

COUNTY OF CAROLINE, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

INTRODUCTORY SECTION

COUNTY OF CAROLINE, VIRGINIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

COUNTY OF CAROLINE, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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COUNTY OF CAROLINE, VIRGINIA

Board of Supervisors

Floyd W. Thomas, Chairperson

Wayne A. Acors
Bobby J. Popowicz

Reginald L. Underwood
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

Sherry James
Pamela Gardner
Jeff M. Sili, BOS Representative

Francine Whittaker
Delores Brown

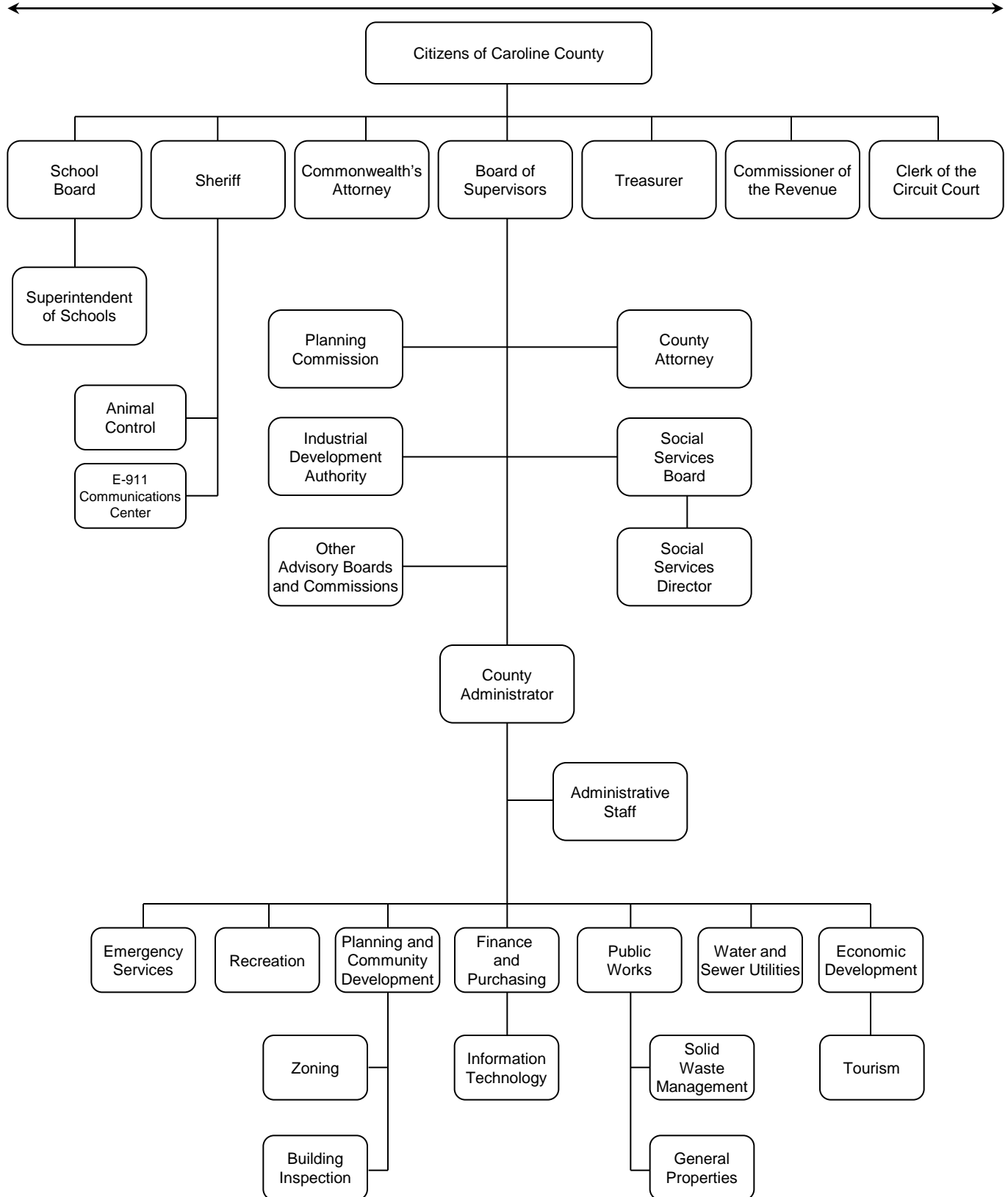
Other Officials

Interim 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

Alan L. Partin
Honorable Joseph J. Ellis
Ray S. Campbell, Jr.
Anthony G. "Tony" Spencer
Sharon W. Carter
Elizabeth B. Curran
Honorable Frank L. Benser
Honorable Julian W. Johnson
Anthony "Tony" Lippa
Dr. Gregory Killough
Cynthia Green
Benjamin Emerson

COUNTY OF CAROLINE, VIRGINIA

ORGANIZATION CHART - 2011



Caroline County, Virginia

Board of Supervisors

Wayne A. Acors
Madison District

Jeff Black
Western Caroline District

Jeff Sili
Bowling Green District

Calvin B. Taylor, Sr.
Port Royal District

Floyd W. Thomas
Mattaponi District

Reginald L. Underwood
Reedy Church District

January 17, 2012

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

Caroline County, VA



The Comprehensive Annual Financial Report of the County of Caroline, Virginia as of and for the fiscal year ended June 30, 2011 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

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www.visitcaroline.com

provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2011, 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, 2011 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, 2011 population of 28,545. The County seat, the Town of Bowling Green, is located approximately 35 miles north of the State capitol of Richmond and approximately 20 miles south of the City of Fredericksburg.

Historically, Caroline County has remained relatively insulated from the dramatic growth seen in the nearby northern Virginia area and remained primarily rural and residential. Its economy has been agriculturally based with a handful of small to medium size industrial businesses and limited commercial development focused along major highway corridors. Fort A. P. Hill, a 77,000 acre undeveloped military training installation, entirely within the County's borders, also dominates the landscape. The County's population density of 52 persons per square mile compared to densities of well over 200 per mile in counties just to the north and south and the Virginia average of 179 confirm this perspective.

In recent years, its location along Interstate 95, the primary north-south transportation artery on the east coast, and increasing congestion in neighboring counties had brought extensive development interest to the County. Three new mixed use development projects had been approved that would have added almost 10,000 new homes to the County over a 25 year period along with a variety of commercial, recreational and other uses. Those projects were well underway with many new houses completed or under construction when the housing market dropped. It is likely to 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 has been put on hold during this economic downturn. The decision by the State Fair of Virginia to relocate to Caroline in 2009 has raised the County's profile. The construction this year 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, 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

Security renovations. \$574,379 of security renovations were completed at the Bowling Green Primary, Bowling Green and Madison Elementary Schools and the Caroline Middle School to enhance the protection of students.

Building Renovations. \$337,900 of roof and plumbing renovations were completed at the Bowling Green School Annex to upgrade failing systems.

Construction. \$172,500 to begin construction plans to convert the Bowling Green Primary School to a PK-5 school for the eastern side of the county.

Public Safety. \$104,852 for the purchase of four sheriffs vehicles to replace aging equipment and \$87,679 to purchase a new records management system to replace the system destroyed by lightning.

Library. \$617,341 to begin construction of the New Dawn Library for the citizens in southern end of the county.

Sewer. \$717,570 to begin construction on the expansion of the County's wastewater treatment plant.

Water: \$277,805 of water system improvements completed to begin construction on a new water line for Caroline Pines subdivision and new wells and sand filter treatment systems.

Other Information

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



ALAN L. PARTIN
Interim County Administrator



FRANCES K. HATCHER
Finance Director

FINANCIAL SECTION

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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County of Caroline, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Caroline, Virginia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other statistical information, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical section 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, Farmer, Cox Associates

Richmond, Virginia
January 13, 2012

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, 2011. 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 \$7,921,428 (Total Net Assets). Of this amount, \$(4,489,053) 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 \$7,898,401 in Governmental Activities.
- The County's total net assets increased by \$990,689, or 12.8%, in the fiscal year ended June 30, 2011.

Fund Financial Statements

- Total fund balance of the County's Governmental Funds, reporting on a current financial resources basis, amounted to \$18,492,124 at June 30, 2011. This was a net increase of \$8,432,325 over the prior year. The General Fund increased 56.5% \$3,343,321 and the Capital Projects Fund increased 250.5% \$4,927,997. This is due largely to the funding for new projects not completed during the fiscal year in the capital projects fund and an increase in public service taxes and personal property tax collections in the general fund. No special revenue funds have a negative fund balance.
- During the fiscal year ended June 30, 2011, the unassigned fund balance in the General Fund increased by \$3,475,429 to \$9,107,120. This fund balance represents 25.9% of total General Fund expenditures and operating transfers, an increase of 9.7% over the previous fiscal year.
- The County's total outstanding long-term debt increased by \$25,740,831 to \$116,965,394 during the fiscal year ended June 30, 2011 due to the issuance of debt for the renovations to Bowling Green Primary School, Dawn Library construction 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 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 in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Caroline County maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, the Debt Service Fund, the Social Services Fund and the Proffers Fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Caroline County adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided as part of the Required Supplementary Information in the Financial Section of this report to demonstrate compliance with this budget. Budgetary comparison statements for other governmental funds are also provided as Other Supplementary Information in the Financial Section of this report.

Proprietary funds. Caroline County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Caroline County uses enterprise funds to account for its Water and Sewer Utility and for the 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 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 \$7,921,428 at June 30, 2011. The following table summarizes the County's Statement of Net Assets:

County of Caroline, Virginia Net Assets						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 37,403,931	\$ 28,139,059	\$ 18,952,549	\$ (895,872)	\$ 56,356,480	\$ 27,243,187
Capital assets	<u>57,885,751</u>	<u>59,471,383</u>	<u>28,083,743</u>	<u>27,693,296</u>	<u>85,969,494</u>	<u>87,164,679</u>
Total assets	<u>\$ 95,289,682</u>	<u>\$ 87,610,442</u>	<u>\$ 47,036,292</u>	<u>\$ 26,797,424</u>	<u>\$ 142,325,974</u>	<u>\$ 114,407,866</u>
Current liabilities	\$ 18,899,091	\$ 17,846,243	\$ 1,093,066	\$ 525,348	\$ 19,992,157	\$ 18,371,591
Long-term liabilities outstanding	<u>67,640,027</u>	<u>63,333,642</u>	<u>46,772,362</u>	<u>25,771,894</u>	<u>114,412,389</u>	<u>89,105,536</u>
Total liabilities	<u>\$ 86,539,118</u>	<u>\$ 81,179,885</u>	<u>\$ 47,865,428</u>	<u>\$ 26,297,242</u>	<u>\$ 134,404,546</u>	<u>\$ 107,477,127</u>
Net assets:						
Invested in capital assets, net of related debt	\$ (7,898,401)	\$ (1,495,360)	\$ 3,409,348	\$ 1,798,327	\$ (4,489,053)	\$ 302,967
Restricted for Debt Service and bond covenants	-	-	-	1,479,828	-	1,479,828
Unrestricted	<u>16,648,965</u>	<u>7,925,917</u>	<u>(4,238,484)</u>	<u>(2,777,973)</u>	<u>12,410,481</u>	<u>5,147,944</u>
Total Net Assets	<u>\$ 8,750,564</u>	<u>\$ 6,430,557</u>	<u>\$ (829,136)</u>	<u>\$ 500,182</u>	<u>\$ 7,921,428</u>	<u>\$ 6,930,739</u>

The County's total balance of working capital, current and other assets minus current liabilities, increased from \$8,871,596 at June 30, 2010 to \$36,364,323. The County's investment in capital assets decreased by \$4,792,020 and its long term liabilities increased by \$25,306,853 over the same period.

As previously indicated, the County's net assets increased \$990,689. Net assets of governmental activities increased by \$2,320,007 and those of business-type activities, the County's water and sewer utility operations, decreased \$1,329,318. The following table summarizes the change in the County's net assets as shown in the Statement of Activities:

County of Caroline, Virginia Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Expenses:						
General Government						
Administration	\$ 3,834,523	\$ 4,078,076			\$ 3,834,523	\$ 4,078,076
Judicial Administration	1,305,420	1,259,831			1,305,420	1,259,831
Public Safety	10,851,996	10,062,297			10,851,996	10,062,297
Public Works	3,224,196	3,096,165			3,224,196	3,096,165
Health and Welfare	4,486,438	4,477,646			4,486,438	4,477,646
Education	12,473,709	12,155,229			12,473,709	12,155,229
Parks, Recreation, and Cultural	593,795	631,053			593,795	631,053
Community Development	1,347,445	1,683,340			1,357,445	1,683,340
Interest and Other fiscal charges	2,770,309	3,271,332			2,770,309	3,271,332
Water and Sewer Utilities	<u>-</u>	<u>-</u>	<u>4,833,897</u>	<u>4,643,674</u>	<u>4,833,897</u>	<u>4,643,674</u>
Total Expenses	<u>\$ 40,897,831</u>	<u>\$ 40,714,969</u>	<u>\$ 4,833,897</u>	<u>\$ 4,643,674</u>	<u>\$ 45,731,728</u>	<u>\$ 45,358,643</u>
Less: Program Revenues						
Charges for Services	\$ 1,368,578	\$ 1,155,396	\$ 3,091,297	\$ 3,050,269	\$ 4,459,875	\$ 4,205,665
Operating Grants and Contributions	5,864,302	5,728,148	259,417	0	6,123,719	5,728,148
Capital Grants and Contributions	<u>0</u>	<u>388,982</u>	<u>118,716</u>	<u>139,397</u>	<u>118,716</u>	<u>528,379</u>
Total Program Revenues	<u>\$ 7,232,880</u>	<u>\$ 7,272,526</u>	<u>\$ 3,469,430</u>	<u>\$ 3,189,666</u>	<u>\$ 10,702,310</u>	<u>\$ 10,462,192</u>
Net Expense	<u>\$ (33,664,951)</u>	<u>\$ (33,442,443)</u>	<u>\$ (1,364,467)</u>	<u>\$ (1,454,008)</u>	<u>\$ (35,029,418)</u>	<u>\$ (34,896,451)</u>
General Revenues:						
General Property Taxes	\$ 26,968,633	\$ 25,617,843			\$ 26,968,633	\$ 25,617,843
Local Sales and Use Taxes	1,540,189	1,357,380			1,540,189	1,357,380
Consumers Utility Taxes	589,871	581,522			589,871	85,197
Business License Taxes	905,568	803,165			905,568	803,165
Other Local Taxes	2,014,908	2,425,049			2,014,908	2,425,049
Intergovernmental Revenues-State	3,309,657	3,306,613			3,309,657	3,306,613
Proffers From New Development	208,409	260,996			208,409	260,996
Other General Revenues	447,723	543,473	35,149	2,949	482,872	546,422
Transfers	<u>0</u>	<u>(19,625)</u>	<u>0</u>	<u>19,625</u>	<u>-</u>	<u>-</u>
Total General Revenues	<u>\$ 35,984,958</u>	<u>\$ 34,380,091</u>	<u>\$ 35,149</u>	<u>\$ 22,574</u>	<u>\$ 36,020,107</u>	<u>\$ 34,402,665</u>
Change in Net Assets	\$ 2,320,007	\$ 940,692	\$ (1,329,318)	\$ (1,431,434)	\$ 990,689	\$ (490,742)
Net Assets, Beginning of Year	<u>6,430,557</u>	<u>5,578,960</u>	<u>500,182</u>	<u>1,931,616</u>	<u>6,930,739</u>	<u>7,421,481</u>
Net Assets, Ending of Year	<u>\$ 8,750,564</u>	<u>\$ 6,519,652</u>	<u>\$ (829,136)</u>	<u>\$ 500,182</u>	<u>\$ 7,921,428</u>	<u>\$ 6,930,739</u>

Expenditures in the County's governmental activities increased .45% over the prior year with expenditures increasing in judicial functions, public safety, public works, health and welfare and education and decreasing in general government administration, parks and recreation, community development and interest and other fiscal charges. Education again consumed the largest share of the total combined expenditures of the primary County government and its component units during the fiscal year ended June 30, 2011 at 59.5% of the total. Public safety spending represents 13.2% of the total. Program revenues, which include fees, charges and special purpose grants and contributions, funded 43.8% of total functional expenditures in fiscal year 2011, a slightly decreased level as compared to fiscal year 2010. Despite a 5.3% increase in general property tax revenues over the prior year, total general revenues for the County's governmental activities only rose 4.7%. In the County's business type activities, expenditures increased 4.16% and program revenues increased 8.8% from the prior year. The County's water and sewer utility operations are continuing to prepare for a period of substantial growth sometime in the future. It should again be noted that these expenses are on a full accrual basis and, therefore, include depreciation expense on capital assets.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and for public accountability.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of available resources. By analyzing the sources and uses of funds, the differences between the two, and changes in balances over time, such information can be useful in assessing the County's financial needs. In particular, unreserved fund balance is important as a measure of the net resources available for financing future expenditures.

In total, governmental funds reported fund balances of \$18,492,124 at June 30, 2011, \$6,924,638 of that balance is reserved by external restrictions, \$2,460,366 is committed or assigned and the remaining \$9,107,120 is unreserved. Fund balances in the governmental funds increased \$8,432,325 during the fiscal year ended June 30, 2011. Fund balance in the General Fund increased by \$3,343,321. Expenditures for the completion of a new elementary school and renovations to several primary schools totaling \$1,202,651, the renovations of the old Union Bankshares building for County Administration offices, public safety equipment, and construction of a new library were offset by the borrowing of funds for long term library and school debt resulting in an increase of \$4,927,997 in the fund balance of the Capital Projects Fund.

In the General Fund, fund balance increased to \$9,552,107, a 56% increase over the prior year. General property taxes remain the primary revenue source in the General Fund contributing 69.4% of the total during fiscal year 2011, slightly less than in the prior year. Intergovernmental revenue from the Commonwealth of Virginia increased by 20% to 13.2% from 11.5% the prior year and the share added by other local taxes increased to 9% from 8.4% in 2010 and 10.3% in fiscal year 2009. Education consumed the bulk of the General Fund's expenditures (35.3%). Public Safety (35%) and Public Works (9.1%) also accounted for substantial shares of the expenditures in the Fund.

Proprietary Funds. The proprietary funds provide the same type of information found in the business-type activities sections of the government-wide financial statements, but in more detail.

The largest of the County's enterprise operations, the County Public Utility Fund had a deficit in net assets of \$1,329,318 at June 30, 2011, a slightly lower decrease than the previous year. 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, 2011 of \$247,051, a 56.1% improvement from last fiscal year due to the increase in user fees. The Dawn Wastewater System also reported an operating loss of \$131,082, a 20% decrease from last fiscal year. This year was the third full year of operation for the Dawn system and the second full year of depreciation of \$123,614.

General Fund Budgetary Highlights

The original adopted budget of the General Fund was increased by 2.0% or \$798,086. Following is a partial summary of these increases/reductions by function:

- \$ 50,775 for General Government Administration
- \$ 32,786 for Judicial Administration
- \$ 700,230 for Public Safety
- \$ 86,200 for Public Works
- \$ 35,090 for Health and Welfare
- \$ 101,000 for Debt Service
- \$(207,995) for Transfers to Other Funds

Actual revenue collections were \$2,872,729 of the final budget estimates. Revenue from property taxes, other local taxes, permits, fees and regulatory licenses, miscellaneous revenue, recovered costs and federal intergovernmental revenue were above revenue projections. An increase in real estate rates and an increased in assessed ratios for personal property contributed \$2,434,518 of the increase. Revenues from court fines and charges for services fell short of expectations. Revenue from the Commonwealth fell short due to continued 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 \$560,798 less than the amended budget appropriations, a variance of only 1.57%. The functions judicial administration exceeded the final amended budget appropriation. Actual expenditures fell under amended appropriations in all other functions.

Capital Assets and Debt Administration

Capital Assets. The County's total investment in capital assets for governmental and business-type activities amounted to \$85,969,494 as of June 30, 2011, net of accumulated depreciation. This investment in capital assets includes land, buildings, property improvements, machinery and equipment, vehicles and utility improvements. It should be noted that this investment value is based on historical cost and is not reflective of the current market value of these assets.

Major capital improvement projects for the year included:

- \$ 104,852 for sheriff vehicles
- \$ 87,700 for public safety equipment
- \$ 37,037 for sound system upgrades in the Community Center auditorium
- \$ 177,193 for engineering for Bowling Green Primary School to a PK-5 school
- \$1,025,458 for renovations to county schools
- \$ 617,341 for construction on the Dawn Library
- \$ 995,375 in various water and wastewater system improvements

Long-Term Debt. At June 30, 2011, the County's total long-term debt amounted to \$116,965,394. This total is comprised of:

- \$32,739,815 in lease revenue bonds issued through the County's Industrial Development Authority for a variety of general government, school and business-type activity improvements and equipment acquisitions.
- \$46,332,831 in utility system revenue bonds for the improvement and expansion of the County's utility enterprise operations and landfill closure.
- \$32,956,586 in general obligation bonds issued for the construction and improvement of County public schools and utility projects.
- \$647,751 in capital lease obligations for general government radio and motor vehicle equipment.
- \$3,730,171 as the County's liability for closure and post-closure care of the former County Sanitary Landfill.
- \$468,297 in accrued liabilities for leave benefits earned by County employees.
- \$89,943 for OPEB liabilities for retired County employees.

