494,612	5,048
Finance	326,670	326,670	311,319	(15,351)
Information technology	240,438	268,019	227,736	(40,283)
Other general and financial administration	72,576	67,576	66,273	(1,303)
Total general and financial	2,546,043	2,582,124	2,397,737	(184,387)
Board of elections:				
Electoral board and officials	142,179	149,814	170,331	20,517
Total general government administration	2,855,806	2,899,522	2,742,445	(157,077)
Judicial administration:				
Courts:				
Circuit court	80,979	80,979	94,672	13,693
General district court	33,152	33,152	22,785	(10,367)
Magistrate	1,580	1,580	389	(1,191)
Juvenile and domestic relations court	23,357	23,357	15,970	(7,387)
Clerk of the circuit court	550,042	550,042	556,334	6,292
Juvenile crime control	49,499	49,499	45,748	(3,751)
Victim witness program	88,756	88,756	91,392	2,636
Total courts	827,365	827,365	827,290	(75)
Commonwealth attorney	348,979	348,979	353,931	4,952
Total judicial administration	1,176,344	1,176,344	1,181,221	4,877
Public safety:				
Law enforcement and traffic control:				
Sheriff	4,182,549	4,294,821	4,274,706	(20,115)
E911 dispatch	894,567	894,567	782,431	(112,136)
Total law enforcement and traffic control	5,077,116	5,189,388	5,057,137	(132,251)
Fire and rescue services:				
Other fire and rescue	18,000	18,000	17,685	(315)
Emergency services	3,332,897	3,416,360	3,297,302	(119,058)
Total fire and rescue services	3,350,897	3,434,360	3,314,987	(119,373)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Public safety:				
Correction and detention:				
Regional jail contributions	\$ 1,655,825	\$ 1,655,825	\$ 1,764,148	\$ 108,323
Juvenile probation and detention	170,000	170,000	146,679	(23,321)
Total correction and detention	1,825,825	1,825,825	1,910,827	85,002
Building inspections	251,667	251,667	245,122	(6,545)
Other protection:				
Animal control	281,562	281,562	273,533	(8,029)
Medical examiner	300	300	140	(160)
Total other protection	281,862	281,862	273,673	(8,189)
Total public safety	10,787,367	10,983,102	10,801,746	(181,356)
Public works:				
Maintenance of infrastructure:				
Public works administration	129,137	129,137	65,972	(63,165)
Streetlights	3,200	3,200	3,081	(119)
Total maintenance of infrastructure	132,337	132,337	69,053	(63,284)
Sanitation and waste removal:				
Refuse collection and disposal	1,457,728	1,452,728	1,445,897	(6,831)
Total sanitation and waste removal	1,457,728	1,452,728	1,445,897	(6,831)
Maintenance of general buildings and grounds:				
General properties	1,328,221	1,324,243	1,307,781	(16,462)
Total maintenance of general buildings and grounds	1,328,221	1,324,243	1,307,781	(16,462)
Total public works	2,918,286	2,909,308	2,822,731	(86,577)
Health and social services:				
Health:				
Supplement to local health department	308,450	308,450	308,450	-
Mental health and mental retardation:				
Community Services Board	90,000	90,000	90,000	-
Welfare:				
Contributions to outside welfare agencies	168,116	184,366	183,866	(500)
Total health and welfare	566,566	582,816	582,316	(500)

