

COUNTY OF CHARLES CITY, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2011

COUNTY OF CHARLES CITY, VIRGINIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

COUNTY OF CHARLES CITY, VIRGINIA

Board of Supervisors

Sherri M. Bowman, Chairperson

Gilbert A. Smith

Timothy W. Cotman

Board of Social Services

Muriel P. Adkins, Chairperson

Clyde L. Miles
Sherri M. Bowman

Evelyn M. Giebel
Floyd H. Miles, Sr.

COUNTY SCHOOL BOARD

Roy L. Campbell, Chairperson

Barbara C. Crawley, Vice Chairperson
E. Preston Adkins

Royce E. Paige
Daryl B. Robertson

Other Officials

Chief Judge of the Circuit CourtSamuel T. Powell, III
Judge of the Circuit Court..... Thomas B. Hoover
Clerk of the Circuit Court..... Edith K. Holmes
Commonwealth's Attorney Robert Tyler
Commissioner of the Revenue Denise B. Smith
Treasurer Cecelia Bradby
Sheriff..... Javier J. Smith
Superintendent of Schools.....Dr. Janet C. Crawley
Director of Social Services.....Byron M. Adkins
County Administrator.....John F. Miniclier
Chief Judge of the General District Court Colleen K. Killilea
Chief Judge of the Juvenile and Domestic Relations Court..... Isabel Hall Atlee
County Attorney.....B. Randolph Boyd

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

To The Honorable Members of the Board of Supervisors
County of Charles City
Charles City, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and the major fund of the County of Charles City, 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 Charles City, 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, and the major fund of the County of Charles City, 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 Charles City, 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 February 7, 2012, on our consideration of the County of Charles City, 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 Charles City, Virginia's financial statements as a whole. The individual fund financial statements and schedules, and other statistical information, are presented for purposes of additional analysis and are not a required part of the 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 individual 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 other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Richmond, Virginia
February 7, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors
To the Citizens of Charles City County, Virginia

As management of the County of Charles City, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2011. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

< The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$9,906,906 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other uses of \$376,418 (Exhibit 5) after making contributions totaling \$4,798,514 to the School Board.

< As of the close of the current fiscal year; the County's funds reported ending fund balances of \$2,276,278, an increase of \$376,418 in comparison with the prior year.

< At the end of the current fiscal year, the unassigned fund balance was \$984,864, or 7% of total general fund expenditures and other uses.

< The combined long-term obligations decreased \$910,897 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprised of 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 the County's finances, in a manner similar to a private-sector business.

Overview of the Financial Statements (Continued)

Government-wide financial statements (Continued)

The statement of net assets presents information on all of the 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 the County is improving or deteriorating.

The statement of activities presents information showing how the County'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 the 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 the 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 the County include general government, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of Charles City, Virginia itself (known as the primary government), but also a legally separate school district and an industrial development authority for which the County of Charles City, Virginia is financially accountable. Financial information for the 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. The County of Charles City, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the 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 or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

Overview of the Financial Statements (Continued)

Proprietary funds - Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Sanitary District Fund provides a centralized source for water/sewer services to County residents.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is a custodian.

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 - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit - School Board. The School Board does not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$9,906,906 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

<u>County of Charles City, Virginia's Net Assets</u>						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 7,039,314	\$ 5,470,776	\$ 19,383	\$ 6,737	\$ 7,058,697	\$ 5,477,513
Capital assets	<u>9,260,344</u>	<u>9,978,094</u>	<u>1,941,120</u>	<u>2,037,128</u>	<u>11,201,464</u>	<u>12,015,222</u>
Total assets	<u>\$ 16,299,658</u>	<u>\$ 15,448,870</u>	<u>\$ 1,960,503</u>	<u>\$ 2,043,865</u>	<u>\$ 18,260,161</u>	<u>\$ 17,492,735</u>
Current liabilities	\$ 4,207,472	\$ 3,042,343	\$ 17,392	\$ 1,444	\$ 4,224,864	\$ 3,043,787
Long-term liabilities outstanding	<u>4,013,068</u>	<u>4,920,150</u>	<u>115,323</u>	<u>119,138</u>	<u>4,128,391</u>	<u>5,039,288</u>
Total liabilities	<u>\$ 8,220,540</u>	<u>\$ 7,962,493</u>	<u>\$ 132,715</u>	<u>\$ 120,582</u>	<u>\$ 8,353,255</u>	<u>\$ 8,083,075</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 5,687,069	\$ 5,472,347	\$ 1,850,283	\$ 1,939,568	\$ 7,537,352	\$ 7,411,915
Restricted for:						
Unrestricted	<u>2,392,049</u>	<u>2,014,030</u>	<u>(22,495)</u>	<u>(16,285)</u>	<u>2,369,554</u>	<u>1,997,745</u>
Total net assets	<u>\$ 8,079,118</u>	<u>\$ 7,486,377</u>	<u>\$ 1,827,788</u>	<u>\$ 1,923,283</u>	<u>\$ 9,906,906</u>	<u>\$ 9,409,660</u>

Government-wide Financial Analysis (Continued)

During the current fiscal year, the County's net assets increased by \$497,246. The following table summarizes the County's Statement of Activities

County of Charles City, Virginia's Changes in Net Assets						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 3,012,504	\$ 2,815,385	\$ 79,161	\$ 77,910	\$ 3,091,665	\$ 2,893,295
Operating grants and contributions	2,698,173	2,756,479	-	-	2,698,173	2,756,479
Capital grants and contributions	-	-	-	343,256	-	343,256
General revenues:						
General property taxes	6,943,710	6,855,217	-	-	6,943,710	6,855,217
Other local taxes	692,967	625,777	-	-	692,967	625,777
Grants and other contributions not restricted	882,985	702,501	-	-	882,985	702,501
Other general revenues	231,532	303,743	-	-	231,532	303,743
Transfers	(254,449)	(307,085)	254,449	307,085	-	-
Total revenues	\$ 14,207,422	\$ 13,752,017	\$ 333,610	\$ 728,251	\$ 14,541,032	\$ 14,480,268
Expenses:						
General government administration	\$ 1,656,026	\$ 1,739,638	\$ -	\$ -	\$ 1,656,026	\$ 1,739,638
Judicial administration	738,044	738,957	-	-	738,044	738,957
Public safety	1,660,029	2,055,534	-	-	1,660,029	2,055,534
Public works	1,059,608	1,084,483	429,105	448,855	1,488,713	1,533,338
Health and welfare	1,539,830	1,877,355	-	-	1,539,830	1,877,355
Education	5,368,675	5,490,863	-	-	5,368,675	5,490,863
Parks, recreation, and cultural	481,388	414,432	-	-	481,388	414,432
Community development charges	972,003	612,185	-	-	972,003	612,185
	139,078	199,819	-	-	139,078	199,819
Total expenses	\$ 13,614,681	\$ 14,213,266	\$ 429,105	\$ 448,855	\$ 14,043,786	\$ 14,662,121
Change in net assets	\$ 592,741	(461,249)	(95,495)	279,396	497,246	(181,853)
Beginning of year	7,486,377	7,947,626	1,923,283	1,643,887	9,409,660	9,591,513
End of year	\$ 8,079,118	\$ 7,486,377	\$ 1,827,788	\$ 1,923,283	\$ 9,906,906	\$ 9,409,660

Financial Analysis of the County's Funds

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$2,276,278, an increase of \$376,418 in comparison with the prior year.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets at the end of the year amounted to a deficit of \$22,495. Net assets decreased by \$95,495. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended expenditure budget were increases of \$155,745 and can be briefly summarized as follows:

- < \$ 911,990 increase in community development expenditures
- < \$ 621,145 decrease in health and welfare expenditures
- < \$ 111,311 decrease in public safety expenditures
- < \$ 76,185 decrease in nondepartmental expenditures
- < \$ 75,859 increase in education expenditures
- < \$ 23,463 net decrease in various other expenditures

During the year, actual revenues and other financing sources exceeded budgetary estimates by \$46,736. Expenditures and other uses were less than budgetary estimates by \$552,624. The combination of both resulted in a net positive variance of \$599,360.

Capital Asset and Debt Administration

- < Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2011 amounts to \$9,260,344 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$3,664,112. Of this amount, \$589,448 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds, capital leases and revenue bonds). During the current fiscal year, the County's total debt decreased by \$939,195. Additional information on the County of Charles City, Virginia's long-term debt can be found in Note 7 of this report.

Economic Factors

- < The unemployment rate for the County of Charles City was 8.2% at June 30, 2011. The Commonwealth of Virginia's unemployment rate was 6.5% as of the same date.
- < Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the County's budget for the 2012 fiscal year.

The fiscal year 2012 budget decreased by approximately 2% from the adopted fiscal year 2011 budget. All tax rates remained the same as in 2011.