Payments made to retire County long-term debt totaled \$2,071,259 during the fiscal year ended June 30, 2011. Four long term debt transactions were completed during the fiscal year: a \$3,310,000 lease revenue bond was issued through the Virginia Resources Authority to refund the 2001 lease revenue bond for utility issues; a \$20,655,000 lease revenue bond was issued through the Virginia Resources Authority to fund the wastewater treatment plant upgrade and a water line to Caroline Pines; a \$795,000 lease revenue bond was issued through the Virginia Resources Authority to fund construction

of the Dawn Library; and a \$6,000,000 general obligation school bond through the Virginia Public School Authority for the renovation of the Bowling Green Primary School to a PK-5 facility.

Economic Factors and Next Year's Budget and Tax Rates

- The population of Caroline County, based on the 2010 census has grown 29% since the April 2000 census to 28,545.
- The County conducted a real property reassessment during fiscal year 2010 to be effective January 2011 to be sure its values for tax purposes are in line with market values. Growth had pushed assessed values up for the January 2008 reassessment to almost \$3 billion, but the housing market crash has dropped values for 2011 by an estimated 18%.
- 2011 resulted in a slight improvement for the County and economic indicators confirmed that. The unemployment rate for the County decreased from 8.6% to 7.7% and revenues were stable.
- The burst of population growth the County had experienced several years ago has slowed dramatically as the nation-wide turnaround in real estate markets and recession has had an impact. After issuing a total of 318 residential building permits in the fiscal year ended June 30, 2007, the County building inspection division only issued 78 in the fiscal year ended June 30, 2011 and is estimating those numbers will be approximately the same in FY 2012. Commercial development has declined after a two year increase from 25 new commercial structures in the fiscal year June 30, 2007 to 4 in fiscal year 2011.

These and many other factors were considered in preparing the County's budget for fiscal year 2012. The fiscal year 2012 general fund budget (excluding capital investments) increased 5.8% due to a \$1.2 million debt reserve obligation. Capital investments reflect a budget increase of \$38 million, dependent on funding. Due to the reassessment, the equalized real estate tax rate resulted in an increased rate of \$0.64 compared to the prior year of \$.53 per hundred dollars of assessed value for calendar year 2010. The adopted rate for calendar year 2011 was increased to \$0.68 per hundred dollars of assessed value.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets
June 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 14,092,362	\$ 1,021,511	\$ 15,113,873	\$ 1,051,812	\$ 109,404
Receivables (net of allowance for uncollectibles):					
Taxes receivable	15,395,639	-	15,395,639	-	-
Accounts receivable	285,021	436,961	721,982	18,755	-
Internal balances	5,175,667	(5,175,667)	-	-	-
Due from other governmental units	2,455,242	94,143	2,549,385	3,891,541	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	22,218,437	22,218,437	-	-
Other assets:					
Unamortized bond issue costs	-	357,164	357,164	-	-
Capital assets (net of accumulated depreciation):					
Land	1,059,183	439,759	1,498,942	697,162	-
Buildings and system	48,534,276	5,636,509	54,170,785	1,533,663	-
Improvements other than buildings	3,298,160	17,295,587	20,593,747	65,351	-
Machinery and equipment	3,627,353	365,339	3,992,692	2,014,322	-
Intangibles	25,854	-	25,854	-	-
Construction in progress	1,340,925	4,346,549	5,687,474	-	-
Total assets	\$ 95,289,682	\$ 47,036,292	\$ 142,325,974	\$ 9,272,606	\$ 109,404
LIABILITIES					
Accounts payable	\$ 986,902	\$ 318,212	\$ 1,305,114	\$ 2,733,219	\$ -
Accrued liabilities	111,051	-	111,051	759,845	-
Customers' deposits	-	42,556	42,556	-	-
Accrued interest payable	1,111,679	553,644	1,665,323	-	-
Due to other governmental units	2,467,792	-	2,467,792	-	-
Unearned revenue	11,847,315	-	11,847,315	-	-
Long-term liabilities:					
Due within one year	2,374,352	178,654	2,553,006	58,431	-
Due in more than one year	67,640,027	46,772,362	114,412,389	1,888,812	-
Total liabilities	\$ 86,539,118	\$ 47,865,428	\$ 134,404,546	\$ 5,440,307	\$ -
NET ASSETS					
Invested in capital assets, net of related debt	\$ (7,898,401)	\$ 3,409,348	\$ (4,489,053)	\$ 4,310,498	\$ -
Unrestricted (deficit)	16,648,965	(4,238,484)	12,410,481	(478,199)	109,404
Total net assets	\$ 8,750,564	\$ (829,136)	\$ 7,921,428	\$ 3,832,299	\$ 109,404

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, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,834,523	\$ 1,284	\$ 287,676	\$ -
Judicial administration	1,305,420	867,951	432,994	-
Public safety	10,851,996	354,880	1,899,917	-
Public works	3,224,196	53,604	8,024	-
Health and welfare	4,486,438	-	3,126,657	-
Education	12,473,709	-	-	-
Parks, recreation, and cultural	593,795	90,650	-	-
Community development	1,357,445	209	109,034	-
Interest on long-term debt	2,770,309	-	-	-
Total governmental activities	\$ 40,897,831	\$ 1,368,578	\$ 5,864,302	\$ -
Business-type activities:				
Public utilities	\$ 4,833,897	\$ 3,091,297	\$ 259,417	\$ 118,716
Total business-type activities	\$ 4,833,897	\$ 3,091,297	\$ 259,417	\$ 118,716
Total primary government	\$ 45,731,728	\$ 4,459,875	\$ 6,123,719	\$ 118,716
COMPONENT UNIT:				
School Board	\$ 36,463,165	\$ 753,914	\$ 24,393,532	\$ -
Industrial Development Authority	122,160	14,504	110,000	-
Total component units	\$ 36,585,325	\$ 768,418	\$ 24,503,532	\$ -
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, as adjusted				
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	
\$ (3,545,563)	\$ -	\$ (3,545,563)	\$ -	\$ -	
(4,475)	-	(4,475)	-	-	
(8,597,199)	-	(8,597,199)	-	-	
(3,162,568)	-	(3,162,568)	-	-	
(1,359,781)	-	(1,359,781)	-	-	
(12,473,709)	-	(12,473,709)	-	-	
(503,145)	-	(503,145)	-	-	
(1,248,202)	-	(1,248,202)	-	-	
(2,770,309)	-	(2,770,309)	-	-	
<u>\$ (33,664,951)</u>	<u>\$ -</u>	<u>\$ (33,664,951)</u>	<u>\$ -</u>	<u>\$ -</u>	
 \$ -	 \$ (1,364,467)	 \$ (1,364,467)	 \$ -	 \$ -	
<u>\$ -</u>	<u>\$ (1,364,467)</u>	<u>\$ (1,364,467)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (33,664,951)</u>	<u>\$ (1,364,467)</u>	<u>\$ (35,029,418)</u>	<u>\$ -</u>	<u>\$ -</u>	
 \$ -	 \$ -	 \$ -	 \$ (11,315,719)	 \$ -	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,344</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,315,719)</u>	<u>\$ 2,344</u>	
 \$ 26,968,633	 \$ -	 \$ 26,968,633	 \$ -	 \$ -	
1,540,189	-	1,540,189	-	-	
589,871	-	589,871	-	-	
905,568	-	905,568	-	-	
896,396	-	896,396	-	-	
667,779	-	667,779	-	-	
450,733	-	450,733	-	-	
196,662	35,149	231,811	282	872	
437,359	-	437,359	155,719	-	
3,331,768	-	3,331,768	-	-	
-	-	-	11,000,000	-	
-	-	-	-	-	
<u>\$ 35,984,958</u>	<u>\$ 35,149</u>	<u>\$ 36,020,107</u>	<u>\$ 11,156,001</u>	<u>\$ 872</u>	
\$ 2,320,007	\$ (1,329,318)	\$ 990,689	\$ (159,718)	\$ 3,216	
6,430,557	500,182	6,930,739	3,992,017	106,188	
<u>\$ 8,750,564</u>	<u>\$ (829,136)</u>	<u>\$ 7,921,428</u>	<u>\$ 3,832,299</u>	<u>\$ 109,404</u>	

FUND FINANCIAL STATEMENTS

COUNTY OF CAROLINE, VIRGINIA

Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>County Capital Projects</u>
ASSETS			
Cash and cash equivalents	\$ 5,501,466	\$ 237,575	\$ 7,331,154
Receivables (net of allowance for uncollectibles):			
Taxes receivable	15,395,639	-	-
Accounts receivable	135,632	127,887	75
Due from other funds	4,903,400	-	-
Due from other governmental units	2,081,984	54,047	-
Total assets	\$ <u>28,018,121</u>	\$ <u>419,509</u>	\$ <u>7,331,229</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 535,881	\$ -	\$ 435,585
Accrued liabilities	109,135	-	-
Due to other governmental units	2,467,792	-	-
Due to other funds	-	-	-
Deferred revenue	15,353,206	-	-
Total liabilities	\$ <u>18,466,014</u>	\$ <u>-</u>	\$ <u>435,585</u>
Fund balances:			
Restricted	\$ -	\$ -	\$ 6,381,996
Committed	444,987	419,509	-
Assigned	-	-	513,648
Unassigned	9,107,120	-	-
Total fund balances	\$ <u>9,552,107</u>	\$ <u>419,509</u>	\$ <u>6,895,644</u>
Total liabilities and fund balances	\$ <u>28,018,121</u>	\$ <u>419,509</u>	\$ <u>7,331,229</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>
\$	668,906	\$ 60,116	\$ 287,327	\$ 14,086,544
	-	-	-	15,395,639
	-	-	21,427	285,021
	356,858	-	-	5,260,258
	-	148,683	170,528	2,455,242
\$	<u>1,025,764</u>	<u>\$ 208,799</u>	<u>\$ 479,282</u>	<u>\$ 37,482,704</u>
\$	-	\$ 696	\$ 1,778	\$ 973,940
	-	197	1,719	111,051
	-	-	-	2,467,792
	-	84,591	-	84,591
	-	-	-	15,353,206
\$	<u>-</u>	<u>\$ 85,484</u>	<u>\$ 3,497</u>	<u>\$ 18,990,580</u>
\$	-	\$ 123,315	\$ 419,327	\$ 6,924,638
	1,020,826	-	56,458	1,941,780
	4,938	-	-	518,586
	-	-	-	9,107,120
\$	<u>1,025,764</u>	<u>\$ 123,315</u>	<u>\$ 475,785</u>	<u>\$ 18,492,124</u>
\$	<u>1,025,764</u>	<u>\$ 208,799</u>	<u>\$ 479,282</u>	<u>\$ 37,482,704</u>

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 18,492,124
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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	\$ 81,294,708	
Less: accumulated depreciation	<u>(23,505,163)</u>	57,789,545

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

Deferred revenue	3,505,891
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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.

89,062

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	\$ (65,136,401)	
Landfill postclosure costs	(3,730,171)	
Interest payable	(1,111,679)	
Capital lease obligations	(647,751)	
OPEB liability	(84,047)	
Compensated absences	<u>(416,009)</u>	<u>(71,126,058)</u>

Net assets of governmental activities	\$ <u><u>8,750,564</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, 2011

	<u>General</u>		<u>Debt Service</u>		<u>County Capital Projects</u>	
REVENUES						
General property taxes	\$	26,749,352	\$	-	\$	-
Other local taxes		3,476,176		1,399,609		-
Permits, privilege fees, and regulatory licenses		343,737		-		-
Fines and forfeitures		599,320		-		-
Revenue from the use of money and property		60,830		114,761		3,534
Charges for services		390,542		-		-
Miscellaneous		144,226		-		10,868
Recovered costs		1,220,212		-		-
Intergovernmental revenues:						
Component Unit - School Board		-		-		112,951
Commonwealth		5,086,715		354,916		-
Federal		469,905		5,068		59,867
Total revenues	\$	<u>38,541,015</u>	\$	<u>1,874,354</u>	\$	<u>187,220</u>
EXPENDITURES						
Current:						
General government administration	\$	2,942,718	\$	-	\$	-
Judicial administration		1,199,775		-		-
Public safety		10,897,766		-		-
Public works		2,837,204		-		-
Health and welfare		556,981		-		-
Education		11,000,000		-		-
Parks, recreation, and cultural		616,506		-		-
Community development		976,751		-		-
Capital projects		-		-		2,231,713
Debt service:						
Principal retirement		-		1,897,834		-
Interest and other fiscal charges		100,913		2,781,945		-
Total expenditures	\$	<u>31,128,614</u>	\$	<u>4,679,779</u>	\$	<u>2,231,713</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>7,412,401</u>	\$	<u>(2,805,425)</u>	\$	<u>(2,044,493)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$	18,495	\$	3,043,309	\$	143,710
Transfers out		(4,087,575)		-		-
Issuance of bonds		-		-		6,795,000
Bond premium issuance		-		-		33,780
Total other financing sources (uses)	\$	<u>(4,069,080)</u>	\$	<u>3,043,309</u>	\$	<u>6,972,490</u>
Net change in fund balances	\$	3,343,321	\$	237,884	\$	4,927,997
Fund balances - beginning		6,208,786		181,625		1,967,647
Fund balances - ending	\$	<u>9,552,107</u>	\$	<u>419,509</u>	\$	<u>6,895,644</u>

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

Exhibit 5

	Proffers	Virginia Public Assistance	Other Governmental Funds	Total
\$	- \$	- \$	- \$	26,749,352
	-	-	174,751	5,050,536
	-	-	-	343,737
	-	-	-	599,320
	6,654	-	10,883	196,662
	-	-	34,979	425,521
	208,409	3,983	69,873	437,359
	-	-	-	1,220,212
	-	-	-	112,951
	-	637,421	1,023,649	7,102,701
	-	1,558,529	-	2,093,369
\$	<u>215,063</u> \$	<u>2,199,933</u> \$	<u>1,314,135</u> \$	<u>44,331,720</u>
\$	- \$	- \$	- \$	2,942,718
	-	-	17,175	1,216,950
	-	-	175,070	11,072,836
	-	-	-	2,837,204
	-	2,530,293	1,392,233	4,479,507
	-	-	-	11,000,000
	-	-	-	616,506
	-	-	204,582	1,181,333
	368,716	-	-	2,600,429
	-	-	-	1,897,834
	-	-	-	2,882,858
\$	<u>368,716</u> \$	<u>2,530,293</u> \$	<u>1,789,060</u> \$	<u>42,728,175</u>
\$	<u>(153,653)</u> \$	<u>(330,360)</u> \$	<u>(474,925)</u> \$	<u>1,603,545</u>
\$	- \$	396,554 \$	504,002 \$	4,106,070
	-	-	(18,495)	(4,106,070)
	-	-	-	6,795,000
	-	-	-	33,780
\$	<u>-</u> \$	<u>396,554</u> \$	<u>485,507</u> \$	<u>6,828,780</u>
\$	(153,653) \$	66,194 \$	10,582 \$	8,432,325
	1,179,417	57,121	465,203	10,059,799
\$	<u>1,025,764</u> \$	<u>123,315</u> \$	<u>475,785</u> \$	<u>18,492,124</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, 2011

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

Net change in fund balances - total governmental funds	\$ 8,432,325
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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	\$ 2,233,860	
Depreciation expense	<u>(3,805,748)</u>	(1,571,888)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	219,281
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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.	(18,469)
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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	\$ (6,795,000)	
Principal payments	1,897,834	
Amortization of issuance premium	79,756	
Reduction in landfill closure liability	<u>96,093</u>	(4,721,317)

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	\$ 10,288	
(Increase) decrease in OPEB liability	(29,226)	
(Increase) decrease in interest payable	<u>(987)</u>	<u>(19,925)</u>

Change in net assets of governmental activities	<u>\$ 2,320,007</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, 2011

	Business-Type Activities Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 854,793	\$ 166,718	\$ 1,021,511	\$ 5,818
Accounts receivable, net of allowances for uncollectibles	409,804	27,157	436,961	-
Due from other governmental units	94,143	-	94,143	-
Total current assets	\$ 1,358,740	\$ 193,875	\$ 1,552,615	\$ 5,818
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents-bond requirements	\$ 22,218,437	\$ -	\$ 22,218,437	\$ -
Other assets:				
Unamortized bond issue costs	\$ 357,164	\$ -	\$ 357,164	\$ -
Capital assets:				
Utility plant in service	\$ 23,580,569	\$ -	\$ 23,580,569	\$ -
Land	289,759	150,000	439,759	-
Machinery and equipment	1,077,691	-	1,077,691	-
Buildings and improvements	840,542	4,944,547	5,785,089	480,866
Construction in progress	4,346,549	-	4,346,549	-
Less accumulated depreciation	(6,878,084)	(267,830)	(7,145,914)	(384,660)
Total capital assets	\$ 23,257,026	\$ 4,826,717	\$ 28,083,743	\$ 96,206
Total noncurrent assets	\$ 45,832,627	\$ 4,826,717	\$ 50,659,344	\$ 96,206
Total assets	\$ 47,191,367	\$ 5,020,592	\$ 52,211,959	\$ 102,024
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 317,221	\$ 991	\$ 318,212	\$ 12,962
Customers' deposits	42,506	50	42,556	-
Accrued interest payable	553,644	-	553,644	-
Due to other funds	4,626,263	549,404	5,175,667	-
Compensated absences - current portion	5,229	-	5,229	-
Bonds payable - current portion	3,751	169,674	173,425	-
Total current liabilities	\$ 5,548,614	\$ 720,119	\$ 6,268,733	\$ 12,962
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ 44,174,291	\$ 2,545,116	\$ 46,719,407	\$ -
Other post employment benefits (OPEB)	5,896	-	5,896	-
Compensated absences - net of current portion	47,059	-	47,059	-
Total noncurrent liabilities	\$ 44,227,246	\$ 2,545,116	\$ 46,772,362	\$ -
Total liabilities	\$ 49,775,860	\$ 3,265,235	\$ 53,041,095	\$ 12,962
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,297,421	\$ 2,111,927	\$ 3,409,348	\$ 96,206
Unrestricted	(3,881,914)	(356,570)	(4,238,484)	(7,144)
Total net assets	\$ (2,584,493)	\$ 1,755,357	\$ (829,136)	\$ 89,062

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, 2011

	Business-Type Activities			
	Enterprise Funds			
	Caroline County Utility Fund	Dawn Wastewater System Fund	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 699,105	\$ -	\$ 699,105	\$ -
Sewer revenues	1,211,986	62,069	1,274,055	-
Other revenues	116,129	-	116,129	172,752
Total operating revenues	\$ 2,027,220	\$ 62,069	\$ 2,089,289	\$ 172,752
OPERATING EXPENSES				
Personal services	\$ 540,861	\$ 16,163	\$ 557,024	\$ -
Fringe benefits	208,537	3,525	212,062	-
Contractual services	270,704	10,234	280,938	-
Other charges	654,138	39,615	693,753	177,477
Depreciation	600,031	123,614	723,645	13,744
Total operating expenses	\$ 2,274,271	\$ 193,151	\$ 2,467,422	\$ 191,221
Operating income (loss)	\$ (247,051)	\$ (131,082)	\$ (378,133)	\$ (18,469)
NONOPERATING REVENUES (EXPENSES)				
Connection and availability fees	\$ 970,323	\$ 31,685	\$ 1,002,008	\$ -
Investment earnings	33,314	-	33,314	-
Amortization of loan costs	1,835	-	1,835	-
Federal revenue - Babs subsidy	259,417	-	259,417	-
Construction and developer contributions	118,716	-	118,716	-
Interest and related expense	(2,366,475)	-	(2,366,475)	-
Total nonoperating revenues (expenses)	\$ (982,870)	\$ 31,685	\$ (951,185)	\$ -
Income before contributions and transfers	\$ (1,229,921)	\$ (99,397)	\$ (1,329,318)	\$ (18,469)
Transfers in	-	166,718	166,718	-
Transfers out	(166,718)	-	(166,718)	-
Change in net assets	\$ (1,396,639)	\$ 67,321	\$ (1,329,318)	\$ (18,469)
Total net assets - beginning	(1,187,854)	1,688,036	500,182	107,531
Total net assets - ending	\$ (2,584,493)	\$ 1,755,357	\$ (829,136)	\$ 89,062

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, 2011

	Business-Type Activities	
	Enterprise Funds	
	Caroline County Utility Fund	Dawn Wastewater System Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,165,068	\$ 49,177
Payments to suppliers	(711,056)	(52,066)
Payments to employees	(746,684)	(19,688)
Net cash provided (used) by operating activities	\$ 707,328	\$ (22,577)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from/(to) other funds	\$ (166,718)	\$ (61,379)
Connection fees	970,323	31,685
Grant revenue	165,274	388,663
Net cash provided (used) by noncapital financing activities	\$ 968,879	\$ 358,969
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to capital assets	\$ (995,376)	\$ -
Principal payments on bonds	(3,338,753)	(169,674)
Issuance of debt	24,516,564	-
Debt issuance costs	(439,910)	-
Interest payments	(1,587,290)	-
Net cash provided (used) by capital and related financing activities	\$ 18,155,235	\$ (169,674)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	\$ 33,314	\$ -
Net cash provided (used) by investing activities	\$ 33,314	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 19,864,756	\$ 166,718
Cash and cash equivalents - beginning - including restricted	3,208,474	-
Cash and cash equivalents - ending - including restricted	\$ 23,073,230	\$ 166,718
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (247,051)	\$ (131,082)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$ 600,031	\$ 123,614
(Increase) decrease in accounts receivable	121,133	(12,942)
(Increase) decrease in notes receivable	-	-
Increase (decrease) in customer deposits	16,715	50
Increase (decrease) in accounts payable and accrued liabilities	215,403	(2,217)
Increase (decrease) in compensated absences	1,097	-
Total adjustments	\$ 954,379	\$ 108,505
Net cash provided (used) by operating activities	\$ 707,328	\$ (22,577)
Noncash investing, capital, and financing activities:		
Contributions of capital assets	\$ 118,716	\$ -

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

Exhibit 9

<u>Total</u>	<u>Internal Service Fund</u>
\$ 2,214,245	\$ 172,752
(763,122)	(172,681)
(766,372)	-
<u>\$ 684,751</u>	<u>\$ 71</u>
\$ (228,097)	\$ -
1,002,008	-
553,937	-
<u>\$ 1,327,848</u>	<u>\$ -</u>
\$ (995,376)	\$ -
(3,508,427)	-
24,516,564	-
(439,910)	-
<u>(1,587,290)</u>	<u>-</u>
<u>\$ 17,985,561</u>	<u>\$ -</u>
\$ 33,314	\$ -
<u>\$ 33,314</u>	<u>\$ -</u>
\$ 20,031,474	\$ 71
3,208,474	5,747
<u>\$ 23,239,948</u>	<u>\$ 5,818</u>
<u>\$ (378,133)</u>	<u>\$ (18,469)</u>
\$ 723,645	\$ 13,744
108,191	-
-	-
16,765	-
213,186	4,796
1,097	-
<u>\$ 1,062,884</u>	<u>\$ 18,540</u>
<u>\$ 684,751</u>	<u>\$ 71</u>
<u>\$ 118,716</u>	<u>\$ -</u>

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 346,534
Total assets	\$ <u>346,534</u>
LIABILITIES	
Amounts held for social services clients	\$ 6,500
Amounts held for consortium	38,704
Refundable escrow deposits payable	<u>301,330</u>
Total liabilities	\$ <u>346,534</u>

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

NOTES TO THE FINANCIAL STATEMENTS

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, 2011 (CONTINUED)

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, 2011.