COUNTY OF CAROLINE, VIRGINIA

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GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Education:				
Appropriation to the Caroline County School Board	\$ 11,566,270	\$ 11,566,270	\$ 11,096,989	\$ (469,281)
Total education	11,566,270	11,566,270	11,096,989	(469,281)
Parks, recreation and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	416,018	405,118	331,582	(73,536)
Cultural:				
Contribution to County library	333,385	333,385	323,726	(9,659)
Total parks, recreation and cultural	749,403	738,503	655,308	(83,195)
Community development:				
Planning and community development:				
Planning development	550,381	523,381	521,440	(1,941)
Planning commission	28,102	28,102	24,164	(3,938)
Economic development	220,573	220,573	192,322	(28,251)
Planning regional	27,298	27,298	26,000	(1,298)
Industrial development authority	2,000	2,000	1,202	(798)
Board of zoning appeals	4,474	4,474	2,108	(2,366)
Total planning and community development	832,828	805,828	767,236	(38,592)
Environmental management:				
Soil and conservation district contribution	57,720	57,720	57,720	-
Environmental management	251,091	251,091	252,654	1,563
Total environmental management	308,811	308,811	310,374	1,563
Cooperative extension program:				
Extension office	44,380	44,380	43,324	(1,056)
Total community development	1,186,019	1,159,019	1,120,934	(38,085)
Debt service:				
Interest and fiscal charges	125,000	125,000	96,503	(28,497)
Total debt service	125,000	125,000	96,503	(28,497)
Total General Fund	\$ 31,931,061	\$ 32,139,884	\$ 31,100,193	\$ (1,039,691)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare administration	\$ 1,758,081	\$ 1,786,880	\$ 1,757,738	\$ (29,142)
Public assistance	213,265	213,265	262,602	49,337
Purchased services	613,298	613,298	381,672	(231,626)
Local only	2,308	2,308	1,994	(314)
Grants	12,375	12,375	16,575	4,200
Total Virginia Public Assistance Fund	2,599,327	2,628,126	2,420,581	(207,545)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Special Revenue Funds:				
Comprehensive Services Fund:				
Health and welfare:				
Comprehensive services act	\$ 1,505,056	\$ 1,685,056	\$ 1,680,718	\$ (4,338)
Total Comprehensive Services Fund	1,505,056	1,685,056	1,680,718	(4,338)
Law Library Fund:				
Judicial administration:				
Law library	13,145	13,145	10,429	(2,716)
Total Law Library Fund	13,145	13,145	10,429	(2,716)
Courthouse Maintenance Fund:				
Judicial administration:				
Courthouse maintenance	-	28,000	19,000	(9,000)
Total Courthouse Maintenance Fund	-	28,000	19,000	(9,000)
Tourism Fund:				
Community development:				
Planning and community development:				
Tourism	186,474	186,474	177,377	(9,097)
Debt service:				
Principal	20,000	20,000	-	(20,000)
Total Tourism Fund	206,474	206,474	177,377	(29,097)
Sheriff's Grant Fund:				
Judicial administration	-	5,750	4,663	(1,087)
Public safety	-	9,250	22,234	12,984
Total Sheriff's Grant Fund	-	15,000	26,897	11,897
Fire/Rescue Grant Fund:				
Public safety:				
Fire and rescue services:				
Fire/rescue program	108,000	305,000	304,773	(227)
Total Fire/Rescue Grant Fund	108,000	305,000	304,773	(227)
Housing Fund:				
Community development:				
Housing rehabilitation	20,400	1,680	1,493	(187)
Total Housing Fund	20,400	1,680	1,493	(187)
Total Special Revenue Funds	\$ 4,452,402	\$ 4,882,481	\$ 4,641,268	\$ (241,213)
Debt Service Fund:				
Debt service:				
Principal	\$ 2,486,507	\$ 2,486,507	\$ 2,459,712	\$ (26,795)
Interest and fiscal charges	3,208,024	3,170,049	3,086,130	(83,919)
Total Debt Service Fund	5,694,531	5,656,556	5,545,842	(110,714)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Capital Projects Fund:				
County Capital Projects Fund:				
Capital outlay:				
Capital projects	\$ 40,941,400	\$ 1,571,000	\$ 2,009,291	\$ 438,291
Debt service:				
Interest and fiscal charges	-	229,000	360,208	131,208
Total Capital Projects Fund	40,941,400	1,800,000	2,369,499	569,499
Grand Total Expenditures - Primary Government	\$ 83,019,394	\$ 44,478,921	\$ 43,656,802	\$ (822,119)
Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 26,456,090	\$ 26,734,036	\$ 26,890,096	\$ 156,060
Administration, attendance and health	1,091,137	1,091,137	1,039,281	(51,856)
Pupil transportation services	2,848,865	2,848,865	2,759,300	(89,565)
Operation and maintenance services	3,499,908	3,499,908	3,115,006	(384,902)
Facilities	149,838	149,838	75,266	(74,572)
Total education	34,045,838	34,323,784	33,878,949	(444,835)
Capital outlay:				
Capital projects	-	492,736	559,006	66,270
Debt service:				
Principal	-	-	66,270	66,270
Total School Operating Fund	34,045,838	34,816,520	34,504,225	(312,295)
School Grant Fund:				
Education:				
Instruction	3,340,777	4,016,261	1,502,237	(2,514,024)
Total School Grant Fund	3,340,777	4,016,261	1,502,237	(2,514,024)
School Cafeteria Fund:				
Education:				
School food services	1,623,937	1,829,191	1,949,873	120,682
Total School Cafeteria Fund	1,623,937	1,829,191	1,949,873	120,682
Total Expenditures - Component Unit - School Board	\$ 39,010,552	\$ 40,661,972	\$ 37,956,335	\$ (2,705,637)

STATISTICAL SECTION

COUNTY OF CAROLINE, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

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

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

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

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

COUNTY OF CAROLINE, VIRGINIA

Table 2

NET ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government:										
Governmental activities:										
Invested in capital assets, net of related debt	\$ 1,796,599	\$ 3,569,798	\$ 4,459,976	\$ 4,779,287	\$ 6,625,002	\$ (64,888)	\$ (1,913,976)	\$ (1,516,215)	\$ (7,898,401)	\$ (2,885,427)
Restricted	4,840,791	2,964,710	2,087,645	-	-	-	-	-	-	16,479,118
Unrestricted (deficit)	(3,301,145)	(2,567,832)	(535,374)	1,989,016	3,617,592	8,862,943	7,492,936	8,035,867	16,648,965	(2,158,308)
Total governmental activities net assets	\$ 3,336,245	\$ 3,966,676	\$ 6,012,247	\$ 6,768,303	\$ 10,242,594	\$ 8,798,055	\$ 5,578,960	\$ 6,519,652	\$ 8,750,564	\$ 11,435,383
Business-type activities:										
Invested in capital assets, net of related debt	\$ (2,551,019)	\$ (1,895,187)	\$ (791,720)	\$ 10,797	\$ 5,729,267	\$ 5,713,730	\$ 4,995,360	\$ 1,798,327	\$ 3,409,348	\$ 5,078,025
Restricted	1,736,976	1,331,263	1,355,430	1,578,500	1,707,039	1,762,655	1,527,115	494,152	-	-
Unrestricted (deficit)	(138,937)	(166,578)	(434,342)	507,717	(7,286,288)	(4,270,848)	(4,590,859)	(1,792,297)	(4,238,484)	(5,373,848)
Total business-type activities net assets (deficit)	\$ (952,980)	\$ (730,502)	\$ 129,368	\$ 2,097,014	\$ 150,018	\$ 3,205,537	\$ 1,931,616	\$ 500,182	\$ (829,136)	\$ (295,823)
Primary government:										
Invested in capital assets, net of related debt	\$ (754,420)	\$ 1,674,611	\$ 3,668,256	\$ 4,790,084	\$ 12,354,269	\$ 5,648,842	\$ 3,081,384	\$ 282,112	\$ (4,489,053)	\$ 2,192,598
Restricted	6,577,767	4,295,973	3,443,075	1,578,500	1,707,039	1,762,655	1,527,115	494,152	-	16,479,118
Unrestricted (deficit)	(3,440,082)	(2,734,410)	(969,716)	2,496,733	(3,668,696)	4,592,095	2,902,077	6,243,570	12,410,481	(7,532,156)
Total primary government net assets	\$ 2,383,265	\$ 3,236,174	\$ 6,141,615	\$ 8,865,317	\$ 10,392,612	\$ 12,003,592	\$ 7,510,576	\$ 7,019,834	\$ 7,921,428	\$ 11,139,560