Requests for Information This financial report is designed to provide a general overview of the County of Charles City, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 10900 Courthouse Road, Charles City, Virginia, 23030.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

County of Charles City, Virginia
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	\$ 3,394,871	\$ 12,134	\$ 3,407,005	\$ 169,071	\$ 123,105
Investments	-	-	-	-	857,394
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,339,933	-	3,339,933	-	-
Accounts receivable	33,008	7,249	40,257	7,971	-
Leases receivable	-	-	-	-	123,768
Due from other governmental units	271,502	-	271,502	605,388	-
Capital assets (net of accumulated depreciation):					
Land and improvements	1,549,410	7,819	1,557,229	263,786	-
Buildings and improvements	6,861,706	1,917,626	8,779,332	9,391,847	-
Machinery and equipment	622,235	15,675	637,910	652,146	-
Construction in progress	226,993	-	226,993	-	-
Total assets	<u>\$ 16,299,658</u>	<u>\$ 1,960,503</u>	<u>\$ 18,260,161</u>	<u>\$ 11,090,209</u>	<u>\$ 1,104,267</u>
LIABILITIES					
Accounts payable	\$ 254,820	15,718	\$ 270,538	\$ 92,538	\$ -
Accrued liabilities	-	-	-	689,892	-
Customers' deposits	-	1,280	1,280	-	-
Accrued interest payable	17,915	394	18,309	125	-
Note payable	1,000,000	-	1,000,000	-	-
Unearned revenue	2,786,601	-	2,786,601	-	-
Performance bonds payable	148,136	-	148,136	-	-
Long-term liabilities:					
Due within one year	960,013	9,516	969,529	41,232	-
Due in more than one year	3,053,055	105,807	3,158,862	188,532	-
Total liabilities	<u>\$ 8,220,540</u>	<u>\$ 132,715</u>	<u>\$ 8,353,255</u>	<u>\$ 1,012,319</u>	<u>\$ -</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 5,687,069	\$ 1,850,283	\$ 7,537,352	\$ 10,224,776	\$ -
Unrestricted (deficit)	2,392,049	(22,495)	2,369,554	(146,886)	1,104,267
Total net assets	<u>\$ 8,079,118</u>	<u>\$ 1,827,788</u>	<u>\$ 9,906,906</u>	<u>\$ 10,077,890</u>	<u>\$ 1,104,267</u>

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

County of Charles City, Virginia
 Statement of Activities
 For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Primary Government		Component Units		
				Governmental Activities	Business-type Activities	Total	School Board	IDA
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,656,026	\$ -	\$ 156,765	\$ (1,499,261)	\$ -	\$ (1,499,261)	\$ -	\$ -
Judicial administration	738,044	74,641	306,389	(357,014)	-	(357,014)	-	-
Public safety	1,660,029	145,289	632,369	(882,371)	-	(882,371)	-	-
Public works	1,059,608	2,761,289	-	1,701,681	-	1,701,681	-	-
Health and welfare	1,539,830	-	1,040,642	(499,188)	-	(499,188)	-	-
Education	5,368,675	-	-	(5,368,675)	-	(5,368,675)	-	-
Parks, recreation, and cultural	481,388	31,285	-	(450,103)	-	(450,103)	-	-
Community development	972,003	-	562,008	(409,995)	-	(409,995)	-	-
Interest on long-term debt	139,078	-	-	(139,078)	-	(139,078)	-	-
Total governmental activities	\$ 13,614,681	\$ 3,012,504	\$ 2,698,173	\$ (7,904,004)	\$ -	\$ (7,904,004)	\$ -	\$ -
Business-type activities:								
Sanitary District	\$ 429,105	\$ 79,161	\$ -	\$ -	\$ (349,944)	\$ (349,944)	\$ -	\$ -
Total primary government	\$ 14,043,786	\$ 3,091,665	\$ 2,698,173	\$ (7,904,004)	\$ (349,944)	\$ (8,253,948)	\$ -	\$ -
COMPONENT UNITS:								
School Board	\$ 11,402,423	\$ 166,723	\$ 5,857,955	\$ -	\$ -	\$ -	\$ (5,377,745)	\$ -
Industrial Development Authority	128,290	51,224	-	-	-	-	-	(77,066)
Total component units	\$ 11,530,713	\$ 217,947	\$ 5,857,955	\$ -	\$ -	\$ -	\$ (5,377,745)	\$ (77,066)
General revenues:								
General property taxes				\$ 6,943,710	\$ -	\$ 6,943,710	\$ -	\$ -
Local sales and use taxes				457,045	-	457,045	-	-
Consumer's utility taxes				144,159	-	144,159	-	-
Other local taxes				91,763	-	91,763	-	-
Unrestricted revenues from use of money and property				14,926	-	14,926	1,310	867
Miscellaneous				161,279	-	161,279	13,807	-
Grants and contributions not restricted to specific programs				882,985	-	882,985	-	-
Gain (loss) on disposal of capital assets				55,327	-	55,327	-	-
Payment from Charles City County				-	-	-	5,367,726	-
Transfers				(254,449)	254,449	-	-	-
Total general revenues				\$ 8,496,745	\$ 254,449	\$ 8,751,194	\$ 5,382,843	\$ 867
Change in net assets				592,741	(95,495)	497,246	5,098	(76,199)
Net assets - beginning				7,486,377	1,923,283	9,409,660	10,072,792	1,180,466
Net assets - ending				\$ 8,079,118	\$ 1,827,788	\$ 9,906,906	\$ 10,077,890	\$ 1,104,267

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

FUND FINANCIAL STATEMENTS

County of Charles City, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 3,394,871
Receivables (net of allowance for uncollectibles):	
Taxes receivable	3,339,933
Accounts receivable	33,008
Due from other governmental units	<u>271,502</u>
Total assets	<u><u>\$ 7,039,314</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 254,820
Note payable	1,000,000
Deferred revenue	3,360,080
Performance bonds payable	<u>148,136</u>
Total liabilities	<u>\$ 4,763,036</u>
Fund balances:	
Restricted	\$ 716,174
Committed	575,240
Unassigned	<u>984,864</u>
Total fund balances	<u>\$ 2,276,278</u>
Total liabilities and fund balances	<u><u>\$ 7,039,314</u></u>

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

County of Charles City, Virginia
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	\$	2,276,278
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets	\$ 15,933,836	
Accumulated depreciation	<u>(6,673,492)</u>	9,260,344

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		573,479
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Lease revenue bonds	\$ (2,978,410)	
General obligation bonds	(589,448)	
Compensated absences	(349,693)	
Capital lease obligations	(5,417)	
OPEB liability	(90,100)	
Accrued interest payable	<u>(17,915)</u>	(4,030,983)

Net assets of governmental activities	\$	<u><u>8,079,118</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Charles City, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

		<u>General</u>
REVENUES		
General property taxes	\$	6,947,917
Other local taxes		692,967
Permits, privilege fees, and regulatory licenses		2,837,442
Fines and forfeitures		6,818
Revenue from the use of money and property		28,176
Charges for services		168,244
Miscellaneous		161,279
Recovered costs		107,254
Intergovernmental revenues:		
Commonwealth		2,631,761
Federal		949,397
Total revenues	\$	<u>14,531,255</u>
EXPENDITURES		
Current:		
General government administration	\$	1,619,203
Judicial administration		607,375
Public safety		1,621,518
Public works		1,046,797
Health and welfare		1,524,240
Education		4,799,463
Parks, recreation, and cultural		497,944
Community development		992,238
Nondepartmental		1,185
Capital projects		135,127
Debt service:		
Principal retirement		932,472
Interest and other fiscal charges		183,526
Total expenditures	\$	<u>13,961,088</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>570,167</u>
OTHER FINANCING SOURCES (USES)		
Transfers out	\$	(254,449)
Sale of capital assets		60,700
Total other financing sources (uses)	\$	<u>(193,749)</u>
Net change in fund balances	\$	376,418
Fund balances - beginning		1,899,860
Fund balances - ending	\$	<u><u>2,276,278</u></u>

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

County of Charles City, Virginia
Reconciliation of 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	\$	376,418
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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. The following is a summary of items supporting this adjustment:

Capital outlay	\$	293,739	
Transfer of jointly owned assets to Component Unit School Board		(569,212)	
Depreciation expense		<u>(436,904)</u>	(712,377)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.			(5,373)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred tax revenue	\$	(4,207)	
Leases receivable		<u>(13,250)</u>	(17,457)

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. The following is a summary of items supporting this adjustment:

Principal retirement on lease revenue bonds	\$	318,268	
Principal retirement on capital leases		44,992	
Principal retirement on general obligation bonds		<u>569,212</u>	932,472

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 compensated absences	\$	3,610	
(Increase) decrease in OPEB liability		(29,000)	
(Increase) decrease in accrued interest payable		<u>44,448</u>	19,058

Change in net assets of governmental activities	\$	<u>592,741</u>	
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The notes to the financial statements are an integral part of this statement.