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, 2011 (CONTINUED)

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, 2011.

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, 2011. 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, 2011 (CONTINUED)

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, 2011 (CONTINUED)

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

Capital Projects Funds – accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays except for those financed by proprietary funds or for assets held in trust for individuals, private organizations or of the governments. The County reports the County Capital Projects Fund and the School Construction Fund as major Capital Projects Funds.

Special Revenue Fund: Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The County reports the following major special revenue funds: Virginia Public Assistance Fund and Proffers Fund.

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, 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, 2011 (CONTINUED)

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 \$746,066 at June 30, 2011 and is comprised solely of property taxes.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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 completed in 2010. The next reassessment is 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, 2011.

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, 2011 (CONTINUED)

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. 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.

M. 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.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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

M. Long-term Obligations (Continued)

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.

N. Prepaid Items

Certain payments to vendors reflect costs applied to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items are accounted for using the consumption method and are valued at cost.

O. 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.

P. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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

P. Fund Equity

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

In the general fund, the County strives to maintain an unassigned fund balance to be used for unforeseen emergencies of an amount equal to 10% of budgeted general fund expenditures. Amounts of unassigned fund balance in excess of 15% of the following year's general fund budgeted expenditures may be transferred to Capital Reserves by the Board of Supervisors.

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

	General Fund	Debt Service Fund	County Capital Projects Fund	Proffers Fund	Virginia Public Assistance Fund	Other Governmental Funds	Total
Fund Balances:							
Restricted for:							
School and general government capital projects	\$ -	\$ -	\$ 6,381,996	\$ -	\$ -	\$ -	\$ 6,381,996
Social services	-	-	-	-	123,315	-	123,315
Comprehensive services	-	-	-	-	-	163,607	163,607
Public safety grants	-	-	-	-	-	69,975	69,975
Fire/rescue grants	-	-	-	-	-	90,917	90,917
Housing	-	-	-	-	-	94,828	94,828
Total Restricted Fund Balance	\$ -	\$ -	\$ 6,381,996	\$ -	\$ 123,315	\$ 419,327	\$ 6,924,638
Committed to:							
Capital projects	\$ 444,987	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 444,987
Debt service	-	419,509	-	-	-	-	419,509
Ladysmith YMCA	-	-	-	204,241	-	-	204,241
McKesson project	-	-	-	11,284	-	-	11,284
Road improvements	-	-	-	805,301	-	-	805,301
Law library	-	-	-	-	-	804	804
Courthouse maintenance	-	-	-	-	-	33,047	33,047
Tourism	-	-	-	-	-	22,607	22,607
Total Committed Fund Balance	\$ 444,987	\$ 419,509	\$ -	\$ 1,020,826	\$ -	\$ 56,458	\$ 1,941,780
Assigned to:							
Other capital projects	\$ -	\$ -	\$ 513,648	\$ -	\$ -	\$ -	\$ 513,648
Other proffers capital projects	-	-	-	4,938	-	-	4,938
Total Assigned Fund Balance	\$ -	\$ -	\$ 513,648	\$ 4,938	\$ -	\$ -	\$ 518,586
Unassigned Fund Balance	\$ 9,107,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,107,120
Total Fund Balances	\$ 9,552,107	\$ 419,509	\$ 6,895,644	\$ 1,025,764	\$ 123,315	\$ 475,785	\$ 18,492,124

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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 30th year end.

Expenditures and Appropriations

Expenditures exceeded appropriations in the following funds at June 30, 2011:

Sheriff's Grant	\$	2,932
School Cafeteria		402,749

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize 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, 2011 were rated by Standard and Poor's and the ratings are presented in the following table using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values		
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	<u>AAAm</u>	<u>Unrated</u>
Local Government Investment Pool	\$ 7,073,460	\$ -
Virginia State Non-Arbitrage Pool	28,050,293	-
U.S. Treasury Securities	985,725	-
Repurchase Agreements - Underlying: U.S. Agency Securities	-	2,650,865
Total	\$ <u>36,109,478</u>	\$ <u>2,650,865</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)

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	\$ 985,725	\$ 985,725
Repurchase Agreements - Underlying:		
U.S. Agency Securities	<u>2,650,865</u>	<u>2,650,865</u>
Total	<u>\$ 3,636,590</u>	<u>\$ 3,636,590</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, 2011 (CONTINUED)****NOTE 4—DUE FROM OTHER GOVERNMENTS:**

At June 30, 2011, 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	279,276	-
Communications tax	124,476	-
Mobile home titling tax	3,471	-
Victim witness grant	13,809	-
School fund grants	-	8,115
VPA funds	56,626	-
State sales tax	-	739,614
Constitutional officer reimbursements	151,414	-
Rolling stock tax	4,465	-
Comprehensive service	163,607	-
Personal property tax relief funds	1,147,226	-
Wireless funds	11,961	-
Soil conservationist reimbursement	133,859	-
Domestic violence grant	9,703	-
DMV license agent fee	2,682	-
Recordation tax	42,069	-
School resource officer	40,389	-
Rental health department	8,748	-
Other state funds	25,972	-
Federal Government:		
School fund grants	-	676,020
Homeland security	49,083	-
VPA funds	92,057	-
FEMA funds	76,001	-
Other federal grants	18,348	-
Total due from other governments	<u>\$ 2,455,242</u>	<u>\$ 3,891,541</u>

Amounts due to other governments are as follows:

Other Local Governments:		
Caroline County School Board	<u>\$ 2,467,792</u>	<u>\$ -</u>

COUNTY OF CAROLINE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2011, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 4,903,400	\$ -
Proffers	356,858	-
Virginia Public Assistance	-	84,591
Total Governmental Funds	<u>\$ 5,260,258</u>	<u>\$ 84,591</u>
Enterprise Funds:		
Caroline County Utility	\$ -	\$ 4,626,263
Dawn Wastewater System	-	549,404
Total Enterprise Funds	<u>\$ -</u>	<u>\$ 5,175,667</u>
Total-All Funds	<u><u>\$ 5,260,258</u></u>	<u><u>\$ 5,260,258</u></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, 2011 (CONTINUED)****NOTE 6—CAPITAL ASSETS:**

The following is a summary of changes in general government capital assets for the fiscal year ended June 30, 2011:

Primary Government:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 1,059,183	\$ -	\$ -	\$ 1,059,183
Construction in progress	<u>397,676</u>	<u>1,588,721</u>	<u>645,472</u>	<u>1,340,925</u>
Total capital assets not subject to depreciation	<u>\$ 1,456,859</u>	<u>\$ 1,588,721</u>	<u>\$ 645,472</u>	<u>\$ 2,400,108</u>
Capital assets subject to depreciation:				
Buildings	\$ 63,274,849	\$ 821,444	\$ -	\$ 64,096,293
Improvements other than buildings	5,292,044	180,780	-	5,472,824
Intangibles	-	27,478	-	27,478
Equipment	<u>10,081,981</u>	<u>260,909</u>	<u>564,019</u>	<u>9,778,871</u>
Total capital assets being depreciated	<u>\$ 78,648,874</u>	<u>\$ 1,290,611</u>	<u>\$ 564,019</u>	<u>\$ 79,375,466</u>
Less accumulated depreciation for:				
Buildings	\$ (13,146,714)	\$ (2,415,303)	\$ -	\$ (15,562,017)
Improvements other than buildings	(1,930,083)	(244,581)	-	(2,174,664)
Intangibles	-	(1,624)	-	(1,624)
Equipment	<u>(5,557,553)</u>	<u>(1,157,984)</u>	<u>(564,019)</u>	<u>(6,151,518)</u>
Total accumulated depreciation	<u>\$ (20,634,350)</u>	<u>\$ (3,819,492)</u>	<u>\$ (564,019)</u>	<u>\$ (23,889,823)</u>
Total capital assets being depreciated, net	<u>\$ 58,014,524</u>	<u>\$ (2,528,881)</u>	<u>\$ -</u>	<u>\$ 55,485,643</u>
Governmental capital assets, net	<u><u>\$ 59,471,383</u></u>	<u><u>\$ (940,160)</u></u>	<u><u>\$ 645,472</u></u>	<u><u>\$ 57,885,751</u></u>

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COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in proprietary capital assets:

Primary Government:

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Enterprise activities:				
Caroline County Utility Fund:				
Capital assets not subject to depreciation:				
Land	\$ 222,153	\$ 67,606	\$ -	\$ 289,759
Construction in progress	<u>3,507,267</u>	<u>927,769</u>	<u>88,487</u>	<u>4,346,549</u>
Total capital assets not subject to depreciation	<u>\$ 3,729,420</u>	<u>\$ 995,375</u>	<u>\$ 88,487</u>	<u>\$ 4,636,308</u>
Capital assets subject to depreciation:				
Buildings	\$ 840,542	\$ -	\$ -	\$ 840,542
Improvements other than buildings	23,373,365	207,204	-	23,580,569
Equipment	<u>1,077,691</u>	<u>-</u>	<u>-</u>	<u>1,077,691</u>
Total capital assets being depreciated	<u>\$ 25,291,598</u>	<u>\$ 207,204</u>	<u>\$ -</u>	<u>\$ 25,498,802</u>
Less accumulated depreciation for:				
Buildings	\$ (131,331)	\$ (17,249)	\$ -	\$ (148,580)
Improvements other than buildings	(5,520,179)	(496,973)	-	(6,017,152)
Equipment	<u>(626,543)</u>	<u>(85,809)</u>	<u>-</u>	<u>(712,352)</u>
Total accumulated depreciation	<u>\$ (6,278,053)</u>	<u>\$ (600,031)</u>	<u>\$ -</u>	<u>\$ (6,878,084)</u>
Total capital assets being depreciated, net	<u>\$ 19,013,545</u>	<u>\$ (392,827)</u>	<u>\$ -</u>	<u>\$ 18,620,718</u>
Enterprise capital assets, net	<u>\$ 22,742,965</u>	<u>\$ 602,548</u>	<u>\$ 88,487</u>	<u>\$ 23,257,026</u>

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Enterprise activities:				
Dawn Wastewater System Fund:				
Capital assets not subject to depreciation:				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
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	\$ 4,944,547	\$ -	\$ -	\$ 4,944,547
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	\$ (144,216)	\$ (123,614)	\$ -	\$ (267,830)
Total accumulated depreciation	<u>\$ (144,216)</u>	<u>\$ (123,614)</u>	<u>\$ -</u>	<u>\$ (267,830)</u>
Total capital assets being depreciated, net	<u>\$ 4,800,331</u>	<u>\$ (123,614)</u>	<u>\$ -</u>	<u>\$ 4,676,717</u>
Enterprise capital assets, net	<u>\$ 4,950,331</u>	<u>\$ (123,614)</u>	<u>\$ -</u>	<u>\$ 4,826,717</u>

COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (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 current law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Caroline, Virginia for the year ended June 30, 2011, is that school financed assets in the amount of \$39,239,808 and related accumulated depreciation of \$8,490,690 are reported in the Primary Government for financial reporting purposes.

A summary of component unit School Board property, plant, and equipment at June 30, 2011 follows:

Component Unit - School Board:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:				
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	\$ 7,895,819	\$ 95,179	\$ -	\$ 7,990,998
Improvements other than buildings	92,806	-	-	92,806
Equipment	5,146,430	573,057	-	5,719,487
Total capital assets being depreciated	\$ 13,135,055	\$ 668,236	\$ -	\$ 13,803,291
Less accumulated depreciation for:				
Buildings	\$ (6,297,827)	\$ (159,508)	\$ -	\$ (6,457,335)
Improvements other than buildings	(22,814)	(4,641)	-	(27,455)
Equipment	(2,985,231)	(719,934)	-	(3,705,165)
Total accumulated depreciation	\$ (9,305,872)	\$ (884,083)	\$ -	\$ (10,189,955)
Total capital assets being depreciated, net	\$ 3,829,183	\$ (215,847)	\$ -	\$ 3,613,336
Governmental capital assets, net	<u>\$ 4,526,345</u>	<u>\$ (215,847)</u>	<u>\$ -</u>	<u>\$ 4,310,498</u>

COUNTY OF CAROLINE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

NOTE 6—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:

General government administration	\$	778,303
Judicial administration		129,598
Public safety		723,569
Public works		328,693
Health and welfare		2,301
Education		1,651,325
Parks, recreation and cultural		20,724
Community development		<u>184,979</u>
Total Governmental activities	\$	<u><u>3,819,492</u></u>

Enterprise activities:

Utilities	\$	600,031
Dawn Wastewater System		<u>123,614</u>
Total Enterprise activities	\$	<u><u>723,645</u></u>
Component Unit School Board	\$	<u><u>884,083</u></u>

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COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2011, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ 18,495	\$ 4,087,575
Debt Service	3,043,309	-
County Capital Projects	143,710	-
Virginia Public Assistance	396,554	-
Sheriff's Grant	-	18,495
Law Library	7,023	-
Comprehensive Services Act	496,979	-
Total Governmental Funds	\$ <u>4,106,070</u>	\$ <u>4,106,070</u>
Enterprise Funds:		
Caroline County Utility	\$ -	\$ 166,718
Dawn Wastewater System	166,718	-
Total Enterprise Funds	\$ <u>166,718</u>	\$ <u>166,718</u>
Total-All Funds	\$ <u><u>4,272,788</u></u>	\$ <u><u>4,272,788</u></u>

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

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COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (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, 2011 is as follows:

	<u>Amounts Payable at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County					
Compensated absences payable	\$ 426,296	\$ -	\$ 10,287	\$ 416,009	\$ 41,601
Lease revenue bonds	27,976,700	795,000	-	28,771,700	665,000
Capital lease obligations	832,934	-	185,183	647,751	192,619
Landfill closure liability	3,826,264	33,915	130,008	3,730,171	-
OPEB liability	54,821	46,700	17,474	84,047	-
Add deferred amounts:					
For issuance premium	831,787	-	52,072	779,715	-
Revenue bond debt allocable from Business type activities	1,504,649	-	1,249	1,503,400	1,249
Total incurred by County	\$ 35,453,451	\$ 875,615	\$ 396,273	\$ 35,932,793	\$ 900,469
Incurred by School Board:					
General obligation bonds payable	\$ 27,574,263	\$ 6,000,000	\$ 1,711,403	\$ 31,862,860	\$ 1,473,883
Lease revenue bonds	1,685,000	-	-	1,685,000	-
Add deferred amounts:					
For issuance premium	561,410	-	27,684	533,726	-
Total incurred by School Board	\$ 29,820,673	\$ 6,000,000	\$ 1,739,087	\$ 34,081,586	\$ 1,473,883
Total Governmental Obligations	\$ 65,274,124	\$ 6,875,615	\$ 2,135,360	\$ 70,014,379	\$ 2,374,352
Enterprise Obligations:					
Compensated absences payable	\$ 51,191	\$ 6,216	\$ 5,119	\$ 52,288	\$ 5,229
Revenue bonds payable	25,427,915	23,965,000	3,509,676	45,883,239	173,426
General obligation bonds payable	560,000	-	-	560,000	-
Revenue bond debt allocable from Business type activities	(1,504,649)	-	(1,249)	(1,503,400)	-
OPEB liability	4,279	2,843	1,226	5,896	-
Adjustment for deferred amounts:					
For deferred costs	(122,810)	-	(63,467)	(59,343)	-
For issuance premium	1,534,513	551,564	73,742	2,012,335	-
Total Enterprise Obligations	\$ 25,950,439	\$ 24,525,623	\$ 3,525,047	\$ 46,951,015	\$ 178,655

COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (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
2012	\$ 192,619	\$ 20,335	\$ 666,249	\$ 1,334,561
2013	200,132	13,684	1,856,724	1,307,129
2014	125,000	6,776	2,136,770	1,242,455
2015	130,000	2,288	2,213,364	1,164,388
2016	-	-	2,300,259	1,069,621
2017	-	-	2,089,851	966,239
2018	-	-	1,486,129	884,537
2019	-	-	1,042,575	823,899
2020	-	-	1,085,570	774,027
2021	-	-	1,150,113	721,163
2022	-	-	864,956	673,805
2023	-	-	906,449	633,018
2024	-	-	895,791	591,576
2025	-	-	838,100	551,926
2026	-	-	873,200	512,816
2027	-	-	913,600	471,325
2028	-	-	959,500	427,620
2029	-	-	1,005,800	381,536
2030	-	-	1,052,500	333,661
2031	-	-	1,099,700	283,577
2032	-	-	1,157,400	231,029
2033	-	-	1,205,500	175,928
2034	-	-	895,000	114,403
2035	-	-	265,000	72,370
2036	-	-	280,000	58,460
2037	-	-	240,000	45,294
2038	-	-	250,000	33,169
2039	-	-	265,000	20,422
2040	-	-	280,000	6,931
Total	\$ <u>647,751</u>	\$ <u>43,083</u>	\$ <u>30,275,100</u>	\$ <u>15,906,885</u>

COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (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)

School Obligations					
Year Ending June 30	Lease Revenue Bonds Payable		General Obligation Bonds Payable		
	Principal	Interest	Principal	Interest	
2012	\$ -	\$ 77,510	\$ 1,473,883	\$ 1,526,498	
2013	307,000	70,449	1,173,600	1,481,073	
2014	321,000	56,005	1,548,887	1,430,570	
2015	336,000	40,894	1,572,937	1,379,961	
2016	352,000	25,070	1,596,564	1,328,624	
2017	369,000	8,487	1,635,769	1,272,309	
2018	-	-	1,662,616	1,210,627	
2019	-	-	1,711,977	1,147,175	
2020	-	-	1,331,458	1,088,386	
2021	-	-	1,366,811	1,039,950	
2022	-	-	1,407,446	989,494	
2023	-	-	1,447,073	938,174	
2024	-	-	1,491,941	884,606	
2025	-	-	1,538,366	827,341	
2026	-	-	1,585,128	767,599	
2027	-	-	1,637,244	706,285	
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>1,685,000</u>	\$ <u>278,415</u>	\$ <u>31,862,860</u>	\$ <u>19,475,514</u>	