COUNTY OF CAROLINE, VIRGINIA

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

Table 3
Page 1

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government:										
Expenses:										
Governmental activities:										
General government administration	\$ 2,084,172	\$ 2,197,847	\$ 2,489,287	\$ 2,948,940	\$ 3,074,553	\$ 3,568,313	\$ 3,709,879	\$ 4,078,076	\$ 3,834,523	\$ 3,373,633
Judicial administration	603,130	655,623	830,204	925,247	998,181	1,155,295	1,157,463	1,259,831	1,305,420	1,321,551
Public safety	4,780,184	5,806,787	5,940,634	9,091,489	8,517,661	11,871,594	10,097,879	10,062,297	10,851,996	12,399,082
Public works	2,672,686	2,709,049	3,091,796	3,859,700	3,984,895	1,992,373	3,303,085	3,096,165	3,224,196	2,488,278
Health and welfare	2,941,723	3,036,809	3,254,319	3,517,067	3,765,455	4,298,184	4,522,642	4,477,646	4,486,438	4,678,442
Education	9,028,415	10,702,390	9,630,301	10,508,385	11,325,718	13,677,703	13,585,341	12,155,229	12,473,709	12,688,448
Parks, recreation and cultural	439,772	472,143	469,739	627,846	958,698	652,192	960,018	631,053	593,795	1,014,718
Community development	814,196	1,111,428	1,169,139	1,543,534	2,139,000	1,802,204	1,946,999	1,683,340	1,357,445	1,466,009
Interest	1,878,699	1,600,211	1,394,472	1,375,847	2,015,260	2,384,813	3,495,641	3,271,332	2,770,309	3,379,550
Total governmental activities	25,242,977	28,292,287	28,269,891	34,398,055	36,779,421	41,402,671	42,778,947	40,714,969	40,897,831	42,809,711
Business-type activities:										
Public utilities	1,769,367	1,949,878	2,192,951	2,440,376	2,494,383	3,310,499	3,818,858	4,643,674	4,833,897	4,600,849
Total business-type activities	1,769,367	1,949,878	2,192,951	2,440,376	2,494,383	3,310,499	3,818,858	4,643,674	4,833,897	4,600,849
Total primary government expenses	27,012,344	30,242,165	30,462,842	36,838,431	39,273,804	44,713,170	46,597,805	45,358,643	45,731,728	47,410,560
Program revenue:										
Governmental activities:										
Charges for services:										
Public safety	960,946	1,003,771	1,059,624	1,268,305	1,215,852	676,456	669,213	360,507	354,880	1,931,399
Community development	160,411	417,754	504,831	731,767	312,581	1,701	1,299	289	209	259,936
All other activities	610,962	579,835	572,112	653,331	598,287	1,290,948	800,038	794,600	1,013,489	337,717
Operating grants and contributions	4,216,615	4,457,013	4,478,161	4,984,176	5,336,087	5,180,181	5,941,198	5,730,192	5,864,302	5,931,154
Capital grants and contributions	19,527	368,351	854,758	848,900	1,646,016	292,906	-	389,982	-	83,646
Total governmental activities	5,968,461	6,826,724	7,469,486	8,486,479	9,108,823	7,442,192	7,411,748	7,275,570	7,232,880	8,543,852

COUNTY OF CAROLINE, VIRGINIA

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

Table 3
Page 2

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government:										
Program revenue:										
Business-type activities:										
Charges for services:										
Public utilities	\$ 702,040	\$ 632,264	\$ 710,445	\$ 842,033	\$ 1,036,029	\$ 2,306,221	\$ 2,021,930	\$ 3,050,269	\$ 3,091,297	\$ 2,879,029
Operating grants and contributions:										
Public utilities	-	-	-	-	-	107,000	210,100	-	259,417	380,573
Capital grants and contributions:										
Public utilities	144,496	642,540	1,289,015	1,608,986	1,532,671	3,766,990	109,610	139,397	118,716	-
Total business-type activities	846,536	1,274,804	1,999,460	2,451,019	2,568,700	6,180,211	2,341,640	3,189,666	3,469,430	3,259,602
Total primary government revenues	6,814,997	8,101,528	9,468,946	10,937,498	11,677,523	13,622,403	9,753,388	10,465,236	10,702,310	11,803,454
Net (expense) revenue:										
Governmental activities	(19,274,516)	(21,465,563)	(20,800,405)	(25,911,576)	(27,670,598)	(33,960,479)	(35,367,199)	(33,439,399)	(33,664,951)	(34,265,859)
Business-type activities	(922,831)	(675,074)	(193,491)	10,643	74,317	2,869,712	(1,477,218)	(1,454,008)	(1,364,467)	(1,341,247)
Total primary government, net expense	(20,197,347)	(22,140,637)	(20,993,896)	(25,900,933)	(27,596,281)	(31,090,767)	(36,844,417)	(34,893,407)	(35,029,418)	(35,607,106)
Governmental activities:										
Taxes:										
General property taxes	13,765,344	15,080,385	15,503,785	17,119,607	19,696,597	21,721,562	23,380,063	25,617,843	26,968,633	30,377,123
Local sales and use	3,020,748	1,059,291	1,105,781	1,183,750	1,257,370	1,397,232	1,401,831	1,357,380	1,540,189	1,527,122
Other	939,983	3,578,591	4,266,350	5,005,663	4,753,642	4,748,727	4,400,956	3,313,411	3,510,347	3,749,268
State personal property tax reimbursement	2,112,768	2,239,607	2,313,961	2,837,405	2,386,780	2,371,896	2,371,897	2,371,897	2,371,897	2,371,897
Other state non-categorical shared revenues	321,215	386,032	436,742	537,927	402,015	404,287	234,421	115,890	250,235	694,417
Proffers from new development	-	420,000	-	1,487,475	166,655	186,929	84,347	260,996	208,409	111,314
Other unrestricted revenue	381,671	281,906	238,174	365,403	373,891	1,800,945	574,917	1,362,299	1,135,248	965,188
Transfers	(61,397)	(860,881)	(1,018,817)	(1,869,598)	(123,380)	(115,638)	(180,403)	(19,625)	-	(1,079,642)
Total governmental activities	20,480,332	22,184,931	22,845,976	26,667,632	28,913,570	32,515,940	32,268,029	34,380,091	35,984,958	38,716,687
Business-type activities:										
Use of money and property	49,334	21,758	34,530	58,515	-	-	22,894	2,949	35,149	44,154
Miscellaneous	12,403	14,913	14	28,890	86,626	70,169	-	-	-	151,939
Transfers	61,397	860,881	1,018,817	1,869,598	123,380	115,638	180,403	19,625	-	1,079,642
Total business-type activities	123,134	897,552	1,053,361	1,957,003	210,006	185,807	203,297	22,574	35,149	1,275,735
Total primary government	20,603,466	23,082,483	23,899,337	28,624,635	29,123,576	32,701,747	32,471,326	34,402,665	36,020,107	39,992,422
Changes in net assets:										
Governmental activities	1,205,816	719,368	2,045,571	756,056	1,242,972	(1,444,539)	(3,099,170)	940,692	2,320,007	4,450,828
Business-type activities	(799,697)	222,478	859,870	1,967,646	284,323	3,055,519	(1,273,921)	(1,431,434)	(1,329,318)	(65,512)
Total primary government	\$ 406,119	\$ 941,846	\$ 2,905,441	\$ 2,723,702	\$ 1,527,295	\$ 1,610,980	\$ (4,373,091)	\$ (490,742)	\$ 990,689	\$ 4,385,316

