

COUNTY OF CAROLINE,  
VIRGINIA



ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010

## *INTRODUCTORY SECTION*

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**COUNTY OF CAROLINE, VIRGINIA**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2010**

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**COUNTY OF CAROLINE, VIRGINIA**  
**FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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## **COUNTY OF CAROLINE, VIRGINIA**

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### **Board of Supervisors**

David M. "Maxie" Rozell, Jr., Chairperson

Wayne A. Acors  
Bobby J. Popowicz

Floyd W. Thomas  
Jeffrey M. Sili

### **County School Board**

Mack A. Wright, Chairperson

Tamara Redding  
Valerie Q. Fells

Wendell N. Simms  
Margaret O. Watkins

### **Board of Social Services**

Michael Lenahan, Chairperson

Irene Fields  
Pamela Gardner  
Jeff M. Sili, BOS Representative

Francine Whittaker  
Delores Brown

### **Other Officials**

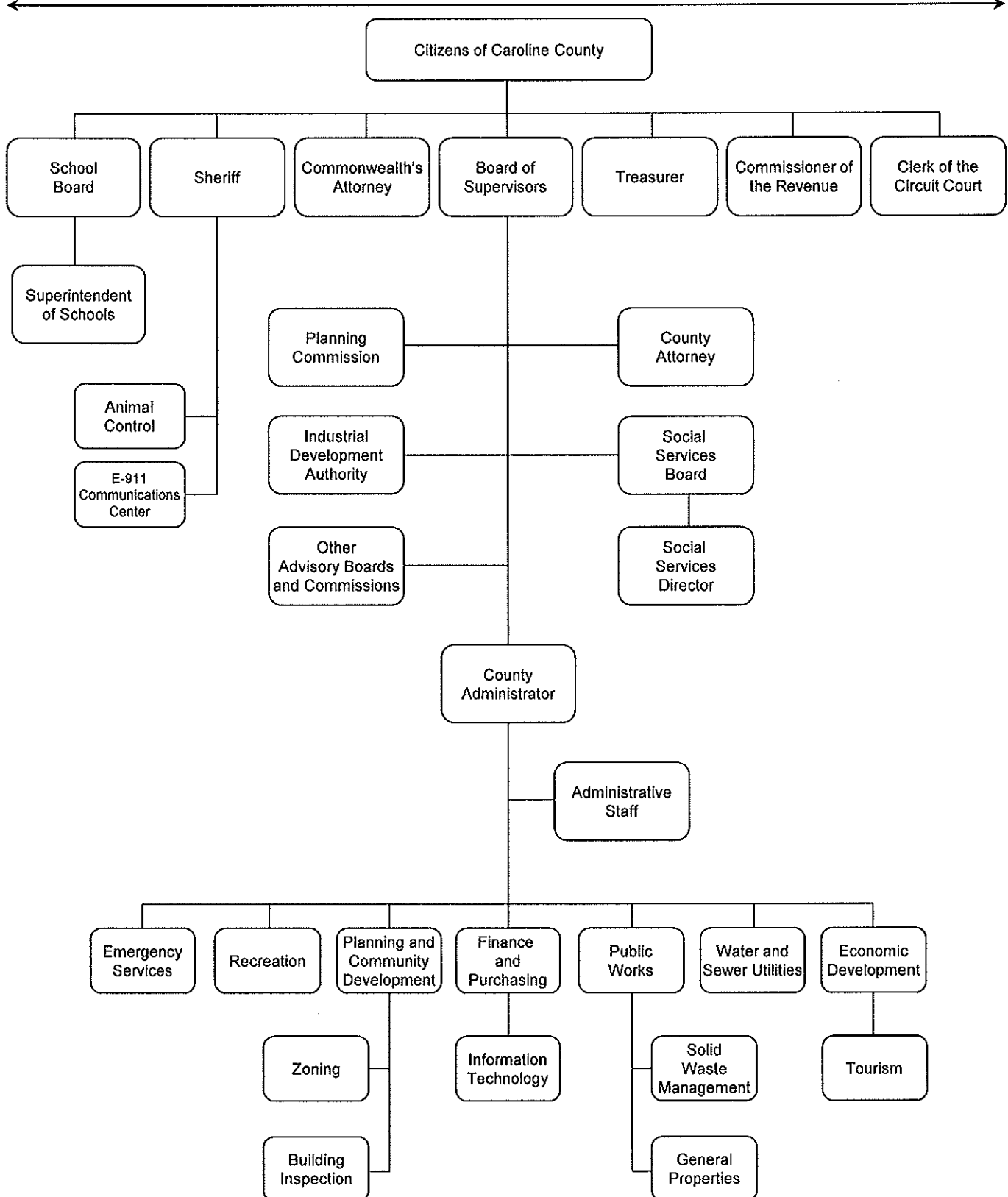
County Administrator  
Judge of the Circuit Court  
Clerk of the Circuit Court  
Commonwealth's Attorney  
Commissioner of the Revenue  
Treasurer  
Judge of the General District Court  
Judge of the Juvenile and Domestic Relations Court  
Sheriff  
Superintendent of Schools  
Director of Social Services  
County Attorney

Percy C. Ashcraft  
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

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# COUNTY OF CAROLINE, VIRGINIA

## ORGANIZATION CHART - 2010



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# *Caroline County, Virginia*

## *Board of Supervisors*

Wayne A. Acors  
*Madison District*

Jeff Sili  
*Bowling Green District*

D. M. "Maxie" Rozell, Jr.  
*Reedy Church District*

Bobby Popowicz  
*Port Royal District*

Floyd W. Thomas  
*Mattaponi District*

Percy C. Ashcraft  
*County Administrator*

Caroline County, VA



January 17, 2011

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, 2010 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 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 Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The goal of the independent audit was to

*"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](http://www.visitcaroline.com)

provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2010, 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, 2010 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 five 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, 2010 population of 28,245. 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 dominated the landscape. The County's population density of 51 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.

More recently, however, 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 the next 25 years 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 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 with announcements of the past several years have been put on hold during this economic downturn. The decision by the State Fair of Virginia to relocate the State Fair to Caroline in 2009 has raised the County's profile. The announcement this spring by McKesson



Corporation to build a large distribution center in Caroline County has further raised the County's profile.

With this activity, the County is looking forward to and preparing itself for dramatic changes over the next several years, 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**

HVAC renovations. \$1,161,254 of HVAC replacements were completed at the Bowling Green Primary, Bowling Green and Madison Elementary Schools and the Caroline Diversified Learning Center to replace aging, non-functioning units.

GIS System. The County implemented the first stages of a GIS system to tie inspections, planning and zoning, public utilities and tax assessment functions in a unified format to better serve the citizens of the County.

High School Bleachers. The bleachers at Caroline High School were replaced with safe, modern system.

#### **Other Information**

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

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.

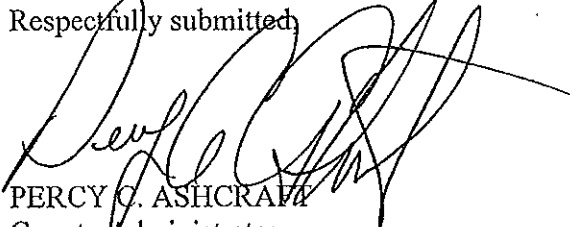
Pension and Other Employment Benefits. Pension benefits for County employees are provided through participation in the Virginia Retirement System (VRS), a State-wide defined benefit pension system for government employees. Bi-annually, VRS actuaries prepare contribution calculations for each local government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

The County provides and makes contributions toward a group health insurance plan for its employees. Premium rates are negotiated annually with third party insurance

providers and County contribution policies are set based on comparison with neighboring localities. 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,



PERCY C. ASHCRAFT  
County Administrator



FRANCES K. HATCHER  
Finance Director

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## *FINANCIAL SECTION*

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Caroline, Virginia, as of and for the year ended June 30, 2010, 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 of Caroline, Virginia'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 the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Caroline, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2011, on our consideration of the County of Caroline, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

The Management's Discussion and Analysis, budgetary comparison information, and the schedules of pension funding progress and funding progress for the retiree healthcare plan as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Caroline, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Caroline, Virginia. The other supplementary information including the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and other statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Fann, Cox Asinto*

Richmond, Virginia  
January 17, 2011

## 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, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

#### Government-Wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$7,019,834 (Total Net Assets). Of this amount, \$392,062 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 \$1,406,265 in Governmental Activities.
- The County's total net assets decreased by \$490,742, or 6.5%, in the fiscal year ended June 30, 2010.

#### Fund Financial Statements

- Total fund balance of the County's Governmental Funds, reporting on a current financial resources basis, amounted to \$10,059,799 at June 30, 2010. This was a net increase of \$397,298 over the prior year. The General Fund increased 54.7% (\$2,159,742) while the Capital Projects Fund decreased 59.2% (\$2,851,314). This is due largely to the completion of projects, repayment of transfers and an increase in public service taxes. Debt Service Fund and the Housing Fund no longer have deficit fund balances.
- During the fiscal year ended June 30, 2010, the unreserved fund balance in the General Fund increased by \$2,052,942 to \$5,631,691. This fund balance still represents 16.2% of total General Fund expenditures and operating transfers.
- The County's total outstanding long-term debt increased by \$289,455 to \$91,169,742 during the fiscal year ended June 30, 2010 due to the refunding of debt for the renovations to existing primary schools and water and sewer projects.

### Overview of the Financial Statements

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

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

The *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



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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, 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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Caroline County maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, the Debt Service Fund, the Social Services Fund and the Proffers Fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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 an accounting device used to accumulate and allocate costs internally among Caroline County's various functions. Caroline County uses internal service funds to account for vehicle maintenance services. 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 statement because the resources of those funds are *not* available to support Caroline County's own programs.

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

**Other information.** Following the basic financial statements and accompanying notes, this report also presents the combining financial statements referred to earlier in connection with nonmajor governmental funds and individual budgetary comparison statements for governmental funds except the General Fund. Combining financial statements and fund

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 \$7,019,834 at June 30, 2010. The following table summarizes the County's Statement of Net Assets:

County of Caroline, Virginia Net Assets						
	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 28,139,059	\$ 17,401,586	\$ 895,872	\$ (2,291,196)	\$ 27,243,187	\$ 27,243,187
Capital assets	<u>59,560,478</u>	<u>61,080,710</u>	<u>27,693,296</u>	<u>28,439,818</u>	<u>87,253,774</u>	<u>87,253,774</u>
Total assets	<u>\$ 87,699,537</u>	<u>\$ 78,482,296</u>	<u>\$ 26,797,424</u>	<u>\$ 26,148,622</u>	<u>\$114,496,961</u>	<u>\$114,496,961</u>
Current liabilities	\$ 17,846,243	\$ 7,642,042	\$ 525,348	\$ 891,972	\$ 18,371,591	\$ 8,534,014
Long-term liabilities outstanding	<u>63,333,642</u>	<u>65,261,294</u>	<u>25,771,894</u>	<u>23,325,034</u>	<u>89,105,536</u>	<u>88,586,328</u>
Total liabilities	<u>\$ 81,179,885</u>	<u>\$ 72,903,336</u>	<u>\$ 26,297,242</u>	<u>\$ 24,217,006</u>	<u>\$107,477,127</u>	<u>\$ 97,120,342</u>
Net assets:						
Invested in capital assets, net of related debt	\$ (1,406,265)	\$ (1,913,976)	\$ 1,798,327	\$ 4,995,360	\$ 392,062	\$ 3,081,384
Restricted for Debt Service and bond covenants			1,479,828	1,527,115	1,479,828	1,527,115
Unrestricted	<u>7,925,917</u>	<u>7,492,936</u>	<u>(2,777,973)</u>	<u>(4,590,859)</u>	<u>5,147,944</u>	<u>2,902,077</u>
Total Net Assets	<u>\$ 6,519,652</u>	<u>\$ 5,578,960</u>	<u>\$ 500,182</u>	<u>\$ 1,931,616</u>	<u>\$ 7,019,834</u>	<u>\$ 7,510,576</u>

The County is reporting an increase in the balance of unrestricted net assets due to the decrease in the deficit of the business type activities. A portion of the County's assets, \$1,479,828, are subject to external restrictions on their use. These assets are primarily cash held for the payment of debt service. 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, decreased from \$18,709,173 at June 30, 2009 to \$8,871,596. The County's investment in capital assets decreased by \$2,799,272 and its long term liabilities increased by \$519,208 over the same period.

As previously indicated, the County's net assets decreased \$490,742. Net assets of governmental activities increased by \$940,692 and those of business-type activities, the County's water and sewer utility operations, decreased \$1,431,434. The following table summarizes the change in the County's net assets as shown in the Statement of Activities:

# MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

## County of Caroline, Virginia Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Expenses:						
General Government						
Administration	\$ 4,078,076	\$ 3,709,879			\$ 4,078,076	\$ 3,709,879
Judicial Administration	1,259,831	1,157,463			1,259,831	1,157,463
Public Safety	10,062,297	10,097,879			10,062,297	10,097,879
Public Works	3,096,165	3,466,916			3,096,165	3,466,916
Health and Welfare	4,477,646	4,522,642			4,477,646	4,522,642
Education	12,155,229	13,585,341			12,155,229	13,585,341
Parks, Recreation, and Cultural	631,053	960,018			631,053	960,018
Community Development	1,683,340	1,946,999			1,683,340	1,946,999
Interest and Other fiscal charges	3,271,332	3,495,641			3,271,332	3,495,641
Water and Sewer Utilities	-	-	4,643,674	3,818,858	4,643,674	3,818,858
Total Expenses	\$ 40,714,969	\$ 42,942,778	\$ 4,643,674	\$ 3,818,858	\$ 45,358,643	\$ 46,761,636
Less: Program Revenues						
Charges for Services	\$ 1,155,396	\$ 1,634,381	\$ 3,050,269	\$ 2,021,930	\$ 4,205,665	\$ 3,656,311
Operating Grants and Contributions	5,730,192	5,941,198	0	210,100	5,730,192	6,151,298
Capital Grants and Contributions	389,982	0	139,397	109,610	529,379	109,610
Total Program Revenues	\$ 7,275,570	\$ 7,575,579	\$ 3,189,666	\$ 2,341,640	\$ 10,465,236	\$ 9,917,219
Net Expense	\$ (33,439,399)	\$ (35,367,199)	\$ (1,454,008)	\$ (1,477,218)	\$ (34,893,407)	\$ (36,844,417)
General Revenues:						
General Property Taxes	\$ 25,617,843	\$ 23,380,063			\$ 25,617,843	\$ 23,380,063
Local Sales and Use Taxes	1,357,380	1,401,831			1,357,380	1,401,831
Consumers Utility Taxes	85,197	75,258			85,197	75,258
Business License Taxes	803,165	1,090,071			803,165	1,091,071
Other Local Taxes	2,425,049	3,235,627			2,425,049	3,235,627
Intergovernmental Revenues-State	3,306,613	2,606,318			3,306,613	2,606,318
Proffers From New Development	260,996	84,347			260,996	84,347
Other General Revenues	543,473	574,917	2,949	22,894	546,422	801,108
Transfers	(19,625)	(180,403)	19,625	180,403	-	-
Total General Revenues	\$ 34,380,091	\$ 32,268,029	\$ 22,574	\$ 203,297	\$ 34,402,665	\$ 32,471,326
Change in Net Assets	\$ 940,692	\$ (3,099,170)	\$ (1,431,434)	\$ (1,273,921)	\$ (490,742)	\$ (4,373,091)
Net Assets, Beginning of Year	5,578,960	8,678,130	1,931,616	3,205,537	7,510,576	11,883,667
Net Assets, Ending of Year	\$ 6,519,652	\$ 5,578,960	\$ 500,182	\$ 1,931,616	\$ 7,019,834	\$ 7,510,576

Expenditures in the County's governmental activities decreased 5.2% over the prior year with expenditures decreasing in every category except administration and judicial functions. Education again consumed the largest share of the total combined expenditures

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **(Continued)**

**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 \$1,187,854 at June 30, 2010, a significant decrease. 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 20, 2010 of \$562,325, a 30.2% improvement from last fiscal year due to the increase in user fees. The Dawn Wastewater System also reported an operating loss of \$162,943, a 272% decrease from last fiscal year. This year was the second full year of operation for the Dawn system and the first full year of depreciation of \$123,614.

#### **General Fund Budgetary Highlights**

In May, the original adopted budget of the General Fund was increased by 1.8% or \$538,026. Following is a partial summary of these increases/reductions by function:

- \$ 42,511 for Judicial Administration
- \$329,154 for Public Safety
- \$ 48,000 for Public Works
- \$ 58,561 for Planning and Community Development
- \$ 59,800 for Contingencies

Actual revenue collections were \$2,300,715 of the final budget estimates, which was increased by 1.8% in May, or 6.2%. Revenue from property taxes, intergovernmental, recovered costs and miscellaneous were above revenue projections, with the increase in assessed ratios for personal property and stepped up collections contributing \$1,165,228 of the increase. Revenues from permits, fees and regulatory licenses fell short of expectations as a slowing real estate market continues to make itself felt in the County's revenues from property development activity. Other local tax collections, primarily taxes on business activity, also fell short of expectations due to the turndown of the economy. Revenue from the Commonwealth fell short due to cutbacks by the Commonwealth. Another indicator of the slowing economy is the decrease of investment revenue.

Actual expenditures and operating transfers out to other funds totaled \$127,973 more than the amended budget appropriations, a variance of only .37%. The functions of general government administration, judicial administration, and public works exceeded the final amended budget appropriation. Actual expenditures fell under amended appropriations in legislative, public safety, health and welfare, parks, recreation, and cultural, and community development.

#### **Capital Assets and Debt Administration**

**Capital Assets.** The County's total investment in capital assets for governmental and business-type activities amounted to \$87,253,774 as of June 30, 2010, net of accumulated depreciation. This investment in capital assets includes land, buildings, property

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **(Continued)**

of the primary County government and its component units during the fiscal year ended June 30, 2010 at 60.6% of the total. Public safety spending represents 11.9% of the total. Program revenues, which include fees, charges and special purpose grants and contributions, funded 42.9% of total functional expenditures in fiscal year 2010, a slightly increased level as compared to the significantly reduced level as was recorded fiscal year 2009. Despite a 9.5% increase in general property tax revenues over the prior year, total general revenues for the County's governmental activities only rose 5.3%. In the County's business type activities, expenditures increased 21.6% and revenues only increased 26% from the prior year. The County's water and sewer utility operations are continuing to prepare for a period of substantial growth 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 \$10,059,799 at June 30, 2010, \$2,440,447 of that balance is reserved by external restrictions and the remaining \$7,619,352 is unreserved. Fund balances in the governmental funds increased \$397,298 during the fiscal year ended June 30, 2010. Fund balance in the General Fund increased by \$2,159,742. Expenditures for the completion of a new elementary school and renovations to several primary schools totaling \$1,618,607, the renovations of the old Union Bankshares building for County Administration offices, public safety renovations, and community development projects totaling \$420,634 and the return of funds for the Sparta Fire Station (\$1,030,326) were offset by the balance of funds from long term debt resulting in a decrease of \$2,851,314 in the fund balance of the Capital Projects Fund.

In the General Fund, fund balance increased to \$6,104,491, a 54% increase over the prior year. General property taxes remain the primary revenue source in the General Fund contributing 69.6% of the total during fiscal year 2010, slightly higher than in the prior year. Intergovernmental revenue from the Commonwealth of Virginia dropped by 12.3% to 11.5% from 14.3% the prior year and the share added by other local taxes dropped to 8.4% from 10.3% in 2009 and 11.4% in fiscal year 2008. Education consumed the bulk of the General Fund's expenditures (37.7%). Public Safety (29.9%) and Public Works (9.5%) also accounted for substantial shares of the expenditures in the Fund.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **(Continued)**

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:

- \$187,454 for the completion of renovation to the old Union Bankshares building for County Administration
- \$34,350 for compactor replacement at a convenience site
- \$1,618,607 for renovations and technology upgrades to county schools
- \$229,850 for GIS system implementation
- \$121,802 in various water system improvements

**Long-Term Debt.** At June 30, 2010, the County's total long-term debt amounted to \$91,224,563. This total is comprised of:

- \$28,808,487 in lease revenue bonds issued through the County's Industrial Development Authority for a variety of general government and business-type activity improvements and equipment acquisitions.
- \$26,839,618 in utility system revenue bonds for the improvement and expansion of the County's utility enterprise operations and landfill closure.
- \$30,380,673 in general obligation bonds issued for the construction and improvement of County public schools and utility projects.
- \$832,934 in capital lease obligations for general government radio and motor vehicle equipment.
- \$3,826,264 as the County's liability for closure and post-closure care of the former County Sanitary Landfill.
- \$477,487 in accrued liabilities for leave benefits earned by County employees.
- \$59,100 for OPEB liabilities for retired County employees.

Payments made to retire County long-term debt totaled \$3,017,613 during the fiscal year ended June 30, 2010. Three long term debt transactions were completed during the fiscal year: a \$4,591,000 bond anticipation note was refunded with proceeds from a lease revenue bond issued through the Virginia Resources Authority to fund renovations to the new County Administration building; a \$1,685,000 lease revenue bond was issued through the Economic Development Authority to refund a portion of the 2005 lease revenue bond; a \$14,314,015 revenue bond was issued through the Virginia Resources Authority to refund prior landfill and utility project issues.

#### **Economic Factors and Next Year's Budget and Tax Rates**

- The estimated population of Caroline County has grown 28% since the April 2000 census to an estimated 28,245.
- 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 pushed assessed values up another 5% for the January 2008 to

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **(Continued)**

almost \$3 billion, but the housing market crash has dropped values in 2010 by an estimated 8 – 15%.

- 2010 was again not an extremely successful year for the County and economic indicators confirmed that. The unemployment rate for the County remains 8.6%, several businesses closed and revenues were down.
- 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 107 in the fiscal year ended June 30, 2010 and is estimating those numbers will be approximately the same in FY 2011. Commercial development has declined after a two year increase from 25 new commercial structures in the fiscal year June 30, 2007 to 3 in fiscal year 2010. Fiscal year 2011 will bring the construction of the McKesson distribution facility to the County.

These and many other factors were considered in preparing the County's budget for fiscal year 2011. The fiscal year 2011 general fund budget (excluding capital investments) increased .5% and no capital investments were budgeted. The real estate tax rate was left unchanged from the prior year at \$.53 per hundred dollars of assessed value for calendar year 2010.