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (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
2012	\$ 173,426	\$ 2,203,821	\$ -	\$ 24,749
2013	1,111,162	2,186,211	-	24,749
2014	1,245,732	2,147,141	-	24,749
2015	1,147,220	2,104,077	130,000	22,245
2016	1,187,315	2,060,024	135,000	16,907
2017	1,219,823	2,013,049	145,000	10,708
2018	1,261,045	1,961,719	150,000	3,671
2019	1,447,299	1,904,187	-	-
2020	1,512,305	1,840,821	-	-
2021	1,381,061	1,778,035	-	-
2022	1,434,818	1,718,022	-	-
2023	1,482,326	1,656,011	-	-
2024	1,402,283	1,593,408	-	-
2025	1,564,674	1,527,554	-	-
2026	1,614,675	1,454,583	-	-
2027	1,694,675	1,375,370	-	-
2028	1,595,000	1,290,021	-	-
2029	1,670,000	1,200,150	-	-
2030	1,740,000	1,106,372	-	-
2031	1,825,000	1,008,435	-	-
2032	1,900,000	906,091	-	-
2033	1,360,000	814,378	-	-
2034	1,425,000	733,580	-	-
2035	1,495,000	649,018	-	-
2036	1,560,000	560,637	-	-
2037	1,635,000	468,224	-	-
2038	1,710,000	371,556	-	-
2039	1,780,000	270,793	-	-
2040	1,860,000	165,787	-	-
2041	1,945,000	56,078	-	-
		-		
Total	\$ 44,379,839	\$ 39,125,153	\$ 560,000	\$ 127,778

COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)****NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)****Primary Government: (Continued)****Details of Long-Term Indebtedness: (Continued)**

	<u>Amount Outstanding</u>
<u>General Long-Term Debt:</u>	
<u>Capital Lease Obligations:</u>	
\$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%.	\$ 157,751
\$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>490,000</u>
Total Capital Lease Obligations	\$ <u>647,751</u>
Landfill closure and post closure costs	\$ <u>3,730,171</u>
Compensated absences (payable from the General Fund)	\$ <u>416,009</u>
OPEB liability (payable from the General Fund)	\$ <u>84,047</u>
<u>Lease Revenue Bonds:</u>	
\$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 \$627,554.	\$ 9,867,554
\$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 \$152,161.	3,692,161
\$795,000 lease revenue bond payable in varying annual installments through October 1, 2035. Interest payable semi-annually at rates varying from 4.20% to 6.157%.	<u>795,000</u>
Total lease revenue bonds	\$ <u>29,551,415</u>
Revenue Bond Debt Allocable from Caroline County Utility Fund	\$ <u>1,503,400</u>
Total incurred by the County	\$ <u><u>35,932,793</u></u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of Long-Term Indebtedness: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
<u>School Bonds Payable:</u>	
\$3,075,000 School Bonds issued 1994, maturing annually with interest payable semi-annually at varying rates through December 2011.	\$ 110,000
\$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.	55,000
\$3,183,824 School Bonds (1991B) issued July 31, 1991, maturing annually with interest payable semi-annually at 6.60% through July 2011.	206,244
\$1,407,825 School Bonds (1992) issued November 12, 1992, maturing annually with interest payable semi-annually at varying rates through July 2012.	171,009
\$315,997 School Bonds (1994B) issued November 22, 1994, maturing annually with interest payable semi-annually at varying rates through July 2014.	76,605
\$456,597 School Bonds (1996B) issued November 14, 1996, maturing annually with interest payable semi-annually at varying rates through July 2016.	155,064
\$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.	726,196
\$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 \$291,847.	5,819,588
\$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 \$241,880.	19,076,880
\$6,000,000 2011 VPSA Direct Payment Qualified School Construction Bonds issued June 16, 2011, maturing annually beginning June 1, 2014 with interest payable semi-annually at an average coupon rate 7.603% through June 1, 2027.	<u>6,000,000</u>
Total school bonds payable	\$ <u>32,396,586</u>
<u>Lease Revenue Bonds Payable:</u>	
\$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 Board Long-Term Debt Issued, payable from the General Fund	\$ <u><u>34,081,586</u></u>
Total Governmental Obligations	\$ <u><u>70,014,379</u></u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of Long-Term Indebtedness: (Continued)

	<u>Amount Outstanding</u>
<u>Enterprise Obligations:</u>	
<u>Revenue Bond Obligations:</u>	
\$4,291,207 revenue bond issued 1994, maturing annually with interest payable semi-annually at varying rates through October 2016.	\$ 703,449
\$3,310,000 refunding Virginia Pooled Financing Program bond issued November 4, 2010, maturing annually in 2026 through 2032 with interest payable semi-annually at varying rates 4.828% - 4.845. Face amount of bonds outstanding, \$3,310,000 plus unamortized premium of \$225,055.	3,535,055
\$2,495,000 infrastructure revenue bonds (2003 C/D) issued August 7, 2003, maturing annually with interest payable semi-annually at varying rates through October 2016. Face amount of bonds outstanding, \$1,015,000 plus unamortized premium of \$11,593, less unamortized deferred costs of \$59,343.	967,250
\$2,850,023 revenue bond issued March 3, 2006, maturing in equal annual installments through 2025. No interest is payable on the bond.	2,714,790
\$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 \$218,960.	2,278,960
\$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, \$6,900,000 plus unamortized premium of \$674,089.	7,574,089
Less: Revenue bond debt allocable to general government	(1,503,400)
\$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 \$567,245.	9,092,245
\$20,655,000 2010CB pooled revenue bond issued November 4, 2010, payable in various annual installments through October 1, 2040 with interest payable semi-annually at varying rates 4.200% - 6.142%. Face amount of bonds outstanding, \$20,655,000 plus unamortized premium of \$315,393.	20,970,393
Total revenue bond obligations	\$ <u>46,332,831</u>
<u>General Obligations Bonds:</u>	
\$560,000 VRA general obligation refunding bond issued 2009, maturing annually beginning October 2014 with interest payable semi-annually at varying rates through October 2017.	\$ <u>560,000</u>
OPEB liability (payable from the Utility Fund)	\$ <u>5,896</u>
Compensated absences (Payable from the Enterprise Funds)	\$ <u>52,288</u>
Total enterprise obligations	\$ <u><u>46,951,015</u></u>

COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

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:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 1,584,409
Less: Accumulated depreciation	<u>(1,147,308)</u>
Net asset value	<u><u>\$ 437,101</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30,	Governmental Activities
2012	\$ 212,954
2013	213,816
2014	131,776
2015	<u>132,288</u>
Total minimum lease payments	\$ 690,834
Less: amount representing interest	<u>(43,083)</u>
Present value of minimum lease payments	<u><u>\$ 647,751</u></u>

COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (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, 2011:

	Amounts Payable at July 1, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due Within One Year
Compensated absences payable (payable from the School Fund)	\$ 555,530	\$ 28,777	\$ -	\$ 584,307	\$ 58,431
OPEB liability	<u>1,383,300</u>	<u>537,936</u>	<u>558,300</u>	<u>1,362,936</u>	<u>-</u>
Total component unit School Board	\$ <u>1,938,830</u>	\$ <u>566,713</u>	\$ <u>558,300</u>	\$ <u>1,947,243</u>	\$ <u>58,431</u>

	Amount Outstanding
OPEB liability (payable from the School Fund)	\$ 1,362,936
Compensated absences (payable from the School Fund)	<u>584,307</u>
Total Debt incurred by the Component Unit School Board	\$ <u>1,947,243</u>

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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 \$3,730,171 reported as landfill postclosure care liability at June 30, 2011, represents the remaining engineering estimate for 21 years of postclosure monitoring and care. These amounts are based on what it would cost to perform all postclosure care in 2011. 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 \$15,353,206 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$14,928,610 at June 30, 2011.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2011, but paid in advance by the tax payers totaled \$424,596 at June 30, 2011.

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, 2011, 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, 2011 (CONTINUED)

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN: (Continued)

A. Plan Description (Continued)

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Website at: <http://varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2011 was 8.45% of annual covered payroll.

The Caroline County School Board professional employees' rate was 3.93% for fiscal year 2011. The 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% of annual covered payroll for the year ending June 30, 2009. The School Board contributed \$1,584,258, \$1,143,529, and \$1,632,462, to the teacher cost-sharing pool for the fiscal years ended June 30, 2011, 2010, and 2009 respectively, which equaled the required contributions for each year.

COUNTY OF CAROLINE, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 (CONTINUED)**

NOTE 14—DEFINED BENEFIT PENSION PLAN: (Continued)**C. Annual Pension Cost**

For fiscal year 2011, the County's annual pension cost of \$728,975 (which excludes the portion of the employee share assumed by the employer which was \$431,346) was equal to the County's required and actual contributions.

For fiscal year 2011, the County School Board's annual pension cost for the Board's non-professional employees was \$76,901, which was equal to the Board's required and actual contributions.

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2011	\$ 728,975	100%	\$ -
June 30, 2010	608,479	100%	-
June 30, 2009	620,500	100%	-
School Board:			
Non-Professional:			
June 30, 2011	\$ 76,901	100%	\$ -
June 30, 2010	71,001	100%	-
June 30, 2009	66,432	100%	-

(1) Employer portion only

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN: (Continued)

C. Annual Pension Cost (Continued)

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% 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 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 84.10% funded. The actuarial accrued liability for benefits was \$24,176,761, and the actuarial value of assets was \$20,331,710, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,845,051. The covered payroll (annual payroll of active employees covered by the plan) was \$8,720,641, and ratio of the UAAL to the covered payroll was 44.09%.

As of June 30, 2010, the most recent actuarial valuation date, the School Board Non-Professional plan was 89.47% funded. The actuarial accrued liability for benefits was \$4,564,612, and the actuarial value of assets was \$4,083,801, resulting in an unfunded actuarial accrued liability (UAAL) of \$480,811. The covered payroll (annual payroll of active employees covered by the plan) was \$1,254,169 and ratio of the UAAL to the covered payroll was 38.34%.

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, 2011 (CONTINUED)

NOTE 15—SURETY BONDS:

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
Ray Campbell, Clerk of the Circuit Court	\$ 400,000
Elizabeth B. Curran, Treasurer	400,000
Sharon Carter, Commissioner of the Revenue	3,000
Anthony "Tony" Lipa, 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 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 two different plans with Anthem Blue Cross. Benefits end at the age of 65 for both the County. 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, 2011 (CONTINUED)

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 \$445.75 for retiree only coverage to \$1,573.90 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 five health plans and one of two dental plans.

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

	<u>Retiree</u>		<u>Retiree and Dependent</u>		<u>Retiree and Spouse</u>		<u>Retiree and Family</u>	
Medical	\$	476.84	\$	727.24	\$	937.99	\$	1,180.17
Dental	\$	12.94	\$	18.44	\$	15.44	\$	19.98

The retiree pays the remainder of the premium. The School Board makes 50% of the above premium contribution on behalf of retired part-time employees.

The County currently has 1 retiree without spouse coverage and 1 retiree with spouse coverage participating in the plan. The School System has 39 retirees without spouse coverage and 9 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, 2011 (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	\$ 49,300	\$ 562,600
Interest on net OPEB obligation	2,364	55,332
Adjustment to annual required contribution	(2,121)	(79,996)
Annual OPEB cost (expense)	\$ 49,543	\$ 537,936
Estimated Contributions made	(18,700)	(558,300)
Increase in net OPEB obligation	30,843	(20,364)
Net OPEB obligation-beginning of year	59,100	1,383,300
Net OPEB obligation-end of year	\$ 89,943	\$ 1,362,936

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 through 2011 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
6/30/2011	49,543	37.74%	89,943
School System:			
6/30/2009	\$ 1,146,900	35.98%	\$ 734,200
6/30/2010	1,207,400	46.24%	1,383,300
6/30/2011	537,936	103.79%	1,362,936

Funded Status and Funding Progress

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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 2011 using Scale AA.

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

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

COUNTY OF CAROLINE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 (CONTINUED)

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 .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2011, 2010 and 2009 were \$106,254, \$134,991, and \$200,199, respectively and equaled the required contributions for each year.

NOTE 18—ADJUSTMENT TO BEGINNING NET ASSETS:

The following adjustment was made to beginning net assets at July 1, 2010:

	<u>Governmental Activities</u>
Net assets as previously reported	\$ 6,519,652
Adjustment to correct vehicle maintenance capital assets	<u>(89,095)</u>
Total Net assets as restated	<u><u>\$ 6,430,557</u></u>

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.*

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 23,906,672	\$ 24,314,834	\$ 26,749,352	\$ 2,434,518
Other local taxes	3,274,964	3,274,964	3,476,176	201,212
Permits, privilege fees, and regulatory licenses	323,400	323,400	343,737	20,337
Fines and forfeitures	625,000	625,000	599,320	(25,680)
Revenue from the use of money and property	71,036	71,036	60,830	(10,206)
Charges for services	429,585	429,585	390,542	(39,043)
Miscellaneous	61,450	61,450	144,226	82,776
Recovered costs	1,078,789	1,078,789	1,220,212	141,423
Intergovernmental revenues:				
Commonwealth	5,100,728	5,100,728	5,086,715	(14,013)
Federal	87,277	388,500	469,905	81,405
Total revenues	<u>\$ 34,958,901</u>	<u>\$ 35,668,286</u>	<u>\$ 38,541,015</u>	<u>\$ 2,872,729</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,066,513	\$ 3,117,288	\$ 2,942,718	\$ 174,570
Judicial administration	1,143,115	1,175,901	1,199,775	(23,874)
Public safety	10,287,973	10,988,203	10,897,766	90,437
Public works	2,796,441	2,882,641	2,837,204	45,437
Health and welfare	522,800	557,890	556,981	909
Education	11,000,000	11,000,000	11,000,000	-
Parks, recreation, and cultural	746,887	746,887	616,506	130,381
Community development	1,075,980	1,075,980	976,751	99,229
Debt service:				
Interest and other fiscal charges	-	101,000	100,913	87
Total expenditures	<u>\$ 30,639,709</u>	<u>\$ 31,645,790</u>	<u>\$ 31,128,614</u>	<u>\$ 517,176</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,319,192</u>	<u>\$ 4,022,496</u>	<u>\$ 7,412,401</u>	<u>\$ 3,389,905</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 20,000	\$ 20,000	\$ 18,495	\$ (1,505)
Transfers out	<u>(4,339,192)</u>	<u>(4,131,197)</u>	<u>(4,087,575)</u>	<u>43,622</u>
Total other financing sources and uses	<u>\$ (4,319,192)</u>	<u>\$ (4,111,197)</u>	<u>\$ (4,069,080)</u>	<u>\$ 42,117</u>
Net change in fund balances	\$ -	\$ (88,701)	\$ 3,343,321	\$ 3,432,022
Fund balances - beginning	-	88,701	6,208,786	6,120,085
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,552,107</u>	<u>\$ 9,552,107</u>

Schedule of Pension Funding Progress
For the Year Ended June 30, 2011

Primary Government:
County Retirement Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
6/30/2010	\$ 20,331,710	\$ 24,176,761	\$ 3,845,051	84.10%	\$ 8,720,641	44.09%
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	Annual Covered Payroll	UAAL as % of Payroll
6/30/2010	\$ 4,083,801	\$ 4,564,612	\$ 480,811	89.47%	\$ 1,254,169	38.34%
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, 2011

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</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll</u>
6/30/2011	\$ -	\$ 477,800	\$ 477,800	0.00%	\$ 8,642,900	5.53%
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</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll</u>
6/30/2011	\$ -	\$ 5,501,400	\$ 5,501,400	0.00%	\$ 19,119,800	28.77%
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, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ -	\$ 1,700	\$ 6,654	\$ 4,954
Miscellaneous	-	208,450	208,409	(41)
Total revenues	\$ -	\$ 210,150	\$ 215,063	\$ 4,913
EXPENDITURES				
Capital projects	\$ -	\$ 369,000	\$ 368,716	\$ 284
Total expenditures	\$ -	\$ 369,000	\$ 368,716	\$ 284
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (158,850)	\$ (153,653)	\$ 5,197
Net change in fund balances	\$ -	\$ (158,850)	\$ (153,653)	\$ 5,197
Fund balances - beginning	-	158,850	1,179,417	1,020,567
Fund balances - ending	\$ -	\$ -	\$ 1,025,764	\$ 1,025,764

Virginia Public Assistance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 3,983	\$ 3,983
Intergovernmental revenues:				
Commonwealth	532,588	538,606	637,421	98,815
Federal	1,651,607	1,651,607	1,558,529	(93,078)
Total revenues	<u>\$ 2,184,195</u>	<u>\$ 2,190,213</u>	<u>\$ 2,199,933</u>	<u>\$ 9,720</u>
EXPENDITURES				
Current:				
Health and welfare	<u>\$ 2,696,927</u>	<u>\$ 2,709,555</u>	<u>\$ 2,530,293</u>	<u>\$ 179,262</u>
Total expenditures	<u>\$ 2,696,927</u>	<u>\$ 2,709,555</u>	<u>\$ 2,530,293</u>	<u>\$ 179,262</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (512,732)</u>	<u>\$ (519,342)</u>	<u>\$ (330,360)</u>	<u>\$ 188,982</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 468,933</u>	<u>\$ 475,543</u>	<u>\$ 396,554</u>	<u>\$ (78,989)</u>
Total other financing sources and uses	<u>\$ 468,933</u>	<u>\$ 475,543</u>	<u>\$ 396,554</u>	<u>\$ (78,989)</u>
Net change in fund balances	\$ (43,799)	\$ (43,799)	\$ 66,194	\$ 109,993
Fund balances - beginning	43,799	43,799	57,121	13,322
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,315</u>	<u>\$ 123,315</u>

OTHER SUPPLEMENTARY INFORMATION

Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Other local taxes	\$ 1,372,642	\$ 1,372,642	\$ 1,399,609	\$ 26,967
Revenue from the use of money and property	112,626	112,626	114,761	2,135
Intergovernmental revenues:				
Commonwealth	373,986	373,986	354,916	(19,070)
Federal	-	-	5,068	5,068
Total revenues	<u>\$ 1,859,254</u>	<u>\$ 1,859,254</u>	<u>\$ 1,874,354</u>	<u>\$ 15,100</u>
EXPENDITURES				
Debt service:				
Principal retirement	\$ 1,897,251	\$ 1,897,251	\$ 1,897,834	\$ (583)
Interest and other fiscal charges	3,426,906	2,882,824	2,781,945	100,879
Total expenditures	<u>\$ 5,324,157</u>	<u>\$ 4,780,075</u>	<u>\$ 4,679,779</u>	<u>\$ 100,296</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,464,903)</u>	<u>\$ (2,920,821)</u>	<u>\$ (2,805,425)</u>	<u>\$ 115,396</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 3,464,903</u>	<u>\$ 2,920,821</u>	<u>\$ 3,043,309</u>	<u>\$ 122,488</u>
Total other financing sources and uses	<u>\$ 3,464,903</u>	<u>\$ 2,920,821</u>	<u>\$ 3,043,309</u>	<u>\$ 122,488</u>
Net change in fund balances	\$ -	\$ -	\$ 237,884	\$ 237,884
Fund balances - beginning	-	-	181,625	181,625
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 419,509</u>	<u>\$ 419,509</u>

County Capital Projects Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 3,500	\$ 3,534	\$ 34
Miscellaneous	-	10,870	10,868	(2)
Intergovernmental revenues:				
Local government	-	113,000	112,951	(49)
Federal	-	60,000	59,867	(133)
Total revenues	<u>\$ 2,500</u>	<u>\$ 187,370</u>	<u>\$ 187,220</u>	<u>\$ (150)</u>
EXPENDITURES				
Capital projects	<u>\$ 75,000</u>	<u>\$ 2,359,850</u>	<u>\$ 2,231,713</u>	<u>\$ 128,137</u>
Total expenditures	<u>\$ 75,000</u>	<u>\$ 2,359,850</u>	<u>\$ 2,231,713</u>	<u>\$ 128,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (72,500)</u>	<u>\$ (2,172,480)</u>	<u>\$ (2,044,493)</u>	<u>\$ 127,987</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 72,500	\$ 1,343,480	\$ 143,710	\$ (1,199,770)
Issuance of bonds	-	795,000	6,795,000	6,000,000
Bond issuance premium	-	34,000	33,780	(220)
Total other financing sources and uses	<u>\$ 72,500</u>	<u>\$ 2,172,480</u>	<u>\$ 6,972,490</u>	<u>\$ 4,800,010</u>
Net change in fund balances	\$ -	\$ -	\$ 4,927,997	\$ 4,927,997
Fund balances - beginning	-	-	1,967,647	1,967,647
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,895,644</u>	<u>\$ 6,895,644</u>

COUNTY OF CAROLINE, VIRGINIA

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

	Comprehensive Services Fund	Law Library Fund	Courthouse Maintenance Fund
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 30,812
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	420	2,235
Due from other governmental units	163,607	-	-
Total assets	<u>\$ 163,607</u>	<u>\$ 420</u>	<u>\$ 33,047</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ (384)	\$ -
Accrued liabilities	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ (384)</u>	<u>\$ -</u>
Fund balances:			
Restricted	\$ 163,607	\$ -	\$ -
Committed	-	804	33,047
Total fund balances	<u>\$ 163,607</u>	<u>\$ 804</u>	<u>\$ 33,047</u>
Total liabilities and fund balances	<u>\$ 163,607</u>	<u>\$ 420</u>	<u>\$ 33,047</u>