Note:

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

COUNTY OF CAROLINE, VIRGINIA

Table 4

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 366,000	\$ 472,800	\$ -	\$ -
Unreserved	2,501,729	3,763,555	5,355,331	6,092,852	6,144,482	4,372,811	3,578,749	5,631,691	-	-
Restricted	-	-	-	-	-	-	-	-	-	1,176,599
Committed	-	-	-	-	-	-	-	-	444,987	366,000
Assigned	-	-	-	-	-	-	-	-	-	7,420
Unassigned	-	-	-	-	-	-	-	-	9,107,120	11,597,688
Total General Fund	\$ 2,501,729	\$ 3,763,555	\$ 5,355,331	\$ 6,092,852	\$ 6,144,482	\$ 4,372,811	\$ 3,944,749	\$ 6,104,491	\$ 9,552,107	\$ 13,147,707
All Other Governmental Funds:										
Reserved	\$ 8,079,194	\$ 4,834,328	\$ 2,791,392	\$ 2,128,594	\$ 6,658,745	\$ 5,151,438	\$ 4,818,961	\$ 1,967,647	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	146,889	266,312	533,024	1,160,366	2,303,062	1,193,460	1,006,694	1,806,036	-	-
Capital projects funds	(154,261)	650,264	(173,833)	265,639	(1,466,321)	-	-	-	-	-
Debt Service Funds	(120,996)	61,660	95,214	202,472	449,258	555,018	(107,903)	181,625	-	-
Restricted	-	-	-	-	-	-	-	-	6,924,638	15,302,519
Committed	-	-	-	-	-	-	-	-	1,496,793	-
Assigned	-	-	-	-	-	-	-	-	518,586	577,240
Unassigned	-	-	-	-	-	-	-	-	-	(304)
Total all other governmental funds	\$ 7,950,826	\$ 5,812,564	\$ 3,245,797	\$ 3,757,071	\$ 7,944,744	\$ 6,899,916	\$ 5,717,752	\$ 3,955,308	\$ 8,940,017	\$ 15,879,455

Note:

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

COUNTY OF CAROLINE, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year		
	2003	2004	2005
Revenues:			
General property taxes	\$ 13,784,773	\$ 14,910,125	\$ 15,728,010
Other local taxes	3,960,731	4,637,882	5,372,131
Permits, privilege fees and regulatory licenses	403,506	698,264	980,498
Fines and forfeitures	624,594	438,430	331,418
Use of money and property	449,293	365,192	358,677
Charges for services	279,603	320,264	385,181
Other local	301,827	875,374	840,536
Intergovernmental	6,670,713	6,968,606	7,253,816
Total revenues	26,475,040	29,214,137	31,250,267
Expenditures:			
General government administration	1,689,924	1,812,264	2,112,532
Judicial administration	587,667	640,900	706,343
Public safety	4,493,771	5,116,302	5,776,501
Public works	2,126,969	2,232,552	2,626,375
Health and welfare	2,931,635	3,044,741	3,223,783
Education	8,708,240	9,210,707	9,366,387
Parks, recreation and cultural	405,196	443,000	439,872
Community development	811,726	1,140,011	1,123,087
Capital outlay	3,589,560	3,150,611	2,030,600
Debt service:			
Principal	1,703,332	1,766,976	1,847,529
Interest and fiscal charges	1,618,606	1,527,766	1,454,787
Total expenditures	28,666,626	30,085,830	30,707,796
Revenues over (under) expenditures	(2,191,586)	(871,693)	542,471
Other financing sources (uses):			
Transfers in	2,677,851	2,171,741	2,769,039
Transfers out	(2,062,701)	(2,282,539)	(3,162,715)
Issuance of debt	700,000	1,179,008	1,100,000
Early debt retirement	-	(1,171,508)	-
Premium on issuance of debt	-	-	-
Issuance of capital lease	-	-	-
Total other financing sources (uses), net	1,315,150	(103,298)	706,324
Net change in fund balance	\$ (876,436)	\$ (974,991)	\$ 1,248,795

Table 5
Page 1

June 30,							
2006		2007		2008		2009	

COUNTY OF CAROLINE, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year		
	2003	2004	2005
Debt Service as a percentage of noncapital expenditures:			
Primary government:			
Total debt service	\$ 3,321,938	\$ 3,294,742	\$ 3,302,316
Total expenditures	\$ 28,666,626	\$ 30,085,830	\$ 30,707,796
Less: Capital outlay - primary government (1)	n/a	n/a	n/a
Noncapital expenditures	\$ 28,666,626	\$ 30,085,830	\$ 30,707,796
Debt service as a percentage of noncapital expenditures	n/a	n/a	n/a

Note:

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

Table 5
Page 2

June 30,									
2006		2007		2008		2009		2010	
\$	3,194,648	\$	4,036,825	\$	11,288,127	\$	6,035,171	\$	5,940,217
\$	4,780,692	\$	6,002,553						
\$	38,901,911	\$	49,894,226	\$	69,311,313	\$	48,520,781	\$	44,099,012
n/a	(12,826,842)	(19,983,961)	(5,001,627)	(2,023,040)	(2,233,860)	(1,663,081)			
\$	38,901,911	\$	37,067,384	\$	49,327,352	\$	43,519,154	\$	42,075,972
\$	40,494,315	\$	41,993,721						
n/a	10.89%	22.88%	13.87%	14.12%	11.81%	14.29%			