County of Charles City, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Fund
	Sanitary District
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 12,134
Accounts receivable, net of allowance for uncollectibles	7,249
Total current assets	\$ 19,383
Noncurrent assets:	
Capital assets:	
Utility plant in service	\$ 3,807,336
Machinery and equipment	40,900
Less accumulated depreciation	(1,914,935)
Land and improvements	7,819
Total capital assets	\$ 1,941,120
Total noncurrent assets	\$ 1,941,120
Total assets	\$ 1,960,503
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 15,718
Customers' deposits	1,280
Accrued interest payable	394
Compensated absences	2,449
Bonds payable - current portion	7,067
Total current liabilities	\$ 26,908
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 83,770
Compensated absences	22,037
Total noncurrent liabilities	\$ 105,807
Total liabilities	\$ 132,715
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,850,283
Unrestricted	(22,495)
Total net assets	\$ 1,827,788

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

County of Charles City, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Fund
	Sanitary District
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 76,473
Connection fees	2,688
Total operating revenues	\$ 79,161
OPERATING EXPENSES	
Water	\$ 31,667
Wastewater	64,323
Industrial center	95,853
Government utility	100,496
Special projects	36,060
Depreciation	96,008
Total operating expenses	\$ 424,407
Operating income (loss)	\$ (345,246)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (4,698)
Total nonoperating revenues (expenses)	\$ (4,698)
Income before contributions and transfers	(349,944)
Transfers in	\$ 254,449
Change in net assets	\$ (95,495)
Total net assets - beginning	1,923,283
Total net assets - ending	\$ 1,827,788

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

County of Charles City, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Fund Sanitary District
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 78,649
Payments for operating activities	(309,516)
Net cash provided (used) by operating activities	\$ (230,867)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 254,449
Net cash provided (used) by noncapital financing activities	\$ 254,449
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (6,723)
Interest payments	(4,725)
Net cash provided (used) by capital and related financing activities	\$ (11,448)
Net increase (decrease) in cash and cash equivalents	\$ 12,134
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	\$ 12,134
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (345,246)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 96,008
(Increase) decrease in accounts receivable	(512)
Increase (decrease) in accounts payable and accrued liabilities	18,883
Total adjustments	\$ 114,379
Net cash provided (used) by operating activities	\$ (230,867)

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

**County of Charles City, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 40,363</u>
LIABILITIES	
Amounts held for social services clients	<u>\$ 40,363</u>

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

NOTES TO THE FINANCIAL STATEMENTS

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011

Note 1—Summary of Significant Accounting Policies:

The County of Charles City, Virginia (the "County") is governed by an elected three member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, recreational activities, cultural events, education, and social services.

The financial statements of the County of Charles City, 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.

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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

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

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

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 reporting model, governments provide budgetary comparison information in their annual report, including a requirement to report the government's original budget with the comparison of 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 Charles City (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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2011.

Discretely Presented Component Units. The School Board members are elected by the citizens of Charles City County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2011.

The Industrial Development Authority of Charles City County is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the 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 Industrial Development Authority of Charles City County does not issue a separate financial report.

C. Other Related Organizations Included in the County's Financial Report

Excluded from the County's Annual Financial Report

Riverside Regional Jail Authority

The Riverside Regional Jail Authority is an intergovernmental (joint) venture, and therefore, its operations are not included in the County's financial statements. The participating jurisdictions provide the financial support for the Authority and appoint its governing Board. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations.

Heritage Public Library

The Heritage Public Library is an intergovernmental (joint) venture, and therefore, its operations are not included in the County's financial statements. The participating jurisdictions of New Kent County and Charles City County provide the financial support for the Library and appoint its governing Board. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. During the fiscal year ended June 30, 2011, the County contributed \$66,667 to the operations of the Library.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Other Related Organizations Included in the County's Financial Report (Continued)

Excluded from the County's Comprehensive Annual Financial Report (Continued)

Middle Peninsula Detention Center

The Middle Peninsula Juvenile Detention Commission was created to construct, equip, maintain and operate a juvenile detention facility serving nineteen member jurisdictions of which the County's Director of Finance serves as the County's representative on the board. The Commission is fiscally independent of the County because substantially all of its income is 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, Virginia. The County does not retain an ongoing financial interest in or responsibility for the Commission.

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.

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

Note 1—Summary of Significant Accounting Policies: (Continued)

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

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.

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 expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Note 1—Summary of Significant Accounting Policies: (Continued)

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund as a major governmental fund.

The 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 revenue is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for government-wide reporting purposes.

Proprietary Funds - Proprietary funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

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. The County's Major Enterprise Fund consists of the Sanitary District.

2. Fiduciary Funds - (Trust and Agency Funds) - Fiduciary funds account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

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 either "due to/from other funds" (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$200,478 at June 30, 2011 and is comprised of property taxes of \$194,527 and water and sewer charges of \$5,951.

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	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. 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.

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>
Building Improvements	40
Furniture, Vehicles, and Office Equipment	5-20
Buses	10

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. 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 accumulated rights to be received for 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 costs 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.

Note 1—Summary of Significant Accounting Policies: (Continued)

L. 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.

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Fund Equity (Continued)

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

	<u>General Fund</u>
Fund Balances:	
Restricted for:	
Indoor plumbing	\$ 240,242
Grants fund	72,058
Debt service reserve	403,874
Total Restricted Fund Balance	\$ 716,174
Committed to:	
E-911	\$ 154,629
Performance bonds	148,136
Landfill closure	253,178
Central gas	19,297
Total Committed Fund Balance	\$ 575,240
Unassigned Fund Balance	\$ 984,864
Total Fund Balances	\$ 2,276,278

M. Net Assets

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

N. Long-term Obligations

In the government-wide financial statements, 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. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on 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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of 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. On or before April 1st, 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. Public hearings are 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 or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The Board of Supervisors is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 2—Stewardship, Compliance, and Accounting: (Continued)

Expenditures and Appropriations

Expenditures exceeded appropriations in the following departments/functions at June 30, 2011:

General Fund:

Board of Supervisors	\$ 4,132
County Administrator	1,241
Legal Services	4,630
Commissioner of Revenue	38
Motor Pool	1,123
Management Services	4,613
Other general administration	149,013
Crater Criminal Justice	507
Commonwealth's Attorney	6,906
Grants	1,181
E-911	12,425
Ambulance and Rescue Services	32,977
Criminal Justice Planner	5,386
Animal Control	5,568
General Properties	35,480
Comprehensive Services Act	140,200
Parks and Recreation	36,694
Department of Development	2,473
Library design/bid	79,542
Interest and other fiscal charges	27,835

School Fund:

School Food	8,138
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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).

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 3 - Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2011 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

	<u>Fair Quality Ratings</u>	
	<u>County AAAm</u>	<u>IDA AAAm</u>
Local Government Investment Pool	\$ 438	\$ -
Money Market Mutual Fund	<u>905,397</u>	<u>857,394</u>
Total	<u>\$ 905,835</u>	<u>\$ 857,394</u>

Interest Rate Risk

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>			
	<u>County</u>		<u>IDA</u>	
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Money Market Mutual Funds	\$ 905,397	\$ 905,397	\$ 857,394	\$ 857,394
Total	<u>\$ 905,397</u>	<u>\$ 905,397</u>	<u>\$ 857,394</u>	<u>\$ 857,394</u>

External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 4—Due to/from Other Governments:

At June 30, 2011, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
Local sales tax	\$ 70,894	\$ -
Shared expenses	75,121	-
Recordation tax	4,544	-
Rolling stock tax	110	-
VPA funds	19,558	-
Mobile home titling tax	2,299	-
PSAP grant	6,667	-
Circuit court - jurors	2,160	-
State Sales Tax	-	133,759
VPSA technology	-	128,000
Fire programs	2,281	-
Comprehensive services act	24,821	-
Communications tax	24,536	-
Local law enforcement block grant	2,202	-
Federal Government:		
School fund grants	-	343,629
VPA funds	<u>36,309</u>	<u>-</u>
Total due from other governments	\$ <u><u>271,502</u></u>	\$ <u><u>605,388</u></u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 5—Capital Assets:

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Primary Government:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,554,783	\$ -	\$ 5,373	\$ 1,549,410
Construction in Progress	<u>147,450</u>	<u>79,543</u>	<u>-</u>	<u>226,993</u>
Total capital assets not subject to depreciation	<u>\$ 1,702,233</u>	<u>\$ 79,543</u>	<u>\$ 5,373</u>	<u>\$ 1,776,403</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 10,231,065	\$ 17,916	\$ -	\$ 10,248,981
Equipment	2,600,179	196,280	-	2,796,459
Jointly owned assets	<u>2,073,941</u>	<u>-</u>	<u>961,948</u>	<u>1,111,993</u>
Total capital assets being depreciated	<u>\$ 14,905,185</u>	<u>\$ 214,196</u>	<u>\$ 961,948</u>	<u>\$ 14,157,433</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 3,725,760	\$ 250,963	\$ -	\$ 3,976,723
Equipment	1,988,283	185,941	-	2,174,224
Jointly owned assets	<u>915,281</u>	<u>59,300</u>	<u>452,036</u>	<u>522,545</u>
Total accumulated depreciation	<u>\$ 6,629,324</u>	<u>\$ 496,204</u>	<u>\$ 452,036</u>	<u>\$ 6,673,492</u>
Total capital assets subject to depreciation, net	<u>\$ 8,275,861</u>	<u>\$ (282,008)</u>	<u>\$ 509,912</u>	<u>\$ 7,483,941</u>
Net capital assets primary government	<u>\$ 9,978,094</u>	<u>\$ (202,465)</u>	<u>\$ 515,285</u>	<u>\$ 9,260,344</u>
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 7,819	\$ -	\$ -	\$ 7,819
Total capital assets not subject to depreciation	<u>\$ 7,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,819</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,807,336	\$ -	\$ -	\$ 3,807,336
Equipment	<u>40,900</u>	<u>-</u>	<u>-</u>	<u>40,900</u>
Total capital assets being depreciated	<u>\$ 3,848,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,848,236</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,792,877	\$ 95,183	\$ -	\$ 1,888,060
Equipment	<u>26,050</u>	<u>825</u>	<u>-</u>	<u>26,875</u>
Total accumulated depreciation	<u>\$ 1,818,927</u>	<u>\$ 96,008</u>	<u>\$ -</u>	<u>\$ 1,914,935</u>
Total capital assets subject to depreciation, net	<u>\$ 2,029,309</u>	<u>\$ (96,008)</u>	<u>\$ -</u>	<u>\$ 1,933,301</u>
Net capital assets enterprise fund	<u>\$ 2,037,128</u>	<u>\$ (96,008)</u>	<u>\$ -</u>	<u>\$ 1,941,120</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 5—Capital Assets: (Continued)

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

Component Unit-School Board:	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets not subject to depreciation:				
Land and land improvements	\$ 263,786	\$ -	\$ -	\$ 263,786
Total capital assets not subject to depreciation	<u>\$ 263,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,786</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 91,500	\$ -	\$ -	\$ 91,500
Equipment	2,682,673	133,102	80,000	2,735,775
Jointly owned assets	<u>16,609,041</u>	<u>-</u>	<u>(961,948)</u>	<u>17,570,989</u>
Total capital assets being depreciated	<u>\$ 19,383,214</u>	<u>\$ 133,102</u>	<u>\$ (881,948)</u>	<u>\$ 20,398,264</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 9,150	\$ 4,575	\$ -	\$ 13,725
Equipment	1,985,915	177,714	80,000	2,083,629
Jointly owned assets	<u>7,329,976</u>	<u>474,905</u>	<u>(452,036)</u>	<u>8,256,917</u>
Total accumulated depreciation	<u>\$ 9,325,041</u>	<u>\$ 657,194</u>	<u>\$ (372,036)</u>	<u>\$ 10,354,271</u>
Total capital assets subject to depreciation, net	<u>\$ 10,058,173</u>	<u>\$ (524,092)</u>	<u>\$ (509,912)</u>	<u>\$ 10,043,993</u>
Net capital assets Component Unit-School Board	<u>\$ 10,321,959</u>	<u>\$ (524,092)</u>	<u>\$ (509,912)</u>	<u>\$ 10,307,779</u>

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

Governmental activities:

General government	\$ 103,300
Judicial administration	133,239
Public safety	123,105
Public works	15,930
Health and welfare	12,955
Education	59,300
Parks, recreation and cultural	35,737
Community development	<u>12,638</u>
Total Governmental activities	<u>\$ 496,204</u>

Business-type activities \$ 96,008

Component Unit School Board \$ 657,194

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 6—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:		
General	\$ -	\$ 254,449
Sanitary District	<u>254,449</u>	<u>-</u>
Total	<u>\$ 254,449</u>	<u>\$ 254,449</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.

Note 7—Long Term Obligations:

Primary Government:

The following is a summary of changes in long-term debt transactions of the County for the fiscal year ended June 30, 2011:

	<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:					
Claims, judgments and compensated absences payable	\$ 353,303	\$ 31,720	\$ 35,330	\$ 349,693	\$ 34,969
Lease revenue bond payable	3,296,678	-	318,268	2,978,410	330,179
Capital lease obligations (Note 8)	50,409	-	44,992	5,417	5,417
OPEB liability	<u>61,100</u>	<u>68,300</u>	<u>39,300</u>	<u>90,100</u>	<u>-</u>
Total incurred by County	<u>\$ 3,761,490</u>	<u>\$ 100,020</u>	<u>\$ 437,890</u>	<u>\$ 3,423,620</u>	<u>\$ 370,565</u>
Incurred by School Board:					
General obligation bonds payable	<u>\$ 1,158,660</u>	<u>\$ -</u>	<u>\$ 569,212</u>	<u>\$ 589,448</u>	<u>\$ 589,448</u>
Total incurred by School Board	<u>\$ 1,158,660</u>	<u>\$ -</u>	<u>\$ 569,212</u>	<u>\$ 589,448</u>	<u>\$ 589,448</u>
Total Governmental Obligations	<u>\$ 4,920,150</u>	<u>\$ 100,020</u>	<u>\$ 1,007,102</u>	<u>\$ 4,013,068</u>	<u>\$ 960,013</u>
Enterprise Obligations:					
Claims, judgments and compensated absences payable	\$ 21,578	\$ 5,066	\$ 2,158	\$ 24,486	\$ 2,449
Revenue bonds payable	<u>97,560</u>	<u>-</u>	<u>6,723</u>	<u>90,837</u>	<u>7,067</u>
Total Enterprise Obligations	<u>\$ 119,138</u>	<u>\$ 5,066</u>	<u>\$ 8,881</u>	<u>\$ 115,323</u>	<u>\$ 9,516</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	County Obligations	
	Lease Revenue Bond Payable	
	Principal	Interest
2012	\$ 330,179	\$ 104,076
2013	342,537	91,715
2014	355,357	78,896
2015	368,657	65,595
2016	382,455	51,798
2017	396,769	37,484
2018	411,619	22,634
2019	390,837	7,228
Total	\$ <u>2,978,410</u>	\$ <u>459,426</u>

Year Ending June 30	School Obligations	
	Bonds Payable	
	Principal	Interest
2012	\$ 589,448	\$ 19,452
Total	\$ <u>589,448</u>	\$ <u>19,452</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	Enterprise Fund	
	Revenue Bonds Payable	
	Principal	Interest
2012	\$ 7,067	\$ 4,381
2013	7,428	4,020
2014	7,808	3,640
2015	8,208	3,240
2016	8,628	2,820
2017	9,069	2,379
2018	9,533	1,915
2019	10,021	1,427
2020	10,533	915
2021	11,072	376
2022	1,470	6
Total	\$ 90,837	\$ 25,119

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

General Obligations:

Incurred by County:

Lease Revenue Bond Payable:

\$5,000,000 lease revenue bond payable issued through the Industrial Development Authority of Charles City County on May 15, 2003, payable in monthly installments of principal and interest totaling \$36,188 through May 1, 2019, interest payable annually at 3.68%. \$ 2,978,410

Capital Leases Payable:

\$10,403 2010 Dodge Charger lease issued on January 22, 2010, due in annual installments of \$5,735 on each January 22 through 2012. \$ 5,417

Total capital leases payable \$ 5,417

OPEB liability (payable from the General Fund) \$ 90,100

Compensated absences (payable from the General Fund) \$ 349,693

Total Incurred by County \$ 3,423,620

Incurred by School Board:

General Obligation Bonds Payable:

\$9,103,808 School Bonds issued March 1992, due in various annual principal installments each July 15 through 2011; interest payable semi-annually at an average rate of 6.60%. \$ 589,448

Total Incurred by School Board \$ 589,448

Total Governmental Obligations \$ 4,013,068

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Enterprise Fund:

Revenue Bond Payable:

\$194,200 Water System Revenue Bonds Series 1982 issued April 14, 1982 payable in monthly principal and interest installments of \$954 through 2022, interest at 5.00%	\$ <u>90,837</u>
Compensated absences (payable from the Enterprise Fund)	\$ <u>24,486</u>
Total Enterprise obligations	\$ <u><u>115,323</u></u>

Component Unit-School Board:

The following is a summary of changes in long-term debt transactions for the fiscal year ended June 30, 2011:

	Amounts Payable at July 1, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due Within One Year
Claims, judgments and compensated absences payable	\$ 144,989	\$ 16,271	\$ 14,499	\$ 146,761	\$ 14,676
Capital lease obligations (Note 8)	<u>108,505</u>	<u>-</u>	<u>25,502</u>	<u>83,003</u>	<u>26,556</u>
Total Component Unit-School Board	<u><u>\$ 253,494</u></u>	<u><u>\$ 16,271</u></u>	<u><u>\$ 40,001</u></u>	<u><u>\$ 229,764</u></u>	<u><u>\$ 41,232</u></u>

Details of long-term obligations:

Capital Leases Payable:

\$86,510 School Bus lease issued on June 15, 2010, due in annual installments of \$18,737 on each June 15 through 2014; interest rate 4.15%.