#### **Requests for Information**

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



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## ***BASIC FINANCIAL STATEMENTS***

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## *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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Statement of Net Assets  
June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,014,009	\$ 1,728,646	\$ 4,742,655	\$ 1,353,574	\$ 106,188
Cash in custody of others	1,603,262	-	1,603,262	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	15,209,684	-	15,209,684	-	-
Accounts receivable	265,439	545,152	810,591	47,784	-
Internal balances	5,403,764	(5,403,764)	-	-	-
Due from other governmental units	2,642,901	388,663	3,031,564	3,451,724	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	1,479,828	1,479,828	-	-
Other assets:					
Unamortized bond issue costs	-	365,603	365,603	-	-
Capital assets (net of accumulated depreciation):					
Land	1,059,183	372,153	1,431,336	697,162	-
Buildings and system	50,018,185	709,211	50,727,396	1,597,992	-
Improvements other than buildings	3,361,961	22,653,517	26,015,478	69,992	-
Machinery and equipment	4,723,473	451,148	5,174,621	2,161,199	-
Construction in progress	397,676	3,507,267	3,904,943	-	-
Total assets	\$ 87,699,537	\$ 26,797,424	\$ 114,496,961	\$ 9,379,427	\$ 106,188
<b>LIABILITIES</b>					
Accounts payable	\$ 492,917	\$ 106,643	\$ 599,560	\$ 631,830	\$ -
Accrued liabilities	55,953	-	55,953	2,816,750	-
Customers' deposits	-	25,791	25,791	-	-
Accrued interest payable	1,110,692	214,369	1,325,061	-	-
Due to other governmental units	2,467,792	-	2,467,792	-	-
Unearned revenue	11,778,407	-	11,778,407	-	-
Long-term liabilities:					
Due within one year	1,940,482	178,545	2,119,027	55,553	-
Due in more than one year	63,333,642	25,771,894	89,105,536	1,883,277	-
Total liabilities	\$ 81,179,885	\$ 26,297,242	\$ 107,477,127	\$ 5,387,410	\$ -
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ (1,406,265)	\$ 1,798,327	\$ 392,062	\$ 4,526,345	\$ -
Restricted for:					
Debt service and bond covenants	-	1,479,828	1,479,828	-	-
Unrestricted (deficit)	7,925,917	(2,777,973)	5,147,944	(534,328)	106,188
Total net assets	\$ 6,519,652	\$ 500,182	\$ 7,019,834	\$ 3,992,017	\$ 106,188

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

COUNTY OF CAROLINE, VIRGINIA

Statement of Activities  
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 4,078,076	\$ 1,558	\$ 277,882	\$ -
Judicial administration	1,259,831	666,295	406,239	-
Public safety	10,110,736	360,507	1,927,489	-
Public works	3,096,165	37,700	-	-
Health and welfare	4,477,646	-	3,109,080	-
Education	12,155,229	-	-	-
Parks, recreation, and cultural	631,053	89,047	500	-
Community development	1,634,901	289	6,958	388,982
Interest on long-term debt	3,271,332	-	-	-
Total governmental activities	\$ 40,714,969	\$ 1,155,396	\$ 5,728,148	\$ 388,982
Business-type activities:				
Public utilities	\$ 4,643,674	\$ 3,050,269	\$ -	\$ 139,397
Total business-type activities	\$ 4,643,674	\$ 3,050,269	\$ -	\$ 139,397
Total primary government	\$ 45,358,643	\$ 4,205,665	\$ 5,728,148	\$ 528,379
<b>COMPONENT UNIT:</b>				
School Board	\$ 39,021,732	\$ 707,284	\$ 24,970,454	\$ -
Industrial Development Authority	14,371	5,502	-	-
Total component units	\$ 39,036,103	\$ 712,786	\$ 24,970,454	\$ -
General revenues:				
General property taxes				
Local sales and use tax				
Consumer utility tax				
Business license tax				
Meals tax				
Motor vehicle license tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Payment from Caroline County				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	IDA	
\$ (3,798,636)	\$ -	\$ (3,798,636)	\$ -	\$ -	
(187,297)	-	(187,297)	-	-	
(7,822,740)	-	(7,822,740)	-	-	
(3,058,465)	-	(3,058,465)	-	-	
(1,368,566)	-	(1,368,566)	-	-	
(12,155,229)	-	(12,155,229)	-	-	
(541,506)	-	(541,506)	-	-	
(1,238,672)	-	(1,238,672)	-	-	
(3,271,332)	-	(3,271,332)	-	-	
<u>\$ (33,442,443)</u>	<u>\$ -</u>	<u>\$ (33,442,443)</u>	<u>\$ -</u>	<u>\$ -</u>	
 \$ -	 \$ (1,454,008)	 \$ (1,454,008)	 \$ -	 \$ -	
<u>\$ -</u>	<u>\$ (1,454,008)</u>	<u>\$ (1,454,008)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (33,442,443)</u>	<u>\$ (1,454,008)</u>	<u>\$ (34,896,451)</u>	<u>\$ -</u>	<u>\$ -</u>	
 \$ -	 \$ -	 \$ -	 \$ (13,343,994)	 \$ -	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,869)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,343,994)</u>	<u>\$ (8,869)</u>	
 \$ 25,617,843	 \$ -	 \$ 25,617,843	 \$ -	 \$ -	
1,357,380	-	1,357,380	-	-	
581,522	-	581,522	-	-	
803,165	-	803,165	-	-	
891,785	-	891,785	-	-	
552,923	-	552,923	-	-	
484,016	-	484,016	-	-	
183,099	2,949	186,048	159	1,283	
621,370	-	621,370	4,835	-	
3,309,657	-	3,309,657	-	-	
-	-	-	11,904,385	-	
(19,625)	19,625	-	-	-	
<u>\$ 34,383,135</u>	<u>\$ 22,574</u>	<u>\$ 34,405,709</u>	<u>\$ 11,909,379</u>	<u>\$ 1,283</u>	
<u>\$ 940,692</u>	<u>\$ (1,431,434)</u>	<u>\$ (490,742)</u>	<u>\$ (1,434,615)</u>	<u>\$ (7,586)</u>	
<u>5,578,960</u>	<u>1,931,616</u>	<u>7,510,576</u>	<u>5,426,632</u>	<u>113,774</u>	
<u>\$ 6,519,652</u>	<u>\$ 500,182</u>	<u>\$ 7,019,834</u>	<u>\$ 3,992,017</u>	<u>\$ 106,188</u>	



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## *FUND FINANCIAL STATEMENTS*

COUNTY OF CAROLINE, VIRGINIA

Balance Sheet  
Governmental Funds  
June 30, 2010

	General	Debt Service	County Capital Projects
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,526,265	\$ -	\$ 377,980
Cash in custody of others	-	-	1,603,262
Receivables (net of allowance for uncollectibles):			
Taxes receivable	15,209,684	-	-
Accounts receivable	121,402	121,420	75
Due from other funds	5,363,583	-	-
Due from other governmental units	1,918,833	60,205	-
Total assets	\$ <u>24,139,767</u>	\$ <u>181,625</u>	\$ <u>1,981,317</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 459,457	\$ -	\$ -
Accrued liabilities	45,680	-	11,000
Due to other governmental units	2,467,792	-	-
Due to other funds	-	-	-
Deferred revenue	15,062,347	-	2,670
Total liabilities	\$ <u>18,035,276</u>	\$ -	\$ <u>13,670</u>
Fund balances:			
Reserved for:			
Capital projects	\$ 472,800	\$ -	\$ 1,967,647
Unreserved, reported in:			
General fund	5,631,691	-	-
Special revenue funds	-	-	-
Debt service funds	-	181,625	-
Total fund balances	\$ <u>6,104,491</u>	\$ <u>181,625</u>	\$ <u>1,967,647</u>
Total liabilities and fund balances	\$ <u>24,139,767</u>	\$ <u>181,625</u>	\$ <u>1,981,317</u>

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

Exhibit 3

<u>Proffers</u>	<u>Virginia Public Assistance</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 829,059	\$ -	\$ 274,958	\$ 3,008,262
-	-	-	1,603,262
-	-	-	15,209,684
-	-	22,542	265,439
356,858	-	-	5,720,441
-	140,690	523,173	2,642,901
<u>\$ 1,185,917</u>	<u>\$ 140,690</u>	<u>\$ 820,673</u>	<u>\$ 28,449,989</u>
\$ 6,500	\$ 121	\$ 18,673	\$ 484,751
-	(1,143)	416	55,953
-	-	-	2,467,792
-	84,591	232,086	316,677
-	-	-	15,065,017
<u>\$ 6,500</u>	<u>\$ 83,569</u>	<u>\$ 251,175</u>	<u>\$ 18,390,190</u>
\$ -	\$ -	\$ -	\$ 2,440,447
-	-	-	5,631,691
1,179,417	57,121	569,498	1,806,036
-	-	-	181,625
<u>\$ 1,179,417</u>	<u>\$ 57,121</u>	<u>\$ 569,498</u>	<u>\$ 10,059,799</u>
<u>\$ 1,185,917</u>	<u>\$ 140,690</u>	<u>\$ 820,673</u>	<u>\$ 28,449,989</u>

Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Assets  
June 30, 2010

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Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 10,059,799
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 79,713,962	
Less: accumulated depreciation	<u>(20,263,434)</u>	59,450,528

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

Deferred revenue	3,286,610
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Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

107,531
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and loans payable	\$ (60,133,809)	
Landfill postclosure costs	(3,826,264)	
Interest payable	(1,110,692)	
Capital lease obligations	(832,934)	
OPEB liability	(54,821)	
Compensated absences	<u>(426,296)</u>	<u>(66,384,816)</u>

Net assets of governmental activities	\$ <u><u>6,519,652</u></u>
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The notes to the financial statements are an integral part of this statement.

COUNTY OF CAROLINE, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2010

	General	Debt Service	County Capital Projects
<b>REVENUES</b>			
General property taxes	\$ 25,663,790	\$ -	\$ -
Other local taxes	3,096,245	1,388,110	-
Permits, privilege fees, and regulatory licenses	358,285	-	-
Fines and forfeitures	447,048	-	-
Revenue from the use of money and property	55,972	111,600	9,293
Charges for services	314,443	-	-
Miscellaneous	303,926	-	2,330
Recovered costs	1,172,333	-	-
Intergovernmental revenues:			
Component Unit - School Board	950,537	-	-
Commonwealth	4,234,506	356,682	221,885
Federal	243,447	-	-
Total revenues	\$ 36,840,532	\$ 1,856,392	\$ 233,508
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 3,279,185	\$ -	\$ -
Judicial administration	1,141,835	-	-
Public safety	8,990,358	-	-
Public works	2,870,377	-	-
Health and welfare	513,010	-	-
Education	11,342,281	-	-
Parks, recreation, and cultural	604,610	-	-
Community development	1,315,150	-	-
Capital projects	-	-	2,079,246
Debt service:			
Principal retirement	-	2,848,100	-
Interest and other fiscal charges	-	3,092,117	-
Total expenditures	\$ 30,056,806	\$ 5,940,217	\$ 2,079,246
Excess (deficiency) of revenues over (under) expenditures	\$ 6,783,726	\$ (4,083,825)	\$ (1,845,738)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 27,000	\$ 4,263,625	\$ 24,750
Transfers out	(4,650,984)	-	(1,030,326)
Bond premium issuance	-	182,593	-
Refunding bonds issued	-	5,225,000	-
Contribution to Caroline County School Board	-	(562,104)	-
Redemption of refunded bonds	-	(4,564,400)	-
Bond issuance costs	-	(171,361)	-
Total other financing sources (uses)	\$ (4,623,984)	\$ 4,373,353	\$ (1,005,576)
Net change in fund balances	\$ 2,159,742	\$ 289,528	\$ (2,851,314)
Fund balances - beginning	3,944,749	(107,903)	4,818,961
Fund balances - ending	\$ 6,104,491	\$ 181,625	\$ 1,967,647

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

## Exhibit 5

	Proffers	Virginia Public Assistance	Other Governmental Funds	Total
\$	-	\$	-	\$ 25,663,790
	-	-	186,436	4,670,791
	-	-	-	358,285
	-	-	-	447,048
	1,104	-	5,130	183,099
	-	-	35,620	350,063
	260,996	17,564	36,554	621,370
	-	-	-	1,172,333
	-	-	-	950,537
	-	676,627	2,017,567	7,507,267
	-	1,467,270	208,803	1,919,520
\$	<u>262,100</u>	\$ <u>2,161,461</u>	\$ <u>2,490,110</u>	\$ <u>43,844,103</u>
\$	-	\$	-	\$ 3,279,185
	-	-	13,441	1,155,276
	-	-	879,109	9,869,467
	-	-	-	2,870,377
	-	2,469,874	1,493,144	4,476,028
	-	-	-	11,342,281
	-	-	-	604,610
	-	-	513,368	1,828,518
	91,703	-	-	2,170,949
	-	-	-	2,848,100
	-	-	-	3,092,117
\$	<u>91,703</u>	\$ <u>2,469,874</u>	\$ <u>2,899,062</u>	\$ <u>43,536,908</u>
\$	<u>170,397</u>	\$ <u>(308,413)</u>	\$ <u>(408,952)</u>	\$ <u>307,195</u>
\$	-	\$ 340,311	\$ 1,057,749	\$ 5,713,435 ✓
	(24,750)	-	(27,000)	(5,733,060) ✓
	-	-	-	182,593 ✓
	-	-	-	5,225,000 ✓
	-	-	-	(562,104) ✓
	-	-	-	(4,564,400) ✓
	-	-	-	(171,361) ✓
\$	<u>(24,750)</u>	\$ <u>340,311</u>	\$ <u>1,030,749</u>	\$ <u>90,103</u>
\$	145,647	\$ 31,898	\$ 621,797	\$ 397,298
	1,033,770	25,223	(52,299)	9,662,501
\$	<u>1,179,417</u>	\$ <u>57,121</u>	\$ <u>569,498</u>	\$ <u>10,059,799</u>

Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds	\$	397,298
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital asset additions	\$	2,023,040	
Depreciation expense		<u>(3,529,528)</u>	(1,506,488)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(45,947)
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Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(8,753)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	\$	(5,407,593)	
Principal payments		7,412,500	
Amortization of issuance premium		27,685	
Increase in liability due to utility fund		(4,649)	
Reduction in landfill closure liability		<u>107,927</u>	2,135,870

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

The following is a summary of items supporting this adjustment:

(Increase) decrease in accrued leave	\$	24,823	
(Increase) decrease in OPEB liability		(25,221)	
(Increase) decrease in interest payable		<u>(30,890)</u>	<u>(31,288)</u>

Change in net assets of governmental activities	\$	<u><u>940,692</u></u>
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The notes to the financial statements are an integral part of this statement.



Statement of Net Assets  
 Proprietary Funds  
 June 30, 2010

	Business-Type Activities Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,728,646	\$ -	\$ 1,728,646	\$ 5,747
Accounts receivable, net of allowances for uncollectibles	530,937	14,215	545,152	-
Due from other governmental units	-	388,663	388,663	-
Total current assets	\$ 2,259,583	\$ 402,878	\$ 2,662,461	\$ 5,747
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents-bond requirements	\$ 1,479,828	\$ -	\$ 1,479,828	\$ -
Other assets:				
Unamortized bond issue costs	\$ 365,603	\$ -	\$ 365,603	\$ -
Capital assets:				
Utility plant in service	\$ 23,373,365	\$ -	\$ 23,373,365	\$ -
Land	222,153	150,000	372,153	-
Machinery and equipment	1,077,691	-	1,077,691	480,866
Buildings and improvements	840,542	4,944,547	5,785,089	-
Construction in progress	3,507,267	-	3,507,267	-
Less accumulated depreciation	(6,278,053)	(144,216)	(6,422,269)	(370,916)
Total capital assets	\$ 22,742,965	\$ 4,950,331	\$ 27,693,296	\$ 109,950
Total noncurrent assets	\$ 24,588,396	\$ 4,950,331	\$ 29,538,727	\$ 109,950
Total assets	\$ 26,847,979	\$ 5,353,209	\$ 32,201,188	\$ 115,697
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 103,435	\$ 3,208	\$ 106,643	\$ 8,166
Customers' deposits	25,791	-	25,791	-
Accrued interest payable	214,369	-	214,369	-
Due to other funds	4,626,263	777,501	5,403,764	-
Compensated absences - current portion	5,119	-	5,119	-
Bonds payable - current portion	3,752	169,674	173,426	-
Total current liabilities	\$ 4,978,729	\$ 950,383	\$ 5,929,112	\$ 8,166
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ 23,006,753	\$ 2,714,790	\$ 25,721,543	\$ -
Other post employment benefits (OPEB)	4,279	-	4,279	-
Compensated absences - net of current portion	46,072	-	46,072	-
Total noncurrent liabilities	\$ 23,057,104	\$ 2,714,790	\$ 25,771,894	\$ -
Total liabilities	\$ 28,035,833	\$ 3,665,173	\$ 31,701,006	\$ 8,166
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ (267,540)	\$ 2,065,867	\$ 1,798,327	\$ 109,950
Restricted for debt service and bond covenants	1,479,828	-	1,479,828	-
Unrestricted	(2,400,142)	(377,831)	(2,777,973)	(2,419)
Total net assets	\$ (1,187,854)	\$ 1,688,036	\$ 500,182	\$ 107,531

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Proprietary Funds  
 For the Year Ended June 30, 2010

	Business-Type Activities			
	Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Fund
<b>OPERATING REVENUES</b>				
Charges for services:				
Water revenues	\$ 847,259	\$ -	\$ 847,259	\$ -
Sewer revenues	1,172,779	46,497	1,219,276	-
Other revenues	31,155	1,141	32,296	173,611
Total operating revenues	<u>\$ 2,051,193</u>	<u>\$ 47,638</u>	<u>\$ 2,098,831</u>	<u>\$ 173,611</u>
<b>OPERATING EXPENSES</b>				
Personal services	\$ 575,365	\$ 3,455	\$ 578,820	\$ -
Fringe benefits	219,502	787	220,289	-
Contractual services	293,723	61,980	355,703	-
Other charges	922,263	20,745	943,008	168,620
Depreciation	602,665	123,614	726,279	13,744
Total operating expenses	<u>\$ 2,613,518</u>	<u>\$ 210,581</u>	<u>\$ 2,824,099</u>	<u>\$ 182,364</u>
Operating income (loss)	<u>\$ (562,325)</u>	<u>\$ (162,943)</u>	<u>\$ (725,268)</u>	<u>\$ (8,753)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Connection and availability fees	\$ 947,545	\$ 3,893	\$ 951,438	\$ -
Investment earnings	2,949	-	2,949	-
Amortization of loan costs	(78,475)	-	(78,475)	-
Grant revenue	54,212	-	54,212	-
Construction and developer contributions	85,185	-	85,185	-
Interest and related expense	(1,741,100)	-	(1,741,100)	-
Total nonoperating revenues (expenses)	<u>\$ (729,684)</u>	<u>\$ 3,893</u>	<u>\$ (725,791)</u>	<u>\$ -</u>
Income before contributions and transfers	<u>\$ (1,292,009)</u>	<u>\$ (159,050)</u>	<u>\$ (1,451,059)</u>	<u>\$ (8,753)</u>
Transfers in	19,625	189,149	208,774	-
Transfers out	(189,149)	-	(189,149)	-
Change in net assets	<u>\$ (1,461,533)</u>	<u>\$ 30,099</u>	<u>\$ (1,431,434)</u>	<u>\$ (8,753)</u>
Total net assets - beginning	<u>273,679</u>	<u>1,657,937</u>	<u>1,931,616</u>	<u>116,284</u>
Total net assets - ending	<u><u>\$ (1,187,854)</u></u>	<u><u>\$ 1,688,036</u></u>	<u><u>\$ 500,182</u></u>	<u><u>\$ 107,531</u></u>

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

COUNTY OF CAROLINE, VIRGINIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2010

	Business-Type Activities Enterprise Funds	
	Caroline County Utility Fund	Dawn Wastewater System Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 1,930,392	\$ 64,371
Payments to suppliers	(1,693,974)	(385,779)
Payments to employees	(799,509)	(4,242)
Net cash provided (used) by operating activities	\$ (563,091)	\$ (325,650)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from/(to) other funds	\$ 481,526	\$ 601,913
Connection fees	947,545	3,893
Grant revenue	54,212	-
Net cash provided (used) by noncapital financing activities	\$ 1,483,283	\$ 605,806
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to capital assets	\$ 105,428	\$ -
Principal payments on bonds	(14,545,000)	(169,673)
Issuance of debt	16,698,047	388,662
Debt issuance costs	(365,603)	-
Interest payments	(1,638,744)	-
Net cash provided (used) by capital and related financing activities	\$ 254,128	\$ 218,989
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	\$ 2,949	\$ -
Net cash provided (used) by investing activities	\$ 2,949	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 1,177,269	\$ 499,145
Cash and cash equivalents - beginning - including restricted	2,031,205	(499,145)
Cash and cash equivalents - ending - including restricted	\$ 3,208,474	\$ -
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (562,325)	\$ (162,943)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$ 602,665	\$ 123,614
(Increase) decrease in accounts receivable	(129,666)	(287,455)
(Increase) decrease in notes receivable	-	-
Increase (decrease) in customer deposits	8,865	-
Increase (decrease) in accounts payable and accrued liabilities	(477,988)	1,134
Increase (decrease) in compensated absences	(4,642)	-
Total adjustments	\$ (766)	\$ (162,707)
Net cash provided (used) by operating activities	\$ (563,091)	\$ (325,650)

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

## Exhibit 9

		Internal Service Fund	
Total			
\$ 1,994,763	\$ 173,611		
(2,079,753)	(171,269)		
(803,751)	-		
\$ (888,741)	\$ 2,342		
\$ 1,083,439	\$ -		
951,438	-		
54,212	-		
\$ 2,089,089	\$ -		
\$ 105,428	\$ -		
(14,714,673)	-		
17,086,709	-		
(365,603)	-		
(1,638,744)	-		
\$ 473,117	\$ -		
\$ 2,949	\$ -		
\$ 2,949	\$ -		
\$ 1,676,414	\$ 2,342		
1,532,060	3,405		
\$ 3,208,474	\$ 5,747		
\$ (725,268)	\$ (8,753)		
\$ 726,279	\$ 13,744		
(417,121)	-		
-	-		
8,865	-		
(476,854)	(2,649)		
(4,642)	-		
\$ (163,473)	\$ 11,095		
\$ (888,741)	\$ 2,342		

Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2010

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 389,050
Total assets	\$ <u>389,050</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 5,239
Amounts held for social services clients	6,188
Amounts held for consortium	15,408
Refundable escrow deposits payable	362,215
Total liabilities	\$ <u>389,050</u>

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

## *NOTES TO THE FINANCIAL STATEMENTS*

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## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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#### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The County of Caroline, Virginia (the "County") is governed by an elected five member Board of Supervisors. The County provides a full range of services for its citizens. These services include police 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 have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

#### **Financial Statement Presentation**

The County's financial report is prepared in accordance with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

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

#### **Government-wide and Fund Financial Statements**

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

The government-wide financial statements (i.e., the statement of net 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 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 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).



## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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#### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results.

#### **A. Financial Reporting Entity**

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

#### **B. Individual Component Unit Disclosures**

The County has no blended component units at June 30, 2010.

*Discretely Presented Component Unit.* The County's government-wide financial statements include component unit columns that reflect the financial data of the Caroline County School Board and the Industrial Development Authority of the County of Caroline. 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 JUNE 30, 2010 (CONTINUED)

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#### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **B. Individual Component Unit Disclosures (Continued)**

The Caroline County School Board is responsible for operating the elementary and secondary public schools and is fiscally dependent upon the County. The five 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 financial statements of the School Board are presented as a discrete presentation in the County financial statements for fiscal year ended June 30, 2010.

The Industrial Development Authority of the County of Caroline (IDA) 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 as a discrete presentation for the year ended June 30, 2010. The IDA does not issue a separate financial report.

##### **C. Other Related Organizations**

The Middle Peninsula Juvenile Detention Commission (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 eighteen 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. Separate audited financial statements are available from the Commission, c/o the County of James City at P.O. Box 8784, Williamsburg, VA 23187-8784.