COUNTY OF CAROLINE, VIRGINIA

Table 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Five Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	Property (1)	Local Sales and Use	Business License	Motor Vehicle Licenses	Recordation and Wills	Other	Total
2008	\$ 20,630,105	\$ 1,397,232	\$ 1,099,579	\$ 594,334	\$ 493,071	\$ 719,968	\$ 24,934,289
2009	22,347,916	1,401,831	1,090,071	578,311	296,348	703,577	26,418,054
2010	25,031,295	1,357,380	803,165	552,923	242,212	773,060	28,760,035
2011	26,013,620	1,540,189	905,568	667,779	217,128	881,244	30,225,528
2012	27,892,748	1,527,122	969,103	823,632	214,204	905,990	32,332,799
Change 2008-2012	35.20%	9.30%	-11.87%	38.58%	-56.56%	25.84%	29.67%

Note:

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

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

Fiscal Year	Real Estate (1)	Personal Property (2)	Machinery and Tools	Public Utility (3)	Total Assessed Value	Total Taxable Assessed Value
2003	\$ 1,198,844,246	\$ 89,492,074	\$ 4,578,640	\$ 302,538,391	\$ 1,595,453,351	\$ 1,595,453,351
2004	1,228,999,451	90,669,566	4,569,810	222,133,960	1,546,372,787	1,546,372,787
2005	1,319,012,605	99,141,899	4,957,600	157,948,727	1,581,060,831	1,581,060,831
2006	1,995,481,828	112,732,442	5,769,900	140,747,712	2,254,731,882	2,254,731,882
2007	2,698,539,731	127,775,732	6,270,660	165,825,263	2,998,411,386	2,998,411,386
2008	2,887,544,318	137,580,241	5,844,280	208,479,657	3,239,448,496	3,239,448,496
2009	2,921,646,044	146,037,606	5,999,560	210,375,646	3,284,058,856	3,284,058,856
2010	2,957,819,726	158,154,031	6,651,920	388,613,995	3,511,239,672	3,511,239,672
2011	2,438,863,853	150,301,120	7,303,910	434,199,114	3,030,667,997	3,030,667,997
2012	2,675,828,900	316,976,453	7,034,730	436,895,835	3,436,735,918	3,436,735,918

Notes:

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

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

Fiscal Year June 30,	Real Estate		Personal Property (1)		Machinery and Tools		Public Service Corporations	
							Real Estate	Personal Property
2003	\$	0.725	\$	6.250	\$	3.500	\$ 0.725	\$ 6.250
2004		0.725		6.250		3.500	0.725	6.250
2005		0.805		6.250		3.500	0.805	6.250
2006		0.790		6.250		3.500	0.790	6.250
2007		0.480		6.250		3.500	0.480	6.250
2008		0.530		6.250		3.500	0.530	6.250
2009		0.530		6.250		3.500	0.530	6.250
2010		0.530		6.250		3.500	0.530	6.250
2011		0.680		6.250		3.500	0.680	6.250
2012		0.720		3.500		3.500	0.720	3.500

Note:

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

COUNTY OF CAROLINE, VIRGINIA

Table 9

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Six Years Ago
(Unaudited)

Taxpayer / Type of Business	Fiscal Year June 30,					
	2012			2006		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Dominion Virginia Power / Electric Utility	\$ 284,093,931	1	8.28%	\$ 100,991,188	1	3.29%
Rappahannock Electric Cooperative / Electric Utility	59,446,762	2	1.73%	39,606,726	2	1.29%
McKesson Corporation / Pharmaceutical Distributor	31,683,780	3	0.92%	-	-	-
Virginia Natural Gas, Inc. / Gas Utility	21,101,833	4	0.62%	-	-	-
Richmond, Fredericksburg and Potomac Railroad / Railroad	18,624,268	5	0.54%	12,867,084	5	0.42%
Verizon South / Telephone Utility	16,525,379	6	0.48%	19,713,323	3	0.64%
Carmel Church Properties / Bank	15,736,800	7	0.46%	-	-	-
JLB Ruther Glen LLC / Furniture Distribution	13,908,500	8	0.41%	14,153,500	4	0.46%
Atlantic Rural Exposition & State Fair / Public Entertainment	13,175,475	9	0.38%	-	-	-
NNP IV-Ladysmith / Property Development	12,663,300	10	0.37%	10,853,600	6	0.35%
Highway Service Ventures, Inc. / Highway Service Commercial	-	-	-	9,426,900	7	0.31%
Amber Farms Limited Partnership / Property Development	-	-	-	9,398,282	8	0.31%
Haymount	-	-	-	9,371,200	9	0.31%
Union Bank / Union Bankshares / Bank	-	-	-	8,822,600	10	0.29%
Total	\$ 486,960,028		14.19%	\$ 235,204,403		7.67%

Source:
Caroline County Commissioner of Revenue

Note:

Under the State *Code of Virginia*, the Caroline County Commissioner of the Revenue is required to keep all assessment books for a term of six years. After six years have passed, the records may be destroyed, which is the reason fiscal year 2006 is shown instead of fiscal year 2002. Fiscal year 2002 information is not available.

COUNTY OF CAROLINE, VIRGINIA

Table 10

**RATIOS OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2003	22,300	\$ 1,595,453,351	\$ 25,724,878	1.61%	\$ 1,154
2004	23,000	1,546,372,787	25,274,920	1.63%	1,099
2005	23,800	1,581,060,831	23,513,221	1.49%	988
2006	25,109	2,254,731,882	38,496,655	1.71%	1,533
2007	27,399	2,998,411,386	38,406,383	1.28%	1,402
2008	27,838	3,239,448,496	57,424,550	1.77%	2,063
2009	28,245	3,284,058,856	60,745,642	1.85%	2,151
2010	28,245	3,511,239,672	58,740,612	1.67%	2,080
2011	28,545	3,030,667,997	64,916,686	2.14%	2,274
2012	28,890	3,436,735,918	70,082,850	2.04%	2,426

Notes:

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

(2) See table 7 for property value data.