\$ 51,849

\$51,980 School Bus lease issued on June 20, 2010, due in annual installments of \$11,248 on each June 20 through 2014; interest rate 4.10%.

31,154

Total Capital Leases Payable

\$ 83,003

Compensated absences (payable from the School Fund)

\$ 146,761

Total Component Unit-School Board

\$ 229,764

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 8—Capital Leases:

The government has entered into lease agreements as lessee for financing the acquisition of school buses, a fire truck and police vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Primary Government	Component Unit- School Board
	<u> </u>	<u> </u>
Asset:		
Equipment	\$ 207,156	\$ 138,544
Less: accumulated depreciation	<u>(63,662)</u>	<u>(19,676)</u>
 Total	 <u>\$ 143,494</u>	 <u>\$ 118,868</u>

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

Year Ended June 30	Primary Government	Component Unit School Board
<u> </u>	<u> </u>	<u> </u>
2012	\$ 5,735	\$ 29,985
2013	-	29,985
2014	-	<u>29,985</u>
 Total minimum lease payments	 \$ 5,735	 \$ 89,955
Less: amount representing interest	<u>(318)</u>	<u>(6,952)</u>
 Present value of minimum lease payments	 <u>\$ 5,417</u>	 <u>\$ 83,003</u>

Note 9—Landfill Closure and Post-closure Costs:

The County has contracted with a third party, USA Waste of Virginia, to operate a solid waste landfill site under a lease purchase agreement with the County. Under this agreement, USA Waste of Virginia is responsible for all closure and postclosure monitoring costs related to the landfill. USA Waste of Virginia is obligated to finance these costs through a trust fund mechanism. This trust fund is currently being monitored by the County. No amounts have been recorded in these financial statements for this liability because the third party has assumed all closure and postclosure obligations.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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 in the general fund totaling \$3,360,080 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,230,894 at June 30, 2011.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2011 but paid in advance by the taxpayers totaled \$129,186 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 the County.

Note 13 —Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation and public officials' liability coverage with the Virginia Association of Counties Group Self Insurance Risk Pool. This program is administered by a servicing contractor, which furnishes claims review and processing.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 13 –Risk Management: (Continued)

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

Note 14 –Lease-Purchase Receivable:

On October 1, 1996, the Industrial Development Authority (IDA) entered into a lease-purchase with Chesapeake Engineering to purchase property in the amount of \$100,000. The principal and interest payments of \$822 per month were due to the IDA for 20 years. On October 20, 2004, the IDA loaned Chesapeake Engineering an additional \$50,000 due in monthly installments of \$792 for seven years and a balloon payment in three years. At June 30, 2011, the balance of these lease purchase receivables was \$123,768.

Note 15 –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.

Note 15 – Defined Benefit Pension Plan (Continued):

A. Plan Description (Continued)

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

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/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 15 – Defined Benefit Pension Plan (Continued):

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the 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 and School Board non-professional's contribution rate for the fiscal year ended 2011 were 9.49% and .49% of annual covered payroll, respectively.

The School Board's professional employees contributed \$183,084, \$316,337, and \$423,054, to the teacher cost-sharing pool for the fiscal years ended June 30, 2011, 2010, and 2009 respectively. The School Board's rate was 3.93%, 8.81% for July 2009 through March 2010, and 0.00% for April through June 2010, and 8.81% of annual covered payroll, respectively.

C. Annual Pension Cost

For fiscal year 2011, the County's annual pension cost of \$264,562 (which does not include the portion of the employee share assumed by the employer which was \$139,390) was equal to the County's required and actual contributions.

For the fiscal year 2011, the County School Board's annual pension cost for the Board's non-professional employees was \$1,478 (which does not include the employees portion assumed by the School Board of \$15,083) which was equal to the Board's required and actual contributions.

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2011	\$ 264,562	100%	\$ -
June 30, 2010	244,481	100%	-
June 30, 2009	241,985	100%	-
School Board:			
Non-Professional:			
June 30, 2011	\$ 1,478	100%	\$ -
June 30, 2010	-	100%	-
June 30, 2009	-	100%	-

(1) Employer portion only

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 15 – 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 76.92% funded. The actuarial accrued liability for benefits was \$13,350,008, and the actuarial value of assets was \$10,268,926, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,081,082. The covered payroll (annual payroll of active employees covered by the plan) was \$2,782,684, and ratio of the UAAL to the covered payroll was 110.72%.

As of June 30, 2010, the most recent actuarial valuation date, the School Board's Non-Professional's plan was 107.41% funded. The actuarial accrued liability for benefits was \$1,518,241 and the actuarial value of assets was \$1,630,692, resulting in an unfunded actuarial accrued liability (UAAL) of (\$112,451). The covered payroll (annual payroll of active employees covered by the plan) was \$306,491 and ratio of the UAAL to the covered payroll was (36.69%).

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.

Note 16 – Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety:	
Commonwealth Funds	
Edith K. Holmes, Clerk of the Circuit Court	\$ 265,000
Cecelia Bradby, Treasurer	300,000
Denise B. Smith, Commissioner of the Revenue	3,000
Javier J. Smith, Sheriff	30,000
Fidelity and Deposit company of Maryland - Surety:	
Board of Supervisors and County Administrator	1,000
Association of Counties Group Self Insurance Risk Pool	
- Public Officials Liability	2,000,000
- Employee Dishonesty Policy	250,000

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 17-Postemployment Benefits Other Than Pensions:

Plan Description

The County allows retirees that have at least 10 years of service with the County to remain on their health insurance plan after they retire with a pension benefit from the Virginia Retirement System. Health benefits include medical and dental coverage for retirees and eligible spouses/dependents. Coverage for the retiree and spouse ends at the earlier of the retiree's death or the retiree's attainment of age 65.

Funding Policy

The County pays 50% of the amount of the retiree - only premium for the Anthem POS value Advantage option and 50% of the retiree only dental premium. The retiree must pay the difference for any spouse or dependent. The County establishes contribution rates as part of its annual budget process. The County has 5 retirees and 1 spouse on its plan.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The County and School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with the parameters of GASB 45. 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.

The 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. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Retiree Health Plan:

	<u>COUNTY</u>
Annual required contribution	\$ 68,300
Interest on net OPEB obligation	2,732
Adjustment to annual required contribution	<u>(2,732)</u>
Annual OPEB cost (expense)	\$ 68,300
Contributions made	<u>(39,300)</u>
Increase in net OPEB obligation	29,000
Net OPEB obligation-beginning of year	<u>61,100</u>
Net OPEB obligation-end of year	<u><u>\$ 90,100</u></u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 17-Postemployment Benefits Other Than Pensions (Continued):

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011, 2010 and 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2009	\$ 62,900	53.58%	\$ 29,200
6/30/2010	65,600	51.37%	61,100
6/30/2011	68,300	57.54%	90,100

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation, the County's actuarial accrued liability for benefits was \$613,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,667,500, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 22.98 percent.

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 included 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.

Actuarial 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 pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 17–Postemployment Benefits Other Than Pensions (Continued):

Mortality–Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2009 using Scale AA.

Coverage elections –The actuarial assumed that 50% of eligible County retirees will elect coverage.

Based on the historical and expected returns of the County’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, 2009 was thirty years.

Note 18–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 15.

B. Funding 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 \$27,952, \$37,343, and \$51,861, respectively and equaled the required contributions for each year.