<u>Tourism Fund</u>	<u>Sheriff's Grant Fund</u>	<u>Fire/Rescue Grant Fund</u>	<u>Housing Fund</u>	<u>Total</u>
\$ 6,387	\$ 69,975	\$ 84,022	\$ 96,131	\$ 287,327
			-	
18,772	-	-	-	21,427
-	-	6,921	-	170,528
<u>\$ 25,159</u>	<u>\$ 69,975</u>	<u>\$ 90,943</u>	<u>\$ 96,131</u>	<u>\$ 479,282</u>
\$ 2,111	\$ -	\$ 26	\$ 25	\$ 1,778
441	-	-	1,278	1,719
<u>\$ 2,552</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 1,303</u>	<u>\$ 3,497</u>
\$ -	\$ 69,975	\$ 90,917	\$ 94,828	\$ 419,327
22,607	-	-	-	56,458
<u>\$ 22,607</u>	<u>\$ 69,975</u>	<u>\$ 90,917</u>	<u>\$ 94,828</u>	<u>\$ 475,785</u>
<u>\$ 25,159</u>	<u>\$ 69,975</u>	<u>\$ 90,943</u>	<u>\$ 96,131</u>	<u>\$ 479,282</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, 2011

	Comprehensive Services Fund	Law Library Fund	Courthouse Maintenance Fund
REVENUES			
Other local taxes	\$ -	\$ -	\$ -
Revenue from the use of money and property	-	-	-
Charges for services	-	5,890	29,089
Miscellaneous	39,707	-	-
Intergovernmental revenues:			
Commonwealth	921,707	-	-
Total revenues	\$ <u>961,414</u>	\$ <u>5,890</u>	\$ <u>29,089</u>
EXPENDITURES			
Current:			
Judicial administration	\$ -	\$ 11,649	\$ -
Public safety	-	-	-
Health and welfare	1,392,233	-	-
Community development	-	-	-
Total expenditures	\$ <u>1,392,233</u>	\$ <u>11,649</u>	\$ <u>-</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(430,819)</u>	\$ <u>(5,759)</u>	\$ <u>29,089</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 496,979	\$ 7,023	\$ -
Transfers out	-	-	-
Total other financing sources and uses	\$ <u>496,979</u>	\$ <u>7,023</u>	\$ <u>-</u>
Net change in fund balances	\$ 66,160	\$ 1,264	\$ 29,089
Fund balances - beginning	97,447	(460)	3,958
Fund balances - ending	\$ <u><u>163,607</u></u>	\$ <u><u>804</u></u>	\$ <u><u>33,047</u></u>

Tourism Fund	Sheriff's Grant Fund	Fire/Rescue Grant Fund	Housing Fund	Total
\$ 174,751	\$ -	\$ -	\$ -	\$ 174,751
-	3	-	10,880	10,883
-	-	-	-	34,979
19,084	11,082	-	-	69,873
-	5,963	95,779	200	1,023,649
<u>\$ 193,835</u>	<u>\$ 17,048</u>	<u>\$ 95,779</u>	<u>\$ 11,080</u>	<u>\$ 1,314,135</u>
\$ -	\$ 5,526	\$ -	\$ -	\$ 17,175
-	58,952	116,118	-	175,070
-	-	-	-	1,392,233
204,577	-	-	5	204,582
<u>\$ 204,577</u>	<u>\$ 64,478</u>	<u>\$ 116,118</u>	<u>\$ 5</u>	<u>\$ 1,789,060</u>
<u>\$ (10,742)</u>	<u>\$ (47,430)</u>	<u>\$ (20,339)</u>	<u>\$ 11,075</u>	<u>\$ (474,925)</u>
\$ -	\$ -	\$ -	\$ -	\$ 504,002
-	(18,495)	-	-	(18,495)
<u>\$ -</u>	<u>\$ (18,495)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 485,507</u>
\$ (10,742)	\$ (65,925)	\$ (20,339)	\$ 11,075	\$ 10,582
33,349	135,900	111,256	83,753	465,203
<u>\$ 22,607</u>	<u>\$ 69,975</u>	<u>\$ 90,917</u>	<u>\$ 94,828</u>	<u>\$ 475,785</u>

Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2011

	Comprehensive Services Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Revenue from the use of money and property	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	40,000	39,707	(293)
Intergovernmental revenues:				
Commonwealth	937,296	856,547	921,707	65,160
Total revenues	<u>\$ 937,296</u>	<u>\$ 896,547</u>	<u>\$ 961,414</u>	<u>\$ 64,867</u>
EXPENDITURES				
Current:				
Judicial administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Health and welfare	1,400,621	1,394,621	1,392,233	2,388
Community development	-	-	-	-
Total expenditures	<u>\$ 1,400,621</u>	<u>\$ 1,394,621</u>	<u>\$ 1,392,233</u>	<u>\$ 2,388</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (463,325)</u>	<u>\$ (498,074)</u>	<u>\$ (430,819)</u>	<u>\$ 67,255</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 405,356	\$ 498,074	\$ 496,979	\$ 1,095
Transfers out	-	-	-	-
Total other financing sources and uses	<u>\$ 405,356</u>	<u>\$ 498,074</u>	<u>\$ 496,979</u>	<u>\$ 1,095</u>
Net change in fund balances	\$ (57,969)	\$ -	\$ 66,160	\$ 66,160
Fund balances - beginning	57,969	-	97,447	97,447
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,607</u>	<u>\$ 163,607</u>

Law Library Fund				Courthouse Maintenance Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
10,000	6,000	5,890	(110)	27,000	27,000	29,089	2,089
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 10,000</u>	<u>\$ 6,000</u>	<u>\$ 5,890</u>	<u>\$ (110)</u>	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ 29,089</u>	<u>\$ 2,089</u>
\$ 10,000	\$ 11,758	\$ 11,649	\$ 109	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 10,000</u>	<u>\$ 11,758</u>	<u>\$ 11,649</u>	<u>\$ 109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (5,758)	\$ (5,759)	\$ (1)	\$ 27,000	\$ 27,000	\$ 29,089	\$ 2,089
\$ -	\$ 5,758	\$ 7,023	\$ (1,265)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	(27,000)	(27,000)	-	(27,000)
<u>\$ -</u>	<u>\$ 5,758</u>	<u>\$ 7,023</u>	<u>\$ (1,265)</u>	<u>\$ (27,000)</u>	<u>\$ (27,000)</u>	<u>\$ -</u>	<u>\$ (27,000)</u>
\$ -	\$ -	\$ 1,264	\$ 1,264	\$ -	\$ -	\$ 29,089	\$ 29,089
-	-	(460)	(460)	-	-	3,958	3,958
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804</u>	<u>\$ 804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,047</u>	<u>\$ 33,047</u>

Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2011

	Tourism Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ 197,676	\$ 197,676	\$ 174,751	\$ (22,925)
Revenue from the use of money and property	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	19,658	19,658	19,084	(574)
Intergovernmental revenues:				
Commonwealth	-	-	-	-
Total revenues	\$ 217,334	\$ 217,334	\$ 193,835	\$ (23,499)
EXPENDITURES				
Current:				
Judicial administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	217,334	217,334	204,577	12,757
Total expenditures	\$ 217,334	\$ 217,334	\$ 204,577	\$ 12,757
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (10,742)	\$ (10,742)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ (10,742)	\$ (10,742)
Fund balances - beginning	-	-	33,349	33,349
Fund balances - ending	\$ -	\$ -	\$ 22,607	\$ 22,607

Sheriff's Grant Fund				Fire/Rescue Grant Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	3	3	-	-	-	-
-	-	-	-	-	-	-	-
-	11,087	11,082	(5)	-	-	-	-
-	6,100	5,963	(137)	108,000	116,800	95,779	(21,021)
\$ -	\$ 17,187	\$ 17,048	\$ (139)	\$ 108,000	\$ 116,800	\$ 95,779	\$ (21,021)
\$ -	\$ 5,565	\$ 5,526	\$ 39	\$ -	\$ -	\$ -	\$ -
-	55,981	58,952	(2,971)	108,000	116,800	116,118	682
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ 61,546	\$ 64,478	\$ (2,932)	\$ 108,000	\$ 116,800	\$ 116,118	\$ 682
\$ -	\$ (44,359)	\$ (47,430)	\$ (3,071)	\$ -	\$ -	\$ (20,339)	\$ (20,339)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	(10,577)	(18,495)	7,918	-	-	-	-
\$ -	\$ (10,577)	\$ (18,495)	\$ 7,918	\$ -	\$ -	\$ -	\$ -
\$ -	\$ (54,936)	\$ (65,925)	\$ (10,989)	\$ -	\$ -	\$ (20,339)	\$ (20,339)
-	54,936	135,900	80,964	-	-	111,256	111,256
\$ -	\$ -	\$ 69,975	\$ 69,975	\$ -	\$ -	\$ 90,917	\$ 90,917

Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2011

	Housing Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Revenue from the use of money and property	20,400	11,100	10,880	(220)
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental revenues:				
Commonwealth	-	-	200	200
Total revenues	\$ 20,400	\$ 11,100	\$ 11,080	\$ (20)
EXPENDITURES				
Current:				
Judicial administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Community development	20,400	11,100	5	11,095
Total expenditures	\$ 20,400	\$ 11,100	\$ 5	\$ 11,095
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 11,075	\$ 11,075
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ 11,075	\$ 11,075
Fund balances - beginning	-	-	83,753	83,753
Fund balances - ending	\$ -	\$ -	\$ 94,828	\$ 94,828

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2011

	Agency Funds			
	Four Rivers Technology in			
	Special Welfare	Education Consortium	Deposit Escrow	Total
ASSETS				
Cash and cash equivalents	\$ 6,500	\$ 38,704	\$ 301,330	\$ 346,534
Total assets	<u>\$ 6,500</u>	<u>\$ 38,704</u>	<u>\$ 301,330</u>	<u>\$ 346,534</u>
LIABILITIES				
Amounts held for social services clients	\$ 6,500	\$ -	\$ -	\$ 6,500
Amounts held for consortium	-	38,704	-	38,704
Refundable escrow deposits payable	-	-	301,330	301,330
Total liabilities	<u>\$ 6,500</u>	<u>\$ 38,704</u>	<u>\$ 301,330</u>	<u>\$ 346,534</u>

Fiduciary Funds

Statement of Changes in Assets and Liabilities - Agency Funds

Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 6,188	\$ 30,844	\$ 30,532	\$ 6,500
Liabilities:				
Amounts held for social services clients	\$ 6,188	\$ 30,844	\$ 30,532	\$ 6,500
Four Rivers Technology in Education Consortium Fund:				
Assets:				
Cash and cash equivalents	\$ 20,647	\$ 58,076	\$ 40,019	\$ 38,704
Total assets	\$ 20,647	\$ 58,076	\$ 40,019	\$ 38,704
Liabilities:				
Accounts payable	\$ 5,239	\$ -	\$ 5,239	\$ -
Amounts held for consortium	15,408	58,076	34,780	38,704
Total liabilities	\$ 20,647	\$ 58,076	\$ 40,019	\$ 38,704
Deposit Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 362,215	\$ 148,481	\$ 209,366	\$ 301,330
Total assets	\$ 362,215	\$ 148,481	\$ 209,366	\$ 301,330
Liabilities:				
Refundable escrow deposits payable	\$ 362,215	\$ 148,481	\$ 209,366	\$ 301,330
Total liabilities	\$ 362,215	\$ 148,481	\$ 209,366	\$ 301,330
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 389,050	\$ 237,401	\$ 279,917	\$ 346,534
Total assets	\$ 389,050	\$ 237,401	\$ 279,917	\$ 346,534
Liabilities:				
Accounts payable	\$ 5,239	\$ -	\$ 5,239	\$ -
Amounts held for social services clients	6,188	30,844	30,532	6,500
Amounts held for consortium	15,408	58,076	34,780	38,704
Refundable escrow deposits payable	362,215	148,481	209,366	301,330
Total liabilities	\$ 389,050	\$ 237,401	\$ 279,917	\$ 346,534

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,172	\$ 354,956	\$ 563,580	\$ 129,104	\$ 1,051,812
Receivables (net of allowance for uncollectibles):					
Accounts receivable	18,755	-	-	-	18,755
Due from other governmental units	3,665,187	42,258	-	184,096	3,891,541
Total assets	<u>\$ 3,688,114</u>	<u>\$ 397,214</u>	<u>\$ 563,580</u>	<u>\$ 313,200</u>	<u>\$ 4,962,108</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,642,697	\$ -	\$ -	\$ 90,522	\$ 2,733,219
Accrued liabilities	571,962	74,453	-	113,430	759,845
Total liabilities	<u>\$ 3,214,659</u>	<u>\$ 74,453</u>	<u>\$ -</u>	<u>\$ 203,952</u>	<u>\$ 3,493,064</u>
Fund balances:					
Committed	\$ 473,455	\$ 322,761	\$ 563,580	\$ 109,248	\$ 1,469,044
Total fund balances	<u>\$ 473,455</u>	<u>\$ 322,761</u>	<u>\$ 563,580</u>	<u>\$ 109,248</u>	<u>\$ 1,469,044</u>
Total liabilities and fund balances	<u>\$ 3,688,114</u>	<u>\$ 397,214</u>	<u>\$ 563,580</u>	<u>\$ 313,200</u>	<u>\$ 4,962,108</u>

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

Total fund balances per above	\$ 1,469,044
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,310,498
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,947,243)
Net assets of governmental activities	<u>\$ 3,832,299</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2011

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Grant Fund	Total Governmental Funds
REVENUES					
Revenue from the use of money and property	\$ -	\$ 137	\$ 145	\$ -	\$ 282
Charges for services	25,831	728,083	-	-	753,914
Miscellaneous	12	11,325	144,382	-	155,719
Intergovernmental revenues:					
Local government	11,000,000	-	-	-	11,000,000
Commonwealth	19,848,749	25,802	-	83,115	19,957,666
Federal	2,018,688	1,144,008	-	1,273,170	4,435,866
Total revenues	<u>\$ 32,893,280</u>	<u>\$ 1,909,355</u>	<u>\$ 144,527</u>	<u>\$ 1,356,285</u>	<u>\$ 36,303,447</u>
EXPENDITURES					
Current:					
Education	\$ 32,415,147	\$ 2,019,749	\$ 112,951	\$ 1,398,578	\$ 35,946,425
Capital projects	132,764	-	159,716	-	292,480
Total expenditures	<u>\$ 32,547,911</u>	<u>\$ 2,019,749</u>	<u>\$ 272,667</u>	<u>\$ 1,398,578</u>	<u>\$ 36,238,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 345,369</u>	<u>\$ (110,394)</u>	<u>\$ (128,140)</u>	<u>\$ (42,293)</u>	<u>\$ 64,542</u>
Net change in fund balances	\$ 345,369	\$ (110,394)	\$ (128,140)	\$ (42,293)	\$ 64,542
Fund balances - beginning	128,086	433,155	691,720	151,541	1,404,502
Fund balances - ending	<u>\$ 473,455</u>	<u>\$ 322,761</u>	<u>\$ 563,580</u>	<u>\$ 109,248</u>	<u>\$ 1,469,044</u>

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

Net change in fund balances - total governmental funds - per above \$ 64,542

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. (215,847)

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. (8,413)

Change in net assets of governmental activities \$ (159,718)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2011

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	20,000	20,000	25,831	5,831
Miscellaneous	8,000	8,000	12	(7,988)
Intergovernmental revenues:				
Local government	11,000,000	11,000,000	11,000,000	-
Commonwealth	20,480,787	20,801,953	19,848,749	(953,204)
Federal	1,312,070	1,275,570	2,018,688	743,118
Total revenues	\$ 32,820,857	\$ 33,105,523	\$ 32,893,280	\$ (212,243)
EXPENDITURES				
Current:				
Education	\$ 32,671,019	\$ 32,955,685	\$ 32,415,147	\$ 540,538
Capital projects	149,838	149,838	132,764	17,074
Total expenditures	\$ 32,820,857	\$ 33,105,523	\$ 32,547,911	\$ 557,612
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 345,369	\$ 345,369
Net change in fund balances	\$ -	\$ -	\$ 345,369	\$ 345,369
Fund balances - beginning	-	-	128,086	128,086
Fund balances - ending	\$ -	\$ -	\$ 473,455	\$ 473,455

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		
\$ 300	\$ 300	\$ 137	\$ (163)	\$ -	\$ 145	\$ 145	\$ -
745,500	745,500	728,083	(17,417)	-	-	-	-
6,800	6,800	11,325	4,525	-	144,374	144,382	8
-	-	-	-	-	-	-	-
25,800	25,800	25,802	2	-	-	-	-
838,600	838,600	1,144,008	305,408	-	-	-	-
<u>\$ 1,617,000</u>	<u>\$ 1,617,000</u>	<u>\$ 1,909,355</u>	<u>\$ 292,355</u>	<u>\$ -</u>	<u>\$ 144,519</u>	<u>\$ 144,527</u>	<u>\$ 8</u>
\$ 1,617,000	\$ 1,617,000	\$ 2,019,749	\$ (402,749)	\$ -	\$ 113,000	\$ 112,951	\$ 49
-	-	-	-	-	160,000	159,716	284
<u>\$ 1,617,000</u>	<u>\$ 1,617,000</u>	<u>\$ 2,019,749</u>	<u>\$ (402,749)</u>	<u>\$ -</u>	<u>\$ 273,000</u>	<u>\$ 272,667</u>	<u>\$ 333</u>
\$ -	\$ -	\$ (110,394)	\$ (110,394)	\$ -	\$ (128,481)	\$ (128,140)	\$ 341
\$ -	\$ -	\$ (110,394)	\$ (110,394)	\$ -	\$ (128,481)	\$ (128,140)	\$ 341
-	-	433,155	433,155	-	128,481	691,720	563,239
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,761</u>	<u>\$ 322,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563,580</u>	<u>\$ 563,580</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, 2011

	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	20,765	114,311	83,115	(31,196)
Federal	1,437,481	2,936,455	1,273,170	(1,663,285)
Total revenues	\$ 1,458,246	\$ 3,050,766	\$ 1,356,285	\$ (1,694,481)
EXPENDITURES				
Current:				
Education	\$ 1,458,246	\$ 3,050,766	\$ 1,398,578	\$ 1,652,188
Capital projects	-	-	-	-
Total expenditures	\$ 1,458,246	\$ 3,050,766	\$ 1,398,578	\$ 1,652,188
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (42,293)	\$ (42,293)
Net change in fund balances	\$ -	\$ -	\$ (42,293)	\$ (42,293)
Fund balances - beginning	-	-	151,541	151,541
Fund balances - ending	\$ -	\$ -	\$ 109,248	\$ 109,248

*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

Statement of Net Assets

Discretely Presented Component Unit - Industrial Development Authority

June 30, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$	<u>109,404</u>
Total current assets	\$	<u>109,404</u>
Total assets	\$	<u>109,404</u>

NET ASSETS

Unrestricted	\$	<u>109,404</u>
Total net assets	\$	<u><u>109,404</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, 2011

OPERATING REVENUES

Charges for services:

Contributions from local governments	\$	110,000
Other revenues		<u>14,504</u>
Total operating revenues	\$	<u>124,504</u>

OPERATING EXPENSES

Other charges	\$	<u>122,160</u>
Total operating expenses	\$	<u>122,160</u>

Operating income (loss)	\$	<u>2,344</u>
-------------------------	----	--------------

NONOPERATING REVENUES (EXPENSES)

Interest earnings	\$	<u>872</u>
Total nonoperating revenues (expenses)	\$	<u>872</u>

Change in net assets	\$	3,216
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Total net assets - beginning		<u>106,188</u>
Total net assets - ending	\$	<u><u>109,404</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 124,504
Payments for operating activities	<u>(122,160)</u>
Net cash provided (used) by operating activities	<u>\$ 2,344</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	\$ <u>872</u>
Net cash provided (used) by investing activities	<u>\$ 872</u>

Net increase (decrease) in cash and cash equivalents	\$ 3,216
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Cash and cash equivalents - beginning	<u>106,188</u>
Cash and cash equivalents - ending	<u><u>\$ 109,404</u></u>