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

COUNTY OF CAROLINE, VIRGINIA

Table 11

REAL PROPERTY TAX LEVIES AND COLLECTIONS
Last Five Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year (1,3)	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date		Outstanding Delinquent Taxes (1,2)	Percentage of Delinquent Taxes to Tax Levy
		Amount (1,3)	Percentage of Levy		Amount	Percentage of Levy		
2008	\$ 23,498,734	\$ 22,316,200	94.97%	\$ 685,801	\$ 23,002,001	97.89%	\$ 3,325,041	14.15%
2009	24,851,549	23,668,549	95.24%	659,143	24,327,692	97.89%	3,369,927	13.56%
2010	27,443,283	26,455,233	96.40%	947,959	27,403,192	99.85%	3,565,280	12.99%
2011	28,430,141	27,337,561	96.16%	1,047,956	28,385,517	99.84%	3,659,723	12.87%
2012	30,790,303	29,222,222	94.91%	955,058	30,177,280	98.01%	4,021,078	13.06%

Source:
Caroline County Treasurer

Notes:

- (1) Exclusive of penalties and interest. Includes Commonwealth of Virginia's reimbursement for personal property taxes and balances outstanding.
- (2) Includes three most current delinquent tax years and first half of current year.
- (3) Does not include land redemptions.
- (4) Information not available in this format in all prior years.

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

Calendar Year	(1) Population	(2) Personal Income	(2) Per Capita Personal Income	(3) School Enrollment	(4) Unemployment Rate
2003	22,300	\$ 565,331	\$ 25,028	3,655	4.3%
2004	23,000	599,701	25,924	3,651	4.2%
2005	23,800	657,599	27,482	3,786	3.9%
2006	25,109	765,262	28,289	3,937	3.7%
2007	27,399	821,575	31,047	4,084	3.3%
2008	27,838	895,756	32,825	4,061	4.8%
2009	28,245	939,641	33,923	4,244	8.5%
2010	28,245	940,026	33,729	4,277	8.6%
2011	28,545	989,854	34,574	4,257	7.7%
2012	28,890	N/A	N/A	4,317	6.7%

Sources:

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

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

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

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

N/A - Information unavailable at fiscal year end

COUNTY OF CAROLINE, VIRGINIA

NUMBER OF BUDGETED FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal Year			
	2003	2004	2005	2006
General government administration:				
General and financial:				
County Administrator	3	3	3	3
Commissioner of the revenue	8	8	8	9
Treasurer	6	6	6	6
Finance	4	4	4	5
Judicial administration:				
Courts:				
Clerk of the circuit court	5	5	6	6
Commonwealth attorney	2	2	2	2
Public safety:				
Sheriff	44	44	46	52
Fire and rescue	15	20	21	23
Public works	14	14	14	16
Parks, recreation and cultural	2	2	2	2
Community development:				
Planning and community development	10	12	14	21
Economic development	3	3	3	3
Water and sewer:				
Utilities/water treatment	7	7	8	8
Social services	26	25	25	25
Totals	149	155	162	181

Source:

Caroline County Budgets

Table 13

June 30,						
	2007	2008	2009	2010	2011	2012
	3	3	3	3	3	3
	10	11	11	11	11	12
	6	7	7	7	7	7
	5	6	6	6	4	4
	7	8	8	8	8	8
	2	4	4	5	5	5
	54	68	70	70	71	71
	28	29	26	26	26	26
	17	16	16	15	13	13
	3	3	3	3	3	3
	21	19	19	13	10	10
	3	3	3	3	2	2
	9	16	16	16	15	16
	25	25	25	25	25	25
	193	218	217	211	203	205

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:			
<u>Pass-through payments:</u>			
<u>Department of Social Services:</u>			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	Not Provided	10.561	\$ 361,401
<u>Department of Agriculture and Consumer Services:</u>			
<u>Child Nutrition Cluster:</u>			
Commodity Distributions	17901-45707	10.555	109,456
<u>Department of Education:</u>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	17901-40591	10.553	250,362
National School Lunch Program	17901-40623	10.555	859,842
Child Nutrition Discretionary Grants Limited Availability	17901-40593	10.579	7,743
			1,117,947
Total Department of Agriculture			1,588,804
DEPARTMENT OF TRANSPORTATION:			
<u>Pass-through payments:</u>			
<u>Department of Motor Vehicles:</u>			
Alcohol Open Container Requirements	60507-50246/51356	20.607	23,833
Total Department of Transportation			23,833
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<u>Pass-through payments:</u>			
<u>Department of Social Services:</u>			
Promoting Safe and Stable Families	Not Provided	93.556	13,333
Temporary Assistance to Needy Families	Not Provided	93.558	237,003
Refugee and Entrant Assistance - State Administered Programs	Not Provided	93.566	513
Low-Income Home Energy Assistance	Not Provided	93.568	24,263
<u>CCDF Cluster:</u>			
Child Care and Development Block Grant	Not Provided	93.575	177,037
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Not Provided	93.596	82,831
Chafee Education and Training Vouchers Program (ETV)	Not Provided	93.599	753
Child Welfare Services - State Grants	Not Provided	93.645	565
Foster Care - Title IV-E	Not Provided	93.658	117,243
Adoption Assistance	Not Provided	93.659	53,618
Social Services Block Grant	Not Provided	93.667	135,085
Chafee Foster Care Independent Living	Not Provided	93.674	3,643
State Children's Insurance Program	Not Provided	93.767	9,453
Medical Assistance Program (Medicaid; Title XIX)	Not Provided	93.778	216,548
Total Department of Health and Human Services			1,071,888