Note 19–Note Payable:

On October 1, 2010 the County issued a \$1,000,000 note payable in anticipation of revenue. The note payable is due in full September 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final Appropriated</u>	<u>Actual Amounts</u>	
	REVENUES			
General property taxes	\$ 6,635,500	\$ 6,635,500	\$ 6,947,917	\$ 312,417
Other local taxes	596,250	596,250	692,967	96,717
Permits, privilege fees, and regulatory licenses	3,000,150	3,000,150	2,837,442	(162,708)
Fines and forfeitures	8,000	8,000	6,818	(1,182)
Revenue from the use of money and property	93,050	93,050	28,176	(64,874)
Charges for services	156,450	156,450	168,244	11,794
Miscellaneous	216,301	201,809	161,279	(40,530)
Recovered costs	47,459	47,459	107,254	59,795
Intergovernmental revenues:				
Commonwealth	2,626,645	2,626,645	2,631,761	5,116
Federal	736,412	1,129,906	949,397	(180,509)
Total revenues	<u>\$ 14,116,217</u>	<u>\$ 14,495,219</u>	<u>\$ 14,531,255</u>	<u>\$ 36,036</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,509,797	\$ 1,488,861	\$ 1,619,203	\$ (130,342)
Judicial administration	622,875	626,446	607,375	19,071
Public safety	1,897,562	1,786,251	1,621,518	164,733
Public works	1,015,493	1,014,939	1,046,797	(31,858)
Health and welfare	2,287,349	1,666,204	1,524,240	141,964
Education	4,864,165	4,940,024	4,799,463	140,561
Parks, recreation, and cultural	470,887	467,445	497,944	(30,499)
Community development	348,566	1,260,556	992,238	268,318
Nondepartmental	100,000	23,815	1,185	22,630
Capital projects	150,356	148,254	135,127	13,127
Debt service:				
Principal retirement	878,820	935,226	932,472	2,754
Interest and other fiscal charges	212,097	155,691	183,526	(27,835)
Total expenditures	<u>\$ 14,357,967</u>	<u>\$ 14,513,712</u>	<u>\$ 13,961,088</u>	<u>\$ 552,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (241,750)</u>	<u>\$ (18,493)</u>	<u>\$ 570,167</u>	<u>\$ 588,660</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (254,449)	\$ (254,449)	\$ (254,449)	\$ -
Sale of property	50,000	50,000	60,700	10,700
Total other financing sources (uses)	<u>\$ (204,449)</u>	<u>\$ (204,449)</u>	<u>\$ (193,749)</u>	<u>\$ 10,700</u>
Net change in fund balances	\$ (446,199)	\$ (222,942)	\$ 376,418	\$ 599,360
Fund balances - beginning	446,199	446,199	1,899,860	1,453,661
Fund balances - ending	<u>\$ -</u>	<u>\$ 223,257</u>	<u>\$ 2,276,278</u>	<u>\$ 2,053,021</u>

County of Charles City, Virginia
Schedule of Funding Progress-Virginia Retirement System
For The Year Ended June 30, 2011

Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4) / (6) (7)
County:						
6/30/2010	\$ 10,268,926	\$ 13,350,008	\$ 3,081,082	76.92%	\$ 2,782,684	110.72%
6/30/2009	10,293,054	12,310,574	2,017,520	83.61%	2,852,697	70.72%
6/30/2008	10,389,555	11,600,287	1,210,732	89.56%	2,903,321	41.70%
6/30/2007	9,543,656	10,785,200	1,241,544	88.49%	2,915,765	42.58%
6/30/2006	8,451,312	9,359,572	908,260	90.30%	2,773,547	32.75%
6/30/2005	7,912,044	9,125,817	1,213,773	86.70%	2,420,764	50.14%
6/30/2004	7,637,723	7,677,418	39,695	99.48%	2,471,727	1.61%
6/30/2003	7,447,850	7,195,264	(252,586)	103.51%	2,306,694	-10.95%
6/30/2002	7,277,551	6,431,341	(846,210)	113.16%	2,455,937	-34.46%
6/30/2001	6,957,701	5,865,105	(1,092,596)	118.63%	2,377,182	-45.96%
School Board Non-Professionals:						
6/30/2010	\$ 1,630,692	\$ 1,518,241	(112,451)	107.41%	\$ 306,491	-36.69%
6/30/2009	1,678,365	1,390,905	(287,460)	120.67%	306,815	-93.69%
6/30/2008	1,703,744	1,226,779	(476,965)	138.88%	338,537	-140.89%
6/30/2007	1,566,765	1,302,015	(264,750)	120.33%	286,776	-92.32%
6/30/2006	1,396,860	1,263,842	(133,018)	110.52%	275,773	-48.23%
6/30/2005	1,348,754	1,310,835	(37,919)	102.89%	258,882	-14.65%
6/30/2004	1,342,583	1,042,674	(299,909)	128.76%	255,206	-117.52%
6/30/2003	1,342,739	968,902	(373,837)	138.58%	265,077	-141.03%
6/30/2002	1,354,254	975,214	(379,040)	138.87%	270,971	-139.88%
6/30/2001	1,333,683	905,710	(427,973)	147.25%	247,851	-172.67%

County of Charles City, Virginia

Schedule of Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2011

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as % of Payroll ((b-a)/c)</u>
County: 6/30/2009	\$ -	\$ 613,000	\$ 613,000	0.00%	\$ 2,667,500	22.98%

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

County of Charles City, Virginia

Fiduciary Funds
 Statement of Changes in Fiduciary Net Assets - Agency Funds
 For the Year Ended June 30, 2011

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 42,503	\$ 8,814	\$ 10,954	\$ 40,363
Liabilities:				
Amounts held for social services clients	\$ 42,503	\$ 8,814	\$ 10,954	\$ 40,363

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

County of Charles City, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

		School Operating Fund
ASSETS		
Cash and cash equivalents	\$	169,071
Receivables (net of allowance for uncollectibles):		
Accounts receivable	\$	7,971
Due from other governmental units		605,388
Total assets	<u>\$</u>	<u>782,430</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	92,538
Accrued liabilities		689,892
Total liabilities	<u>\$</u>	<u>782,430</u>
Fund balances:		
Committed	\$	-
Total fund balances	<u>\$</u>	<u>-</u>
Total liabilities and fund balances	<u>\$</u>	<u>782,430</u>

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:

Total fund balances per above	\$	-
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets	\$ 20,662,050	
Accumulated depreciation	<u>(10,354,271)</u>	10,307,779

Long-term liabilities, including capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.

Capital leases	\$ (83,003)	
Compensated absences	(146,761)	
Accrued interest payable	<u>(125)</u>	(229,889)

Net assets of governmental activities	<u>\$</u>	<u>10,077,890</u>
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County of Charles City, Virginia
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
REVENUES		
Revenue from the use of money and property	\$	1,310
Charges for services		166,723
Miscellaneous		18,298
Recovered costs		7,140
Intergovernmental revenues:		
Local government		4,798,514
Commonwealth		4,452,659
Federal		1,405,296
Total revenues	<u>\$</u>	<u>10,849,940</u>
EXPENDITURES		
Current:		
Education	\$	10,819,955
Debt service:		
Principal retirement		25,502
Interest and other fiscal charges		4,483
Total expenditures	<u>\$</u>	<u>10,849,940</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$</u>	<u>-</u>
Net change in fund balances	\$	-
Fund balances - beginning		-
Fund balances - ending	<u>\$</u>	<u>-</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	\$	-
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. The following is a summary of items supporting this adjustment:		
Capital outlay	\$	133,102
Transfer of jointly owned assets from Primary Government		569,212
Depreciation expense		<u>(716,494)</u>
		(14,180)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred grant revenue	<u>\$</u>	<u>(4,491)</u>
		(4,491)
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.		
Principal retirement of capital leases	<u>\$</u>	<u>25,502</u>
		25,502
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.		
(Increase) decrease in compensated absences	\$	(1,772)
(Increase) decrease in accrued interest payable		<u>39</u>
		(1,733)
Change in net assets of governmental activities	<u>\$</u>	<u>5,098</u>

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

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Appropriated	Actual	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,310	\$ 1,310
Charges for services	340,410	340,410	166,723	(173,687)
Miscellaneous	12,630	12,630	18,298	5,668
Recovered costs	-	4,491	7,140	2,649
Intergovernmental revenues:				
Local government	4,863,216	4,939,075	4,798,514	(140,561)
Commonwealth	4,736,704	4,736,704	4,452,659	(284,045)
Federal	1,235,399	1,347,095	1,405,296	58,201
Total revenues	<u>\$ 11,188,359</u>	<u>\$ 11,380,405</u>	<u>\$ 10,849,940</u>	<u>\$ (530,465)</u>
EXPENDITURES				
Current:				
Education	\$ 11,188,359	\$ 11,350,420	\$ 10,819,955	\$ 530,465
Debt service:				
Principal retirement	-	25,502	25,502	-
Interest and other fiscal charges	-	4,483	4,483	-
Total expenditures	<u>\$ 11,188,359</u>	<u>\$ 11,380,405</u>	<u>\$ 10,849,940</u>	<u>\$ 530,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

County of Charles City, Virginia
Statement of Net Assets
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$	123,105
Investments		857,394
Leases receivable		123,768
Total current assets	<u>\$</u>	<u>1,104,267</u>
Total assets	<u>\$</u>	<u>1,104,267</u>