Certain agencies and commissions service both the County of Caroline and surrounding localities. Board membership is allocated among the localities and their governing bodies' appointments. These agencies include: George Washington Regional Commission, Fredericksburg Regional Alliance, Peninsula Council Workforce.

##### **Included in the County's Financial Report**

None

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

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

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.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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#### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the government'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 government, these funds are not incorporated into the government-wide statements.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as 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.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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#### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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

In the fund financial statements, financial transactions and accounts of the County are organized on 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, Capital Improvements 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. The General Fund is considered a major fund for fund reporting purposes.

Debt Service Fund – accounts for debt service expenditures for the County including the school system. 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.

Capital Projects Funds – accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds.

Virginia Public Assistance Fund – accounts for specific revenue sources to fund social services benefit programs for citizens.

Proffers Fund – accounts for developer contributions to help fund specific capital items.

The County reports the following non-major governmental funds:

Special Revenue Funds – accounts for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following funds: Comprehensive Services Act, Law Library, E-911, Courthouse Maintenance, Housing, Tourism, and Sheriff's Grant, and Fire/Rescue Grant.

Fiduciary Funds – (Trust and Agency Funds) – accounts for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust and Agency Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which includes social services clients, technology education consortium program and refundable escrow deposits.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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

2. Proprietary Funds – accounts 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 Caroline County Utility Fund and Dawn Wastewater System Fund, which account for the operations of sewage pumping stations and collection systems and the water distribution system.

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

**E. Cash and Cash Equivalents:**

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

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

Investments for the government, as well as for its component units, are reported at fair value.

**F. Investments**

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

**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 \$717,498 at June 30, 2010 and is comprised solely of property taxes.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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#### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **G. Receivables and Payables: (Continued)**

###### 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 done as of January 1, 2006. The next reassessment will be effective January 1, 2011.

##### **H. Capital Assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There is no capitalized interest for the year ended June 30, 2010.

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**I. 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 recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

**J. Retirement Plan**

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension cost as it accrues.

**K. Use of Estimates**

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

**L. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designated portions of fund balance are established to indicate tentative plans for financial resource utilization in a future period.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**M. Net Assets**

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

**N. 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 approximate 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.

**O. Prepaid Items**

Prepaid expenditures in governmental funds are offset by reservation of fund balance.

**P. Restricted Assets**

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

**Q. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations, is utilized by the Caroline County School Board. There were no encumbrances outstanding at June 30, 2010.



## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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#### **NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:**

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

1. Prior to March 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. 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 Primary Government and Component Unit – School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
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<sup>th</sup> year end.

#### **Expenditures and Appropriations**

Expenditures exceeded appropriations in the following funds at June 30, 2010:

General Fund	\$	182,334
Virginia Public Assistance Fund		205,323
Law Library Fund		1,441
Sheriff's Grant		2,141
Debt Service Fund		110,454
County Capital Projects Fund		1,672,574
School Cafeteria Fund		206,452

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

#### **NOTE 3—DEPOSITS AND INVESTMENTS:**

##### **Deposits**

All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

##### **Investments**

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

##### **Custodial Credit Risk (Investments)**

The County's investment policy does not specifically address custodial credit risk.

##### **Credit Risk of Debt Securities**

The County's investment policy allows for investments whose ratings are A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record.

The County's rated debt investments as of June 30, 2010 were rated by Standard and Poor's and the ratings are presented in the following table using the Standard and Poor's rating scale.

<b>County's Rated Debt Investments' Values</b>			
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>		
	<b>AAAm</b>	<b>Unrated</b>	
Local Government Investment Pool	\$ 3,512,931	\$	-
Virginia State Non-Arbitrage Pool	3,808,963		-
U.S. Treasury Securities	1,002,773		-
Repurchase Agreements - Underlying:			
U.S. Agency Securities	-		510,301
Total	\$ 8,324,667	\$	510,301

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

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**NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)**

**Interest Rate Risk**

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

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
U.S. Treasury Securities	\$ 1,002,773	\$ 1,002,773
Repurchase Agreements - Underlying:		
U.S. Agency Securities	<u>510,301</u>	<u>510,301</u>
Total	<u>\$ 1,513,074</u>	<u>\$ 1,513,074</u>

**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 Local Government Investment Pool (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.

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COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

**NOTE 4—DUE FROM OTHER GOVERNMENTS:**

At June 30, 2010, the County has receivables from other governments as follows:

	Component Unit	
	Primary Government	School Board
Other Local Governments:		
County of Caroline	\$ -	\$ 2,467,792
Commonwealth of Virginia:		
Local sales tax	280,234	-
Communications tax	138,657	-
Mobile home titling tax	1,492	-
Victim witness grant	14,840	-
School fund grants	-	10,657
VPA funds	52,273	-
State sales tax	-	732,628
Constitutional officer reimbursements	146,655	-
Rolling stock tax	5,222	-
Comprehensive service	97,447	-
Personal property tax relief funds	1,147,226	-
CDBG funds	168,059	-
Wireless funds	14,612	-
Soil conservationist reimbursement	130,540	-
Domestic violence grant	9,457	-
DMV license agent fee	2,792	-
Recordation tax	25,127	-
School resource officer	45,808	-
Rental health department	7,325	-
Other state funds	70,130	-
Federal Government:		
School fund grants	-	240,647
CDBG funds	152,979	-
VPA funds	88,417	-
Other federal grants	43,609	-
Total due from other governments	\$ 2,642,901	\$ 3,451,724
Amounts due to other governments are as follows:		
Other Local Governments:		
Caroline County School Board	\$ 2,467,792	\$ -

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

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**NOTE 5—INTERFUND OBLIGATIONS:**

Details of the Primary Government's interfund receivables and payables as of June 30, 2010, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 5,363,583	\$ -
Proffers	356,858	-
Housing	-	232,086
Virginia Public Assistance	-	84,591
Total Governmental Funds	<u>\$ 5,720,441</u>	<u>\$ 316,677</u>
Enterprise Funds:		
Caroline County Utility	\$ -	\$ 4,626,263
Dawn Wastewater System	-	777,501
Total Enterprise Funds	<u>\$ -</u>	<u>\$ 5,403,764</u>
Total-All Funds	<u>\$ 5,720,441</u>	<u>\$ 5,720,441</u>

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.

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COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

**NOTE 6—CAPITAL ASSETS:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2010:

**Primary Government:**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Governmental activities:</b>				
Capital assets not subject to depreciation:				
Land	\$ 1,059,183	\$ -	\$ -	\$ 1,059,183
Construction in progress	1,265,305	374,990	1,242,619	397,676
Total capital assets not subject to depreciation	\$ 2,324,488	\$ 374,990	\$ 1,242,619	\$ 1,456,859
Capital assets subject to depreciation:				
Buildings	\$ 60,706,529	\$ 2,156,005	\$ -	\$ 62,862,534
Improvements other than buildings	5,024,546	198,947	-	5,223,493
Equipment	10,154,285	535,717	38,060	10,651,942
Total capital assets being depreciated	\$ 75,885,360	\$ 2,890,669	\$ 38,060	\$ 78,737,969
Less accumulated depreciation for:				
Buildings	\$ (10,791,003)	\$ (2,053,346)	\$ -	\$ (12,844,349)
Improvements other than buildings	(1,631,005)	(230,527)	-	(1,861,532)
Equipment	(4,707,130)	(1,259,399)	(38,060)	(5,928,469)
Total accumulated depreciation	\$ (17,129,138)	\$ (3,543,272)	\$ (38,060)	\$ (20,634,350)
Total capital assets being depreciated, net	\$ 58,756,222	\$ (652,603)	\$ -	\$ 58,103,619
Governmental capital assets, net	\$ 61,080,710	\$ (277,613)	\$ 1,242,619	\$ 59,560,478

**Component Unit - School Board:**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Governmental activities:</b>				
Capital assets not subject to depreciation:				
Land	\$ 697,162	\$ -	\$ -	\$ 697,162
Total capital assets not subject to depreciation	\$ 697,162	\$ -	\$ -	\$ 697,162
Capital assets subject to depreciation:				
Buildings	\$ 7,882,196	\$ 13,623	\$ -	\$ 7,895,819
Improvements other than buildings	92,806	-	-	92,806
Equipment	5,052,021	159,959	65,550	5,146,430
Total capital assets being depreciated	\$ 13,027,023	\$ 173,582	\$ 65,550	\$ 13,135,055
Less accumulated depreciation for:				
Buildings	\$ (6,142,518)	\$ (155,309)	\$ -	\$ (6,297,827)
Improvements other than buildings	(18,174)	(4,640)	-	(22,814)
Equipment	(2,687,894)	(311,540)	(14,203)	(2,985,231)
Total accumulated depreciation	\$ (8,848,586)	\$ (471,489)	\$ (14,203)	\$ (9,305,872)
Total capital assets being depreciated, net	\$ 4,178,437	\$ (297,907)	\$ 51,347	\$ 3,829,183
Governmental capital assets, net	\$ 4,875,599	\$ (297,907)	\$ 51,347	\$ 4,526,345

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

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**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

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

Governmental activities:

General government administration	\$	710,085
Judicial administration		129,598
Public safety		814,559
Public works		325,329
Health and welfare		2,301
Education		1,407,924
Parks, recreation and cultural		20,724
Community development		<u>132,752</u>
Total Governmental activities	\$	<u><u>3,543,272</u></u>
Component Unit School Board	\$	<u><u>471,489</u></u>

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COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

**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 local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the new law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Caroline, Virginia for the year ended June 30, 2010, is that school financed assets in the amount of \$38,424,364 and related accumulated depreciation of \$7,058,082 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2010 follows:

**Primary Government:**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Enterprise activities:</b>				
<b>Caroline County Utility Fund:</b>				
Capital assets not subject to depreciation:				
Land	\$ 222,153	\$ -	\$ -	\$ 222,153
Construction in progress	4,104,990	140,914	738,637	3,507,267
Total capital assets not subject to depreciation	\$ 4,327,143	\$ 140,914	\$ 738,637	\$ 3,729,420
Capital assets subject to depreciation:				
Buildings	\$ 840,542	\$ -	\$ -	\$ 840,542
Improvements other than buildings	22,795,885	577,480	-	23,373,365
Equipment	1,077,691	-	-	1,077,691
Total capital assets being depreciated	\$ 24,714,118	\$ 577,480	\$ -	\$ 25,291,598
Less accumulated depreciation for:				
Buildings	\$ (114,081)	\$ (17,250)	\$ -	\$ (131,331)
Improvements other than buildings	(5,026,017)	(494,162)	-	(5,520,179)
Equipment	(535,290)	(91,253)	-	(626,543)
Total accumulated depreciation	\$ (5,675,388)	\$ (602,665)	\$ -	\$ (6,278,053)
Total capital assets being depreciated, net	\$ 19,038,730	\$ (25,185)	\$ -	\$ 19,013,545
Enterprise capital assets, net	\$ 23,365,873	\$ 115,729	\$ 738,637	\$ 22,742,965



COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

A summary of proprietary fund property, plant, and equipment at June 30, 2010 follows: (Continued)

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Enterprise activities:</b>				
<b>Dawn Wastewater System Fund:</b>				
Capital assets not subject to depreciation:				
Land	\$ <u>150,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>150,000</u>
Total capital assets not subject to depreciation	\$ <u>150,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>150,000</u>
Capital assets subject to depreciation:				
Improvements other than buildings	\$ <u>4,944,547</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,944,547</u>
Total capital assets being depreciated	\$ <u>4,944,547</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,944,547</u>
Less accumulated depreciation for:				
Improvements other than buildings	\$ <u>(20,602)</u>	\$ <u>(123,614)</u>	\$ <u>-</u>	\$ <u>(144,216)</u>
Total accumulated depreciation	\$ <u>(20,602)</u>	\$ <u>(123,614)</u>	\$ <u>-</u>	\$ <u>(144,216)</u>
Total capital assets being depreciated, net	\$ <u>4,923,945</u>	\$ <u>(123,614)</u>	\$ <u>-</u>	\$ <u>4,800,331</u>
Enterprise capital assets, net	\$ <u>5,073,945</u>	\$ <u>(123,614)</u>	\$ <u>-</u>	\$ <u>4,950,331</u>

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COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

**NOTE 7—INTERFUND TRANSFERS:**

Interfund transfers for the year ended June 30, 2010, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ 27,000	\$ 4,650,984
Debt Service	4,263,625	-
County Capital Projects	24,750	1,030,326
Virginia Public Assistance	340,311	-
E-911	161,488	-
Law Library	4,817	-
Courthouse Maintenance	-	27,000
Housing	270,177	-
Proffers	-	24,750
Comprehensive Services Act	621,267	-
Total Governmental Funds	\$ 5,713,435	\$ 5,733,060
Enterprise Funds:		
Caroline County Utility	\$ 19,625	\$ 189,149
Dawn Wastewater System	189,149	-
Total Enterprise Funds	\$ 208,774	\$ 189,149
Total-All Funds	\$ 5,922,209	\$ 5,922,209

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

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COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

**NOTE 8—LONG-TERM OBLIGATIONS:**

**Primary Government:**

**Details of Long-Term Indebtedness:**

A summary of long-term obligation transactions for the year ended June 30, 2010 is as follows:

	Amounts Payable at July 1, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
<b>Governmental Obligations:</b>					
Incurred by County					
Compensated absences payable	\$ 451,119	\$ -	\$ 24,823	\$ 426,296	\$ 42,630
Lease revenue bonds	25,440,100	3,540,000	1,003,400	27,976,700	-
Bond anticipation notes payable	4,591,000	-	4,591,000	-	-
Capital lease obligations	1,010,755	-	177,821	832,934	185,183
Landfill closure liability	3,934,191	20,540	128,467	3,826,264	-
OPEB liability	29,600	42,567	17,346	54,821	-
Add deferred amounts:					
For issuance premium	649,194	182,593	-	831,787	-
Revenue bond debt allocable from Business type activities	1,500,000	1,504,649	1,500,000	1,504,649	1,249
Total incurred by County	\$ 37,605,959	\$ 5,290,349	\$ 7,442,857	\$ 35,453,451	\$ 229,062
Incurred by School Board:					
General obligation bonds payable	\$ 29,214,542	\$ 1,685,000	\$ 1,640,279	\$ 29,259,263	\$ 1,711,420
Add deferred amounts:					
For issuance premium	589,095	-	27,685	561,410	-
Total incurred by School Board	\$ 29,803,637	\$ 1,685,000	\$ 1,667,964	\$ 29,820,673	\$ 1,711,420
Total Governmental Obligations	\$ 67,409,596	\$ 6,975,349	\$ 9,110,821	\$ 65,274,124	\$ 1,940,482
<b>Enterprise Obligations:</b>					
Compensated absences payable	\$ 55,833	\$ -	\$ 4,642	\$ 51,191	\$ 5,119
Revenue bonds payable	24,323,924	14,314,015	13,210,024	25,427,915	173,426
General obligation bonds payable	560,000	-	-	560,000	-
Revenue bond debt allocable from Business type activities	(1,500,000)	1,500,000	1,504,649	(1,504,649)	-
OPEB liability	-	5,633	1,354	4,279	-
Adjustment for deferred amounts:					
For deferred costs	(236,703)	-	(113,893)	(122,810)	-
For issuance premium	297,237	1,272,694	35,418	1,534,513	-
Total Enterprise Obligations	\$ 23,500,291	\$ 17,092,342	\$ 14,642,194	\$ 25,950,439	\$ 178,545

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Primary Government: (Continued)**

**Details of Long-Term Indebtedness: (Continued)**

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

Year Ending June 30	County Obligations			
	Capital Leases		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 185,183	\$ 26,731	\$ 1,249	\$ 1,286,492
2012	192,619	20,335	666,249	1,290,025
2013	200,132	13,684	1,836,725	1,263,063
2014	125,000	6,776	2,116,770	1,199,354
2015	130,000	2,288	2,193,364	1,122,203
2016	-	-	2,280,259	1,028,350
2017	-	-	2,064,851	926,039
2018	-	-	1,461,129	845,562
2019	-	-	1,017,575	786,223
2020	-	-	1,060,570	737,651
2021	-	-	1,120,113	686,217
2022	-	-	834,956	640,362
2023	-	-	876,448	601,050
2024	-	-	865,791	561,138
2025	-	-	803,100	523,189
2026	-	-	838,200	485,951
2027	-	-	878,600	446,475
2028	-	-	924,500	404,894
2029	-	-	965,800	361,069
2030	-	-	1,012,500	315,613
2031	-	-	1,059,700	267,960
2032	-	-	1,112,400	218,000
2033	-	-	1,160,500	165,645
2034	-	-	850,000	110,878
2035	-	-	215,000	67,766
2036	-	-	230,000	56,925
2037	-	-	240,000	45,294
2038	-	-	250,000	33,169
2039	-	-	265,000	20,422
2040	-	-	280,000	6,931
Total	\$ 832,934	\$ 69,814	\$ 29,481,349	\$ 16,503,910

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

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**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Primary Government: (Continued)**

**Details of Long-Term Indebtedness: (Continued)**

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

Year Ending June 30	School Obligations	
	General Obligation Bonds Payable	
	Principal	Interest
2011	\$ 1,711,420	\$ 1,442,447
2012	1,473,883	1,354,258
2013	1,480,600	1,281,522
2014	1,441,316	1,216,575
2015	1,480,366	1,150,855
2016	1,519,993	1,083,694
2017	1,576,199	1,010,796
2018	1,234,044	940,627
2019	1,283,389	877,192
2020	902,887	818,386
2021	938,240	769,950
2022	978,874	719,494
2023	1,018,501	668,174
2024	1,063,369	614,606
2025	1,109,794	557,341
2026	1,156,556	497,599
2027	1,208,672	436,285
2028	1,256,160	373,432
2029	935,000	317,558
2030	985,000	267,366
2031	1,035,000	213,331
2032	1,095,000	156,354
2033	1,155,000	96,166
2034	1,220,000	32,635
Total	\$ <u>29,259,263</u>	\$ <u>16,896,643</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Primary Government: (Continued)**

**Details of Long-Term Indebtedness: (Continued)**

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

Year Ending June 30	Enterprise Obligations			
	Revenue Bonds Payable		General Obligation Bonds Payable	
	Principal	Interest	Principal	Interest
2011	\$ 173,426	\$ 955,658	\$ -	\$ 24,748
2012	173,426	1,007,468	-	24,749
2013	1,061,163	991,009	-	24,749
2014	1,095,732	956,789	-	24,749
2015	997,220	920,575	130,000	22,245
2016	1,022,315	883,737	135,000	16,907
2017	1,049,823	844,671	145,000	10,708
2018	1,081,045	801,866	150,000	3,671
2019	1,262,300	753,824	-	-
2020	1,312,656	700,339	-	-
2021	751,061	659,002	-	-
2022	779,818	630,869	-	-
2023	807,326	601,083	-	-
2024	707,283	573,021	-	-
2025	844,674	544,048	-	-
2026	874,674	510,283	-	-
2027	924,675	486,319	-	-
2028	800,000	447,469	-	-
2029	845,000	405,735	-	-
2030	885,000	361,940	-	-
2031	935,000	315,697	-	-
2032	980,000	267,528	-	-
2033	390,000	216,951	-	-
2034	420,000	196,791	-	-
2035	450,000	175,165	-	-
2036	475,000	152,165	-	-
2037	505,000	127,754	-	-
2038	535,000	101,858	-	-
2039	560,000	74,625	-	-
2040	595,000	45,908	-	-
2041	629,649	15,556	-	-
Total	\$ 23,923,266	\$ 15,725,703	\$ 560,000	\$ 152,526

**COUNTY OF CAROLINE, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)****NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)****Primary Government: (Continued)****Details of Long-Term Indebtedness: (Continued)**

	<b><u>Amount Outstanding</u></b>
<b><u>General Long-Term Debt:</u></b>	
<b><u>Capital Lease Obligations:</u></b>	
\$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%.	\$ 232,934
\$1,100,000 capital lease obligation (payable from the General Fund) issued August 1, 2004, secured by E-911 equipment, principal due in various annual installments through 2015, interest payable semi-annually at 3.52%.	<u>600,000</u>
Total Capital Lease Obligations	\$ <u>832,934</u>
Landfill closure and post closure costs	\$ <u>3,826,264</u>
Compensated absences (payable from the General Fund)	\$ <u>426,296</u>
OPEB liability (payable from the General Fund)	\$ <u>54,821</u>
<b><u>Lease Revenue Bonds:</u></b>	
\$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%. Face amount of bonds outstanding, \$9,240,000 plus unamortized premium of \$649,194.	\$ 9,889,194
\$10,455,000 lease revenue bond payable in varying annual installments through 2034. Interest payable semi-annually at rates varying from 2.70% 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%. Face amount of bonds outstanding, \$3,540,000 plus unamortized premium of \$182,593.	<u>3,722,593</u>
Total revenue bonds	\$ <u>28,808,487</u>
Revenue Bond Debt Allocable from Caroline County Utility Fund	\$ <u>1,504,649</u>
Total incurred by the County	\$ <u><u>35,453,451</u></u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Primary Government: (Continued)**

**Details of Long-Term Indebtedness: (Continued)**

	<b><u>Amount Outstanding</u></b>
<b><u>General Obligation Bonds:</u></b>	
<b><u>School Bonds Payable:</u></b>	
\$3,075,000 School Bonds issued 1994, maturing annually with interest payable semi-annually at varying rates through December 2011.	\$ 205,000
\$5,500,000 School Bonds (1991A) issued May 23, 1991, maturing annually with interest payable semi-annually at 6.35% through 2010.	290,000
\$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.	100,000
\$3,183,824 School Bonds (1991B) issued July 31, 1991, maturing annually with interest payable semi-annually at 6.60% through July 2011.	405,409
\$1,407,825 School Bonds (1992) issued November 12, 1992, maturing annually with interest payable semi-annually at varying rates through July 2012.	252,519
\$315,997 School Bonds (1994B) issued November 22, 1994, maturing annually with interest payable semi-annually at varying rates through July 2014.	94,263
\$456,597 School Bonds (1996B) issued November 14, 1996, maturing annually with interest payable semi-annually at varying rates through July 2016.	179,195
\$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.	799,910
\$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. Carrying amount of bonds includes unamortized bond issuance premium of \$309,014.	6,121,981
\$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. Carrying amount of bonds includes unamortized bond issuance premium of \$252,396.	19,687,396
\$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 school bonds payable	\$ <u>29,820,673</u>
Total School Board Long-Term Debt Issued, payable from the General Fund	\$ <u>29,820,673</u>
Total Governmental Obligations	\$ <u>65,274,124</u>



COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Primary Government: (Continued)**

**Details of Long-Term Indebtedness: (Continued)**

	<b><u>Amount Outstanding</u></b>
<b><u>Enterprise Obligations:</u></b>	
<b><u>Revenue Bond Obligations:</u></b>	
\$4,291,207 revenue bond issued 1994, maturing annually with interest payable semi-annually at varying rates through October 2016.	\$ 703,449
\$13,155,000 revenue bond issued October 1, 2001, maturing annually through 2032 with interest payable semi-annually at varying rates 2.50% - 5.25%. Face amount of bonds outstanding, \$10,230,000 less unamortized deferred costs of \$53,577.	3,281,423
\$3,420,000 infrastructure revenue bonds (2003 C/D) issued August 7, 2003, maturing annually with interest payable semi-annually at varying rates through October 2016. Face amount of bonds outstanding, \$1,015,000 plus unamortized premium of \$18,530, less unamortized deferred costs of \$69,233.	964,297
\$3,223,813 revenue bond issued March 3, 2006, maturing in equal annual installments through 2025. No interest is payable on the bond.	2,884,466
\$2,060,000 VRA revenue bond issued 2009, maturing annually beginning October 2012 with interest payable semi-annually at varying rates through October 2019. Face amount of bonds outstanding, \$2,060,000 plus unamortized premium of \$243,289.	2,303,289
\$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 3.125% - 5.125%. Face amount of bonds outstanding, \$6,905,000 plus unamortized premium of \$695,834.	7,600,834
Less: Revenue bond debt allocable to general government	(1,504,649)
\$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 2.20% - 5.20%. Face amount of bonds outstanding, \$8,525,000 plus unamortized premium of \$576,860.	9,101,860
Total revenue bond obligations	\$ 25,334,969
<b><u>General Obligations Bonds:</u></b>	
\$560,000 VRA general obligation refunding bond issued 2009, maturing annually beginning October 2014 with interest payable semi-annually at varying rates through October 2017.	\$ 560,000
OPEB liability (payable from the Utility Fund)	\$ 4,279
Compensated absences (Payable from the Enterprise Funds)	\$ 51,191
Total enterprise obligations	\$ 25,950,439

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

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**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Primary Government: (Continued)**

**Details of Long-Term Indebtedness: (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 and for emergency dispatch and general radio communications equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<b><u>Governmental Activities</u></b>
Asset:	
Machinery and equipment	\$ 1,584,409
Less: Accumulated depreciation	<u>(966,957)</u>
Net asset value	<u><u>\$ 617,452</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Governmental Activities</u></b>
2010	\$ -
2011	211,914
2012	212,954
2013	213,816
2014	131,776
2015	<u>132,288</u>
Total minimum lease payments	\$ 902,748
Less: amount representing interest	<u>(69,814)</u>
Present value of minimum lease payments	<u><u>\$ 832,934</u></u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 (CONTINUED)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Details of Long-Term Indebtedness: (Continued)**

**Component Unit—School Board:**

The following is a summary of long-term debt transactions of the Component Unit—School Board for the year ended June 30, 2010:

	Amounts Payable at July 1, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
Compensated absences payable (payable from the School Fund)	\$ 465,167	\$ 90,363	\$ -	\$ 555,530	\$ 55,553
OPEB liability	734,200	1,207,400	558,300	1,383,300	-
Capital lease obligations	562,104	-	562,104	-	-
Total component unit School Board	<u>\$ 1,761,471</u>	<u>\$ 1,297,763</u>	<u>\$ 1,120,404</u>	<u>\$ 1,938,830</u>	<u>\$ 55,553</u>

	Amount Outstanding
OPEB liability (payable from the School Fund)	\$ 1,383,300
Compensated absences (payable from the School Fund)	<u>555,530</u>
Total Debt incurred by the Component Unit School Board	<u>\$ 1,938,830</u>

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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#### **NOTE 9—LANDFILL POST CLOSURE 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 thirty years after closure. The landfill operated by Caroline 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 \$3,826,264 reported as landfill postclosure care liability at June 30, 2010, represents the remaining engineering estimate for 22 years of postclosure monitoring and care. These amounts are based on what it would cost to perform all postclosure care in 2010. 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 post-closure 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 \$15,065,017 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$14,690,098 at June 30, 2010.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2010, but paid in advance by the tax payers totaled \$365,496 at June 30, 2010.