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:			
<u>Direct payments:</u>			
<u>Department of Criminal Justice:</u>			
Bulletproof Vest Partnership Program		16.607	\$ 5,112
<u>Pass-through payments:</u>			
<u>Department of Criminal Justice Services:</u>			
JAG Program Cluster:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	2009-SU-B9-0033	16.804	12,112
Edward Byrne Memorial Justice Assistance Grant Program	Not Provided	16.738	2,884
Violence Against Women Formula Grants	39001-99001	16.588	25,961
			<u>40,957</u>
Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance			<u>46,069</u>
DEPARTMENT OF DEFENSE:			
<u>Direct payments:</u>			
ROTC Instruction		12.000	<u>62,782</u>
Total Department of Defense			<u>62,782</u>
DEPARTMENT OF EDUCATION:			
<u>Pass-through payments:</u>			
<u>Department of Education:</u>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	Not Provided	84.010	594,635
ARRA - Title I Grants to Local Educational Agencies	Not Provided	84.389	153,067
Special Education Cluster:			
Special Education - Grants to States	Not Provided	84.027	978,413
Special Education - Preschool Grants	Not Provided	84.173	18,853
Education for Homeless Youth and Children	Not Provided	84.196	7,942
Safe and Drug Free Schools and Communities State Grant	Not Provided	84.186	242
Career and Technical Education - Basic Grants to States	Not Provided	84.048	63,935
Education Technology State Grants Cluster:			
Education Technology State Grants	Not Provided	84.318	2,361
ARRA - Education Technology State Grants	Not Provided	84.386	1,967
Improving Teacher Quality State Grants	Not Provided	84.367	165,611
School Improvements Grant	Not Provided	84.377	9,778
English Language Acquisition State Grants	Not Provided	84.365	15,811
ARRA - State Fiscal Stabilization Fund - Education State Grants	Not Provided	84.394	476,049
ARRA - Education Jobs Fund	Not Provided	84.410	107,457
			<u>2,596,121</u>
<u>Office of Special Education and Rehabilitative Services:</u>			
Special Education Cluster:			
ARRA - Special Education - Grants to States	Not Provided	84.391	58,268
Total Department of Education			<u>2,654,389</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY:			
<u>Direct payments:</u>			
<u>Federal Emergency Management Agency:</u>			
Assistance for Firefighters		97.044	\$ 256,562
Staffing for Adequate Fire and Emergency Response		97.083	355,054
			<u>611,616</u>
<u>Pass-through payments:</u>			
<u>Department of Emergency Management:</u>			
Emergency Management Performance Grants	77501-52749	97.042	34,974
Homeland Security Grant Program	Not Provided	97.067	28,957
			<u>63,931</u>
Total Department of Homeland Security			<u>675,547</u>
DEPARTMENT OF THE INTERIOR:			
<u>Direct payments:</u>			
<u>Bureau of Land Management:</u>			
Payments in Lieu of Taxes		15.226	1,717
Total Department of the Interior			<u>1,717</u>
Total Federal Awards Expended			<u>\$ 6,125,029</u>

See Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County of Caroline, Virginia and the component unit – School Board under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

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

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

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

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

Note 2. Non-Cash Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$109,456 at the time received were consumed during the year ended June 30, 2012. These commodities were included in the determination of federal awards expended during the year ended June 30, 2012.



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

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

We have audited the financial statements of the County of Caroline, Virginia, (County) as of and for the year ended June 30, 2012, and have issued our report thereon dated February 20, 2013. 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.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 12-01 to be a material weakness. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Items 12-02, 12-03, 12-04, and 12-05 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions and specifications was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Items 12-06 and 12-07.

We noted certain matters that we reported to management of the County in a separate letter dated February 20, 2013.

This report is intended solely for the information and use of the Board of Supervisors, management, the Auditor of Public Accounts, and other federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

PBMares, LLP

Harrisonburg, Virginia
February 20, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the County of Caroline, Virginia (County) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, specifications, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Supervisors, management, the Auditor of Public Accounts, and other federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

PBMares, LLP

Harrisonburg, Virginia
February 20, 2013

COUNTY OF CAROLINE, VIRGINIA

Page 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	<u>√</u>	Yes	<u> </u>	No
Significant deficiencies identified?	<u>√</u>	Yes	<u> </u>	None Reported
Noncompliance material to financial statements noted?	<u>√</u>	Yes	<u> </u>	No

Federal awards

Internal control over major programs:

Material weaknesses identified?	<u> </u>	Yes	<u>√</u>	No
Significant deficiencies identified?	<u> </u>	Yes	<u>√</u>	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> </u>	Yes	<u>√</u>	No
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.394	ARRA – State Fiscal Stabilization Fund – Education State Grants
84.410	ARRA – Education Jobs Fund
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

Child Nutrition Cluster:

10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Commodity Distributions

Title I Cluster:

84.010	Title I Grants to Local Education Agencies
84.389	ARRA – Title I Grants to Local Education Agencies

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

Auditee qualified as low-risk auditee?	<u>√</u>	Yes	<u> </u>	No
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

II. FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

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

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

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

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

Recommendation: We recommend that the County continue to use increased levels of due diligence in maintaining proper schedules to support accurate balances. We also recommend that the County seek to identify resources to assist in the proper treatment and recording of any questionable accounting issues or transactions, in an effort to further ensure more accurate financial reporting.

B. Significant Deficiencies in Internal Control

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

Requirement: Internal control over wire transfers should be sufficient to prevent the unauthorized transfers of funds. This should include review and approval procedures, and segregation of duties to the fullest extent allowable. Additionally, other duties relating to cash receipts, payments, and reconciliation of these amounts should be segregated to an adequate extent to mitigate risks of fraud or error.

Condition: In documenting procedures relating to wire transfers, we noted that under the current structure, wires are both initiated and authorized by the Treasurer or the Deputy Treasurer, with no secondary approval required. Additionally, it was noted that there are other segregation of duties issues, in that the Treasurer receives bank statements, completes reconciliations, maintains checks and has signature authority.

Effect: The potential effect of not requiring secondary approval is that the County is subject to risk of fraud or error, in that there is no check and balance upon authorizing a wire transfer. The risk of fraud or error is also inherently heightened with a lack in controls over the bank statements, reconciliations, and related disbursement process. Additionally, this fraud or error could result in a significant amount, due to the volume of transactions (including wire transfers) occurring in the Treasurer's Office.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Significant Deficiencies in Internal Control (Continued)

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

Recommendation: We recommend that the County make it standard practice for an individual other than the initiator of wire transfers, to sign off or indicate some other level of approval, prior to the wire transfer being completed. This can be established with the financial institution, so that once a wire transfer is submitted for authorization, a separate individual would need to contact the bank, or respond to bank contact affirmatively, in order for the request to be processed. Additionally, the financial institution can establish a control that for single transfers over a specified amount, further authorization be required. In addition, we recommend that a secondary level of controls be implemented with regards to the bank statement receiving and reconciliation process, and that secondary review and approval procedures be put in place to reduce risks of the potential errors or fraud described above.