NET ASSETS

Unrestricted	\$	1,104,267
Total net assets	<u>\$</u>	<u>1,104,267</u>

County of Charles City, Virginia
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:

Bond fees	\$ 51,224
Total operating revenues	\$ 51,224

OPERATING EXPENSES

Contractual services	\$ 10,405
Other expenses	117,885
Total operating expenses	\$ 128,290

Operating income (loss)	\$ (77,066)
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NONOPERATING REVENUES (EXPENSES)

Investment earnings	\$ 867
Total nonoperating revenues (expenses)	\$ 867

Change in net assets	\$ (76,199)
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Total net assets - beginning	1,180,466
Total net assets - ending	\$ 1,104,267

County of Charles City, Virginia
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	\$ 51,224
Payments for operating activities	(128,290)
Net cash provided (used) by operating activities	<u>\$ (77,066)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	\$ 71
Net cash provided (used) by investing activities	<u>\$ 71</u>

Net increase (decrease) in cash and cash equivalents \$ (76,995)

Cash and cash equivalents - beginning	200,100
Cash and cash equivalents - ending	<u><u>\$ 123,105</u></u>

SUPPORTING SCHEDULES

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,087,500	\$ 5,087,500	\$ 5,065,983	\$ (21,517)
Real and personal public service corporation taxes	200,000	200,000	468,648	268,648
Personal property taxes	1,082,000	1,082,000	1,135,837	53,837
Mobile home taxes	9,000	9,000	7,729	(1,271)
Machinery and tools taxes	135,000	135,000	105,813	(29,187)
Merchant's capital taxes	22,000	22,000	21,704	(296)
Penalties	60,000	60,000	89,624	29,624
Interest	40,000	40,000	52,579	12,579
Total general property taxes	<u>\$ 6,635,500</u>	<u>\$ 6,635,500</u>	<u>\$ 6,947,917</u>	<u>\$ 312,417</u>
Other local taxes:				
Local sales and use taxes	\$ 350,000	\$ 350,000	\$ 457,045	\$ 107,045
Consumers' utility taxes	162,250	162,250	144,159	(18,091)
Consumption tax	27,000	27,000	38,462	11,462
Cable television franchise license tax	3,000	3,000	6,584	3,584
Motor vehicle licenses	-	-	212	212
Taxes on recordation and wills	54,000	54,000	46,505	(7,495)
Total other local taxes	<u>\$ 596,250</u>	<u>\$ 596,250</u>	<u>\$ 692,967</u>	<u>\$ 96,717</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,000	\$ 7,000	\$ 10,667	\$ 3,667
Transfer fees	200	200	234	34
Landfill host fees	2,940,000	2,940,000	2,761,289	(178,711)
Permits and other licenses	52,950	52,950	65,252	12,302
Total permits, privilege fees, and regulatory licenses	<u>\$ 3,000,150</u>	<u>\$ 3,000,150</u>	<u>\$ 2,837,442</u>	<u>\$ (162,708)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 8,000	\$ 8,000	\$ 6,818	\$ (1,182)
Revenue from use of money and property:				
Revenue from use of money	\$ 63,000	\$ 63,000	\$ 9,826	\$ (53,174)
Revenue from use of property	30,050	30,050	18,350	(11,700)
Total revenue from use of money and property	<u>\$ 93,050</u>	<u>\$ 93,050</u>	<u>\$ 28,176</u>	<u>\$ (64,874)</u>
Charges for services:				
Clerk's interest fees	\$ 200	\$ 200	\$ 216	\$ 16
Sheriff's fees	100	100	553	453
Courthouse maintenance fees	3,000	3,000	3,319	319
Courthouse security fees	12,000	12,000	13,599	1,599
Court fees	31,100	31,100	48,481	17,381
Commonwealth's attorney fees	300	300	426	126
Charges for parks and recreation	22,000	22,000	31,285	9,285
Charges for other protection	2,000	2,000	4,720	2,720
Document reproduction fees	750	750	1,780	1,030
Charges for law library	-	-	2	2
Charges for EMS transport	85,000	85,000	63,863	(21,137)
Total charges for services	<u>\$ 156,450</u>	<u>\$ 156,450</u>	<u>\$ 168,244</u>	<u>\$ 11,794</u>
Miscellaneous revenue:				
Miscellaneous	\$ 216,301	\$ 201,809	\$ 161,279	\$ (40,530)

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

Schedule 1
Page 2 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Jurors	\$ 3,000	\$ 3,000	\$ 4,380	\$ 1,380
Sheriff support -- IDA	38,000	38,000	40,466	2,466
Economic development -- IDA	6,459	6,459	9,688	3,229
Library design/bid -- IDA	-	-	52,720	52,720
Total recovered costs	<u>\$ 47,459</u>	<u>\$ 47,459</u>	<u>\$ 107,254</u>	<u>\$ 59,795</u>
Total revenue from local sources	<u>\$ 10,753,160</u>	<u>\$ 10,738,668</u>	<u>\$ 10,950,097</u>	<u>\$ 211,429</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 10,000	\$ 10,000	\$ 11,196	\$ 1,196
Rolling stock tax	4,127	4,127	6,845	2,718
Communications tax	160,000	160,000	161,122	1,122
State recordation tax	5,896	5,896	11,931	6,035
Personal property tax relief funds	690,000	690,000	690,963	963
Total noncategorical aid	<u>\$ 870,023</u>	<u>\$ 870,023</u>	<u>\$ 882,057</u>	<u>\$ 12,034</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 142,246	\$ 142,246	\$ 150,159	\$ 7,913
Sheriff	429,576	429,576	425,864	(3,712)
Commissioner of revenue	58,988	58,988	59,663	675
Treasurer	63,797	63,797	58,198	(5,599)
Registrar/electoral board	26,364	26,364	27,103	739
Clerk of the Circuit Court	155,521	155,521	156,230	709
Total shared expenses	<u>\$ 876,492</u>	<u>\$ 876,492</u>	<u>\$ 877,217</u>	<u>\$ 725</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 343,274	\$ 343,274	\$ 251,582	\$ (91,692)
Comprehensive services act program	424,422	424,422	276,095	(148,327)
Emergency medical services	10,000	10,000	8,915	(1,085)
Asset forfeiture	2,000	2,000	2,130	130
Litter control	5,125	5,125	5,910	785
Emergency services	12,000	12,000	41,000	29,000
Chesapeake bay implementation grant	5,000	5,000	-	(5,000)
Wireless grant	45,000	45,000	104,279	59,279
Cultural alliance	1,000	1,000	-	(1,000)
Fire programs fund	20,000	20,000	19,998	(2)
Indoor plumbing grant	-	-	150,777	150,777
Other state funds	12,309	12,309	11,801	(508)
Total other categorical aid	<u>\$ 880,130</u>	<u>\$ 880,130</u>	<u>\$ 872,487</u>	<u>\$ (7,643)</u>
Total categorical aid	<u>\$ 1,756,622</u>	<u>\$ 1,756,622</u>	<u>\$ 1,749,704</u>	<u>\$ (6,918)</u>
Total revenue from the Commonwealth	<u>\$ 2,626,645</u>	<u>\$ 2,626,645</u>	<u>\$ 2,631,761</u>	<u>\$ 5,116</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 1,800	\$ 1,800	\$ 928	\$ (872)
Categorical aid:				
Public assistance and welfare administration	\$ 699,921	\$ 699,921	\$ 512,965	\$ (186,956)
Emergency preparedness	-	-	14,034	14,034