SUPPORTING SCHEDULES

COUNTY OF CAROLINE, VIRGINIA

Schedule 1

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 15,230,206	\$ 15,230,206	\$ 15,918,042	\$ 687,836
Real and personal public service corporation taxes	2,220,091	2,220,091	2,901,279	681,188
Personal property taxes	5,593,473	6,001,635	6,786,182	784,547
Mobile home taxes	49,963	49,963	57,329	7,366
Machinery and tools taxes	275,039	275,039	350,788	75,749
Penalties	293,350	293,350	388,484	95,134
Interest	244,550	244,550	347,248	102,698
Total general property taxes	\$ 23,906,672	\$ 24,314,834	\$ 26,749,352	\$ 2,434,518
Other local taxes:				
Local sales and use taxes	\$ 1,357,186	\$ 1,357,186	\$ 1,540,189	\$ 183,003
Consumers' utility taxes	79,600	79,600	86,658	7,058
Business license taxes	1,086,686	1,086,686	905,568	(181,118)
Motor vehicle licenses	595,082	595,082	667,779	72,697
Bank stock taxes	49,000	49,000	58,854	9,854
Taxes on recordation and wills	107,410	107,410	217,128	109,718
Total other local taxes	\$ 3,274,964	\$ 3,274,964	\$ 3,476,176	\$ 201,212
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,900	\$ 10,900	\$ 30,666	\$ 19,766
Permits and other licenses	312,500	312,500	313,071	571
Total permits, privilege fees, and regulatory licenses	\$ 323,400	\$ 323,400	\$ 343,737	\$ 20,337
Fines and forfeitures:				
Court fines and forfeitures	\$ 625,000	\$ 625,000	\$ 599,320	\$ (25,680)
Total fines and forfeitures	\$ 625,000	\$ 625,000	\$ 599,320	\$ (25,680)
Revenue from use of money and property:				
Revenue from use of money	\$ 12,025	\$ 12,025	\$ 15,547	\$ 3,522
Revenue from use of property	59,011	59,011	45,283	(13,728)
Total revenue from use of money and property	\$ 71,036	\$ 71,036	\$ 60,830	\$ (10,206)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Charges for services:				
Charges for court costs	\$ 46,850	\$ 46,850	\$ 12,752	\$ (34,098)
Charges for courthouse security and protective services	169,000	169,000	219,685	50,685
Charges for Commonwealth's Attorney	825	825	1,215	390
Charges for data processing	1,500	1,500	1,284	(216)
Miscellaneous dog fees	3,550	3,550	11,143	7,593
Charges for sanitation and waste removal	36,600	36,600	53,604	17,004
Charges for parks and recreation	170,360	170,360	90,650	(79,710)
Charges for sale of publications and commemorative material	900	900	209	(691)
Total charges for services	\$ 429,585	\$ 429,585	\$ 390,542	\$ (39,043)
Miscellaneous revenue:				
Miscellaneous	\$ 61,450	\$ 61,450	\$ 144,226	\$ 82,776
Total miscellaneous revenue	\$ 61,450	\$ 61,450	\$ 144,226	\$ 82,776
Recovered costs:				
Soil conservationist	\$ 260,343	\$ 260,343	\$ 263,142	\$ 2,799
Recovered costs school resource officer and criminal justice class	118,196	118,196	177,844	59,648
Postage reimbursement general district court	4,050	4,050	4,552	502
Ambulance recovery services	675,000	675,000	730,817	55,817
Recovered costs jurors	20,000	20,000	36,943	16,943
Other recovered costs	1,200	1,200	6,914	5,714
Total recovered costs	\$ 1,078,789	\$ 1,078,789	\$ 1,220,212	\$ 141,423
Total revenue from local sources	\$ 29,770,896	\$ 30,179,058	\$ 32,984,395	\$ 2,805,337
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 81,269	\$ 81,269	\$ 78,627	\$ (2,642)
Mobile home titling tax	25,000	25,000	19,279	(5,721)
Motor vehicle rental tax	2,500	2,500	2,690	190
State recordation tax	200,000	200,000	173,748	(26,252)
Communications tax	475,839	475,839	462,485	(13,354)
Personal property tax relief funds	2,371,897	2,371,897	2,371,897	-
Reduction in state aid to local governments	(124,789)	(124,789)	(131,874)	(7,085)
Total noncategorical aid	\$ 3,031,716	\$ 3,031,716	\$ 2,976,852	\$ (54,864)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 160,755	\$ 160,755	\$ 161,617	\$ 862
Sheriff	1,140,279	1,140,279	1,143,630	3,351
Commissioner of revenue	113,383	113,383	113,365	(18)
Treasurer	98,359	98,359	93,892	(4,467)
Registrar/electoral board	44,089	44,089	42,978	(1,111)
Clerk of the Circuit Court	261,286	261,286	265,414	4,128
Total shared expenses	\$ 1,818,151	\$ 1,818,151	\$ 1,820,896	\$ 2,745
Other categorical aid:				
EMT training reimbursement	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Litter control grant	6,262	6,262	8,024	1,762
DMV license agent grant	24,000	24,000	30,766	6,766
Wireless E911 PSAP funding	86,418	86,418	73,934	(12,484)
Emergency services grant	-	-	25,550	25,550
CHINS grant	20,259	20,259	14,776	(5,483)
State line of duty medical insurance grant	14,980	14,980	19,170	4,190
Domestic violence victim grant	40,000	40,000	35,997	(4,003)
Victim-witness grant	53,942	53,942	53,942	-
Fire programs	-	-	521	521
Social services quality initiative grant	-	-	9,000	9,000
Other state funds	-	-	17,287	17,287
Total other categorical aid	\$ 250,861	\$ 250,861	\$ 288,967	\$ 38,106
Total categorical aid	\$ 2,069,012	\$ 2,069,012	\$ 2,109,863	\$ 40,851
Total revenue from the Commonwealth	\$ 5,100,728	\$ 5,100,728	\$ 5,086,715	\$ (14,013)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 2,500	\$ 2,500	\$ 1,607	\$ (893)
Categorical aid:				
DMV ground transportation safety grant	\$ 15,000	\$ 15,000	\$ 23,877	\$ 8,877
FEMA grant	12,120	102,565	108,834	6,269
Bulletproof vest partnership grant	-	-	1,357	1,357
Byrne justice assistance grant	-	-	1,371	1,371
State homeland security grant	-	49,083	49,083	-
Victim-witness grant	11,315	11,315	24,540	13,225
SAFER grant	-	161,695	192,894	31,199
ARRA Violence against women grants	46,342	46,342	66,342	20,000
Total categorical aid	\$ 84,777	\$ 386,000	\$ 468,298	\$ 82,298
Total revenue from the federal government	\$ 87,277	\$ 388,500	\$ 469,905	\$ 81,405
Total General Fund	\$ 34,958,901	\$ 35,668,286	\$ 38,541,015	\$ 2,872,729

COUNTY OF CAROLINE, VIRGINIA

Schedule 1

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Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 3,983	\$ 3,983
Total miscellaneous revenue	\$ -	\$ -	\$ 3,983	\$ 3,983
Total revenue from local sources	\$ -	\$ -	\$ 3,983	\$ 3,983
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 532,588	\$ 538,606	\$ 637,421	\$ 98,815
Total categorical aid	\$ 532,588	\$ 538,606	\$ 637,421	\$ 98,815
Total revenue from the Commonwealth	\$ 532,588	\$ 538,606	\$ 637,421	\$ 98,815
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,651,607	\$ 1,651,607	\$ 1,558,529	\$ (93,078)
Total categorical aid	\$ 1,651,607	\$ 1,651,607	\$ 1,558,529	\$ (93,078)
Total revenue from the federal government	\$ 1,651,607	\$ 1,651,607	\$ 1,558,529	\$ (93,078)
Total Virginia Public Assistance Fund	\$ 2,184,195	\$ 2,190,213	\$ 2,199,933	\$ 9,720
Proffers Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 1,700	\$ 6,654	\$ 4,954
Total revenue from use of money and property	\$ -	\$ 1,700	\$ 6,654	\$ 4,954
Miscellaneous revenue:				
Fire and rescue proffers	\$ -	\$ 150,700	\$ 149,909	\$ (791)
Ladysmith YMCA proffers	-	57,750	58,500	750
Total miscellaneous revenue	\$ -	\$ 208,450	\$ 208,409	\$ (41)
Total revenue from local sources	\$ -	\$ 210,150	\$ 215,063	\$ 4,913
Total Proffers Fund	\$ -	\$ 210,150	\$ 215,063	\$ 4,913

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Comprehensive Services Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 40,000	\$ 39,707	\$ (293)
Total miscellaneous revenue	\$ -	\$ 40,000	\$ 39,707	\$ (293)
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act funds	\$ 937,296	\$ 856,547	\$ 921,707	\$ 65,160
Total categorical aid	\$ 937,296	\$ 856,547	\$ 921,707	\$ 65,160
Total revenue from the Commonwealth	\$ 937,296	\$ 856,547	\$ 921,707	\$ 65,160
Total Comprehensive Services Fund	\$ 937,296	\$ 896,547	\$ 961,414	\$ 64,867
Law Library Fund:				
Revenue from local sources:				
Charges for services:				
Law library fees	\$ 10,000	\$ 6,000	\$ 5,890	\$ (110)
Total charges for services	\$ 10,000	\$ 6,000	\$ 5,890	\$ (110)
Total Law Library Fund	\$ 10,000	\$ 6,000	\$ 5,890	\$ (110)
Courthouse Maintenance Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse maintenance fees	\$ 27,000	\$ 27,000	\$ 29,089	\$ 2,089
Total charges for services	\$ 27,000	\$ 27,000	\$ 29,089	\$ 2,089
Total Courthouse Maintenance Fund	\$ 27,000	\$ 27,000	\$ 29,089	\$ 2,089

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2011 (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>
Special Revenue Funds: (Continued)				
Tourism Fund:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes	\$ 197,676	\$ 197,676	\$ 174,751	\$ (22,925)
Total other local taxes	\$ 197,676	\$ 197,676	\$ 174,751	\$ (22,925)
Miscellaneous revenue:				
Other miscellaneous	\$ 19,658	\$ 19,658	\$ 19,084	\$ (574)
Total miscellaneous revenue	\$ 19,658	\$ 19,658	\$ 19,084	\$ (574)
Total Tourism Fund	\$ 217,334	\$ 217,334	\$ 193,835	\$ (23,499)
Sheriff's Grant Fund:				
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	\$ -	\$ 11,087	\$ 11,082	\$ (5)
Total miscellaneous revenue	\$ -	\$ 11,087	\$ 11,082	\$ (5)
Total revenue from local sources	\$ -	\$ 11,087	\$ 11,085	\$ (2)
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture funds	\$ -	\$ 6,100	\$ 5,963	\$ (137)
Total categorical aid	\$ -	\$ 6,100	\$ 5,963	\$ (137)
Total revenue from the Commonwealth	\$ -	\$ 6,100	\$ 5,963	\$ (137)
Total Sheriff's Grant Fund	\$ -	\$ 17,187	\$ 17,048	\$ (139)
Fire/Rescue Grant Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
Fire program fund	\$ 55,000	\$ 55,000	\$ 60,679	\$ 5,679
EMS vehicle registration grant	28,000	28,000	28,600	600
Assistance to firefighter grant	-	8,800	-	(8,800)
Radiological preparedness grant	25,000	25,000	6,500	(18,500)
Total revenue from the Commonwealth	\$ 108,000	\$ 116,800	\$ 95,779	\$ (21,021)
Total Fire/Rescue Grant Fund	\$ 108,000	\$ 116,800	\$ 95,779	\$ (21,021)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Housing Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 20,400	\$ 11,100	\$ 10,880	\$ (220)
Total revenue from use of money and property	\$ 20,400	\$ 11,100	\$ 10,880	\$ (220)
Revenue from the Commonwealth:				
Categorical aid:				
Indoor plumbing rehab	\$ -	\$ -	\$ 200	\$ 200
Total revenue from the Commonwealth	\$ -	\$ -	\$ 200	\$ 200
Total Housing Fund	\$ 20,400	\$ 11,100	\$ 11,080	\$ (20)
Total Special Revenue Funds	\$ 3,504,225	\$ 3,692,331	\$ 3,729,131	\$ 36,800
Debt Service Fund:				
Revenue from local sources:				
Other local taxes:				
Consumers' utility taxes	\$ 493,604	\$ 493,604	\$ 503,213	\$ 9,609
Meals tax	879,038	879,038	896,396	17,358
Total other local taxes	\$ 1,372,642	\$ 1,372,642	\$ 1,399,609	\$ 26,967
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,026	\$ 1,026	\$ 3,161	\$ 2,135
Revenue from the use of property	111,600	111,600	111,600	-
Total revenue from use of money and property	\$ 112,626	\$ 112,626	\$ 114,761	\$ 2,135
Total revenue from local sources	\$ 1,485,268	\$ 1,485,268	\$ 1,514,370	\$ 29,102
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 373,986	\$ 373,986	\$ 354,916	\$ (19,070)
Total revenue from the Commonwealth	\$ 373,986	\$ 373,986	\$ 354,916	\$ (19,070)
Revenue from the federal government:				
Noncategorical aid:				
BABs interest subsidy	\$ -	\$ -	\$ 5,068	\$ 5,068
Total revenue from the federal government	\$ -	\$ -	\$ 5,068	\$ 5,068
Total Debt Service Fund	\$ 1,859,254	\$ 1,859,254	\$ 1,874,354	\$ 15,100

COUNTY OF CAROLINE, VIRGINIA

Schedule 1

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Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 2,500	\$ 3,500	\$ 3,534	\$ 34
Total revenue from use of money and property	\$ 2,500	\$ 3,500	\$ 3,534	\$ 34
Miscellaneous revenue:				
Donations or other miscellaneous	\$ -	\$ 10,870	\$ 10,868	\$ (2)
Total miscellaneous revenue	\$ -	\$ 10,870	\$ 10,868	\$ (2)
Total revenue from local sources	\$ 2,500	\$ 14,370	\$ 14,402	\$ 32
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Caroline, Virginia	\$ -	\$ 113,000	\$ 112,951	\$ (49)
Total revenues from local governments	\$ -	\$ 113,000	\$ 112,951	\$ (49)
Revenue from the federal government:				
Categorical aid:				
Justice Assistance grant program	\$ -	\$ 60,000	\$ 59,867	\$ (133)
Total categorical aid	\$ -	\$ 60,000	\$ 59,867	\$ (133)
Total revenue from the federal government	\$ -	\$ 60,000	\$ 59,867	\$ (133)
Total County Capital Projects Fund	\$ 2,500	\$ 187,370	\$ 187,220	\$ (150)
Total Primary Government	\$ 40,324,880	\$ 41,407,241	\$ 44,331,720	\$ 2,924,479
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition and payments from other divisions	\$ 20,000	\$ 20,000	\$ 25,831	\$ 5,831
Total charges for services	\$ 20,000	\$ 20,000	\$ 25,831	\$ 5,831
Miscellaneous revenue:				
Other miscellaneous	\$ 8,000	\$ 8,000	\$ 12	\$ (7,988)
Total miscellaneous revenue	\$ 8,000	\$ 8,000	\$ 12	\$ (7,988)
Total revenue from local sources	\$ 28,000	\$ 28,000	\$ 25,843	\$ (2,157)

COUNTY OF CAROLINE, VIRGINIA

Schedule 1

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Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Caroline, Virginia	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ -
Total revenues from local governments	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,160,360	\$ 4,160,360	\$ 4,330,433	\$ 170,073
Basic school aid	11,023,486	11,364,742	10,458,321	(906,421)
Foster home children	27,630	27,630	19,548	(8,082)
Summer school	71,451	71,451	61,159	(10,292)
Gifted and talented	118,738	118,160	118,789	629
Remedial education	353,575	351,855	353,727	1,872
English as a second language	36,041	36,041	37,080	1,039
Special education	1,802,177	1,793,408	1,820,614	27,206
Textbook payment	138,633	137,958	90,741	(47,217)
Vocational education	253,516	252,360	248,599	(3,761)
School fringe benefits	1,155,716	1,150,092	1,156,213	6,121
Special education in jails	11,211	11,211	7,342	(3,869)
State lottery payments	-	-	47,952	47,952
Early reading intervention	81,927	81,927	76,075	(5,852)
Homebound education	21,522	21,522	-	(21,522)
Regional program tuition	23,144	23,144	-	(23,144)
At risk payments	330,734	329,166	330,958	1,792
Reduced K-3 payments	279,757	279,757	317,323	37,566
Virginia preschool initiative	327,420	327,420	208,008	(119,412)
Technology	206,000	206,000	107,666	(98,334)
GED funding	15,717	15,717	15,717	-
Standards of Learning algebra readiness	42,032	42,032	39,984	(2,048)
Other state funds	-	-	2,500	2,500
Total categorical aid	\$ 20,480,787	\$ 20,801,953	\$ 19,848,749	\$ (953,204)
Total revenue from the Commonwealth	\$ 20,480,787	\$ 20,801,953	\$ 19,848,749	\$ (953,204)
Revenue from the federal government:				
Categorical aid:				
Class size reduction	\$ 117,455	\$ 117,455	\$ 119,953	\$ 2,498
Title VI-B, special education flow-through	928,381	928,381	897,866	(30,515)
Vocational education	66,234	66,234	70,654	4,420

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
ROTC	\$ 50,000	\$ 50,000	\$ 60,625	\$ 10,625
State fiscal stabilization funds	150,000	113,500	777,004	663,504
Other federal funds	-	-	92,586	92,586
Total categorical aid	\$ 1,312,070	\$ 1,275,570	\$ 2,018,688	\$ 743,118
Total revenue from the federal government	\$ 1,312,070	\$ 1,275,570	\$ 2,018,688	\$ 743,118
Total School Operating Fund	\$ 32,820,857	\$ 33,105,523	\$ 32,893,280	\$ (212,243)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 300	\$ 300	\$ 137	\$ (163)
Total revenue from use of money and property	\$ 300	\$ 300	\$ 137	\$ (163)
Charges for services:				
Cafeteria sales	\$ 745,500	\$ 745,500	\$ 659,692	\$ (85,808)
Other charges for services	-	-	68,391	68,391
Total charges for services	\$ 745,500	\$ 745,500	\$ 728,083	\$ (17,417)
Miscellaneous revenue:				
Other miscellaneous	\$ 6,800	\$ 6,800	\$ 11,325	\$ 4,525
Total miscellaneous revenue	\$ 6,800	\$ 6,800	\$ 11,325	\$ 4,525
Total revenue from local sources	\$ 752,600	\$ 752,600	\$ 739,545	\$ (13,055)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 25,800	\$ 25,800	\$ 25,802	\$ 2
Total categorical aid	\$ 25,800	\$ 25,800	\$ 25,802	\$ 2
Total revenue from the Commonwealth	\$ 25,800	\$ 25,800	\$ 25,802	\$ 2
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 838,600	\$ 838,600	\$ 1,014,881	\$ 176,281
USDA commodities	-	-	129,127	129,127
Total categorical aid	\$ 838,600	\$ 838,600	\$ 1,144,008	\$ 305,408
Total revenue from the federal government	\$ 838,600	\$ 838,600	\$ 1,144,008	\$ 305,408
Total School Cafeteria Fund	\$ 1,617,000	\$ 1,617,000	\$ 1,909,355	\$ 292,355

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Grant Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
Mentor teacher	\$ 6,835	\$ 25,837	\$ 9,868	\$ (15,969)
Virginia tobacco settlement	-	42,168	32,539	(9,629)
Project graduation	13,930	30,295	33,645	3,350
Other categorical aid	-	16,011	7,063	(8,948)
Total categorical aid	\$ 20,765	\$ 114,311	\$ 83,115	\$ (31,196)
Total revenue from the Commonwealth	\$ 20,765	\$ 114,311	\$ 83,115	\$ (31,196)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 618,399	\$ 863,086	\$ 536,721	\$ (326,365)
Title I - ARRA	190,000	323,955	167,691	(156,264)
Title II, Part A	20,008	120,241	94,860	(25,381)
Title II, Part D	7,535	7,535	3,785	(3,750)
Title II, Part D - ARRA	19,077	19,077	9,284	(9,793)
Title III, Language acquisition	16,457	29,162	10,738	(18,424)
Education job fund	-	946,574	-	(946,574)
Part B Section 611 - ARRA	500,000	542,879	405,788	(137,091)
Section 619 Preschool	17,940	35,881	22,752	(13,129)
Section 619 Preschool - ARRA	17,000	17,000	1,830	(15,170)
Early Childhood - Special education	19,000	19,000	9,096	(9,904)
Drug free schools	12,065	12,065	10,625	(1,440)
Total categorical aid	\$ 1,437,481	\$ 2,936,455	\$ 1,273,170	\$ (1,663,285)
Total revenue from the federal government	\$ 1,437,481	\$ 2,936,455	\$ 1,273,170	\$ (1,663,285)
Total School Grant Fund	\$ 1,458,246	\$ 3,050,766	\$ 1,356,285	\$ (1,694,481)
School Capital Projects Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 145	\$ 145	\$ -
Miscellaneous revenue:				
Interest rate subsidy	\$ -	\$ 144,374	\$ 144,382	\$ 8
Total miscellaneous revenue	\$ -	\$ 144,374	\$ 144,382	\$ 8
Total revenue from local sources	\$ -	\$ 144,519	\$ 144,527	\$ 8
Total School Capital Projects Fund	\$ -	\$ 144,519	\$ 144,527	\$ 8
Total Discretely Presented Component Unit - School Board	\$ 35,896,103	\$ 37,917,808	\$ 36,303,447	\$ (1,614,361)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 161,104	\$ 161,104	\$ 150,504	\$ 10,600
General and financial administration:				
County administrator	\$ 494,091	\$ 485,476	\$ 423,568	\$ 61,908
Legal services	210,869	297,895	297,895	-
Commissioner of revenue	687,607	687,607	665,985	21,622
General reassessment	193,000	193,000	181,052	11,948
Treasurer	481,949	481,949	477,891	4,058
Finance	303,926	303,926	284,051	19,875
Information technology	215,854	215,854	196,516	19,338
Other general and financial administration	171,080	151,079	138,877	12,202
Total general and financial administration	\$ 2,758,376	\$ 2,816,786	\$ 2,665,835	\$ 150,951
Board of elections:				
Electoral board and officials	\$ 147,033	\$ 139,398	\$ 126,379	\$ 13,019
Total board of elections	\$ 147,033	\$ 139,398	\$ 126,379	\$ 13,019
Total general government administration	\$ 3,066,513	\$ 3,117,288	\$ 2,942,718	\$ 174,570
Judicial administration:				
Courts:				
Circuit court	\$ 80,533	\$ 80,533	\$ 74,042	\$ 6,491
General district court	17,920	17,920	26,953	(9,033)
Magistrates	1,250	1,250	605	645
Juvenile and domestic relations district court	17,098	17,098	21,510	(4,412)
Clerk of the circuit court	534,078	534,078	560,753	(26,675)
Juvenile crime control	49,564	49,564	40,982	8,582
Victim witness program	63,232	87,596	87,581	15
Total courts	\$ 763,675	\$ 788,039	\$ 812,426	\$ (24,387)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 379,440	\$ 387,862	\$ 387,349	\$ 513
Total commonwealth's attorney	\$ 379,440	\$ 387,862	\$ 387,349	\$ 513
Total judicial administration	\$ 1,143,115	\$ 1,175,901	\$ 1,199,775	\$ (23,874)
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,181,689	\$ 4,234,189	\$ 4,145,014	\$ 89,175
E911 Dispatch	861,083	884,083	883,400	683
Total law enforcement and traffic control	\$ 5,042,772	\$ 5,118,272	\$ 5,028,414	\$ 89,858