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

Requirement: Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, specifically identifies situations which may be deemed to be deficiencies, significant deficiencies, or material weaknesses in internal controls. Among these is the "failure in the operation of effectively designed controls over a significant account or process; for example, the failure of a control such as approval and review of the journal entry process."

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

Effect: Similar to the effects of a lack in controls over wire transfers, an absence of a secondary approval of journal entries can lead to instances of fraud or error that ultimately could be material to the financial statements.

Recommendation: We recommend that in all instances in which manual journal entries are needed, that the initiator of the entry be independent of the approver, and accordingly, each individual should sign off indicating acceptance. This will serve to strengthen controls and provide a mitigating factor of errors and fraud in posting transactions to the general ledger.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Significant Deficiencies in Internal Control (Continued)

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

Requirement: As an effect of Statement on Auditing Standards No. 112, superseded by No. 115, significant consideration was placed on the internal control framework of an entity and the evaluation of internal controls as they pertain to the reliability of financial reporting. This was done to ensure more effective and efficient operations, in an effort to provide a clear picture of the current financial position and performance over time, as well as to strengthen the integrity of the financial reporting of the entity.

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

Effect: By defining the controls that are currently in place, the County will have a clearer picture of areas for needed improvement, and identify areas for additions or amendment to existing controls.

Recommendation: We recommend that the County prepare an accounting procedures manual. The manual should include a chart of accounts, adequate explanations of account content, month-end and year-end closing procedures, appropriate descriptions of all accounting procedures and routines, and all matters that bear directly or indirectly on the functioning of the system of internal accounting control. In addition, this manual should focus on the internal control framework of the County. Once completed, subsequent revisions should be subject to formal approval procedures. Although such a manual will take some time to develop initially, we feel the benefit will greatly outweigh the cost. Lastly, we suggest that the County cross-train and establish backup procedures for each process essential to the accounting function.

12-05: Significant Deficiency in Lacking Anti-Fraud Programs

Requirement: Highly publicized fraudulent activity in recent years has given way to newly adopted accounting standards requiring organizations to more closely monitor internal controls in an effort to mitigate fraud and to maintain integrity over financial reporting. Examples of mitigating factors include the adoption of fraud and whistleblower policies, as well as other anti-fraud programs within an organization.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Significant Deficiencies in Internal Control (Continued)

12-05: Significant Deficiency in Lacking Anti-Fraud Programs (Continued)

Effect: The potential effect of not having these policies and procedures in place, include risks of the County being subjected to loss of funds, misappropriation, or other abuse. Each of these could lead to significant losses to the County, as well as undesired public attention. Furthermore, incorporation of anti-fraud policies and programs sets a “tone at the top,” which would resonate throughout the County and could lead to strengthened controls elsewhere, indicating that fraud or other abuse will not be tolerated.

Recommendation: We recommend the County consider adopting an official fraud policy statement. This statement should be distributed to all individuals who handle funds, as well as those who approve and request expenditure of those funds. We recommend that management establish policies and procedures to allow staff members the ability to come forward and report possible violations of controls, without the concern of retribution.

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

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

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

We recommend that the County implement procedures to achieve and maintain compliance with the Specifications of the Auditor of Public Accounts, in an effort to prevent interruptions in reimbursements or loss of funding.

COUNTY OF CAROLINE, VIRGINIA

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Significant Deficiencies in Internal Control (Continued)

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

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

We recommend that the County implement procedures to achieve and maintain compliance with the Specifications of the Auditor of Public Accounts, in an effort to prevent interruptions in reimbursements or loss of funding.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

COUNTY OF CAROLINE, VIRGINIA

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CORRECTIVE ACTION PLAN Year Ended June 30, 2012

Identifying Number: 12-01 Material Weakness Due to Material Audit Adjustments and Restatements

Finding

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

Corrective Action Taken or Planned

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

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

Finding

In documenting procedures relating to wire transfers, we noted that under the current structure, wires are both initiated and authorized by the Treasurer or the Deputy Treasurer, with no secondary approval required. Additionally, it was noted that there are other segregation of duties issues, in that the Treasurer receives bank statements, completes reconciliations, maintains checks and has signature authority

Corrective Action Taken or Planned

Wire Transfers

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

COUNTY OF CAROLINE, VIRGINIA

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CORRECTIVE ACTION PLAN Year Ended June 30, 2012

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

Corrective Action Taken or Planned (Continued)

Wire Transfers (Continued)

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

Bank Reconciliations

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

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

Finding

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

COUNTY OF CAROLINE, VIRGINIA

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**CORRECTIVE ACTION PLAN
Year Ended June 30, 2012**

Identifying Number: 12-03 Significant Deficiency in Internal Control over Journal Entries
(Continued)

Corrective Action Taken or Planned

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

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

Finding:

The County is responsible under Statement on Auditing Standards No. 112, superseded by No. 115, to assess and maintain documentation of the internal controls in place, in an effort to mitigate instances of errors or defalcation to the extent possible. The County has not formally documented these policies and procedures, and in turn lacks the ability to identify weaknesses or deficiencies in said controls.

Corrective Action Taken or Planned:

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

Identifying Number: 12-05 Significant Deficiency in Lacking Anti-Fraud Programs

Finding

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

Corrective Action Taken or Planned:

The County is in the process of developing and implementing an anti-fraud policy for the Finance Department.

COUNTY OF CAROLINE, VIRGINIA

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CORRECTIVE ACTION PLAN Year Ended June 30, 2012

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

Corrective Action Taken or Planned:

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

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

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

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

Identifying Number: 12-07 Comprehensive Services Act (CSA) of the Auditor of Public Accounts

Corrective Action Taken or Planned:

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

COUNTY OF CAROLINE, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

The prior single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior audit's Summary Schedule of Prior Audit Findings.