Deferred Grant Revenue: Deferred revenue representing unspent grant revenue totaled \$9,423 at June 30, 2010.

#### **NOTE 11—COMMITMENTS AND CONTINGENCIES:**

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

#### **NOTE 12—LITIGATION:**

At June 30, 2010, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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#### **NOTE 13--RISK MANAGEMENT:**

The County and Component Unit School Board 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 natural disasters. The County and School Board participate with other Virginia localities in public entity risk pools for the provision of insurance coverage. The County receives workers compensation, liability and property loss coverage through the Virginia Association of Counties Group Self Insurance Risk Pool. The School Board receives its workers compensation coverage from the Virginia Municipal League and all other coverage from the Virginia School Board Association. The County and School Board pay an annual premium to the pools for insurances through member premiums. There have been no reductions in any insurance coverage from the previous year and settled claims resulting from these risk have not exceeded insurance coverage in any of the past three fiscal years.

#### **NOTE 14--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 employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained 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 JUNE 30, 2010 (CONTINUED)

#### **NOTE 14—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 annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional employees' contribution rates for the fiscal year ended 2010 were 6.86% and 5.72% of annual covered payroll, respectively.

The Caroline County School Board professional employees rate was 8.81% from July 2009 through March 2010 and zero (0.00%) from April 2010 through June 2010. The professional employees' rate was 8.81% and 10.30% of annual covered payroll for the year ending June 30, 2009 and 2008, respectively. The School Board contributed \$1,143,529, \$1,632,462, and \$1,821,376, to the teacher cost-sharing pool for the fiscal years ended June 30, 2010, 2009, and 2008 respectively, which equaled the required contributions for each year.

##### **C. Annual Pension Cost**

For fiscal year 2010, the County's annual pension cost of \$608,479 was equal to the County's required and actual contributions.

For fiscal year 2010, the County School Board's annual pension cost for the Board's non-professional employees was \$71,001, which was equal to the Board's required and actual contributions.

#### **Three-Year Trend Information County and School Board Non-Professional Employees**

<b><u>Fiscal Year Ending</u></b>	<b><u>Annual Pension Cost (APC) (1)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
County:			
June 30, 2010	\$ 608,479	100%	\$ -
June 30, 2009	620,500	100%	-
June 30, 2008	480,371	100%	-
School Board:			
Non-Professional:			
June 30, 2010	\$ 71,001	100%	\$ -
June 30, 2009	66,432	100%	-
June 30, 2008	64,577	100%	-

(1) Employer portion only

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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#### **NOTE 14—DEFINED BENEFIT PENSION PLAN: (Continued)**

##### **C. Annual Pension Cost (Continued)**

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

##### **D. Funded Status and Funding Progress**

As of June 30, 2009, the most recent actuarial valuation date, the County plan was 90.35% funded. The actuarial accrued liability for benefits was \$21,966,054 and the actuarial value of assets was \$19,847,084, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,118,970. The covered payroll (annual payroll of active employees covered by the plan) was \$8,788,178 and ratio of the UAAL to the covered payroll was 24.11%.

As of June 30, 2009, the most recent actuarial valuation date, the School Board Non-Professional plan was 96.87% funded. The actuarial accrued liability for benefits was \$4,292,716, and the actuarial value of assets was \$4,158,223, resulting in an unfunded actuarial accrued liability (UAAL) of \$134,493. The covered payroll (annual payroll of active employees covered by the plan) was \$1,152,850 and ratio of the UAAL to the covered payroll was 11.67%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear 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 JUNE 30, 2010 (CONTINUED)

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#### **NOTE 15—SURETY BONDS:**

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
Margaret Walker, Clerk of the Circuit Court	\$ 400,000
Elizabeth B. Curran, Treasurer	400,000
Sharon Carter, Commissioner of the Revenue	3,000
Anthony "Tony" Lippa, Sheriff	30,000
The above constitutional officer's employees blanket bond	
 VACO Self Insurance Program - Surety	
All County Employees - blanket bond	250,000
 Fidelity and Deposit Company of Maryland – Surety	
Social Services Employees – blanket bond	100,000
 RISK 2 - Surety	
All Social Services Employees - Blanket Bond	1,000,000

#### **NOTE 16—POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:**

##### Plan Description

Caroline County and Caroline County 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 fifteen years of continuous County of Caroline service and are eligible to receive an early or regular retirement benefit from the Virginia Retirement System (VRS). School Board employees must retire with at least thirty 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 and School Board retirees are responsible for 100% of the premium which is paid directly to the subscriber. Retirees from Caroline County and the School Board can elect one of four different plans with Anthem Blue Cross. Benefits end at the age of 65 for both the County and the School System. 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.



## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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#### **NOTE 16—POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS: (CONTINUED)**

##### 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 \$356.42 for retiree only coverage to \$1,460.79 for the retiree plus family. Retirees of the Caroline County School System must meet the eligibility requirements based on service earned with Virginia Retirement Systems to be eligible to receive benefits. Participants who do not retire directly from active service are not eligible. Retirees may choose one of three health plans through Cigna and Delta Dental.

The Caroline County School System makes the following monthly premiums on behalf of retirees:

	<u>Retiree</u>		<u>Retiree and Dependent</u>		<u>Retiree and Spouse</u>		<u>Retiree and Family</u>	
Medical	\$	463.84	\$	703.94	\$	920.76	\$	1,133.75
Dental	\$	12.94	\$	18.44	\$	15.44	\$	19.98

The retiree pays the remainder of the premium.

The County currently has 1 retiree without spouse coverage and 2 retirees with spouse coverage participating in the plan. The School System has 35 retirees without spouse coverage and 7 retirees with spouse coverage participating in the plan.

##### Annual OPEB Cost and Net OPEB Obligation

The County's and School System's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. 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 thirty years.

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# COUNTY OF CAROLINE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

### NOTE 16--POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS: (CONTINUED)

#### 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 Retiree Health Plan:

	Primary Government	Component Unit- School Board
Annual required contribution	\$ 48,200	\$ 1,207,400
Interest on net OPEB obligation	1,184	29,368
Adjustment to annual required contribution	(1,184)	(29,368)
Annual OPEB cost (expense)	\$ 48,200	\$ 1,207,400
Estimated Contributions made	(18,700)	(558,300)
Increase in net OPEB obligation	29,500	649,100
Net OPEB obligation-beginning of year	29,600	734,200
Net OPEB obligation-end of year	\$ 59,100	\$ 1,383,300

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 2009 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2009	\$ 45,900	35.51%	\$ 29,600
6/30/2010	48,200	38.80%	59,100
School System:			
6/30/2009	\$ 1,146,900	35.98%	\$ 734,200
6/30/2010	1,207,400	46.24%	1,383,300

#### Funded Status and Funding Progress

As of June 30, 2009, the County's actuarial accrued liability for benefits was \$435,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$7,779,900, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.59%.

As of June 30, 2009, the School System's actuarial accrued liability for benefits was \$9,698,700, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$21,443,500, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 45.23%.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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#### **NOTE 16—POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS: (CONTINUED)**

##### Annual OPEB Cost and Net OPEB Obligation (Continued)

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 plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

##### 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 2010 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 95% of current actives of Caroline County Public Schools will elect medical coverage. 80% of retirees who elect medical coverage will elect to cover a spouse. 70% of current active employees will elect dental coverage and 35% 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, 2010 was thirty years.

## COUNTY OF CAROLINE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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#### **NOTE 17—OTHER POST-EMPLOYMENT BENEFITS (OPEB):**

##### **A. Plan Description**

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

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

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

##### **B. Fund Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2010, 2009 and 2008 were \$134,991, \$200,199, and \$205,126, respectively and equaled the required contributions for each year.

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## ***REQUIRED SUPPLEMENTARY INFORMATION***

### ***NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:***

***Presented budgets were prepared in accordance  
with accounting principles generally accepted in the  
United States of America.***

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COUNTY OF CAROLINE, VIRGINIA

Exhibit 11

General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 22,657,379	\$ 23,957,379	\$ 25,663,790	\$ 1,706,411
Other local taxes	3,547,928	3,312,515	3,096,245	(216,270)
Permits, privilege fees, and regulatory licenses	515,175	415,175	358,285	(56,890)
Fines and forfeitures	625,000	475,000	447,048	(27,952)
Revenue from the use of money and property	158,779	89,001	55,972	(33,029)
Charges for services	432,438	352,438	314,443	(37,995)
Miscellaneous	50,555	217,600	303,926	86,326
Recovered costs	1,053,959	1,053,959	1,172,333	118,374
Intergovernmental revenues:				
Component Unit - School Board	-	-	950,537	950,537
Commonwealth	4,829,143	4,368,021	4,234,506	(133,515)
Federal	33,720	298,729	243,447	(55,282)
Total revenues	<u>\$ 33,904,076</u>	<u>\$ 34,539,817</u>	<u>\$ 36,840,532</u>	<u>\$ 2,300,715</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,887,148	\$ 2,887,148	\$ 3,279,185	\$ (392,037)
Judicial administration	1,029,627	1,072,138	1,141,835	(69,697)
Public safety	8,969,836	9,298,990	8,990,358	308,632
Public works	2,630,285	2,678,285	2,870,377	(192,092)
Health and welfare	520,585	520,585	513,010	7,575
Education	11,342,281	11,342,281	11,342,281	-
Parks, recreation, and cultural	688,696	688,696	604,610	84,086
Community development	1,267,988	1,326,549	1,315,150	11,399
Nondepartmental	-	59,800	-	59,800
Total expenditures	<u>\$ 29,336,446</u>	<u>\$ 29,874,472</u>	<u>\$ 30,056,806</u>	<u>\$ (182,334)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,567,630</u>	<u>\$ 4,665,345</u>	<u>\$ 6,783,726</u>	<u>\$ 2,118,381</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 36,756	\$ 15,000	\$ 27,000	\$ 12,000
Transfers out	(4,604,386)	(4,705,345)	(4,650,984)	54,361
Total other financing sources and uses	<u>\$ (4,567,630)</u>	<u>\$ (4,690,345)</u>	<u>\$ (4,623,984)</u>	<u>\$ 66,361</u>
Net change in fund balances	\$ -	\$ (25,000)	\$ 2,159,742	\$ 2,184,742
Fund balances - beginning	-	25,000	3,944,749	3,919,749
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,104,491</u>	<u>\$ 6,104,491</u>



Schedule of Pension Funding Progress  
For the Year Ended June 30, 2010

Primary Government:  
County Retirement Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
6/30/2009	\$ 19,847,084	\$ 21,966,054	\$ 2,118,970	90.35%	\$ 8,788,178	24.11%
6/30/2008	18,828,508	19,907,679	1,079,171	94.58%	8,740,812	12.35%
6/30/2007	16,687,213	17,062,270	375,057	97.80%	7,332,912	5.11%
6/30/2006	14,575,520	14,361,399	(214,121)	101.49%	6,515,236	-3.29%
6/30/2005	13,378,759	13,745,270	366,511	97.33%	5,796,393	6.32%
6/30/2004	12,805,964	13,374,094	568,130	95.75%	5,144,099	11.04%
6/30/2003	12,467,852	12,400,058	(67,794)	100.55%	4,948,888	-1.37%
6/30/2002	12,185,696	10,586,520	(1,599,176)	115.11%	4,309,861	-37.11%
6/30/2001	11,704,550	8,925,549	(2,779,001)	131.14%	4,143,265	-67.07%

Discretely Presented Component Unit:  
School Board Non-Professionals Retirement Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
6/30/2009	\$ 4,158,223	\$ 4,292,716	\$ 134,493	96.87%	\$ 1,152,850	11.67%
6/30/2008	4,218,242	4,126,164	(92,078)	102.23%	1,157,627	-7.95%
6/30/2007	3,853,455	3,921,962	68,507	98.25%	1,126,598	6.08%
6/30/2006	3,445,424	3,673,204	227,780	93.80%	1,152,241	19.77%
6/30/2005	3,267,833	3,512,481	244,648	93.03%	1,079,446	22.66%
6/30/2004	3,205,877	3,044,364	(161,513)	105.31%	1,022,601	-15.79%
6/30/2003	3,192,387	2,767,958	(424,429)	115.33%	893,755	-47.49%
6/30/2002	3,174,970	2,768,937	(406,033)	114.66%	863,820	-47.00%
6/30/2001	3,081,427	2,561,002	(520,425)	120.32%	891,006	-58.41%

Schedule of Funding Progress - Retiree Healthcare Plan  
For the Year Ended June 30, 2010

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**Primary Government:**

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio (2) (3)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll (4) (6)</u>
6/30/2009	\$ -	\$ 435,000	\$ 435,000	0.00%	\$ 7,779,900	5.59%

**Discretely Presented Component Unit:  
School Board Non-Professionals**

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio (2) (3)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll (4) (6)</u>
6/30/2009	\$ -	\$ 9,698,700	\$ 9,698,700	0.00%	\$ 21,443,500	45.23%

## Proffers Fund

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ 1,100	\$ 1,104	\$ 4
Miscellaneous	-	225,000	260,996	35,996
Total revenues	\$ -	\$ 226,100	\$ 262,100	\$ 36,000
<b>EXPENDITURES</b>				
Capital projects	\$ -	\$ 201,350	\$ 91,703	\$ 109,647
Total expenditures	\$ -	\$ 201,350	\$ 91,703	\$ 109,647
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 24,750	\$ 170,397	\$ 145,647
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ (24,750)	\$ (24,750)	\$ -
Total other financing sources and uses	\$ -	\$ (24,750)	\$ (24,750)	\$ -
Net change in fund balances	\$ -	\$ -	\$ 145,647	\$ 145,647
Fund balances - beginning	-	-	1,033,770	1,033,770
Fund balances - ending	\$ -	\$ -	\$ 1,179,417	\$ 1,179,417

Virginia Public Assistance Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2010

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 17,564	\$ 17,564
Intergovernmental revenues:				
Commonwealth	522,131	522,131	676,627	154,496
Federal	1,278,819	1,278,819	1,467,270	188,451
Total revenues	<u>\$ 1,800,950</u>	<u>\$ 1,800,950</u>	<u>\$ 2,161,461</u>	<u>\$ 360,511</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 2,264,551	\$ 2,264,551	\$ 2,469,874	\$ (205,323)
Total expenditures	<u>\$ 2,264,551</u>	<u>\$ 2,264,551</u>	<u>\$ 2,469,874</u>	<u>\$ (205,323)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (463,601)</u>	<u>\$ (463,601)</u>	<u>\$ (308,413)</u>	<u>\$ 155,188</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 463,601	\$ 463,601	\$ 340,311	\$ (123,290)
Total other financing sources and uses	<u>\$ 463,601</u>	<u>\$ 463,601</u>	<u>\$ 340,311</u>	<u>\$ (123,290)</u>
Net change in fund balances	\$ -	\$ -	\$ 31,898	\$ 31,898
Fund balances - beginning	-	-	25,223	25,223
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,121</u>	<u>\$ 57,121</u>

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*OTHER SUPPLEMENTARY INFORMATION*

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Debt Service Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ 1,279,190	\$ 909,859	\$ 1,388,110	\$ 478,251
Revenue from the use of money and property	112,626	112,626	111,600	(1,026)
Intergovernmental revenues:				
Commonwealth	373,986	273,986	356,682	82,696
Total revenues	<u>\$ 1,765,802</u>	<u>\$ 1,296,471</u>	<u>\$ 1,856,392</u>	<u>\$ 559,921</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 3,138,249	\$ 2,017,178	\$ 2,848,100	\$ (830,922)
Interest and other fiscal charges	2,130,519	3,812,585	3,092,117	720,468
Total expenditures	<u>\$ 5,268,768</u>	<u>\$ 5,829,763</u>	<u>\$ 5,940,217</u>	<u>\$ (110,454)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,502,966)</u>	<u>\$ (4,533,292)</u>	<u>\$ (4,083,825)</u>	<u>\$ 449,467</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,502,966	\$ 4,533,292	\$ 4,263,625	\$ (269,667)
Bond premium issuance	-	-	182,593	182,593
Refunding bonds issued	-	-	5,225,000	5,225,000
Contribution to Caroline County School Board	-	-	(562,104)	(562,104)
Redemption of refunded bonds	-	-	(4,564,400)	(4,564,400)
Bond issuance costs	-	-	(171,361)	(171,361)
Total other financing sources and uses	<u>\$ 3,502,966</u>	<u>\$ 4,533,292</u>	<u>\$ 4,373,353</u>	<u>\$ (159,939)</u>
Net change in fund balances	\$ -	\$ -	\$ 289,528	\$ 289,528
Fund balances - beginning	-	-	(107,903)	(107,903)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,625</u>	<u>\$ 181,625</u>



County Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ 8,500	\$ 9,293	\$ 793
Miscellaneous	-	5,000	2,330	(2,670)
Intergovernmental revenues:				
Commonwealth	-	221,885	221,885	-
Total revenues	\$ -	\$ 235,385	\$ 233,508	\$ (1,877)
<b>EXPENDITURES</b>				
Capital projects	\$ -	\$ 406,672	\$ 2,079,246	\$ (1,672,574)
Total expenditures	\$ -	\$ 406,672	\$ 2,079,246	\$ (1,672,574)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (171,287)	\$ (1,845,738)	\$ (1,674,451)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 24,750	\$ 24,750	\$ -
Transfers out	-	(1,030,326)	(1,030,326)	-
Total other financing sources and uses	\$ -	\$ (1,005,576)	\$ (1,005,576)	\$ -
Net change in fund balances	\$ -	\$ (1,176,863)	\$ (2,851,314)	\$ (1,674,451)
Fund balances - beginning	-	1,176,863	4,818,961	3,642,098
Fund balances - ending	\$ -	\$ -	\$ 1,967,647	\$ 1,967,647

COUNTY OF CAROLINE, VIRGINIA

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2010

	Comprehensive Services Fund	E-911 System Tax Fund	Law Library Fund	Courthouse Maintenance Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,367
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	-	623	2,591
Due from other governmental units	97,447	104,688	-	-
Total assets	<u>\$ 97,447</u>	<u>\$ 104,688</u>	<u>\$ 623</u>	<u>\$ 3,958</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 1,255	\$ 1,083	\$ -
Accrued liabilities	-	(862)	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ 393</u>	<u>\$ 1,083</u>	<u>\$ -</u>
Fund balances:				
Unreserved:				
Undesignated	\$ 97,447	\$ 104,295	\$ (460)	\$ 3,958
Total fund balances	<u>\$ 97,447</u>	<u>\$ 104,295</u>	<u>\$ (460)</u>	<u>\$ 3,958</u>
Total liabilities and fund balances	<u>\$ 97,447</u>	<u>\$ 104,688</u>	<u>\$ 623</u>	<u>\$ 3,958</u>

<u>Tourism Fund</u>	<u>Sheriff's Grant Fund</u>	<u>Fire/Rescue Grant Fund</u>	<u>Housing Fund</u>	<u>Total</u>
\$ 14,977	\$ 135,900	\$ 114,756	\$ 7,958	\$ 274,958
19,328	-	-	-	22,542
-	-	-	321,038	523,173
<u>\$ 34,305</u>	<u>\$ 135,900</u>	<u>\$ 114,756</u>	<u>\$ 328,996</u>	<u>\$ 820,673</u>
\$ 956	\$ -	\$ 3,500	\$ 11,879	\$ 18,673
-	-	-	1,278	416
-	-	-	232,086	232,086
<u>\$ 956</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 245,243</u>	<u>\$ 251,175</u>
\$ 33,349	\$ 135,900	\$ 111,256	\$ 83,753	\$ 569,498
\$ 33,349	\$ 135,900	\$ 111,256	\$ 83,753	\$ 569,498
<u>\$ 34,305</u>	<u>\$ 135,900</u>	<u>\$ 114,756</u>	<u>\$ 328,996</u>	<u>\$ 820,673</u>