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue	\$ 183,150	183,150	\$ 204,746	\$ (21,596)
Volunteer fire departments	407,000	438,000	422,308	15,692
Other fire and rescue	18,000	18,000	17,685	315
Emergency management commission	2,512,298	2,803,291	2,782,066	21,225
Total fire and rescue services	<u>\$ 3,120,448</u>	<u>\$ 3,442,441</u>	<u>\$ 3,426,805</u>	<u>\$ 15,636</u>
Correction and detention:				
Regional jail contributions	\$ 1,296,716	\$ 1,676,353	\$ 1,695,728	\$ (19,375)
Juvenile probation and detention	251,000	174,100	174,011	89
Total correction and detention	<u>\$ 1,547,716</u>	<u>\$ 1,850,453</u>	<u>\$ 1,869,739</u>	<u>\$ (19,286)</u>
Inspections:				
Building	\$ 300,912	\$ 300,912	\$ 295,052	\$ 5,860
Total inspections	<u>\$ 300,912</u>	<u>\$ 300,912</u>	<u>\$ 295,052</u>	<u>\$ 5,860</u>
Other protection:				
Animal control	\$ 275,825	\$ 275,825	\$ 277,676	\$ (1,851)
Medical examiner	300	300	80	220
Total other protection	<u>\$ 276,125</u>	<u>\$ 276,125</u>	<u>\$ 277,756</u>	<u>\$ (1,631)</u>
Total public safety	<u>\$ 10,287,973</u>	<u>\$ 10,988,203</u>	<u>\$ 10,897,766</u>	<u>\$ 90,437</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Public works administration	\$ 150,728	\$ 105,728	\$ 85,195	\$ 20,533
Streetlights	3,200	3,200	3,103	97
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 153,928</u>	<u>\$ 108,928</u>	<u>\$ 88,298</u>	<u>\$ 20,630</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,401,290	\$ 1,546,290	\$ 1,548,594	\$ (2,304)
Total sanitation and waste removal	<u>\$ 1,401,290</u>	<u>\$ 1,546,290</u>	<u>\$ 1,548,594</u>	<u>\$ (2,304)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,241,188	\$ 1,227,388	\$ 1,200,285	\$ 27,103
Cannery	35	35	27	8
Total maintenance of general buildings and grounds	<u>\$ 1,241,223</u>	<u>\$ 1,227,423</u>	<u>\$ 1,200,312</u>	<u>\$ 27,111</u>
Total public works	<u>\$ 2,796,441</u>	<u>\$ 2,882,641</u>	<u>\$ 2,837,204</u>	<u>\$ 45,437</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Supplement to dental clinic	8,450	8,450	8,450	-
Total health	<u>\$ 308,450</u>	<u>\$ 308,450</u>	<u>\$ 308,450</u>	<u>\$ -</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
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	\$ 124,350	\$ 159,440	\$ 158,531	\$ 909
Total welfare	\$ 124,350	\$ 159,440	\$ 158,531	\$ 909
Total health and welfare	\$ 522,800	\$ 557,890	\$ 556,981	\$ 909
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ -
Total education	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ -
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 415,756	\$ 415,756	\$ 324,873	\$ 90,883
Total parks and recreation	\$ 415,756	\$ 415,756	\$ 324,873	\$ 90,883
Library:				
Contribution to county library	\$ 331,131	\$ 331,131	\$ 291,633	\$ 39,498
Total library	\$ 331,131	\$ 331,131	\$ 291,633	\$ 39,498
Total parks, recreation, and cultural	\$ 746,887	\$ 746,887	\$ 616,506	\$ 130,381
Community development:				
Planning and community development:				
Planning development	\$ 464,304	\$ 464,304	\$ 437,382	\$ 26,922
Planning commission	27,441	27,441	16,709	10,732
Economic development	160,965	160,965	139,097	21,868
Planning regional	27,299	27,299	26,000	1,299
Industrial development authority	2,000	2,000	1,315	685
Board of zoning appeals	4,326	4,326	1,683	2,643
Total planning and community development	\$ 686,335	\$ 686,335	\$ 622,186	\$ 64,149
Environmental management:				
Soil and water conservation district contribution	\$ 57,720	\$ 57,720	\$ 57,720	\$ -
Environmental management	254,403	254,403	256,591	(2,188)
Total environmental management	\$ 312,123	\$ 312,123	\$ 314,311	\$ (2,188)
Cooperative extension program:				
Extension office	\$ 77,522	\$ 77,522	\$ 40,254	\$ 37,268
Total cooperative extension program	\$ 77,522	\$ 77,522	\$ 40,254	\$ 37,268
Total community development	\$ 1,075,980	\$ 1,075,980	\$ 976,751	\$ 99,229

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Debt service:				
Interest and other fiscal charges	\$ -	\$ 101,000	\$ 100,913	\$ 87
Total debt service	\$ -	\$ 101,000	\$ 100,913	\$ 87
Total General Fund	\$ 30,639,709	\$ 31,645,790	\$ 31,128,614	\$ 517,176
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 1,727,181	\$ 1,730,181	\$ 1,605,393	\$ 124,788
Public assistance	276,699	286,327	296,163	(9,836)
Purchased services	678,472	678,472	613,595	64,877
Local only	2,200	2,200	2,767	(567)
Grants	12,375	12,375	12,375	-
Total welfare and social services	\$ 2,696,927	\$ 2,709,555	\$ 2,530,293	\$ 179,262
Total health and welfare	\$ 2,696,927	\$ 2,709,555	\$ 2,530,293	\$ 179,262
Total Virginia Public Assistance Fund	\$ 2,696,927	\$ 2,709,555	\$ 2,530,293	\$ 179,262
Proffers Fund:				
Capital projects:				
McKesson utility project	\$ -	\$ 369,000	\$ 368,716	\$ 284
Total capital projects	\$ -	\$ 369,000	\$ 368,716	\$ 284
Total Proffers Fund	\$ -	\$ 369,000	\$ 368,716	\$ 284
Comprehensive Services Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,400,621	\$ 1,394,621	\$ 1,392,233	\$ 2,388
Total health and welfare	\$ 1,400,621	\$ 1,394,621	\$ 1,392,233	\$ 2,388
Total Comprehensive Services Fund	\$ 1,400,621	\$ 1,394,621	\$ 1,392,233	\$ 2,388

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Law Library Fund:				
Judicial administration:				
Law library	\$ 10,000	\$ 11,758	\$ 11,649	\$ 109
Total judicial administration	\$ 10,000	\$ 11,758	\$ 11,649	\$ 109
Total Law Library Fund	\$ 10,000	\$ 11,758	\$ 11,649	\$ 109
Tourism Fund:				
Community development:				
Planning and community development:				
Tourism activities	\$ 217,334	\$ 217,334	\$ 204,577	\$ 12,757
Total planning and community development	\$ 217,334	\$ 217,334	\$ 204,577	\$ 12,757
Total Tourism Fund	\$ 217,334	\$ 217,334	\$ 204,577	\$ 12,757
Sheriff's Grant Fund:				
Judicial administration:				
Sheriff	\$ -	\$ 5,565	\$ 5,526	\$ 39
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ -	\$ 55,981	\$ 58,952	\$ (2,971)
Total Sheriff's Grant Fund	\$ -	\$ 61,546	\$ 64,478	\$ (2,932)
Fire/Rescue Grant Fund:				
Public safety:				
Fire and rescue services:				
Fire program grant	\$ 55,000	\$ 55,000	\$ 25,019	\$ 29,981
Four for Life grant	28,000	28,000	10,605	17,395
Virginia Power grant	25,000	25,000	63,289	(38,289)
Assistance for firefighter grant	-	8,800	17,205	(8,405)
Total public safety	\$ 108,000	\$ 116,800	\$ 116,118	\$ 682
Total Fire/Rescue Grant Fund	\$ 108,000	\$ 116,800	\$ 116,118	\$ 682
Housing Fund:				
Community development:				
Planning and community development:				
Housing rehabilitation	\$ 20,400	\$ 11,100	\$ 5	\$ 11,095
Total planning and community development	\$ 20,400	\$ 11,100	\$ 5	\$ 11,095
Total Housing Fund	\$ 20,400	\$ 11,100	\$ 5	\$ 11,095
Total Special Revenue Funds	\$ 4,453,282	\$ 4,891,714	\$ 4,688,069	\$ 203,645
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 1,897,251	\$ 1,897,251	\$ 1,897,834	\$ (583)
Interest and other fiscal charges	3,426,906	2,882,824	2,781,945	100,879
Total Debt Service Fund	\$ 5,324,157	\$ 4,780,075	\$ 4,679,779	\$ 100,296

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County administration	\$ -	\$ 173,200	\$ 176,153	\$ (2,953)
Public safety	-	192,700	192,531	169
Public works	-	37,100	37,037	63
Education	-	1,197,850	1,202,651	(4,801)
Parks, recreation and cultural	75,000	755,100	619,441	135,659
Community development	-	3,900	3,900	-
Total capital projects	\$ 75,000	\$ 2,359,850	\$ 2,231,713	\$ 128,137
Total County Capital Projects Fund	\$ 75,000	\$ 2,359,850	\$ 2,231,713	\$ 128,137
Total Primary Government	\$ 40,492,148	\$ 43,677,429	\$ 42,728,175	\$ 949,254
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 37,951	\$ 37,951	\$ 32,303	\$ 5,648
Executive administration services	279,571	279,571	258,057	21,514
Personnel	96,876	96,876	116,220	(19,344)
Fiscal services	210,927	210,927	172,130	38,797
Health services	331,581	331,581	305,027	26,554
Psychological services	151,043	151,043	127,522	23,521
Total administration of schools	\$ 1,107,949	\$ 1,107,949	\$ 1,011,259	\$ 96,690
Instruction costs:				
Elementary and secondary schools	\$ 25,384,680	\$ 25,669,259	\$ 25,263,849	\$ 405,410
Operating costs:				
Pupil transportation	\$ 2,744,634	\$ 2,744,438	\$ 2,751,659	\$ (7,221)
Operation and maintenance of school plant	3,433,756	3,434,039	3,388,380	45,659
Total operating costs	\$ 6,178,390	\$ 6,178,477	\$ 6,140,039	\$ 38,438
Total education	\$ 32,671,019	\$ 32,955,685	\$ 32,415,147	\$ 540,538
Capital projects:				
Facilities	\$ 149,838	\$ 149,838	\$ 132,764	\$ 17,074
Total School Operating Fund	\$ 32,820,857	\$ 33,105,523	\$ 32,547,911	\$ 557,612

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 1,617,000	\$ 1,617,000	\$ 1,890,622	\$ (273,622)
USDA commodities	-	-	129,127	(129,127)
Total school food services	<u>\$ 1,617,000</u>	<u>\$ 1,617,000</u>	<u>\$ 2,019,749</u>	<u>\$ (402,749)</u>
Total education	<u>\$ 1,617,000</u>	<u>\$ 1,617,000</u>	<u>\$ 2,019,749</u>	<u>\$ (402,749)</u>
Total School Cafeteria Fund	<u>\$ 1,617,000</u>	<u>\$ 1,617,000</u>	<u>\$ 2,019,749</u>	<u>\$ (402,749)</u>
School Grant Fund:				
Education:				
Instruction	\$ 1,458,246	\$ 3,050,766	\$ 1,398,578	\$ 1,652,188
Total education	<u>\$ 1,458,246</u>	<u>\$ 3,050,766</u>	<u>\$ 1,398,578</u>	<u>\$ 1,652,188</u>
Total School Grant Fund	<u>\$ 1,458,246</u>	<u>\$ 3,050,766</u>	<u>\$ 1,398,578</u>	<u>\$ 1,652,188</u>
School Capital Projects Fund:				
Education:				
Contribution to County Capital Projects Fund	\$ -	\$ 113,000	\$ 112,951	\$ 49
Capital projects expenditures:				
School buses	\$ -	\$ 160,000	\$ 159,716	\$ 284
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ 273,000</u>	<u>\$ 272,667</u>	<u>\$ 333</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 35,896,103</u>	<u>\$ 38,046,289</u>	<u>\$ 36,238,905</u>	<u>\$ 1,807,384</u>

OTHER STATISTICAL INFORMATION

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 1,796,599	\$ 3,569,798	\$ 4,459,976	\$ 4,779,287
Restricted	4,840,791	2,964,710	2,087,645	-
Unrestricted	<u>(3,301,145)</u>	<u>(2,567,832)</u>	<u>(535,374)</u>	<u>1,989,016</u>
Total governmental activities net assets	<u>\$ 3,336,245</u>	<u>\$ 3,966,676</u>	<u>\$ 6,012,247</u>	<u>\$ 6,768,303</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ (2,551,019)	\$ (1,895,187)	\$ (791,720)	\$ 10,797
Restricted	1,736,976	1,331,263	1,355,430	1,578,500
Unrestricted	<u>(138,937)</u>	<u>(166,578)</u>	<u>(434,342)</u>	<u>507,717</u>
Total business-type activities net assets	<u>\$ (952,980)</u>	<u>\$ (730,502)</u>	<u>\$ 129,368</u>	<u>\$ 2,097,014</u>
Primary government				
Invested in capital assets, net of related debt	\$ (754,420)	\$ 1,674,611	\$ 3,668,256	\$ 4,790,084
Restricted	6,577,767	4,295,973	3,443,075	1,578,500
Unrestricted	<u>(3,440,082)</u>	<u>(2,734,410)</u>	<u>(969,716)</u>	<u>2,496,733</u>
Total primary government net assets	<u>\$ 2,383,265</u>	<u>\$ 3,236,174</u>	<u>\$ 6,141,615</u>	<u>\$ 8,865,317</u>

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 9 years.

Table 1

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 6,625,002	\$ (64,888)	\$ (1,913,976)	\$ (1,516,215)	\$ (7,898,401)
-	-	-	-	-
<u>3,617,592</u>	<u>8,862,943</u>	<u>7,492,936</u>	<u>8,035,867</u>	<u>16,648,965</u>
<u>\$ 10,242,594</u>	<u>\$ 8,798,055</u>	<u>\$ 5,578,960</u>	<u>\$ 6,519,652</u>	<u>\$ 8,750,564</u>
\$ 5,729,267	\$ 5,713,730	\$ 4,995,360	\$ 1,798,327	\$ 3,409,348
1,707,039	1,762,655	1,527,115	494,152	-
<u>(7,286,288)</u>	<u>(4,270,848)</u>	<u>(4,590,859)</u>	<u>(1,792,297)</u>	<u>(4,238,484)</u>
<u>\$ 150,018</u>	<u>\$ 3,205,537</u>	<u>\$ 1,931,616</u>	<u>\$ 500,182</u>	<u>\$ (829,136)</u>
\$ 12,354,269	\$ 5,648,842	\$ 3,081,384	\$ 282,112	\$ (4,489,053)
1,707,039	1,762,655	1,527,115	494,152	-
<u>(3,668,696)</u>	<u>4,592,095</u>	<u>2,902,077</u>	<u>6,243,570</u>	<u>12,410,481</u>
<u>\$ 10,392,612</u>	<u>\$ 12,003,592</u>	<u>\$ 7,510,576</u>	<u>\$ 7,019,834</u>	<u>\$ 7,921,428</u>

Table 2

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General Government Administration	\$ 2,084,172	\$ 2,197,847	\$ 2,489,287	\$ 2,948,940	\$ 3,074,553	\$ 3,568,313	\$ 3,709,879	\$ 4,078,076	\$ 3,834,523
Judicial Administration	603,130	655,623	830,204	925,247	998,181	1,155,295	1,157,463	1,259,831	1,305,420
Public Safety	4,780,184	5,806,787	5,940,634	9,091,489	8,517,661	11,871,594	10,097,879	10,062,297	10,851,996
Public Works	2,672,686	2,709,049	3,091,796	3,859,700	3,984,895	1,992,373	3,303,085	3,096,165	3,224,196
Health and Welfare	2,941,723	3,036,809	3,254,319	3,517,067	3,765,455	4,298,184	4,522,642	4,477,646	4,486,438
Education	9,028,415	10,702,390	9,630,301	10,508,385	11,325,718	13,677,703	13,585,341	12,155,229	12,473,709
Parks, Recreation and Cultural	439,772	472,143	469,739	627,846	958,698	652,192	960,018	631,053	593,795
Community Development	814,196	1,111,428	1,169,139	1,543,534	2,139,000	1,802,204	1,946,999	1,683,340	1,357,445
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	2,770,309
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	\$ 40,897,831
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	\$ 4,833,897
Total primary government expenses	\$ 27,012,344	\$ 30,242,165	\$ 30,462,842	\$ 36,838,431	\$ 39,273,804	\$ 44,713,170	\$ 46,597,805	\$ 45,358,643	\$ 45,731,728
Program Revenues									
Governmental Activities:									
Charges for services:									
Public Safety	\$ 960,946	\$ 1,003,771	\$ 1,059,624	\$ 1,268,305	\$ 1,215,852	\$ 676,456	\$ 669,213	\$ 360,507	\$ 354,880
Community Development	160,411	417,754	504,831	731,767	312,581	1,701	1,299	289	209
All other activities	610,962	579,835	572,112	653,331	598,287	1,290,948	800,038	794,600	1,013,489
Operating grants and contributions	4,216,615	4,457,013	4,478,161	4,984,176	5,336,087	5,180,181	5,941,198	5,730,192	5,864,302
Capital grants and contributions	19,527	368,351	854,758	848,900	1,646,016	292,906	-	389,982	-
Total governmental activities program revenues	\$ 5,968,461	\$ 6,826,724	\$ 7,469,486	\$ 8,486,479	\$ 9,108,823	\$ 7,442,192	\$ 7,411,748	\$ 7,275,570	\$ 7,232,880
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	\$ 3,091,297
Operating grants and contributions	-	-	-	-	-	107,000	210,100	-	259,417
Capital grants and contributions	144,496	642,540	1,289,015	1,608,986	1,532,671	3,766,990	109,610	139,397	118,716
Total business-type activities 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	\$ 3,469,430
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	\$ 10,702,310
Net (Expense)Revenue									
Governmental activities	\$ (19,274,516)	\$ (21,465,563)	\$ (20,800,405)	\$ (25,911,576)	\$ (27,670,598)	\$ (33,960,479)	\$ (35,367,199)	\$ (33,439,399)	\$ (33,664,951)
Business-type activities	(922,831)	(675,074)	(193,491)	10,643	74,317	2,869,712	(1,477,218)	(1,454,008)	(1,364,467)
Total primary government net expense	\$ (20,197,347)	\$ (22,140,637)	\$ (20,993,896)	\$ (25,900,933)	\$ (27,596,281)	\$ (31,090,767)	\$ (36,844,417)	\$ (34,893,407)	\$ (35,029,418)
General Revenues and Transfers									
Governmental Activities:									
Taxes:									
General property taxes	\$ 13,765,344	\$ 15,080,385	\$ 15,503,785	\$ 17,119,607	\$ 19,696,597	\$ 21,721,562	\$ 23,380,063	\$ 25,617,843	\$ 26,968,633
Local sales and use taxes	3,020,748	1,059,291	1,105,781	1,183,750	1,257,370	1,397,232	1,401,831	1,357,380	1,540,189
Other local taxes	939,983	3,578,591	4,266,350	5,005,663	4,753,642	4,748,727	4,400,956	3,313,411	3,510,347
State personal property tax reimbursement	2,112,768	2,239,607	2,313,961	2,837,405	2,386,780	2,371,896	2,371,897	2,371,897	2,371,897
Other state non-categorical shared revenues	321,215	386,032	436,742	537,927	402,015	404,287	234,421	115,890	250,235
Proffers from new development	-	420,000	-	1,487,475	166,655	186,929	84,347	260,996	208,409
Other unrestricted revenue	381,671	281,906	238,174	365,403	373,891	1,800,945	574,917	1,362,299	1,135,248
Transfers	(61,397)	(860,881)	(1,018,817)	(1,869,598)	(123,380)	(115,638)	(180,403)	(19,625)	-
Total governmental activities	\$ 20,480,332	\$ 22,184,931	\$ 22,845,976	\$ 26,667,632	\$ 28,913,570	\$ 32,515,940	\$ 32,268,029	\$ 34,380,091	\$ 35,984,958
Business-type activities:									
Revenue from use of money and property	\$ 49,334	\$ 21,758	\$ 34,530	\$ 58,515	\$ -	\$ -	\$ 22,894	\$ 2,949	\$ 35,149
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	180,403	19,625	-
Total business-type activities	\$ 123,134	\$ 897,552	\$ 1,053,361	\$ 1,957,003	\$ 210,006	\$ 185,807	\$ 203,297	\$ 22,574	\$ 35,149
Total primary government	\$ 20,603,466	\$ 23,082,483	\$ 23,899,337	\$ 28,624,635	\$ 29,123,576	\$ 32,701,747	\$ 32,471,326	\$ 34,402,665	\$ 36,020,107
Change in Net Assets									
Governmental activities	\$ 1,205,816	\$ 719,368	\$ 2,045,571	\$ 756,056	\$ 1,242,972	\$ (1,444,539)	\$ (3,099,170)	\$ 940,692	\$ 2,320,007
Business-type activities	(799,697)	222,478	859,870	1,967,646	284,323	3,055,519	(1,273,921)	(1,431,434)	(1,329,318)
Primary government	\$ 406,119	\$ 941,846	\$ 2,905,441	\$ 2,723,702	\$ 1,527,295	\$ 1,610,980	\$ (4,373,091)	\$ (490,742)	\$ 990,689

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 9 years.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,501,729	3,763,555	5,355,331	6,092,852	7,308,616
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund	<u>\$ 2,501,729</u>	<u>\$ 3,763,555</u>	<u>\$ 5,355,331</u>	<u>\$ 6,092,852</u>	<u>\$ 7,308,616</u>
All Other Governmental Funds					
Reserved	\$ 8,079,194	\$ 4,834,328	\$ 2,791,392	\$ 2,128,594	\$ 14,402,870
Unreserved, reported in:					
Special revenue funds	146,889	266,312	533,024	1,160,366	2,552,108
Capital projects funds	(154,261)	650,264	(173,833)	265,639	(140,892)
Debt service funds	(120,996)	61,660	95,214	202,472	308,996
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 7,950,826</u>	<u>\$ 5,812,564</u>	<u>\$ 3,245,797</u>	<u>\$ 3,757,071</u>	<u>\$ 17,123,082</u>

Note: The County implemented GASB Statement 54, the new standard for fund balance reporting, in FY 2011. Restatement of prior year balance is not feasible. Therefore, ten years of fund balance information in accordance with GASB 54 is not available, but will be accrued over time.