**COUNTY OF CAROLINE, VIRGINIA**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2010

	Comprehensive Services Fund	E-911 System Tax Fund	Law Library Fund	Courthouse Maintenance Fund
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Revenue from the use of money and property	-	-	-	-
Charges for services	-	-	7,457	28,163
Miscellaneous	21,801	-	-	-
Intergovernmental revenues:				
Commonwealth	959,560	683,641	-	-
Federal	-	-	-	-
Total revenues	\$ <u>981,361</u>	\$ <u>683,641</u>	\$ <u>7,457</u>	\$ <u>28,163</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	\$ -	\$ -	\$ 13,441	\$ -
Public safety	-	828,529	-	-
Health and welfare	1,493,144	-	-	-
Community development	-	-	-	-
Total expenditures	\$ <u>1,493,144</u>	\$ <u>828,529</u>	\$ <u>13,441</u>	\$ <u>-</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(511,783)</u>	\$ <u>(144,888)</u>	\$ <u>(5,984)</u>	\$ <u>28,163</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 621,267	\$ 161,488	\$ 4,817	\$ -
Transfers out	-	-	-	(27,000)
Total other financing sources and uses	\$ <u>621,267</u>	\$ <u>161,488</u>	\$ <u>4,817</u>	\$ <u>(27,000)</u>
Net change in fund balances	\$ 109,484	\$ 16,600	\$ (1,167)	\$ 1,163
Fund balances - beginning	(12,037)	87,695	707	2,795
Fund balances - ending	\$ <u>97,447</u>	\$ <u>104,295</u>	\$ <u>(460)</u>	\$ <u>3,958</u>

Tourism Fund	Sheriff's Grant Fund	Fire/Rescue Grant Fund	Housing Fund	Total
\$ 186,436	\$ -	\$ -	\$ -	\$ 186,436
-	3	-	5,127	5,130
-	-	-	-	35,620
9,518	5,235	-	-	36,554
-	46,612	159,695	168,059	2,017,567
-	-	-	208,803	208,803
<u>\$ 195,954</u>	<u>\$ 51,850</u>	<u>\$ 159,695</u>	<u>\$ 381,989</u>	<u>\$ 2,490,110</u>
\$ -	\$ -	\$ -	\$ -	\$ 13,441
-	2,141	48,439	-	879,109
-	-	-	-	1,493,144
204,186	-	-	309,182	513,368
<u>\$ 204,186</u>	<u>\$ 2,141</u>	<u>\$ 48,439</u>	<u>\$ 309,182</u>	<u>\$ 2,899,062</u>
\$ (8,232)	\$ 49,709	\$ 111,256	\$ 72,807	\$ (408,952)
\$ -	\$ -	\$ -	\$ 270,177	\$ 1,057,749
-	-	-	-	(27,000)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,177</u>	<u>\$ 1,030,749</u>
\$ (8,232)	\$ 49,709	\$ 111,256	\$ 342,984	\$ 621,797
41,581	86,191	-	(259,231)	(52,299)
<u>\$ 33,349</u>	<u>\$ 135,900</u>	<u>\$ 111,256</u>	<u>\$ 83,753</u>	<u>\$ 569,498</u>

Nonmajor Special Revenue Funds  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010

	Comprehensive Services Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Revenue from the use of money and property	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	23,000	21,801	(1,199)
Intergovernmental revenues:				
Commonwealth	922,791	1,005,206	959,560	(45,646)
Federal	-	-	-	-
Total revenues	<u>\$ 922,791</u>	<u>\$ 1,028,206</u>	<u>\$ 981,361</u>	<u>\$ (46,845)</u>
EXPENDITURES				
Current:				
Judicial administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Health and welfare	1,328,147	1,529,922	1,493,144	36,778
Community development	-	-	-	-
Total expenditures	<u>\$ 1,328,147</u>	<u>\$ 1,529,922</u>	<u>\$ 1,493,144</u>	<u>\$ 36,778</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (405,356)</u>	<u>\$ (501,716)</u>	<u>\$ (511,783)</u>	<u>\$ (10,067)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 405,356	\$ 501,716	\$ 621,267	\$ (119,551)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>\$ 405,356</u>	<u>\$ 501,716</u>	<u>\$ 621,267</u>	<u>\$ (119,551)</u>
Net change in fund balances	\$ -	\$ -	\$ 109,484	\$ 109,484
Fund balances - beginning	-	-	(12,037)	(12,037)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,447</u>	<u>\$ 97,447</u>

E-911 System Tax Fund				Law Library Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	6,700	6,700	7,457	757
-	-	-	-	-	-	-	-
725,431	725,431	683,641	(41,790)	-	-	-	-
-	-	-	-	-	-	-	-
\$ 725,431	\$ 725,431	\$ 683,641	\$ (41,790)	\$ 6,700	\$ 6,700	\$ 7,457	\$ 757
\$ -	\$ -	\$ -	\$ -	\$ 6,700	\$ 12,000	\$ 13,441	\$ (1,441)
927,894	927,894	828,529	99,365	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 927,894	\$ 927,894	\$ 828,529	\$ 99,365	\$ 6,700	\$ 12,000	\$ 13,441	\$ (1,441)
\$ (202,463)	\$ (202,463)	\$ (144,888)	\$ 57,575	\$ -	\$ (5,300)	\$ (5,984)	\$ (684)
\$ 202,463	\$ 202,463	\$ 161,488	\$ 40,975	\$ -	\$ 5,300	\$ 4,817	\$ 483
-	-	-	-	-	-	-	-
\$ 202,463	\$ 202,463	\$ 161,488	\$ 40,975	\$ -	\$ 5,300	\$ 4,817	\$ 483
\$ -	\$ -	\$ 16,600	\$ 16,600	\$ -	\$ -	\$ (1,167)	\$ (1,167)
-	-	87,695	87,695	-	-	707	707
-	-	104,295	104,295	-	-	(460)	(460)

## Nonmajor Special Revenue Funds

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2010 (Continued)

	Courthouse Maintenance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Revenue from the use of money and property	-	-	-	-
Charges for services	27,000	27,000	28,163	1,163
Miscellaneous	-	-	-	-
Intergovernmental revenues:				
Commonwealth	-	-	-	-
Federal	-	-	-	-
Total revenues	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ 28,163</u>	<u>\$ 1,163</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ 28,163</u>	<u>\$ 1,163</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(27,000)	(27,000)	(27,000)	-
Total other financing sources and uses	<u>\$ (27,000)</u>	<u>\$ (27,000)</u>	<u>\$ (27,000)</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ 1,163	\$ 1,163
Fund balances - beginning	-	-	2,795	2,795
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,958</u>	<u>\$ 3,958</u>



Tourism Fund				Sheriff's Grant Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 223,957	\$ 223,957	\$ 186,436	\$ (37,521)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	3	3
-	-	-	-	-	-	-	-
15,000	15,000	9,518	(5,482)	-	-	5,235	5,235
-	-	-	-	-	-	46,612	46,612
-	-	-	-	-	-	-	-
<u>\$ 238,957</u>	<u>\$ 238,957</u>	<u>\$ 195,954</u>	<u>\$ (43,003)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,850</u>	<u>\$ 51,850</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	2,141	(2,141)
-	-	-	-	-	-	-	-
268,138	268,138	204,186	63,952	-	-	-	-
<u>\$ 268,138</u>	<u>\$ 268,138</u>	<u>\$ 204,186</u>	<u>\$ 63,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,141</u>	<u>\$ (2,141)</u>
<u>\$ (29,181)</u>	<u>\$ (29,181)</u>	<u>\$ (8,232)</u>	<u>\$ 20,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,709</u>	<u>\$ 49,709</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ (29,181)	\$ (29,181)	\$ (8,232)	\$ 20,949	\$ -	\$ -	\$ 49,709	\$ 49,709
29,181	29,181	41,581	12,400	-	-	86,191	86,191
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,349</u>	<u>\$ 33,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,900</u>	<u>\$ 135,900</u>

Nonmajor Special Revenue Funds  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2010 (Continued)

	Fire/Rescue Grant Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Revenue from the use of money and property	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental revenues:				
Commonwealth	-	109,678	159,695	50,017
Federal	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ 109,678</u>	<u>\$ 159,695</u>	<u>\$ 50,017</u>
<b>EXPENDITURES</b>				
Current:				
Judicial administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	109,678	48,439	61,239
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ 109,678</u>	<u>\$ 48,439</u>	<u>\$ 61,239</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,256</u>	<u>\$ 111,256</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ 111,256	\$ 111,256
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,256</u>	<u>\$ 111,256</u>

Housing Fund				
Budgeted Amounts			Variance with Final Budget Positive (Negative)	
Original	Final	Actual		
\$ -	\$ -	\$ -	\$ -	
-	4,700	5,127	427	
-	-	-	-	
-	-	-	-	
-	-	168,059	168,059	
-	305,000	208,803	(96,197)	
\$ -	\$ 309,700	\$ 381,989	\$ 72,289	
\$ -	\$ -	\$ -	\$ -	
-	-	-	-	
-	-	-	-	
-	309,700	309,182	518	
\$ -	\$ 309,700	\$ 309,182	\$ 518	
\$ -	\$ -	\$ 72,807	\$ 72,807	
\$ -	\$ -	\$ 270,177	\$ (270,177)	
-	-	-	-	
\$ -	\$ -	\$ 270,177	\$ (270,177)	
\$ -	\$ -	\$ 342,984	\$ 342,984	
-	-	(259,231)	(259,231)	
\$ -	\$ -	\$ 83,753	\$ 83,753	

Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2010

	Agency Funds			
	Four Rivers Technology in			
	Special Welfare	Education Consortium	Deposit Escrow	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,188	\$ 20,647	\$ 362,215	\$ 389,050
Total assets	<u>\$ 6,188</u>	<u>\$ 20,647</u>	<u>\$ 362,215</u>	<u>\$ 389,050</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 5,239	\$ -	\$ 5,239
Amounts held for social services clients	6,188	-	-	6,188
Amounts held for consortium	-	15,408	-	15,408
Refundable escrow deposits payable	-	-	362,215	362,215
Total liabilities	<u>\$ 6,188</u>	<u>\$ 20,647</u>	<u>\$ 362,215</u>	<u>\$ 389,050</u>

## Fiduciary Funds

## Statement of Changes in Assets and Liabilities - Agency Funds

Year Ended June 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 3,163	\$ 30,282	\$ 27,257	\$ 6,188
Liabilities:				
Amounts held for social services clients	\$ 3,163	\$ 30,282	\$ 27,257	\$ 6,188
<b>Four Rivers Technology in Education Consortium Fund:</b>				
Assets:				
Cash and cash equivalents	\$ (39,226)	\$ 126,713	\$ 66,840	\$ 20,647
Accounts receivable	85,358		85,358	-
Total assets	\$ 46,132	\$ 126,713	\$ 152,198	\$ 20,647
Liabilities:				
Accounts payable	\$ 13,446	\$ 5,239	\$ 13,446	\$ 5,239
Amounts held for consortium	32,686	121,474	138,752	15,408
Total liabilities	\$ 46,132	\$ 126,713	\$ 152,198	\$ 20,647
<b>Deposit Escrow Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 325,728	\$ 251,109	\$ 214,622	\$ 362,215
Total assets	\$ 325,728	\$ 251,109	\$ 214,622	\$ 362,215
Liabilities:				
Refundable escrow deposits payable	\$ 325,728	\$ 251,109	\$ 214,622	\$ 362,215
Total liabilities	\$ 325,728	\$ 251,109	\$ 214,622	\$ 362,215
<b>Totals -- All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 289,665	\$ 408,104	\$ 308,719	\$ 389,050
Accounts receivable	85,358	-	85,358	-
Total assets	\$ 375,023	\$ 408,104	\$ 394,077	\$ 389,050
Liabilities:				
Accounts payable	\$ 13,446	\$ 5,239	\$ 13,446	\$ 5,239
Amounts held for social services clients	3,163	30,282	27,257	6,188
Amounts held for consortium	32,686	121,474	138,752	15,408
Refundable escrow deposits payable	325,728	251,109	214,622	362,215
Total liabilities	\$ 375,023	\$ 408,104	\$ 394,077	\$ 389,050

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*DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD*

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Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2010

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>School Grant Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,172	\$ 440,199	\$ 739,014	\$ 170,189	\$ 1,353,574
Receivables (net of allowance for uncollectibles):					
Accounts receivable	47,784	-	-	-	47,784
Due from other governmental units	3,309,058	68,029	-	74,637	3,451,724
Total assets	<u>\$ 3,361,014</u>	<u>\$ 508,228</u>	<u>\$ 739,014</u>	<u>\$ 244,826</u>	<u>\$ 4,853,082</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 581,058	\$ -	\$ 47,294	\$ 3,478	\$ 631,830
Accrued liabilities	2,651,870	75,073	-	89,807	2,816,750
Total liabilities	<u>\$ 3,232,928</u>	<u>\$ 75,073</u>	<u>\$ 47,294</u>	<u>\$ 93,285</u>	<u>\$ 3,448,580</u>
Fund balances:					
Unreserved:					
Undesignated	\$ 128,086	\$ 433,155	\$ 691,720	\$ 151,541	\$ 1,404,502
Total fund balances	<u>\$ 128,086</u>	<u>\$ 433,155</u>	<u>\$ 691,720</u>	<u>\$ 151,541</u>	<u>\$ 1,404,502</u>
Total liabilities and fund balances	<u>\$ 3,361,014</u>	<u>\$ 508,228</u>	<u>\$ 739,014</u>	<u>\$ 244,826</u>	<u>\$ 4,853,082</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances per above	\$ 1,404,502
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,526,345
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,938,830)
Net assets of governmental activities	<u>\$ 3,992,017</u>

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2010

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
<b>REVENUES</b>					
Revenue from the use of money and property	\$ -	\$ 159	\$ -	\$ -	\$ 159
Charges for services	5,617	701,667	-	-	707,284
Miscellaneous	-	4,835	-	-	4,835
Intergovernmental revenues:					
Local government	11,342,281	-	-	-	11,342,281
Commonwealth	20,032,736	24,140	-	61,169	20,118,045
Federal	2,405,703	1,081,398	-	1,365,308	4,852,409
Total revenues	\$ 33,786,337	\$ 1,812,199	\$ -	\$ 1,426,477	\$ 37,025,013
<b>EXPENDITURES</b>					
Current:					
Education	\$ 33,473,683	\$ 1,705,630	\$ 950,537	\$ 1,531,267	\$ 37,661,117
Capital projects	148,453	-	123,445	-	271,898
Total expenditures	\$ 33,622,136	\$ 1,705,630	\$ 1,073,982	\$ 1,531,267	\$ 37,933,015
Excess (deficiency) of revenues over (under) expenditures	\$ 164,201	\$ 106,569	\$ (1,073,982)	\$ (104,790)	\$ (908,002)
<b>OTHER FINANCING SOURCES (USES)</b>					
Contribution from Caroline County	\$ 562,104	\$ -	\$ -	\$ -	\$ 562,104
Capital leases	(562,104)	-	-	-	(562,104)
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ 164,201	\$ 106,569	\$ (1,073,982)	\$ (104,790)	\$ (908,002)
Fund balances - beginning	(36,115)	326,586	1,765,702	256,331	2,312,504
Fund balances - ending	\$ 128,086	\$ 433,155	\$ 691,720	\$ 151,541	\$ 1,404,502

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

Net change in fund balances - total governmental funds - per above \$ (908,002)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. (349,254)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 562,104

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. (739,463)

Change in net assets of governmental activities \$ (1,434,615)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2010

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Charges for services	25,000	25,000	5,617	(19,383)
Miscellaneous	8,000	8,000	-	(8,000)
Intergovernmental revenues:				
Local government	11,342,281	11,342,281	11,342,281	-
Commonwealth	21,836,381	21,836,381	20,032,736	(1,803,645)
Federal	2,554,473	2,554,473	2,405,703	(148,770)
Total revenues	<u>\$ 35,774,135</u>	<u>\$ 35,774,135</u>	<u>\$ 33,786,337</u>	<u>\$ (1,987,798)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 35,628,297	\$ 35,628,297	\$ 33,473,683	\$ 2,154,614
Capital projects	145,838	145,838	148,453	(2,615)
Total expenditures	<u>\$ 35,774,135</u>	<u>\$ 35,774,135</u>	<u>\$ 33,622,136</u>	<u>\$ 2,151,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,201</u>	<u>\$ 164,201</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contribution from Caroline County	\$ -	\$ -	\$ 562,104	\$ 562,104
Capital leases	-	-	(562,104)	(562,104)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ 164,201	\$ 164,201
Fund balances - beginning	-	-	(36,115)	(36,115)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,086</u>	<u>\$ 128,086</u>

School Cafeteria Fund				School Capital Projects Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 750	\$ 750	\$ 159	\$ (591)	\$ -	\$ 155	\$ -	\$ (155)
767,943	767,943	701,667	(66,276)	-	-	-	-
5,000	5,000	4,835	(165)	-	-	-	-
-	-	-	-	-	-	-	-
30,485	30,485	24,140	(6,345)	-	-	-	-
695,000	695,000	1,081,398	386,398	-	-	-	-
<u>\$ 1,499,178</u>	<u>\$ 1,499,178</u>	<u>\$ 1,812,199</u>	<u>\$ 313,021</u>	<u>\$ -</u>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ (155)</u>
\$ 1,499,178	\$ 1,499,178	\$ 1,705,630	\$ (206,452)	\$ -	\$ -	\$ 950,537	\$ (950,537)
-	-	-	-	-	2,115,529	123,445	1,992,084
<u>\$ 1,499,178</u>	<u>\$ 1,499,178</u>	<u>\$ 1,705,630</u>	<u>\$ (206,452)</u>	<u>\$ -</u>	<u>\$ 2,115,529</u>	<u>\$ 1,073,982</u>	<u>\$ 1,041,547</u>
\$ -	\$ -	\$ 106,569	\$ 106,569	\$ -	\$ (2,115,374)	\$ (1,073,982)	\$ 1,041,392
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 106,569	\$ 106,569	\$ -	\$ (2,115,374)	\$ (1,073,982)	\$ 1,041,392
-	-	326,586	326,586	-	2,115,374	1,765,702	(349,672)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 433,155</u>	<u>\$ 433,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 691,720</u>	<u>\$ 691,720</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2010

	School Grant Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental revenues:				
Local government	-	-	-	-
Commonwealth	89,552	92,152	61,169	(30,983)
Federal	2,548,336	2,786,267	1,365,308	(1,420,959)
Total revenues	<u>\$ 2,637,888</u>	<u>\$ 2,878,419</u>	<u>\$ 1,426,477</u>	<u>\$ (1,451,942)</u>
EXPENDITURES				
Current:				
Education	\$ 2,637,888	\$ 2,878,419	\$ 1,531,267	\$ 1,347,152
Capital projects	-	-	-	-
Total expenditures	<u>\$ 2,637,888</u>	<u>\$ 2,878,419</u>	<u>\$ 1,531,267</u>	<u>\$ 1,347,152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (104,790)</u>	<u>\$ (104,790)</u>
OTHER FINANCING SOURCES (USES)				
Contribution from Caroline County	\$ -	\$ -	\$ -	\$ -
Capital leases	-	-	-	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ (104,790)	\$ (104,790)
Fund balances - beginning	-	-	256,331	256,331
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,541</u>	<u>\$ 151,541</u>

*DISCRETELY PRESENTED COMPONENT UNIT  
INDUSTRIAL DEVELOPMENT AUTHORITY*

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## Statement of Net Assets

Discretely Presented Component Unit - Industrial Development Authority

June 30, 2010

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**ASSETS**

## Current assets:

Cash and cash equivalents	\$	<u>106,188</u>
Total current assets	\$	<u>106,188</u>
Total assets	\$	<u>106,188</u>

**NET ASSETS**

Unrestricted	\$	<u>106,188</u>
Total net assets	\$	<u><u>106,188</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2010

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**OPERATING REVENUES**

Charges for services:

Other revenues	\$ 5,502
Total operating revenues	\$ 5,502

**OPERATING EXPENSES**

Other charges	\$ 14,371
Total operating expenses	\$ 14,371
Operating income (loss)	\$ (8,869)

**NONOPERATING REVENUES (EXPENSES)**

Interest earnings	\$ 1,283
Total nonoperating revenues (expenses)	\$ 1,283
Change in net assets	\$ (7,586)

Total net assets - beginning	113,774
Total net assets - ending	\$ 106,188

## Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2010

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 5,502
Payments for operating activities	<u>(14,371)</u>
Net cash provided (used) by operating activities	<u>\$ (8,869)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and dividends received	\$ <u>1,283</u>
Net cash provided (used) by investing activities	<u>\$ 1,283</u>

Net increase (decrease) in cash and cash equivalents	\$ (7,586)
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Cash and cash equivalents - beginning	113,774
Cash and cash equivalents - ending	<u><u>\$ 106,188</u></u>

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities:**

Operating income (loss)	\$ <u>(8,869)</u>
Net cash provided (used) by operating activities	<u><u>\$ (8,869)</u></u>

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## *SUPPORTING SCHEDULES*

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Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 15,271,696	\$ 15,271,696	\$ 15,505,022	\$ 233,326
Real and personal public service corporation taxes	1,633,230	2,533,230	2,734,499	201,269
Personal property taxes	4,869,389	5,269,389	6,434,617	1,165,228
Mobile home taxes	58,025	58,025	64,105	6,080
Machinery and tools taxes	275,039	275,039	293,052	18,013
Penalties	300,000	300,000	354,556	54,556
Interest	250,000	250,000	277,939	27,939
Total general property taxes	<u>\$ 22,657,379</u>	<u>\$ 23,957,379</u>	<u>\$ 25,663,790</u>	<u>\$ 1,706,411</u>
Other local taxes:				
Local sales and use taxes	\$ 1,375,797	\$ 1,340,384	\$ 1,357,380	\$ 16,996
Consumers' utility taxes	84,552	84,552	85,197	645
Business license taxes	1,100,000	1,000,000	803,165	(196,835)
Motor vehicle licenses	602,579	602,579	552,923	(49,656)
Bank stock taxes	50,000	50,000	55,368	5,368
Taxes on recordation and wills	335,000	235,000	242,212	7,212
Total other local taxes	<u>\$ 3,547,928</u>	<u>\$ 3,312,515</u>	<u>\$ 3,096,245</u>	<u>\$ (216,270)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 15,000	\$ 15,000	\$ 14,379	\$ (621)
Permits and other licenses	<u>500,175</u>	<u>400,175</u>	<u>343,906</u>	<u>(56,269)</u>
Total permits, privilege fees, and regulatory licenses	<u>\$ 515,175</u>	<u>\$ 415,175</u>	<u>\$ 358,285</u>	<u>\$ (56,890)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 625,000	\$ 475,000	\$ 447,048	\$ (27,952)
Total fines and forfeitures	<u>\$ 625,000</u>	<u>\$ 475,000</u>	<u>\$ 447,048</u>	<u>\$ (27,952)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 30,000	\$ 30,000	\$ 12,922	\$ (17,078)
Revenue from use of property	<u>128,779</u>	<u>59,001</u>	<u>43,050</u>	<u>(15,951)</u>
Total revenue from use of money and property	<u>\$ 158,779</u>	<u>\$ 89,001</u>	<u>\$ 55,972</u>	<u>\$ (33,029)</u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Charges for services:				
Excess fees of clerk	\$ 80,000	\$ -	\$ 1,727	\$ 1,727
Charges for court costs	33,400	33,400	10,396	(23,004)
Charges for courthouse security and protective services	145,300	145,300	170,505	25,205
Charges for Commonwealth's Attorney	1,000	1,000	999	(1)
Charges for data processing	1,500	1,500	1,558	58
Miscellaneous dog fees	3,000	3,000	2,222	(778)
Charges for sanitation and waste removal	80,000	80,000	37,700	(42,300)
Charges for parks and recreation	87,638	87,638	89,047	1,409
Charges for sale of publications and commemorative material	600	600	289	(311)
Total charges for services	\$ 432,438	\$ 352,438	\$ 314,443	\$ (37,995)
Miscellaneous revenue:				
Miscellaneous	\$ 50,555	\$ 217,600	\$ 303,926	\$ 86,326
Total miscellaneous revenue	\$ 50,555	\$ 217,600	\$ 303,926	\$ 86,326
Recovered costs:				
Soil conservationist	\$ 255,459	\$ 255,459	\$ 255,754	\$ 295
Recovered costs school resource officer and criminal justice class	189,000	189,000	203,437	14,437
Postage reimbursement general district court	4,500	4,500	4,871	371
Ambulance recovery services	600,000	600,000	685,945	85,945
Recovered costs jurors	5,000	5,000	20,172	15,172
Other recovered costs	-	-	2,154	2,154
Total recovered costs	\$ 1,053,959	\$ 1,053,959	\$ 1,172,333	\$ 118,374
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from Caroline County School Board	\$ -	\$ -	\$ 950,537	\$ 950,537
Total revenues from local governments	\$ -	\$ -	\$ 950,537	\$ 950,537
Total revenue from local sources	\$ 29,041,213	\$ 29,873,067	\$ 32,362,579	\$ 2,489,512
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 75,000	\$ 75,000	\$ 5,222	\$ (69,778)
Mobile home titling tax	30,000	30,000	22,257	(7,743)
Motor vehicle rental tax	2,000	2,000	2,060	60
State recordation tax	230,000	175,000	188,699	13,699
Communications tax	-	-	1,643	1,643
Personal property tax relief funds	2,371,897	2,371,897	2,371,897	-
Reduction in state aid to local governments	(103,991)	(103,991)	(103,991)	-
Total noncategorical aid	\$ 2,604,906	\$ 2,549,906	\$ 2,487,787	\$ (62,119)



Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 174,603	\$ 162,769	\$ 153,858	\$ (8,911)
Sheriff	1,191,736	950,819	875,443	(75,376)
Commissioner of revenue	149,118	123,354	121,408	(1,946)
Treasurer	122,180	110,958	107,481	(3,477)
Registrar/electoral board	55,525	50,184	48,993	(1,191)
Clerk of the Circuit Court	265,142	251,835	252,381	546
Total shared expenses	\$ 1,958,304	\$ 1,649,919	\$ 1,559,564	\$ (90,355)
Other categorical aid:				
Emergency medical services	\$ 26,000	\$ -	\$ -	\$ -
EMT training reimbursement	2,300	2,300	-	(2,300)
Arts challenge grant	500	500	500	-
Litter control grant	8,000	8,000	6,958	(1,042)
DMV license agent grant	19,500	19,500	28,361	8,861
Emergency services grant	31,000	-	4,440	4,440
CHINS grant	20,259	20,259	19,246	(1,013)
State line of duty medical insurance grant	11,558	11,558	18,621	7,063
Domestic violence victim grant	40,000	40,000	38,502	(1,498)
Victim-witness grant	49,627	49,627	53,942	4,315
Fire programs	57,189	8,632	8,632	-
Social services quality initiative grant	-	7,820	5,623	(2,197)
Other state funds	-	-	2,330	2,330
Total other categorical aid	\$ 265,933	\$ 168,196	\$ 187,155	\$ 18,959
Total categorical aid	\$ 2,224,237	\$ 1,818,115	\$ 1,746,719	\$ (71,396)
Total revenue from the Commonwealth	\$ 4,829,143	\$ 4,368,021	\$ 4,234,506	\$ (133,515)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 2,500	\$ 2,500	\$ 2,044	\$ (456)
Categorical aid:				
DMV ground transportation safety grant	\$ 19,100	\$ 19,100	\$ 24,973	\$ 5,873
FEMA grant	12,120	12,120	12,120	-
Bulletproof vest partnership grant	-	6,000	6,918	918
Byrne justice assistance grant	-	15,515	71,828	56,313
Law enforcement terrorism prevention grant	-	47,450	47,450	-
Victim-witness grant	-	53,360	6,275	(47,085)
Other recovery act funds	-	142,684	71,839	(70,845)
Total categorical aid	\$ 31,220	\$ 296,229	\$ 241,403	\$ (54,826)
Total revenue from the federal government	\$ 33,720	\$ 298,729	\$ 243,447	\$ (55,282)
Total General Fund	\$ 33,904,076	\$ 34,539,817	\$ 36,840,532	\$ 2,300,715

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2010 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 17,564	\$ 17,564
Total miscellaneous revenue	\$ -	\$ -	\$ 17,564	\$ 17,564
Total revenue from local sources	\$ -	\$ -	\$ 17,564	\$ 17,564
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 522,131	\$ 522,131	\$ 676,627	\$ 154,496
Total categorical aid	\$ 522,131	\$ 522,131	\$ 676,627	\$ 154,496
Total revenue from the Commonwealth	\$ 522,131	\$ 522,131	\$ 676,627	\$ 154,496
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,278,819	\$ 1,278,819	\$ 1,467,270	\$ 188,451
Total categorical aid	\$ 1,278,819	\$ 1,278,819	\$ 1,467,270	\$ 188,451
Total revenue from the federal government	\$ 1,278,819	\$ 1,278,819	\$ 1,467,270	\$ 188,451
Total Virginia Public Assistance Fund	\$ 1,800,950	\$ 1,800,950	\$ 2,161,461	\$ 360,511
<b>Proffers Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 1,100	\$ 1,104	\$ 4
Total revenue from use of money and property	\$ -	\$ 1,100	\$ 1,104	\$ 4
Miscellaneous revenue:				
Fire and rescue proffers	\$ -	\$ 225,000	\$ 246,496	\$ 21,496
Ladysmith YMCA proffers	-	-	14,500	14,500
Total miscellaneous revenue	\$ -	\$ 225,000	\$ 260,996	\$ 35,996
Total revenue from local sources	\$ -	\$ 226,100	\$ 262,100	\$ 36,000
Total Proffers Fund	\$ -	\$ 226,100	\$ 262,100	\$ 36,000

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Funds: (Continued)</b>				
<b>Comprehensive Services Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 23,000	\$ 21,801	\$ (1,199)
Total miscellaneous revenue	\$ -	\$ 23,000	\$ 21,801	\$ (1,199)
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act funds	\$ 922,791	\$ 1,005,206	\$ 959,560	\$ (45,646)
Total categorical aid	\$ 922,791	\$ 1,005,206	\$ 959,560	\$ (45,646)
Total revenue from the Commonwealth	\$ 922,791	\$ 1,005,206	\$ 959,560	\$ (45,646)
Total Comprehensive Services Fund	\$ 922,791	\$ 1,028,206	\$ 981,361	\$ (46,845)
<b>E-911 System Tax Fund:</b>				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 485,614	\$ 485,614	\$ 463,144	\$ (22,470)
Shared expenses:				
Sheriff	\$ 146,894	\$ 146,894	\$ 130,815	\$ (16,079)
Total shared expenses	\$ 146,894	\$ 146,894	\$ 130,815	\$ (16,079)
Categorical aid:				
Wireless E-911 funds	\$ 92,923	\$ 92,923	\$ 89,682	\$ (3,241)
Total categorical aid	\$ 92,923	\$ 92,923	\$ 89,682	\$ (3,241)
Total revenue from the Commonwealth	\$ 725,431	\$ 725,431	\$ 683,641	\$ (41,790)
Total E-911 System Tax Fund	\$ 725,431	\$ 725,431	\$ 683,641	\$ (41,790)
<b>Law Library Fund:</b>				
Revenue from local sources:				
Charges for services:				
Law library fees	\$ 6,700	\$ 6,700	\$ 7,457	\$ 757
Total charges for services	\$ 6,700	\$ 6,700	\$ 7,457	\$ 757
Total Law Library Fund	\$ 6,700	\$ 6,700	\$ 7,457	\$ 757

## Schedule of Revenues - Budget and Actual

## Governmental Funds

For The Year Ended June 30, 2010 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Funds: (Continued)</b>				
<b>Courthouse Maintenance Fund:</b>				
Revenue from local sources:				
Charges for services:				
Courthouse maintenance fees	\$ 27,000	\$ 27,000	\$ 28,163	\$ 1,163
Total charges for services	\$ 27,000	\$ 27,000	\$ 28,163	\$ 1,163
Total Courthouse Maintenance Fund	\$ 27,000	\$ 27,000	\$ 28,163	\$ 1,163
<b>Tourism Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes	\$ 223,957	\$ 223,957	\$ 186,436	\$ (37,521)
Total other local taxes	\$ 223,957	\$ 223,957	\$ 186,436	\$ (37,521)
Miscellaneous revenue:				
Other miscellaneous	\$ 15,000	\$ 15,000	\$ 9,518	\$ (5,482)
Total miscellaneous revenue	\$ 15,000	\$ 15,000	\$ 9,518	\$ (5,482)
Total Tourism Fund	\$ 238,957	\$ 238,957	\$ 195,954	\$ (43,003)
<b>Sheriff's Grant Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3	\$ 3
Total revenue from use of money and property	\$ -	\$ -	\$ 3	\$ 3
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 5,235	\$ 5,235
Total miscellaneous revenue	\$ -	\$ -	\$ 5,235	\$ 5,235
Total revenue from local sources	\$ -	\$ -	\$ 5,238	\$ 5,238
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture funds	\$ -	\$ -	\$ 46,612	\$ 46,612
Total categorical aid	\$ -	\$ -	\$ 46,612	\$ 46,612
Total revenue from the Commonwealth	\$ -	\$ -	\$ 46,612	\$ 46,612
Total Sheriff's Grant Fund	\$ -	\$ -	\$ 51,850	\$ 51,850

COUNTY OF CAROLINE, VIRGINIA

Schedule 1  
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Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Funds: (Continued)</b>				
<b>Fire/Rescue Grant Fund:</b>				
Revenue from the Commonwealth:				
Categorical aid:				
Fire program fund	\$ -	\$ 57,978	\$ 57,978	\$ -
EMS vehicle registration grant	-	26,700	26,717	17
Radiological preparedness grant	-	25,000	75,000	50,000
Total revenue from the Commonwealth	\$ -	\$ 109,678	\$ 159,695	\$ 50,017
Total Fire/Rescue Grant Fund	\$ -	\$ 109,678	\$ 159,695	\$ 50,017
<b>Housing Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ 4,700	\$ 5,127	\$ 427
Total revenue from use of money and property	\$ -	\$ 4,700	\$ 5,127	\$ 427
Revenue from the Commonwealth:				
Categorical aid:				
Indoor plumbing rehab	\$ -	\$ -	\$ 168,059	\$ 168,059
Total revenue from the Commonwealth	\$ -	\$ -	\$ 168,059	\$ 168,059
Revenue from the federal government:				
Categorical aid:				
Community development block grant funds	\$ -	\$ 305,000	\$ 208,803	\$ (96,197)
Total categorical aid	\$ -	\$ 305,000	\$ 208,803	\$ (96,197)
Total revenue from the federal government	\$ -	\$ 305,000	\$ 208,803	\$ (96,197)
Total Housing Fund	\$ -	\$ 309,700	\$ 381,989	\$ 72,289
Total Special Revenue Funds	\$ 3,721,829	\$ 4,472,722	\$ 4,913,671	\$ 440,949
<b>Debt Service Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Consumers' utility taxes	\$ 490,592	\$ 370,592	\$ 496,325	\$ 125,733
Meals tax	788,598	539,267	891,785	352,518
Total other local taxes	\$ 1,279,190	\$ 909,859	\$ 1,388,110	\$ 478,251
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,026	\$ 1,026	\$ -	\$ (1,026)
Revenue from the use of property	111,600	111,600	111,600	-
Total revenue from use of money and property	\$ 112,626	\$ 112,626	\$ 111,600	\$ (1,026)
Total revenue from local sources	\$ 1,391,816	\$ 1,022,485	\$ 1,499,710	\$ 477,225
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 373,986	\$ 273,986	\$ 356,682	\$ 82,696
Total revenue from the Commonwealth	\$ 373,986	\$ 273,986	\$ 356,682	\$ 82,696
Total Debt Service Fund	\$ 1,765,802	\$ 1,296,471	\$ 1,856,392	\$ 559,921

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2010 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Capital Projects Funds:</b>				
<b>County Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 8,500	\$ 9,293	\$ 793
Total revenue from use of money and property	\$ -	\$ 8,500	\$ 9,293	\$ 793
Miscellaneous revenue:				
Donations or other miscellaneous	\$ -	\$ 5,000	\$ 2,330	\$ (2,670)
Total miscellaneous revenue	\$ -	\$ 5,000	\$ 2,330	\$ (2,670)
Total revenue from local sources	\$ -	\$ 13,500	\$ 11,623	\$ (1,877)
Revenue from the Commonwealth:				
Categorical aid:				
GIS technology funding	\$ -	\$ 221,885	\$ 221,885	\$ -
Total County Capital Projects Fund	\$ -	\$ 235,385	\$ 233,508	\$ (1,877)
Total Primary Government	\$ 39,391,707	\$ 40,544,395	\$ 43,844,103	\$ 3,299,708
<b>Discretely Presented Component Unit-School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Total revenue from use of money and property	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Charges for services:				
Tuition and payments from other divisions	\$ 25,000	\$ 25,000	\$ 5,617	\$ (19,383)
Total charges for services	\$ 25,000	\$ 25,000	\$ 5,617	\$ (19,383)
Miscellaneous revenue:				
Other miscellaneous	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Total miscellaneous revenue	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Total revenue from local sources	\$ 41,000	\$ 41,000	\$ 5,617	\$ (35,383)

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit-School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Caroline, Virginia	\$ 11,342,281	\$ 11,342,281	\$ 11,342,281	\$ -
Total revenues from local governments	\$ 11,342,281	\$ 11,342,281	\$ 11,342,281	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,377,865	\$ 4,377,865	\$ 4,168,174	\$ (209,691)
Basic school aid	11,487,584	11,487,584	10,415,913	(1,071,671)
Foster home children	20,157	20,157	25,818	5,661
Summer school	77,218	77,218	70,015	(7,203)
Gifted and talented	116,327	116,327	115,981	(346)
Remedial education	321,164	321,164	320,208	(956)
English as a second language	41,971	41,971	34,267	(7,704)
Special education	1,669,039	1,669,039	1,664,071	(4,968)
Textbook payment	299,719	299,719	139,279	(160,440)
Vocational education	244,407	244,407	238,595	(5,812)
School fringe benefits	1,578,001	1,578,001	1,351,427	(226,574)
Special education in jails	7,617	7,617	7,930	313
State lottery payments	225,219	225,219	291,086	65,867
Early reading intervention	79,674	79,674	79,674	-
Homebound education	30,800	30,800	19,646	(11,154)
Regional program tuition	27,250	27,250	-	(27,250)
At risk payments	242,183	242,183	236,688	(5,495)
Reduced K-3 payments	493,706	493,706	409,749	(83,957)
Virginia preschool initiative	218,878	218,878	200,329	(18,549)
Technology	206,000	206,000	154,562	(51,438)
GED funding	15,717	15,717	15,717	-
Standards of Learning algebra readiness	36,856	36,856	36,856	-
Enrollment loss	19,029	19,029	34,173	15,144
Other state funds	-	-	2,578	2,578
Total categorical aid	\$ 21,836,381	\$ 21,836,381	\$ 20,032,736	\$ (1,803,645)
Total revenue from the Commonwealth	\$ 21,836,381	\$ 21,836,381	\$ 20,032,736	\$ (1,803,645)
Revenue from the federal government:				
Categorical aid:				
Class size reduction	\$ 117,455	\$ 117,455	\$ 114,957	\$ (2,498)
Title VI-B, special education flow-through	928,381	928,381	930,393	2,012
Vocational education	66,234	66,234	132,201	65,967

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit-School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
ROTC	\$ 50,000	\$ 50,000	\$ 58,527	\$ 8,527
State fiscal stabilization funds	1,392,403	1,392,403	1,120,793	(271,610)
Other federal funds	-	-	48,832	48,832
Total categorical aid	<u>\$ 2,554,473</u>	<u>\$ 2,554,473</u>	<u>\$ 2,405,703</u>	<u>\$ (148,770)</u>
Total revenue from the federal government	<u>\$ 2,554,473</u>	<u>\$ 2,554,473</u>	<u>\$ 2,405,703</u>	<u>\$ (148,770)</u>
Total School Operating Fund	<u>\$ 35,774,135</u>	<u>\$ 35,774,135</u>	<u>\$ 33,786,337</u>	<u>\$ (1,987,798)</u>
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 750	\$ 750	\$ 159	\$ (591)
Total revenue from use of money and property	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 159</u>	<u>\$ (591)</u>
Charges for services:				
Cafeteria sales	\$ 767,943	\$ 767,943	\$ 620,473	\$ (147,470)
Other charges for services	-	-	81,194	81,194
Total charges for services	<u>\$ 767,943</u>	<u>\$ 767,943</u>	<u>\$ 701,667</u>	<u>\$ (66,276)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 5,000	\$ 5,000	\$ 4,835	\$ (165)
Total miscellaneous revenue	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 4,835</u>	<u>\$ (165)</u>
Total revenue from local sources	<u>\$ 773,693</u>	<u>\$ 773,693</u>	<u>\$ 706,661</u>	<u>\$ (67,032)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 30,485	\$ 30,485	\$ 24,140	\$ (6,345)
Total categorical aid	<u>\$ 30,485</u>	<u>\$ 30,485</u>	<u>\$ 24,140</u>	<u>\$ (6,345)</u>
Total revenue from the Commonwealth	<u>\$ 30,485</u>	<u>\$ 30,485</u>	<u>\$ 24,140</u>	<u>\$ (6,345)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 695,000	\$ 695,000	\$ 938,455	\$ 243,455
USDA commodities	-	-	142,943	142,943
Total categorical aid	<u>\$ 695,000</u>	<u>\$ 695,000</u>	<u>\$ 1,081,398</u>	<u>\$ 386,398</u>
Total revenue from the federal government	<u>\$ 695,000</u>	<u>\$ 695,000</u>	<u>\$ 1,081,398</u>	<u>\$ 386,398</u>
Total School Cafeteria Fund	<u>\$ 1,499,178</u>	<u>\$ 1,499,178</u>	<u>\$ 1,812,199</u>	<u>\$ 313,021</u>



Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit-School Board: (Continued)</b>				
<b>School Grant Fund:</b>				
Revenue from the Commonwealth:				
Categorical aid:				
Mentor teacher	\$ 7,631	\$ 7,631	\$ 7,835	\$ 204
Virginia tobacco settlement	62,945	62,945	40,621	(22,324)
Bullying prevention grant	3,071	3,071	643	(2,428)
Project graduation	15,905	15,905	9,375	(6,530)
Other categorical aid	-	2,600	2,695	95
Total categorical aid	\$ 89,552	\$ 92,152	\$ 61,169	\$ (30,983)
Total revenue from the Commonwealth	\$ 89,552	\$ 92,152	\$ 61,169	\$ (30,983)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 595,800	\$ 769,387	\$ 569,006	\$ (200,381)
Title I - ARRA	390,537	390,537	68,180	(322,357)
Title II, Part A	67,013	98,861	49,070	(49,791)
Title II, Part D	7,194	7,194	6,637	(557)
Title II, Part D - ARRA	18,841	18,841	7,825	(11,016)
Title V-A	4,221	4,221	-	(4,221)
Part B Section 611 - ARRA	1,161,217	1,161,217	558,530	(602,687)
Section 619 Preschool	17,940	17,940	4,875	(13,065)
Section 619 Preschool - ARRA	37,243	37,243	26,895	(10,348)
Early Childhood - Special education	19,000	19,000	-	(19,000)
21st Century Learning Center	195,049	195,049	68,592	(126,457)
Drug free schools	13,166	16,028	5,698	(10,330)
Other categorical aid	21,115	50,749	-	(50,749)
Total categorical aid	\$ 2,548,336	\$ 2,786,267	\$ 1,365,308	\$ (1,420,959)
Total revenue from the federal government	\$ 2,548,336	\$ 2,786,267	\$ 1,365,308	\$ (1,420,959)
Total School Grant Fund	\$ 2,637,888	\$ 2,878,419	\$ 1,426,477	\$ (1,451,942)
<b>School Capital Projects Fund:</b>				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 155	\$ -	\$ (155)
Total revenue from local sources	\$ -	\$ 155	\$ -	\$ (155)
Total School Capital Projects Fund	\$ -	\$ 155	\$ -	\$ (155)
Total Discretely Presented Component Unit - School Board	\$ 39,911,201	\$ 40,151,887	\$ 37,025,013	\$ (3,126,874)

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Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 177,918	\$ 177,918	\$ 153,428	\$ 24,490
General and financial administration:				
County administrator	\$ 485,116	\$ 485,116	\$ 453,522	\$ 31,594
County attorney	200,000	200,000	609,485	(409,485)
Commissioner of revenue	666,124	666,124	621,355	44,769
General reassessment	122,950	122,950	194,593	(71,643)
Treasurer	472,450	472,450	449,286	23,164
Finance	351,645	351,645	316,356	35,289
Information technology	205,802	205,802	290,040	(84,238)
Other general and financial administration	64,840	64,840	68,264	(3,424)
Total general and financial administration	\$ 2,568,927	\$ 2,568,927	\$ 3,002,901	\$ (433,974)
Board of elections:				
Electoral board and officials	\$ 140,303	\$ 140,303	\$ 122,856	\$ 17,447
Total board of elections	\$ 140,303	\$ 140,303	\$ 122,856	\$ 17,447
Total general government administration	\$ 2,887,148	\$ 2,887,148	\$ 3,279,185	\$ (392,037)
Judicial administration:				
Courts:				
Circuit court	\$ 36,282	\$ 36,282	\$ 61,772	\$ (25,490)
General district court	16,080	16,080	35,005	(18,925)
Magistrates	1,395	1,395	1,129	266
Juvenile and domestic relations district court	14,379	14,379	19,093	(4,714)
Clerk of the circuit court	529,717	529,717	546,119	(16,402)
Juvenile crime control	49,937	49,937	39,548	10,389
Victim witness program	60,964	66,284	65,287	997
Total courts	\$ 708,754	\$ 714,074	\$ 767,953	\$ (53,879)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 320,873	\$ 358,064	\$ 373,882	\$ (15,818)
Total commonwealth's attorney	\$ 320,873	\$ 358,064	\$ 373,882	\$ (15,818)
Total judicial administration	\$ 1,029,627	\$ 1,072,138	\$ 1,141,835	\$ (69,697)
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,150,573	\$ 4,225,316	\$ 3,938,528	\$ 286,788
Total law enforcement and traffic control	\$ 4,150,573	\$ 4,225,316	\$ 3,938,528	\$ 286,788