Table 3

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ -	\$ -	\$ 366,000	\$ 472,800	\$ -
6,144,482	4,372,811	3,578,749	5,631,691	-
-	-	-	-	444,987
-	-	-	-	9,107,120
<u>\$ 6,144,482</u>	<u>\$ 4,372,811</u>	<u>\$ 3,944,749</u>	<u>\$ 6,104,491</u>	<u>\$ 9,552,107</u>
\$ 6,658,745	\$ 5,151,438	\$ 4,818,961	\$ 1,967,647	\$ -
2,303,062	1,193,460	1,006,694	1,806,036	-
(1,466,321)	-	-	-	-
449,258	555,018	(107,903)	181,625	-
-	-	-	-	6,924,638
-	-	-	-	1,496,793
-	-	-	-	518,586
<u>\$ 7,944,744</u>	<u>\$ 6,899,916</u>	<u>\$ 5,717,752</u>	<u>\$ 3,955,308</u>	<u>\$ 8,940,017</u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
General property taxes	\$ 12,277,643	\$ 13,784,773	\$ 14,910,125	\$ 15,728,010
Other local taxes	3,880,217	3,960,731	4,637,882	5,372,131
Permits, fees and regulatory licenses	301,262	403,506	698,264	980,498
Fines and forfeitures	372,032	624,594	438,430	331,418
Revenue from use of money/property	137,411	449,293	365,192	358,677
Charges for services	157,098	279,603	320,264	385,181
Other local revenue	327,617	301,827	875,374	840,536
Intergovernmental	<u>6,122,703</u>	<u>6,670,713</u>	<u>6,968,606</u>	<u>7,253,816</u>
Total revenues	<u>\$ 23,575,983</u>	<u>\$ 26,475,040</u>	<u>\$ 29,214,137</u>	<u>\$ 31,250,267</u>
Expenditures				
General government administration	\$ 1,765,648	\$ 1,689,924	\$ 1,812,264	\$ 2,112,532
Judicial administration	586,111	587,667	640,900	706,343
Public safety	4,278,889	4,493,771	5,116,302	5,776,501
Public works	1,945,192	2,126,969	2,232,552	2,626,375
Health and welfare	2,685,763	2,931,635	3,044,741	3,223,783
Education ^a	2,731	8,708,240	9,210,707	9,366,387
Parks, recreation and cultural	408,511	405,196	443,000	439,872
Community development	1,555,519	811,726	1,140,011	1,123,087
Capital projects	3,929,902	3,589,560	3,150,611	2,030,600
Debt service ^b :				
Principal retirement	793,642	1,703,332	1,766,976	1,847,529
Interest and fiscal charges	<u>709,013</u>	<u>1,618,606</u>	<u>1,527,766</u>	<u>1,454,787</u>
Total expenditures	<u>\$ 18,660,921</u>	<u>\$ 28,666,626</u>	<u>\$ 30,085,830</u>	<u>\$ 30,707,796</u>
Excess of revenues over(under) expenditures	<u>\$ 4,915,062</u>	<u>\$ (2,191,586)</u>	<u>\$ (871,693)</u>	<u>\$ 542,471</u>
Other Financing Sources (Uses):				
Issuance of debt	\$ 12,169,593	\$ 700,000	\$ 1,179,008	\$ 1,100,000
Early debt retirement	-	-	(1,171,508)	-
Operating transfers in	1,899,399	2,677,851	2,171,741	2,769,039
Operating transfers out ^{a d}	<u>(10,938,414)</u>	<u>(2,062,701)</u>	<u>(2,282,539)</u>	<u>(3,162,715)</u>
Total other financing sources (uses)	<u>\$ 3,130,578</u>	<u>\$ 1,315,150</u>	<u>\$ (103,298)</u>	<u>\$ 706,324</u>
Net change in fund balances	<u>\$ 8,045,640</u>	<u>\$ (876,436)</u>	<u>\$ (974,991)</u>	<u>\$ 1,248,795</u>
Debt service as a percentage of noncapital expenditures	10.2%	13.2%	12.2%	11.5%

^aStarting in 2003, contributions of local funds to County schools, previously reported as transfers, are reported as Education expenditures.

^bStarting in 2003, debt service expenditures on school related debt, previously reported as transfers, are reported as direct debt service expenditures.

Table 4

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 17,279,974	\$ 19,824,011	\$ 21,215,391	\$ 22,927,993	\$ 25,663,790	\$ 26,749,352
6,189,413	6,011,012	6,145,959	5,802,787	4,670,791	5,050,536
1,210,530	804,556	673,791	456,535	393,905	343,737
543,371	512,551	600,158	648,731	447,048	599,320
696,144	1,066,241	1,497,444	246,362	181,995	196,662
492,758	415,825	509,375	365,284	314,443	425,521
1,984,577	412,759	1,130,002	1,391,767	1,794,807	1,770,522
8,612,165	9,028,179	8,249,270	8,547,516	10,377,324	9,196,070
<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>	<u>\$ 44,331,720</u>
\$ 2,413,514	\$ 2,528,049	\$ 2,977,098	\$ 2,881,704	\$ 3,279,185	\$ 2,942,718
802,236	868,544	902,588	1,092,853	1,155,276	1,216,950
6,931,020	8,032,002	9,949,724	9,776,859	9,869,467	11,072,836
3,354,485	3,409,213	2,975,759	2,998,159	2,870,377	2,837,204
3,481,440	3,749,469	4,268,077	4,511,382	4,476,028	4,479,507
10,187,065	10,833,145	11,876,574	12,008,417	11,904,385	11,000,000
602,858	941,251	752,265	695,232	604,610	616,506
1,465,769	2,130,914	2,016,011	2,104,952	1,828,518	1,181,333
6,468,876	13,364,814	22,305,090	6,416,052	2,170,949	2,600,429
1,826,813	2,001,211	9,479,351	2,267,766	2,848,100	1,897,834
1,367,835	2,035,614	1,808,776	3,767,405	3,092,117	2,882,858
<u>\$ 38,901,911</u>	<u>\$ 49,894,226</u>	<u>\$ 69,311,313</u>	<u>\$ 48,520,781</u>	<u>\$ 44,099,012</u>	<u>\$ 42,728,175</u>
<u>\$ (1,892,979)</u>	<u>\$ (11,819,092)</u>	<u>\$ (29,289,923)</u>	<u>\$ (8,133,806)</u>	<u>\$ (254,909)</u>	<u>\$ 1,603,545</u>
\$ 16,630,000	\$ 1,600,000	\$ 26,589,062	\$ 30,067,107	\$ 5,407,593	\$ 6,828,780
-	-	-	(23,243,199)	(4,735,761)	-
2,915,052	4,197,280	4,472,496	4,159,249	5,713,435	4,106,070
(3,029,349)	(4,320,660)	(4,588,134)	(4,339,652)	(5,733,060)	(4,106,070)
<u>\$ 16,515,703</u>	<u>\$ 1,476,620</u>	<u>\$ 26,473,424</u>	<u>\$ 6,643,505</u>	<u>\$ 652,207</u>	<u>\$ 6,828,780</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>	<u>\$ 8,432,325</u>
9.8%	11.1%	24.0%	14.3%	14.2%	11.9%

Table 5

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

Fiscal	Total	Current	Percent	Delinquent	Total	Percent of	Outstanding	Percent of
Year	Tax	Tax	of Levy	Tax	Tax	Total Tax	Delinquent	Delinquent
	Levy (1,3)	Collections (1,3)	Collected	Collections	Collections	to Tax Levy	Taxes (1,2)	Taxes to
2007-2008	\$ 23,498,734	\$ 22,316,200	94.97%	\$ 685,801	\$ 23,002,001	97.89%	\$ 3,325,041	14.15%
2008-2009	24,851,549	23,668,549	95.24%	659,143	24,327,692	97.89%	3,369,927	13.56%
2009-2010	27,443,283	26,455,233	96.40%	947,959	27,403,192	99.85%	3,565,280	12.99%
2010-2011	28,430,141	27,337,561	96.16%	1,047,956	28,385,517	99.84%	3,659,723	12.87%

(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 and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (3)	Machinery and Tools	Public Utility (2)	Total Taxable Assessed Value
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	158,154,031	6,651,920	388,613,995	3,511,239,672
2010-2011	2,438,863,853	150,301,120	7,303,910	434,199,114	3,030,667,997

(1) Assessed at 100% of market value.

using an assessed value to sales price factor computed annually by the State Department of Taxation.

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

(3) 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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporations	
				Real Estate	Personal Property
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
2010-2011	0.680	6.250	3.500	0.068	6.250

Table 8

COUNTY OF CAROLINE, VIRGINIA
Principal Property Taxpayers
Current Year and Nine Years Ago

<u>Taxpayer/Type of Business</u>	<u>2011</u>			<u>2002</u>		
	<u>Assessed</u> <u>Valuation</u>	<u>Rank</u>	<u>Percentage</u> <u>of Total</u> <u>Assessed</u> <u>Valuation</u>	<u>Assessed</u> <u>Valuation</u>	<u>Rank</u>	<u>Percentage</u> <u>of Total</u> <u>Assessed</u> <u>Valuation</u>
Dominion Virginia Power/Electric Utility	282,125,743	1	8.69%	\$ 116,639,707	1	8.82%
Rappahannock Electric Cooperative/Electric Utility	64,291,488	2	1.98%	47,704,283	2	3.61%
Verizon South/Telephone Utility	18,704,143	3	0.58%	32,818,475	3	2.48%
Virginia Natural Gas, Inc./Gas Utility	17,515,198	4	0.54%	11,384,686	6	0.86%
Richmond, Fredericksburg and Potomac Railroad/Railroad	17,498,832	5	0.54%	15,446,195	5	1.17%
Carmel Church Properties/Bank	15,736,800	6	0.48%	n/a		n/a
JLB Ruther Glen LLC/Furniture Distribution	13,908,500	7	0.43%	13,202,400	4	1.00%
Atlantic Rural Exposition & State Fair/Public Entertainment	13,163,675	8	0.41%	n/a		n/a
Highway Service Ventures, Inc/Highway Service Commercial	10,632,550	9	0.33%	6,925,300	7	0.52%
NNP IV-Ladysmith/Property Development	10,493,700	10	0.32%	n/a		n/a
Haymount	n/a		n/a	6,404,300	8	0.48%
CFJ	n/a		n/a	5,896,600	9	0.45%
Amber Farms Limited Partnership/Property Development	n/a		n/a	5,706,400	10	0.43%
Union Bank/Union Bankshares/Bank	n/a		n/a	n/a		n/a
Totals	<u>464,070,629</u>		<u>13.61%</u>	<u>\$ 262,128,346</u>		<u>19.82%</u>

Source:
Caroline County Commissioner of Revenue

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

Table 9

<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 Capita</u>
				<u>Debt Service Monies Available</u>	<u>Debt Assumed by Other Localities</u>			
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	3,239,448,496	33,805,542	-	-	33,805,542	1.04%	1,197
2009-2010	28,245	3,394,751,420	32,627,144	-	-	32,627,144	0.96%	1,155
2010-2011	28,545	3,030,667,997	32,956,586	-	-	32,956,586	1.09%	1,155

(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

Fiscal Year	Population^a	Total Personal Income (in 000s)^b	Per Capita Personal Income^b	School Enrollment- September 30 Membership^c	Unemployment Rate^d
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	939,641	33,923	4,244	8.5%
2009-2010	28,245	940,026	33,729	4,277	8.6%
2010-2011	28,545	N/A	N/A	4,257	7.7%

Sources:

^a Weldon Cooper Center for Public Service, University of Virginia^b US Department of Commerce, Bureau of Economic Analysis^c Virginia Department of Education^d Virginia Employment Commission

Table 11

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

	<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>	<u>2011</u>
County Administrator	3	3	3	3	3	3	3	3	3	3
Finance	4	4	4	4	5	5	6	6	6	4
Animal Control	3	3	3	3	4	4	4	4	4	4
Emergency Services	13	15	20	21	23	28	29	26	26	26
Public Works	13	14	14	14	16	17	16	16	15	12
Social Services	27	26	25	25	25	25	25	25	25	25
Recreation	2	2	2	2	2	3	3	3	3	3
Planning and Community Development	10	10	12	14	21	21	19	19	13	10
Economic Development	3	3	3	3	3	3	3	3	3	2
Utilities	7	7	7	8	8	9	16	16	16	14
Constitutional Officers:										
Commissioner of the Revenue	8	8	8	8	9	10	11	11	11	11
Treasurer	6	6	6	6	6	6	7	7	7	7
Clerk of the Circuit Court	5	5	5	6	6	7	8	8	8	8
Commonwealth's Attorney	2	2	2	2	2	2	4	4	5	5
Sheriff:										
Sworn	32	32	32	34	39	41	46	47	47	47
Non sworn	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>18</u>	<u>19</u>	<u>19</u>	<u>19</u>
Total full time employees	<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>	<u>200</u>

COMPLIANCE SECTION

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*

**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, 2011, which collectively comprise the County of Caroline, Virginia's basic financial statements and have issued our report thereon dated January 13, 2012. 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 13, 2012.

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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
January 13, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' 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

**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, 2011. 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, 2011.

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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
January 13, 2012

COUNTY OF CAROLINE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 15,081
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	214,608
Refugee and Entrant Assistance - State administered programs	93.566	0500109/0500110	626
Low-Income Home Energy Assistance	93.568	0600409/00600410	15,835
Child Care and Development Cluster:			
Child Care and Development Block Grants	93.575	0770109/0770110	253,850
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	139,425
ARRA - Child Care and Development Block Grant	93.713	0740109/0780109	29,803
Chafee Education and Training Vouchers Program	93.599	9160108/9160199	2,816
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/090110	773
Foster Care - Title IV-E	93.658	1100109/1100110	141,854
ARRA - Foster Care - Title IV-E	93.658	1100109/1100110	5,759
Sub-total CFDA 93.658			<u>\$ 147,613</u>
Adoption Assistance	93.659	1120109/1120110	42,235
ARRA - Adoption Assistance	93.659	1120109/1120110	2,064
Sub-total CFDA 93.659			<u>\$ 44,299</u>
Social Services Block Grant	93.667	1000109/1000110	137,141
Chafee Foster Care Independence Program	93.674	9150109/9150110	4,321
Children's Health Insurance Program	93.767	0540109/0540110	8,980
Medical Assistance Program	93.778	1200109/1200110	200,848
Total Department of Health and Human Services			<u>\$ 1,216,019</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution - School	10.555	17901-45707	\$ 129,127
Department of Education:			
National school lunch program	10.555	17901-40623	747,618
Sub-total CFDA 10.555			<u>\$ 876,745</u>
National school breakfast program	10.553	17901-40591	267,263
Forest reserve payments	10.665	17901-43850	92,586
Department of Social Services:			
SNAP Cluster:			
ARRA - State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0040109/0040110	9,879
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010109/0010100	332,631
Sub-total CFDA 10.561			<u>\$ 342,510</u>
Total Department of Agriculture			<u>\$ 1,579,104</u>
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in lieu of taxes-public law 95-561	15.226	N/A	\$ 1,607
Total Department of the Interior			<u>\$ 1,607</u>

COUNTY OF CAROLINE, VIRGINIA
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct payments:			
Bulletproof vest partnership program	16.607	N/A	\$ 1,357
Total Department of Justice - direct payments			\$ 1,357
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	\$ 59,867
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	1,371
Violence against women formula grant	16.588	39001-62100	24,540
ARRA - Violence against women formula grant	16.588	39001-99001	66,342
Sub-total CFDA 16.588			90,882
Total Department of Justice - pass-through			\$ 152,120
Total Department of Justice			\$ 153,477
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and community highway safety program	20.600	60507-50246/51356	\$ 23,877
Total Department of Transportation - pass-through			\$ 23,877
Total Department of Transportation			\$ 23,877
Department of Homeland Security:			
Direct payments:			
Staffing for adequate fire and emergency response grant	97.083	N/A	\$ 192,894
Pass Through Payments:			
Department of Emergency Services:			
State homeland security program	97.073	77501-52707	\$ 49,083
Emergency management preparedness grant	97.042	77501-52749	50,834
Disaster Relief Public Assistance	97.036	77501-52740	42,533
Total Department of Homeland Security - pass-through			\$ 142,450
Department of Transportation:			
Interagency Hazardous Materials Public Sector Training and Planning	20.703	77501-52600	15,467
Total Department of Homeland Security			\$ 350,811
Department of Defense:			
Direct payments:			
Junior ROTC	12.xxx	N/A	\$ 60,625
Total Department of Defense			\$ 60,625

COUNTY OF CAROLINE, VIRGINIA
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Part A Cluster:			
Title I: Grants to local educational agencies	84.010	17901-42901	\$ 536,721
ARRA - Title I: Grants to local educational agencies	84.389	17901-42913	167,691
Special Education Cluster:			
Special Education grants to states	84.027	17901-43071	897,866
Special education preschool grants	84.173	17901-62521	31,848
ARRA - Special Education grants to states	84.391	17901-61245	405,788
ARRA - Special education preschool grants	84.392	17901-61247	1,830
Career and Technical Education: Basic grants to states	84.048	17901-61095	70,654
Safe and Drug-free schools and communities	84.186	17901-60511	10,625
English language acquisition grants	84.365	17901-60512	10,738
Improving Teacher Quality State Grants	84.367	17901-61480	214,813
Education Technology Cluster:			
Education technology state grants	84.318	17901-61600	61,861
ARRA - Education technology grants	84.386	17901-60897	9,284
ARRA - State fiscal stabilization fund - education state grants	84.394	17901-61245	777,004
Total Department of Education			\$ 3,196,723
Total Expenditures of Federal Awards			\$ 6,582,243

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, 2011

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, 2011. 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	\$	469,905
Special Revenue Funds:		
Virginia Public Assistance Fund		1,558,529
Debt Service Funds:		
Primary Government Debt Service Fund		5,068
Capital Projects Funds:		
County Capital Projects Fund		59,867
Proprietary Fund:		
Utilities Fund		259,417
Total primary government	\$	<u>2,352,786</u>

Component Unit Public Schools:

School Operating Fund	\$	2,018,688
School Cafeteria Fund		1,144,008
School Grant Fund		1,273,170
Total component unit public schools	\$	<u>4,435,866</u>

Total federal expenditures per basic financial statements	\$	<u>6,788,652</u>
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Agency Fund - Four Rivers Technology in Education Consortium	\$	<u>58,076</u>
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Less: BABs subsidy	\$	<u>(264,485)</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>6,582,243</u></u>
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County of Caroline, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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>
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

County of Caroline, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section II-Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior year Federal Award findings.