COUNTY OF CAROLINE, VIRGINIA

Schedule 2

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Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue	\$ 203,814	\$ 127,125	\$ 132,547	\$ (5,422)
Volunteer fire departments	688,465	682,465	621,249	61,216
Other fire and rescue	1,961,302	1,998,402	1,968,629	29,773
Emergency management commission	810	810	200	610
Total fire and rescue services	<u>\$ 2,854,391</u>	<u>\$ 2,808,802</u>	<u>\$ 2,722,625</u>	<u>\$ 86,177</u>
Correction and detention:				
Regional jail contributions	\$ 1,110,111	\$ 1,410,111	\$ 1,484,022	\$ (73,911)
Juvenile probation and detention	220,000	220,000	243,930	(23,930)
Total correction and detention	<u>\$ 1,330,111</u>	<u>\$ 1,630,111</u>	<u>\$ 1,727,952</u>	<u>\$ (97,841)</u>
Inspections:				
Building	\$ 354,751	\$ 354,751	\$ 353,308	\$ 1,443
Total inspections	<u>\$ 354,751</u>	<u>\$ 354,751</u>	<u>\$ 353,308</u>	<u>\$ 1,443</u>
Other protection:				
Animal control	\$ 279,510	\$ 279,510	\$ 247,825	\$ 31,685
Medical examiner	500	500	120	380
Total other protection	<u>\$ 280,010</u>	<u>\$ 280,010</u>	<u>\$ 247,945</u>	<u>\$ 32,065</u>
Total public safety	<u>\$ 8,969,836</u>	<u>\$ 9,298,990</u>	<u>\$ 8,990,358</u>	<u>\$ 308,632</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Public works administration	\$ 216,912	\$ 245,146	\$ 240,093	\$ 5,053
Streetlights	3,200	3,200	3,002	198
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 220,112</u>	<u>\$ 248,346</u>	<u>\$ 243,095</u>	<u>\$ 5,251</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,259,666	\$ 1,259,666	\$ 1,434,443	\$ (174,777)
Total sanitation and waste removal	<u>\$ 1,259,666</u>	<u>\$ 1,259,666</u>	<u>\$ 1,434,443</u>	<u>\$ (174,777)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,133,507	\$ 1,153,273	\$ 1,179,177	\$ (25,904)
Cannery	17,000	17,000	13,662	3,338
Total maintenance of general buildings and grounds	<u>\$ 1,150,507</u>	<u>\$ 1,170,273</u>	<u>\$ 1,192,839</u>	<u>\$ (22,566)</u>
Total public works	<u>\$ 2,630,285</u>	<u>\$ 2,678,285</u>	<u>\$ 2,870,377</u>	<u>\$ (192,092)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 327,430	\$ 327,430	\$ 327,430	\$ -
Supplement to dental clinic	7,605	7,605	7,605	-
Total health	<u>\$ 335,035</u>	<u>\$ 335,035</u>	<u>\$ 335,035</u>	<u>\$ -</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
Total mental health and mental retardation	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
Welfare:				
Contributions to outside welfare agencies	\$ 95,550	\$ 95,550	\$ 87,975	\$ 7,575
Total welfare	\$ 95,550	\$ 95,550	\$ 87,975	\$ 7,575
Total health and welfare	\$ 520,585	\$ 520,585	\$ 513,010	\$ 7,575
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 11,342,281	\$ 11,342,281	\$ 11,342,281	\$ -
Total education	\$ 11,342,281	\$ 11,342,281	\$ 11,342,281	\$ -
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 358,234	\$ 358,234	\$ 312,097	\$ 46,137
Total parks and recreation	\$ 358,234	\$ 358,234	\$ 312,097	\$ 46,137
Library:				
Contribution to county library	\$ 330,462	\$ 330,462	\$ 292,513	\$ 37,949
Total library	\$ 330,462	\$ 330,462	\$ 292,513	\$ 37,949
Total parks, recreation, and cultural	\$ 688,696	\$ 688,696	\$ 604,610	\$ 84,086
Community development:				
Planning and community development:				
Planning development	\$ 696,426	\$ 696,426	\$ 689,651	\$ 6,775
Planning commission	25,150	25,150	21,019	4,131
Economic development	132,949	191,510	168,675	22,835
Planning regional	25,300	25,300	24,109	1,191
Industrial development authority	2,250	2,250	2,793	(543)
Board of zoning appeals	1,700	1,700	2,595	(895)
Total planning and community development	\$ 883,775	\$ 942,336	\$ 908,842	\$ 33,494
Environmental management:				
Soil and water conservation district contribution	\$ 58,380	\$ 58,380	\$ 58,380	\$ -
Soil conservationist	248,859	248,859	249,293	(434)
Total environmental management	\$ 307,239	\$ 307,239	\$ 307,673	\$ (434)
Cooperative extension program:				
Extension office	\$ 76,974	\$ 76,974	\$ 98,635	\$ (21,661)
Total cooperative extension program	\$ 76,974	\$ 76,974	\$ 98,635	\$ (21,661)
Total community development	\$ 1,267,988	\$ 1,326,549	\$ 1,315,150	\$ 11,399

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Nondepartmental:				
Reserve for contingencies	\$ -	\$ 59,800	\$ -	\$ 59,800
Total nondepartmental	\$ -	\$ 59,800	\$ -	\$ 59,800
Total General Fund	\$ 29,336,446	\$ 29,874,472	\$ 30,056,806	\$ (182,334)
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 1,444,894	\$ 1,444,894	\$ 1,595,212	\$ (150,318)
Public assistance	231,292	231,292	214,058	17,234
Purchased services	560,966	560,966	639,349	(78,383)
Local only	2,000	2,000	2,080	(80)
Grants	25,399	25,399	19,175	6,224
Total welfare and social services	\$ 2,264,551	\$ 2,264,551	\$ 2,469,874	\$ (205,323)
Total health and welfare	\$ 2,264,551	\$ 2,264,551	\$ 2,469,874	\$ (205,323)
Total Virginia Public Assistance Fund	\$ 2,264,551	\$ 2,264,551	\$ 2,469,874	\$ (205,323)
<b>Proffers Fund:</b>				
Capital projects:				
Route 652 water line	\$ -	\$ 110,000	\$ 91,703	\$ 18,297
Contingency	-	91,350	-	91,350
Total capital projects	\$ -	\$ 201,350	\$ 91,703	\$ 109,647
Total Proffers Fund	\$ -	\$ 201,350	\$ 91,703	\$ 109,647
<b>Comprehensive Services Fund:</b>				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,328,147	\$ 1,529,922	\$ 1,493,144	\$ 36,778
Total health and welfare	\$ 1,328,147	\$ 1,529,922	\$ 1,493,144	\$ 36,778
Total Comprehensive Services Fund	\$ 1,328,147	\$ 1,529,922	\$ 1,493,144	\$ 36,778
<b>E-911 System Tax Fund:</b>				
Public safety:				
Other protection:				
E-911 Dispatch center	\$ 927,894	\$ 927,894	\$ 828,529	\$ 99,365
Total other protection	\$ 927,894	\$ 927,894	\$ 828,529	\$ 99,365
Total public safety	\$ 927,894	\$ 927,894	\$ 828,529	\$ 99,365
Total E-911 System Tax Fund	\$ 927,894	\$ 927,894	\$ 828,529	\$ 99,365

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Funds: (Continued)</b>				
<b>Law Library Fund:</b>				
Judicial administration:				
Law library	\$ 6,700	\$ 12,000	\$ 13,441	\$ (1,441)
Total judicial administration	\$ 6,700	\$ 12,000	\$ 13,441	\$ (1,441)
 Total Law Library Fund	 \$ 6,700	 \$ 12,000	 \$ 13,441	 \$ (1,441)
 <b>Tourism Fund:</b>				
Community development:				
Planning and community development:				
Tourism activities	\$ 268,138	\$ 268,138	\$ 204,186	\$ 63,952
Total planning and community development	\$ 268,138	\$ 268,138	\$ 204,186	\$ 63,952
 Total Tourism Fund	 \$ 268,138	 \$ 268,138	 \$ 204,186	 \$ 63,952
 <b>Sheriff's Grant Fund:</b>				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ -	\$ -	\$ 2,141	\$ (2,141)
Total law enforcement and traffic control	\$ -	\$ -	\$ 2,141	\$ (2,141)
 Total Sheriff's Grant Fund	 \$ -	 \$ -	 \$ 2,141	 \$ (2,141)
 <b>Fire/Rescue Grant Fund:</b>				
Public safety:				
Fire and rescue services:				
Fire program grant	\$ -	\$ 57,978	\$ 15,175	\$ 42,803
Four for Life grant	-	26,700	18,645	8,055
Virginia Power grant	-	25,000	14,619	10,381
Total public safety	\$ -	\$ 109,678	\$ 48,439	\$ 61,239
 Total Fire/Rescue Grant Fund	 \$ -	 \$ 109,678	 \$ 48,439	 \$ 61,239
 <b>Housing Fund:</b>				
Community development:				
Planning and community development:				
Housing rehabilitation	\$ -	\$ 309,700	\$ 309,182	\$ 518
Total planning and community development	\$ -	\$ 309,700	\$ 309,182	\$ 518
 Total Housing Fund	 \$ -	 \$ 309,700	 \$ 309,182	 \$ 518
 Total Special Revenue Funds	 \$ 4,795,430	 \$ 5,623,233	 \$ 5,460,639	 \$ 162,594
 <b>Debt Service Fund:</b>				
Debt service:				
Principal retirement	\$ 3,138,249	\$ 2,017,178	\$ 2,848,100	\$ (830,922)
Interest and other fiscal charges	2,130,519	3,812,585	3,092,117	720,468
Total Debt Service Fund	\$ 5,268,768	\$ 5,829,763	\$ 5,940,217	\$ (110,454)

COUNTY OF CAROLINE, VIRGINIA

Schedule 2

Page 6 of 7

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Funds:</b>				
<b>County Capital Improvements Fund:</b>				
Capital projects expenditures:				
County administration	\$ -	\$ 116,750	\$ 119,057	\$ (2,307)
Public safety	-	35,087	69,397	(34,310)
Public works	-	24,750	34,350	(9,600)
Education	-	-	1,618,607	(1,618,607)
Parks, recreation and cultural	-	5,700	5,655	45
Community development	-	224,385	232,180	(7,795)
Total capital projects	\$ -	\$ 406,672	\$ 2,079,246	\$ (1,672,574)
Total County Capital Projects Fund	\$ -	\$ 406,672	\$ 2,079,246	\$ (1,672,574)
Total Primary Government	\$ 39,400,644	\$ 41,734,140	\$ 43,536,908	\$ (1,802,768)
<b>Discretely Presented Component Unit-School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
School board	\$ 38,201	\$ 38,201	\$ 47,533	\$ (9,332)
Executive administration services	295,241	295,241	327,022	(31,781)
Personnel	123,244	123,244	120,492	2,752
Fiscal services	261,246	261,246	226,083	35,163
Total administration of schools	\$ 717,932	\$ 717,932	\$ 721,130	\$ (3,198)
Instruction costs:				
Elementary and secondary schools	\$ 28,179,032	\$ 28,179,032	\$ 26,639,597	\$ 1,539,435
Operating costs:				
Attendance and health services	\$ 480,044	\$ 480,044	\$ 439,484	\$ 40,560
Pupil transportation	2,782,848	2,782,848	2,597,666	185,182
Operation and maintenance of school plant	3,468,441	3,468,441	3,075,806	392,635
Total operating costs	\$ 6,731,333	\$ 6,731,333	\$ 6,112,956	\$ 618,377
Total education	\$ 35,628,297	\$ 35,628,297	\$ 33,473,683	\$ 2,154,614
Capital projects:				
Facilities	\$ 145,838	\$ 145,838	\$ 148,453	\$ (2,615)
Total School Operating Fund	\$ 35,774,135	\$ 35,774,135	\$ 33,622,136	\$ 2,151,999



Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit-School Board: (Continued)</b>				
<b>School Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 1,499,178	\$ 1,499,178	\$ 1,562,687	\$ (63,509)
USDA commodities	-	-	142,943	(142,943)
Total school food services	<u>\$ 1,499,178</u>	<u>\$ 1,499,178</u>	<u>\$ 1,705,630</u>	<u>\$ (206,452)</u>
Total education	<u>\$ 1,499,178</u>	<u>\$ 1,499,178</u>	<u>\$ 1,705,630</u>	<u>\$ (206,452)</u>
Total School Cafeteria Fund	<u>\$ 1,499,178</u>	<u>\$ 1,499,178</u>	<u>\$ 1,705,630</u>	<u>\$ (206,452)</u>
<b>School Grant Fund:</b>				
Education:				
Instruction	\$ 2,637,888	\$ 2,878,419	\$ 1,531,267	\$ 1,347,152
Total education	<u>\$ 2,637,888</u>	<u>\$ 2,878,419</u>	<u>\$ 1,531,267</u>	<u>\$ 1,347,152</u>
Total School Grant Fund	<u>\$ 2,637,888</u>	<u>\$ 2,878,419</u>	<u>\$ 1,531,267</u>	<u>\$ 1,347,152</u>
<b>School Capital Projects Fund:</b>				
Education:				
Contribution to County General Fund	\$ -	\$ -	\$ 950,537	\$ (950,537)
Capital projects expenditures:				
Ladysmith Elementary School	\$ -	\$ 151,488	\$ -	\$ 151,488
Replace bleachers at high school	-	150,000	123,445	26,555
HVAC improvements	-	1,158,500	-	1,158,500
General school capital projects	-	655,541	-	655,541
	<u>\$ -</u>	<u>\$ 2,115,529</u>	<u>\$ 123,445</u>	<u>\$ 1,992,084</u>
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ 2,115,529</u>	<u>\$ 1,073,982</u>	<u>\$ 1,041,547</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 39,911,201</u>	<u>\$ 42,267,261</u>	<u>\$ 37,933,015</u>	<u>\$ 4,334,246</u>

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**COUNTY OF CAROLINE, VIRGINIA**  
**Net Assets by Component**  
**Last Eight Fiscal Years (1)**  
**(accrual basis of accounting)**

	As Of June 30,							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Governmental activities</b>								
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)	\$ (1,406,265)
Restricted	4,840,791	2,964,710	2,087,645	-	-	-	-	-
Unrestricted	(3,301,145)	(2,567,832)	(535,374)	1,989,016	3,617,592	8,862,943	7,492,936	7,925,917
<b>Total governmental activities net assets</b>	<b>\$ 3,336,245</b>	<b>\$ 3,966,676</b>	<b>\$ 6,012,247</b>	<b>\$ 6,768,303</b>	<b>\$ 10,242,594</b>	<b>\$ 8,798,055</b>	<b>\$ 5,578,960</b>	<b>\$ 6,519,652</b>
<b>Business-type activities</b>								
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
Restricted	1,736,976	1,331,263	1,355,430	1,578,500	1,707,039	1,762,655	1,527,115	1,479,828
Unrestricted	(138,937)	(166,578)	(434,342)	507,717	(7,286,288)	(4,270,848)	(4,590,859)	(2,777,973)
<b>Total business-type activities net assets</b>	<b>\$ (952,980)</b>	<b>\$ (730,502)</b>	<b>\$ 129,368</b>	<b>\$ 2,097,014</b>	<b>\$ 150,018</b>	<b>\$ 3,205,537</b>	<b>\$ 1,931,616</b>	<b>\$ 500,182</b>
<b>Primary government</b>								
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	\$ 392,062
Restricted	6,577,767	4,295,973	3,443,075	1,578,500	1,707,039	1,762,655	1,527,115	1,479,828
Unrestricted	(3,440,082)	(2,734,410)	(969,716)	2,496,733	(3,668,696)	4,592,095	2,902,077	5,147,944
<b>Total primary government net assets</b>	<b>\$ 2,383,265</b>	<b>\$ 3,236,174</b>	<b>\$ 6,141,615</b>	<b>\$ 8,865,317</b>	<b>\$ 10,392,612</b>	<b>\$ 12,003,592</b>	<b>\$ 7,510,576</b>	<b>\$ 7,019,834</b>

Prior year balances have been restated for accounting changes to be consistent with the current year.

(1) Information has only been available for the last 8 years.

**COUNTY OF CAROLINE, VIRGINIA**  
**Changes in Net Assets**  
**Last Eight Fiscal Years (1)**  
**(accrual basis of accounting)**

	<b>As of June 30,</b>							
	<u><b>2003</b></u>	<u><b>2004</b></u>	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>	<u><b>2009</b></u>	<u><b>2010</b></u>
<b>Expenses</b>								
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
Judicial Administration	603,130	655,623	830,204	925,247	998,181	1,155,295	1,157,463	1,259,831
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
Public Works	2,672,686	2,709,049	3,091,796	3,859,700	3,994,895	1,992,373	3,303,085	3,096,165
Health and Welfare	2,941,723	3,036,809	3,254,319	3,517,067	3,765,455	4,298,184	4,522,642	4,477,946
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
Parks, Recreation and Cultural	439,772	472,143	469,739	627,846	958,698	652,192	960,018	631,053
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
Interest and Fiscal Charges	1,878,699	1,600,211	1,394,472	1,375,847	2,015,260	2,384,813	3,495,641	3,271,332
Total governmental activities expenses	\$ 25,242,977	\$ 28,292,287	\$ 28,269,891	\$ 34,398,055	\$ 36,779,421	\$ 41,402,671	\$ 42,778,947	\$ 40,714,969
Business-type activities:								
Water and Sewer 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
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
<b>Program Revenues</b>								
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
Community Development	160,411	417,754	504,831	731,767	312,581	1,701	1,299	289
All other activities	610,962	579,835	572,112	653,331	598,287	1,290,948	800,038	794,600
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
Capital grants and contributions	19,527	368,351	854,758	848,900	1,646,016	292,906	-	389,982
Total governmental activities program revenues	\$ 5,969,461	\$ 6,826,724	\$ 7,469,486	\$ 8,486,479	\$ 9,108,823	\$ 7,442,192	\$ 7,411,748	\$ 7,275,570
Business-type activities:								
Charges for services	\$ 702,040	\$ 632,264	\$ 710,445	\$ 842,033	\$ 1,036,029	\$ 2,306,221	\$ 2,021,930	\$ 3,050,269
Operating grants and contributions	-	-	-	-	-	107,000	210,100	-
Capital grants and contributions	144,496	642,540	1,289,015	1,608,986	1,532,671	3,766,990	109,610	139,397
Total business-type activities program revenues	\$ 846,536	\$ 1,274,804	\$ 1,999,460	\$ 2,451,019	\$ 2,568,700	\$ 6,180,211	\$ 2,341,640	\$ 3,189,666
Total primary government program 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

Table 2

## COUNTY OF CAROLINE, VIRGINIA

## Changes in Net Assets

## Last Eight Fiscal Years (1)

(accrual basis of accounting)

	As of June 30,					
	2003	2004	2005	2006	2007	2008
<b>Net (Expense)/Revenue</b>						
Governmental activities	\$ (19,274,516)	\$ (21,465,563)	\$ (20,800,405)	\$ (25,911,576)	\$ (27,670,598)	\$ (33,960,479)
Business-type activities	(922,831)	(675,074)	(193,491)	10,643	74,317	2,869,712
<b>Total primary government net expense</b>	<b>\$ (20,197,347)</b>	<b>\$ (22,140,637)</b>	<b>\$ (20,993,896)</b>	<b>\$ (25,900,933)</b>	<b>\$ (27,596,281)</b>	<b>\$ (31,090,767)</b>
						<b>\$ (36,844,417)</b>
						<b>\$ (34,893,407)</b>
<b>General Revenues and Transfers</b>						
Governmental Activities:						
Taxes:						
General property taxes	\$ 13,765,344	\$ 15,080,385	\$ 15,503,785	\$ 17,119,607	\$ 19,696,597	\$ 21,721,562
Local sales and use taxes	3,020,748	1,059,291	1,105,781	1,183,750	1,257,370	1,397,232
Other local taxes	939,983	3,578,591	4,266,350	5,005,663	4,753,642	4,748,727
State personal property tax reimbursement	2,112,768	2,239,607	2,313,961	2,837,405	2,386,780	2,371,896
Other state non-categorical shared revenues	321,215	386,032	436,742	537,927	402,015	404,287
Profess from new development	-	420,000	-	1,487,475	166,655	186,929
Other unrestricted revenue	381,671	281,906	238,174	365,403	373,891	1,800,945
Transfers	(61,397)	(860,881)	(1,018,817)	(1,869,598)	(123,380)	(115,638)
<b>Total governmental activities</b>	<b>\$ 20,480,332</b>	<b>\$ 22,184,931</b>	<b>\$ 22,845,976</b>	<b>\$ 26,667,632</b>	<b>\$ 28,913,570</b>	<b>\$ 32,515,940</b>
						<b>\$ 32,268,029</b>
						<b>\$ 34,380,091</b>
Business-type activities:						
Revenue from use of money and property	\$ 49,334	\$ 21,758	\$ 34,530	\$ 58,515	\$ -	\$ 22,894
Miscellaneous	12,403	14,913	14	28,890	86,626	70,169
Transfers	61,397	860,881	1,018,817	1,869,598	123,380	115,638
<b>Total business-type activities</b>	<b>\$ 123,134</b>	<b>\$ 897,552</b>	<b>\$ 1,053,361</b>	<b>\$ 1,957,003</b>	<b>\$ 210,006</b>	<b>\$ 185,807</b>
						<b>\$ 203,297</b>
						<b>\$ 22,574</b>
<b>Total primary government</b>	<b>\$ 20,603,466</b>	<b>\$ 23,082,483</b>	<b>\$ 23,899,337</b>	<b>\$ 28,624,635</b>	<b>\$ 29,123,576</b>	<b>\$ 32,701,747</b>
						<b>\$ 32,471,326</b>
						<b>\$ 34,402,665</b>
<b>Change in Net Assets</b>						
Governmental activities	\$ 1,205,816	\$ 719,368	\$ 2,045,571	\$ 756,056	\$ 1,242,972	\$ (1,444,539)
Business-type activities	(799,697)	222,478	859,870	1,967,646	284,323	3,055,519
<b>Primary government</b>	<b>\$ 406,119</b>	<b>\$ 941,846</b>	<b>\$ 2,905,441</b>	<b>\$ 2,723,702</b>	<b>\$ 1,527,295</b>	<b>\$ 1,610,980</b>
						<b>\$ (4,373,091)</b>
						<b>\$ (490,742)</b>

Prior year balances have been restated for accounting changes to be consistent with the current year.

(1) Information has only been available for the last 8 years.

**COUNTY OF CAROLINE, VIRGINIA**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

---

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>2,072,649</u>	<u>2,501,729</u>	<u>3,763,555</u>	<u>5,355,331</u>
Total General Fund	<u>\$ 2,072,649</u>	<u>\$ 2,501,729</u>	<u>\$ 3,763,555</u>	<u>\$ 5,355,331</u>
All Other Governmental Funds				
Reserved	\$ 667,709	\$ 8,079,194	\$ 4,834,328	\$ 2,791,392
Unreserved, reported in:				
Special revenue funds	162,141	146,889	266,312	533,024
Capital projects funds	(869,004)	(154,261)	650,264	(173,833)
Debt service funds	<u>373,420</u>	<u>(120,996)</u>	<u>61,660</u>	<u>95,214</u>
Total all other governmental funds	<u>\$ 334,266</u>	<u>\$ 7,950,826</u>	<u>\$ 5,812,564</u>	<u>\$ 3,245,797</u>



Table 3

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ -	\$ -	\$ -	\$ -	\$ 366,000	\$ 472,800
<u>6,092,852</u>	<u>7,308,616</u>	<u>6,144,482</u>	<u>4,372,811</u>	<u>3,578,749</u>	<u>5,631,691</u>
<u>\$ 6,092,852</u>	<u>\$ 7,308,616</u>	<u>\$ 6,144,482</u>	<u>\$ 4,372,811</u>	<u>\$ 3,944,749</u>	<u>\$ 6,104,491</u>
\$ 2,128,594	\$ 14,402,870	\$ 6,658,745	\$ 5,151,438	\$ 4,818,961	\$ 1,967,647
1,160,366	2,552,108	2,303,062	1,193,460	1,006,694	1,806,036
265,639	(140,892)	(1,466,321)	-	-	-
<u>202,472</u>	<u>308,996</u>	<u>449,258</u>	<u>555,018</u>	<u>(107,903)</u>	<u>181,625</u>
<u>\$ 3,757,071</u>	<u>\$ 17,123,082</u>	<u>\$ 7,944,744</u>	<u>\$ 6,899,916</u>	<u>\$ 5,717,752</u>	<u>\$ 3,955,308</u>

**COUNTY OF CAROLINE, VIRGINIA**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Revenues</b>				
General property taxes	\$ 11,382,776	\$ 12,277,643	\$ 13,784,773	\$ 14,910,125
Other local taxes	3,821,692	3,880,217	3,960,731	4,637,882
Permits, fees and regulatory licenses	254,196	301,262	403,506	698,264
Fines and forfeitures	244,971	372,032	624,594	438,430
Revenue from use of money/property	240,505	137,411	449,293	365,192
Charges for services	206,260	157,098	279,603	320,264
Other local revenue	489,634	327,617	301,827	875,374
Intergovernmental	<u>5,704,318</u>	<u>6,122,703</u>	<u>6,670,713</u>	<u>6,968,606</u>
Total revenues	<u>\$ 22,344,352</u>	<u>\$ 23,575,983</u>	<u>\$ 26,475,040</u>	<u>\$ 29,214,137</u>
<b>Expenditures</b>				
General government administration	\$ 1,585,587	\$ 1,765,648	\$ 1,689,924	\$ 1,812,264
Judicial administration	543,633	586,111	587,667	640,900
Public safety	4,157,975	4,278,889	4,493,771	5,116,302
Public works	1,558,197	1,945,192	2,126,969	2,232,552
Health and welfare	2,769,911	2,685,763	2,931,635	3,044,741
Education <sup>a</sup>	6,727	2,731	8,708,240	9,210,707
Parks, recreation and cultural	367,116	408,511	405,196	443,000
Community development	654,831	1,555,519	811,726	1,140,011
Capital projects	3,988,193	3,929,902	3,589,560	3,150,611
Debt service <sup>b</sup> :				
Principal retirement	607,342	793,642	1,703,332	1,766,976
Interest and fiscal charges	<u>751,293</u>	<u>709,013</u>	<u>1,618,606</u>	<u>1,527,766</u>
Total expenditures	<u>\$ 16,990,805</u>	<u>\$ 18,660,921</u>	<u>\$ 28,666,626</u>	<u>\$ 30,085,830</u>
Excess of revenues over(under) expenditures	<u>\$ 5,353,547</u>	<u>\$ 4,915,062</u>	<u>\$ (2,191,586)</u>	<u>\$ (871,693)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	\$ 4,088,000	\$ 12,169,593	\$ 700,000	\$ 1,179,008
Early debt retirement	-	-	-	(1,171,508)
Operating transfers in	1,586,642	1,899,399	2,677,851	2,171,741
Operating transfers out <sup>u</sup>	<u>(11,505,838)</u>	<u>(10,938,414)</u>	<u>(2,062,701)</u>	<u>(2,282,539)</u>
Total other financing sources (uses)	<u>\$ (5,831,196)</u>	<u>\$ 3,130,578</u>	<u>\$ 1,315,150</u>	<u>\$ (103,298)</u>
Net change in fund balances	<u>\$ (477,649)</u>	<u>\$ 8,045,640</u>	<u>\$ (876,436)</u>	<u>\$ (974,991)</u>
Debt service as a percentage of noncapital expenditures	10.4%	10.2%	13.2%	12.2%

<sup>a</sup>Starting in 2003, contributions of local funds to County schools, previously reported as transfers, are reported as Education expenditures.

<sup>b</sup>Starting in 2003, debt service expenditures on school related debt, previously reported as transfers, are reported as direct debt service expenditures.

Table 4

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 15,728,010	\$ 17,279,974	\$ 19,824,011	\$ 21,215,391	\$ 22,927,993	\$ 25,663,790
5,372,131	6,189,413	6,011,012	6,145,959	5,802,787	4,670,791
980,498	1,210,530	804,556	673,791	456,535	358,285
331,418	543,371	512,551	600,158	648,731	447,048
358,677	696,144	1,066,241	1,497,444	246,362	183,099
385,181	492,758	415,825	509,375	365,284	350,063
840,536	1,984,577	412,759	1,130,002	1,391,767	1,793,703
7,253,816	8,612,165	9,028,179	8,249,270	8,547,516	10,377,324
<u>\$ 31,250,267</u>	<u>\$ 37,008,932</u>	<u>\$ 38,075,134</u>	<u>\$ 40,021,390</u>	<u>\$ 40,386,975</u>	<u>\$ 43,844,103</u>
\$ 2,112,532	\$ 2,413,514	\$ 2,528,049	\$ 2,977,098	\$ 2,881,704	\$ 3,279,185
706,343	802,236	868,544	902,588	1,092,853	1,155,276
5,776,501	6,931,020	8,032,002	9,949,724	9,776,859	9,869,467
2,626,375	3,354,485	3,409,213	2,975,759	2,998,159	2,870,377
3,223,783	3,481,440	3,749,469	4,268,077	4,511,382	4,476,028
9,366,387	10,187,065	10,833,145	11,876,574	12,008,417	11,342,281
439,872	602,858	941,251	752,265	695,232	604,610
1,123,087	1,465,769	2,130,914	2,016,011	2,104,952	1,828,518
2,030,600	6,468,876	13,364,814	22,305,090	6,416,052	2,170,949
1,847,529	1,826,813	2,001,211	9,479,351	2,267,766	2,848,100
1,454,787	1,367,835	2,035,614	1,808,776	3,767,405	3,092,117
<u>\$ 30,707,796</u>	<u>\$ 38,901,911</u>	<u>\$ 49,894,226</u>	<u>\$ 69,311,313</u>	<u>\$ 48,520,781</u>	<u>\$ 43,536,908</u>
\$ 542,471	\$ (1,892,979)	\$ (11,819,092)	\$ (29,289,923)	\$ (8,133,806)	\$ 307,195
\$ 1,100,000	\$ 16,630,000	\$ 1,600,000	\$ 26,589,062	\$ 30,067,107	\$ 5,236,232
-	-	-	-	(23,243,199)	(5,126,504)
2,769,039	2,915,052	4,197,280	4,472,496	4,159,249	5,713,435
(3,162,715)	(3,029,349)	(4,320,660)	(4,588,134)	(4,339,652)	(5,733,060)
<u>\$ 706,324</u>	<u>\$ 16,515,703</u>	<u>\$ 1,476,620</u>	<u>\$ 26,473,424</u>	<u>\$ 6,643,505</u>	<u>\$ 90,103</u>
<u>\$ 1,248,795</u>	<u>\$ 14,622,724</u>	<u>\$ (10,342,472)</u>	<u>\$ (2,816,499)</u>	<u>\$ (1,490,301)</u>	<u>\$ 397,298</u>
11.5%	9.8%	11.1%	24.0%	14.3%	14.4%

Table 5

**COUNTY OF CAROLINE, VIRGINIA**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years (4)**

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Percent of		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
				Delinquent Tax Collections	Total Tax Collections to Tax Levy		
2007-2008	\$ 23,498,734	\$ 22,316,200	94.97%	\$ 685,801	\$ 23,002,001	\$ 3,325,041	14.15%
2008-2009	24,851,549	23,668,549	95.24%	659,143	24,327,692	3,369,927	13.56%
2009-2010	27,443,283	26,455,233	96.40%	947,959	27,403,192	3,565,280	12.99%

(1) Exclusive of penalties and interest. Includes Commonwealth of Virginia's reimbursement for personal property taxes and balances outstanding.

(2) Includes three most current delinquent tax years and first half of current tax year.

(3) Does not include land redemptions.

(4) Information not available in this format in all prior years.

Table 6

**COUNTY OF CAROLINE, VIRGINIA**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Real Estate (1)</u>	<u>Personal Property (3)</u>	<u>Machinery and Tools</u>	<u>Public Utility (2)</u>	<u>Total Taxable Assessed Value</u>
2000-2001	963,304,382	80,060,028	5,142,086	104,492,956	1,152,999,452
2001-2002	1,068,447,352	82,833,369	5,038,135	166,553,619	1,322,872,475
2002-2003	1,198,844,246	89,492,074	4,578,640	302,538,391	1,595,453,351
2003-2004	1,228,999,451	90,669,566	4,569,810	222,133,960	1,546,372,787
2004-2005	1,319,012,605	99,141,899	4,957,600	157,948,727	1,581,060,831
2005-2006	1,995,481,828	112,732,442	5,769,900	140,747,712	2,254,731,882
2006-2007	2,698,539,731	127,775,732	6,270,660	165,825,263	2,998,411,386
2007-2008	2,887,544,318	137,580,241	5,844,280	208,479,657	3,239,448,496
2008-2009	2,921,646,044	146,037,606	5,999,560	210,375,646	3,284,058,856
2009-2010	2,957,819,726	148,154,031	6,651,920	282,125,743	3,394,751,420

(1) Assessed at 100% of market value.

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

(3) Assessed at 40% of market value. Vehicles assessed at 50% of market value in 2009

Table 7

**COUNTY OF CAROLINE, VIRGINIA**  
**Property Tax Rates - Per \$100 of Assessed Value**  
**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>	<u>Public Service Corporations</u>	
				<u>Real Estate</u>	<u>Personal Property</u>
2000-2001	0.750	6.250	3.500	0.750	6.250
2001-2002	0.750	6.250	3.500	0.750	6.250
2002-2003	0.725	6.250	3.500	0.725	6.250
2003-2004	0.725	6.250	3.500	0.725	6.250
2004-2005	0.805	6.250	3.500	0.805	6.250
2005-2006	0.790	6.250	3.500	0.790	6.250
2006-2007	0.480	6.250	3.500	0.480	6.250
2007-2008	0.530	6.250	3.500	0.530	6.250
2008-2009	0.530	6.250	3.500	0.530	6.250
2009-2010	0.530	6.250	3.500	0.530	6.250

Table 8

## COUNTY OF CAROLINE, VIRGINIA

## Principal Property Taxpayers

## Current Year and Seven Years Ago (1)

	2010			2004		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
<u>Taxpayer/Type of Business</u>						
Dominion Virginia Power/Electric Utility	282,125,743	1	8.27%	\$ 79,419,478	1	5.48%
Rappahannock Electric Cooperative/Electric Utility	64,697,033	2	1.90%	27,840,459	2	1.92%
Union Bank/Union Bankshares/Bank	23,222,470	3	0.68%	5,438,300	10	0.38
Verizon South/Telephone Utility	18,704,143	4	0.55%	17,071,224	3	1.18%
Virginia Natural Gas, Inc	17,515,198	5	0.51%			
Richmond, Fredericksburg and Potomac Railroad/Railroad	17,498,832	6	0.51%	8,446,100	5	0.58%
JLB Ruther Glen LLC Furniture Distribution	14,167,700	7	0.42%	13,202,400	4	0.91%
NNP IV-Ladysmith/Property Development	12,429,300	8	0.36%			-
Amber Farms Limited Partnership/Property Development	11,550,800	9	0.34%	5,706,400	9	0.39%
Highway Service Ventures, Inc/Highway Service Commercial	10,889,920	10	0.32%	6,975,200	6	0.48%
Haymount				6,404,300	7	0.44%
CFJ				5,896,600	8	0.41%
Totals	472,801,139		13.86%	\$ 176,400,461		12.17%

Source:  
Caroline County Commissioner of Revenue

(1) Information for nine years ago is unavailable.

Table 9

**COUNTY OF CAROLINE, VIRGINIA**  
**Ratios of Net General Bonded Debt to**  
**Assessed Value and Net Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt (3)</u>	<u>Less:</u>		<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capital</u>
				<u>Debt Service Monies Available</u>	<u>Debt Assumed by Other Localities</u>			
2000-2001	22,121	\$ 1,152,999,452	\$ 18,521,815	\$ -	-	\$ 18,521,815	1.61%	837
2001-2002	22,200	1,322,872,475	27,339,828	-	-	27,339,828	2.07%	1,232
2002-2003	22,300	1,595,453,351	25,724,878	-	-	25,724,878	1.61%	1,154
2003-2004	23,000	1,546,372,787	25,274,920	-	-	25,274,920	1.63%	1,099
2004-2005	23,800	1,581,060,831	23,513,221	-	-	23,513,221	1.49%	988
2005-2006	25,109	2,254,731,882	29,666,655	-	-	29,666,655	1.32%	1,182
2006-2007	26,011	2,998,411,386	27,976,383	-	-	27,976,383	0.93%	1,076
2007-2008	27,838	3,239,448,496	32,615,069	-	-	32,615,069	1.01%	1,172
2008-2009	28,245	3,284,058,856	33,805,542	-	-	33,805,542	1.03%	1,197
2009-2010	28,245	3,394,751,420	29,259,263	-	-	29,259,263	0.86%	1,036

(1) Weldon Cooper Center for Public Service, University of Virginia

(2) From Table 6

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



Table 10

**COUNTY OF CAROLINE, VIRGINIA**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Total Personal Income (in 000s) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>School Enrollment- September 30 Membership (3)</u>	<u>Unemployment Rate (4)</u>
2000-2001	22,121	527,267	23,817	3,794	2.2%
2001-2002	22,200	564,628	25,403	3,701	3.0%
2002-2003	22,300	565,331	25,028	3,655	4.3%
2003-2004	23,000	599,701	25,924	3,651	4.2%
2004-2005	23,800	657,599	27,482	3,786	3.9%
2005-2006	25,109	765,262	28,289	3,937	3.7%
2006-2007	27,399	821,575	31,047	4,084	3.3%
2007-2008	27,838	895,756	32,825	4,061	4.8%
2008-2009	28,245	944,392	34,095	4,244	8.5%
2009-2010	28,245	N/A	N/A	4,277	8.6%

## Sources:

- (1) Weldon Cooper Center for Public Service, University of Virginia
- (2) US Department of Commerce, Bureau of Economic Analysis
- (3) Virginia Department of Education
- (4) VA Department of Labor

Table 11

**COUNTY OF CAROLINE, VIRGINIA**  
**Number of Budgeted Full Time County Employees, by Department and Constitutional Officers**  
**Last Ten Fiscal Years**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
County Administrator	3	3	3	3	3	3	3	3	3	3
Finance	4	4	4	4	4	5	5	6	6	6
Animal Control	2	3	3	3	3	4	4	4	4	4
Emergency Services	12	13	15	20	21	23	28	29	26	26
Public Works	12	13	14	14	14	16	17	16	16	15
Social Services	27	27	26	25	25	25	25	25	25	25
Recreation	2	2	2	2	2	2	3	3	3	3
Planning and Community Development	10	10	10	12	14	21	21	19	19	13
Economic Development	3	3	3	3	3	3	3	3	3	3
Utilities	6	7	7	7	8	8	9	16	16	16
Constitutional Officers:										
Commissioner of the Revenue	8	8	8	8	8	9	10	11	11	11
Treasurer	6	6	6	6	6	6	6	7	7	7
Clerk of the Circuit Court	5	5	5	5	6	6	7	8	8	8
Commonwealth's Attorney	2	2	2	2	2	2	2	4	4	5
Sheriff:										
Sworn	29	32	32	32	34	39	41	46	47	47
Non sworn	9	9	9	9	9	9	9	18	19	19
Total full time employees	<u>140</u>	<u>147</u>	<u>149</u>	<u>155</u>	<u>162</u>	<u>181</u>	<u>193</u>	<u>218</u>	<u>217</u>	<u>211</u>

## *COMPLIANCE SECTION*

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## **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 Independent Auditors' Report**

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Caroline, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Caroline, Virginia's basic financial statements and have issued our report thereon dated January 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Caroline, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Caroline, Virginia'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 was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we have reported to management of the County of Caroline, Virginia, in a separate letter dated January 17, 2011.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robert Fann, Cox Asante*

Richmond, Virginia  
January 17, 2011

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## **Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 Independent Auditors' Report**

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

### **Compliance**

We have audited County of Caroline, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Caroline, Virginia's major federal programs for the year ended June 30, 2010. The County of Caroline, Virginia'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 of Caroline, Virginia's management. Our responsibility is to express an opinion on the County of Caroline, Virginia'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards 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 of Caroline, Virginia's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Caroline, Virginia's compliance with those requirements.

In our opinion, the County of Caroline, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### **Internal Control Over Compliance**

Management of the County of Caroline, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Caroline, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 of Caroline, Virginia's internal control over compliance.

**Internal Control Over Compliance (Continued)**

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 management, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Roberta, Fann, Cox Assinto*

Richmond, Virginia  
January 17, 2011



COUNTY OF CAROLINE, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 14,675
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	225,621
Refugee and Entrant Assistance - State administered programs	93.566	0500109/0500110	1,377
Low-Income Home Energy Assistance	93.568	0600409/00600410	12,749
Child Care and Development Cluster:			
Child Care and Development Block Grants	93.575	0770109/0770110	216,841
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	137,006
ARRA - Child Care and Development Block Grant	93.713	0740109/0780109	75,600
Child Welfare Services - State Grants	93.645	0900109/090110	702
Foster Care Cluster:			
Foster Care - Title IV-E	93.658	1100109/1100110	104,658
ARRA - Foster Care - Title IV-E	93.658	1100109/1100110	4,956
Adoption Assistance Cluster:			
Adoption Assistance	93.659	1120109/1120110	33,055
ARRA - Adoption Assistance	93.659	1120109/1120110	1,771
Social Services Block Grant	93.667	1000109/1000110	84,596
Chafee Foster Care Independence Program	93.674	9150109/9150110	3,303
Children's Health Insurance Program	93.767	0540109/0540110	13,712
Medical Assistance Program	93.778	1200109/1200110	194,824
Total Department of Health and Human Services			\$ 1,125,446
Department of Agriculture:			
Direct Payments:			
Schools and Roads - Grants to States	10.665	N/A	\$ 37,183
Pass Through Payments:			
Department of Agriculture:			
Food Distribution - School	10.555	17901-45707	142,943
Department of Education:			
Child Nutrition Cluster:			
National school breakfast program	10.553	17901-40591	241,011
National school lunch program	10.555	17901-40623	697,444
Department of Social Services:			
SNAP Cluster:			
ARRA - State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0040109/0040110	25,182
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010109/0010100	316,642
Total Department of Agriculture			\$ 1,460,405
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in lieu of taxes-public law 95-561	15.226	N/A	\$ 2,044
Total Department of the Interior			\$ 2,044

COUNTY OF CAROLINE, VIRGINIA  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct payments:			
Bulletproof vest partnership program	16.607	N/A	\$ 6,918
			<u>\$ 6,918</u>
Total Department of Justice - direct payments			
Pass Through Payments:			
Compensation Board:			
ARRA - Edward Byrne memorial justice assistance grant (JAG) program/grants to states and territories	16.803	2009-SU-B9-0033	\$ 58,643
Department of Criminal Justice Services:			
Edward Byrne memorial justice assistance grant (JAG) program/grants to units of local governments	16.804	2009-SU-B9-0033	13,185
ARRA - Violence against women formula grant	16.588	39001-99001	<u>78,114</u>
			<u>\$ 149,942</u>
Total Department of Justice - pass-through			
			<u>\$ 156,860</u>
Total Department of Justice			
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol open container requirements	20.607	77501-52707	\$ 24,973
			<u>\$ 24,973</u>
Total Department of Transportation			
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
State homeland security program	97.073	77501-52707	\$ 47,450
Emergency management preparedness grant	97.042	77501-52749	<u>12,120</u>
			<u>\$ 59,570</u>
Total Department of Homeland Security			
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant	14.228	53305-50794	\$ 208,803
			<u>\$ 208,803</u>
Total Department of Housing and Urban Development			
Department of Defense:			
Direct payments:			
National Fish and Wildlife Foundation:			
Junior ROTC	12.xxx	N/A	\$ 58,527
			<u>\$ 58,527</u>
Total Department of Defense			

**COUNTY OF CAROLINE, VIRGINIA**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2010**

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Cluster:			
Title I: Grants to local educational agencies	84.010	17901-42901	\$ 569,006
ARRA - Title I: Grants to local educational agencies	84.389	17901-42913	68,180
Special Education Cluster:			
Special Education grants to states	84.027	17901-43071	930,393
Special education preschool grants	84.173	17901-62521	4,875
ARRA - Special Education grants to states	84.391	17901-61245	558,530
ARRA - Special education preschool grants	84.392	17901-61247	26,895
Career and Technical Education: Basic grants to states	84.048	17901-61095	132,201
Safe and Drug-free schools and communities	84.186	17901-60511	5,698
English language acquisition grants	84.365	17901-60512	11,649
Improving Teacher Quality State Grants	84.367	17901-61480	164,026
Education technology state grants	84.318	17901-61600	128,112
ARRA - Education technology grants	84.386	17901-60897	7,825
ARRA - State fiscal stabilization fund - education state grants	84.394	17901-61245	1,120,793
21st Century Community Learning Centers	84.287	17901-60565	68,592
			<u>\$ 3,796,775</u>
Total Department of Education			
			<u>\$ 6,893,403</u>
Total Expenditures of Federal Awards			

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

## COUNTY OF CAROLINE, VIRGINIA

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2010

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#### Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Caroline, Virginia under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Caroline, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Caroline, Virginia.

#### Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

#### Note C - Food Donation

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

#### Note D - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 243,447
Special Revenue Funds:	
Virginia Public Assistance Fund	1,467,270
Housing Fund	208,803
Total primary government	<u>\$ 1,919,520</u>

Component Unit Public Schools:

School Operating Fund	\$ 2,405,703
School Cafeteria Fund	1,081,398
School Grant Fund	1,365,308
Total component unit public schools	<u>\$ 4,852,409</u>

Total federal expenditures per basic financial  
statements

\$ 6,771,929

Agency Fund - Four Rivers Technology in Education Consortium

\$ 121,474

Total federal expenditures per the Schedule of Expenditures  
of Federal Awards

\$ 6,893,403

County of Caroline, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

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### Section I-Summary of Auditors' Results

#### Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes ✓ no

Significant deficiencies identified? \_\_\_\_\_ yes ✓ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes ✓ no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes ✓ no

Significant deficiencies identified? \_\_\_\_\_ yes ✓ none reported

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

Any findings disclosed that are required to be  
reported in accordance with section 510(a) of  
OMB Circular A-133? \_\_\_\_\_ yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program Cluster
84.010/84.389	Title I, Part A Cluster
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA)
84.394	State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act

Dollar threshold used to distinguish between type A  
and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

✓ yes \_\_\_\_\_ no

Section II-Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**County of Caroline, Virginia**  
**Schedule of Prior Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2010**

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There were no prior year Federal Award Findings.