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

Schedule 1
 Page 3 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Indoor plumbing grant	\$ -	\$ 298,322	\$ 305,780	\$ 7,458
Byrne grant	1,291	1,291	-	(1,291)
Alcohol open container requirements	15,700	15,700	16,149	449
Community development block grant	-	95,172	99,541	4,369
Transportation safety	17,700	17,700	-	(17,700)
Total categorical aid	<u>\$ 734,612</u>	<u>\$ 1,128,106</u>	<u>\$ 948,469</u>	<u>\$ (179,637)</u>
Total revenue from the federal government	<u>\$ 736,412</u>	<u>\$ 1,129,906</u>	<u>\$ 949,397</u>	<u>\$ (180,509)</u>
Total General Fund	<u>\$ 14,116,217</u>	<u>\$ 14,495,219</u>	<u>\$ 14,531,255</u>	<u>\$ 36,036</u>
Total Primary Government	<u>\$ 14,116,217</u>	<u>\$ 14,495,219</u>	<u>\$ 14,531,255</u>	<u>\$ 36,036</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 1,310	\$ 1,310
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,310</u>	<u>\$ 1,310</u>
Charges for services:				
School food service	\$ 330,057	\$ 330,057	\$ 166,723	\$ (163,334)
Tuition and payments from other divisions	10,353	10,353	-	(10,353)
Total charges for services	<u>\$ 340,410</u>	<u>\$ 340,410</u>	<u>\$ 166,723</u>	<u>\$ (173,687)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 12,630	\$ 12,630	\$ 18,298	\$ 5,668
Recovered costs:				
Williamsburg community health grant	\$ -	\$ 4,491	\$ 4,491	\$ -
Transportation - recreation department	-	-	2,649	2,649
Total recovered costs	<u>\$ -</u>	<u>\$ 4,491</u>	<u>\$ 7,140</u>	<u>\$ 2,649</u>
Total revenue from local sources	<u>\$ 353,040</u>	<u>\$ 357,531</u>	<u>\$ 193,471</u>	<u>\$ (164,060)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 4,863,216	\$ 4,939,075	\$ 4,798,514	\$ (140,561)
Total revenues from local governments	<u>\$ 4,863,216</u>	<u>\$ 4,939,075</u>	<u>\$ 4,798,514</u>	<u>\$ (140,561)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 752,398	\$ 752,398	\$ 803,773	\$ 51,375
Basic school aid	2,428,152	2,428,152	2,199,985	(228,167)
Regular foster care	83,997	83,997	40,752	(43,245)
Gifted and talented	21,637	21,637	20,881	(756)
Remedial education	79,818	79,818	77,027	(2,791)
Special education	476,986	476,986	460,309	(16,677)
Textbook payment	17,698	17,698	16,150	(1,548)
GED funding	7,859	7,859	7,859	-
Vocational education	91,397	91,397	88,578	(2,819)
English as a second language	8,136	8,136	8,136	-

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
School fringes	\$ 246,667	\$ 246,667	\$ 238,043	\$ (8,624)
Technology grant	128,000	128,000	128,000	-
Early reading intervention	19,375	19,375	15,852	(3,523)
Remedial Ed-Summer School	6,903	6,903	-	(6,903)
Lottery proceeds	31,531	31,531	12,844	(18,687)
School food program	13,077	13,077	9,529	(3,548)
At risk payments	223,913	223,913	219,474	(4,439)
Primary class size	85,953	85,953	90,134	4,181
Standards of Learning algebra readiness	10,831	10,831	12,593	1,762
Mentor teacher	269	269	1,118	849
Other state	-	-	504	504
Homebound	2,107	2,107	1,118	(989)
Total categorical aid	<u>\$ 4,736,704</u>	<u>\$ 4,736,704</u>	<u>\$ 4,452,659</u>	<u>\$ (284,045)</u>
Total revenue from the Commonwealth	<u>\$ 4,736,704</u>	<u>\$ 4,736,704</u>	<u>\$ 4,452,659</u>	<u>\$ (284,045)</u>
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 173,000	\$ 173,000	\$ 245,659	\$ 72,659
Title I	274,785	274,785	125,515	(149,270)
Title I - ARRA	77,063	77,063	53,665	(23,398)
Commodities	-	18,894	18,894	-
Vocational education	18,622	18,622	7,251	(11,371)
Drug free schools	3,509	3,509	877	(2,632)
Title VIB	361,125	361,125	266,593	(94,532)
Title VIB - ARRA	-	92,802	97,447	4,645
1003 G school improvement	-	-	138,223	138,223
School improvement grant	85,107	85,107	85,107	-
Preschool grant	8,000	8,000	12,016	4,016
Preschool grant - ARRA	-	-	7,038	7,038
Title II -- part a	90,010	90,010	88,306	(1,704)
21st Century learning	83,046	83,046	83,046	-
State fiscal stabilization funds	-	-	103,807	103,807
JROTC grant	61,132	61,132	71,852	10,720
Total categorical aid	<u>\$ 1,235,399</u>	<u>\$ 1,347,095</u>	<u>\$ 1,405,296</u>	<u>\$ 58,201</u>
Total revenue from the federal government	<u>\$ 1,235,399</u>	<u>\$ 1,347,095</u>	<u>\$ 1,405,296</u>	<u>\$ 58,201</u>
Total School Operating Fund	<u>\$ 11,188,359</u>	<u>\$ 11,380,405</u>	<u>\$ 10,849,940</u>	<u>\$ (530,465)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 11,188,359</u>	<u>\$ 11,380,405</u>	<u>\$ 10,849,940</u>	<u>\$ (530,465)</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 55,167	\$ 55,167	\$ 59,299	\$ (4,132)
General and financial administration:				
County administrator	\$ 181,459	\$ 180,409	\$ 181,650	\$ (1,241)
Legal services	50,997	48,970	53,600	(4,630)
Commissioner of revenue	168,863	167,788	167,826	(38)
Independent Auditor	33,000	33,000	32,500	500
Treasurer	164,992	163,965	162,043	1,922
Motor pool	78,266	74,166	75,289	(1,123)
Central gas	6,700	6,700	4,910	1,790
Memberships	2,700	2,700	2,618	82
Information technology	264,741	262,899	241,417	21,482
Management services	242,366	232,251	236,864	(4,613)
Other general and financial administration	195,739	196,039	345,052	(149,013)
Total general and financial administration	<u>\$ 1,389,823</u>	<u>\$ 1,368,887</u>	<u>\$ 1,503,769</u>	<u>\$ (134,882)</u>
Board of elections:				
Electoral board and officials	\$ 17,536	\$ 17,536	\$ 11,364	\$ 6,172
Registrar	47,271	47,271	44,771	2,500
Total board of elections	<u>\$ 64,807</u>	<u>\$ 64,807</u>	<u>\$ 56,135</u>	<u>\$ 8,672</u>
Total general government administration	<u>\$ 1,509,797</u>	<u>\$ 1,488,861</u>	<u>\$ 1,619,203</u>	<u>\$ (130,342)</u>
Judicial administration:				
Courts:				
Circuit court	\$ 25,512	\$ 23,002	\$ 19,601	\$ 3,401
General district court	8,198	8,128	4,342	3,786
Courthouse security fund	21,339	23,102	21,163	1,939
Special Magistrates	1,662	1,662	1,100	562
Sheriff	136,452	136,640	136,070	570
9th district court services	29,000	29,000	14,122	14,878
Crater Criminal Justice	4,561	4,561	5,068	(507)
Clerk of the circuit court	209,062	213,495	212,147	1,348
Total courts	<u>\$ 435,786</u>	<u>\$ 439,590</u>	<u>\$ 413,613</u>	<u>\$ 25,977</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 187,089	\$ 186,856	\$ 193,762	\$ (6,906)
Total commonwealth's attorney	<u>\$ 187,089</u>	<u>\$ 186,856</u>	<u>\$ 193,762</u>	<u>\$ (6,906)</u>
Total judicial administration	<u>\$ 622,875</u>	<u>\$ 626,446</u>	<u>\$ 607,375</u>	<u>\$ 19,071</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 778,214	\$ 840,825	\$ 756,629	\$ 84,196
Grants	39,691	22,944	24,125	(1,181)
E-911	89,500	89,500	101,925	(12,425)
Total law enforcement and traffic control	<u>\$ 907,405</u>	<u>\$ 953,269</u>	<u>\$ 882,679</u>	<u>\$ 70,590</u>
Fire and rescue services:				
Fire department	\$ 131,697	\$ 131,697	\$ 123,481	\$ 8,216
Ambulance and rescue services	186,800	186,800	219,777	(32,977)
Total fire and rescue services	<u>\$ 318,497</u>	<u>\$ 318,497</u>	<u>\$ 343,258</u>	<u>\$ (24,761)</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Confinement and care of prisoners	\$ 405,529	\$ 249,781	\$ 147,528	\$ 102,253
Criminal justice planner	5,386	5,386	10,772	(5,386)
Total correction and detention	<u>\$ 410,915</u>	<u>\$ 255,167</u>	<u>\$ 158,300</u>	<u>\$ 96,867</u>
Other protection:				
Animal control	\$ 90,633	\$ 90,049	\$ 95,617	\$ (5,568)
Codes enforcement	131,159	130,316	127,160	3,156
Emergency services	35,651	35,651	11,291	24,360
VJCCCA	3,002	3,002	3,002	-
Medical examiner	300	300	211	89
Total other protection	<u>\$ 260,745</u>	<u>\$ 259,318</u>	<u>\$ 237,281</u>	<u>\$ 22,037</u>
Total public safety	<u>\$ 1,897,562</u>	<u>\$ 1,786,251</u>	<u>\$ 1,621,518</u>	<u>\$ 164,733</u>
Public works:				
Sanitation and waste removal:				
Landfill monitoring	<u>\$ 295,639</u>	<u>\$ 295,639</u>	<u>\$ 292,017</u>	<u>\$ 3,622</u>
Maintenance of general buildings and grounds:				
General properties	<u>\$ 719,854</u>	<u>\$ 719,300</u>	<u>\$ 754,780</u>	<u>\$ (35,480)</u>
Total public works	<u>\$ 1,015,493</u>	<u>\$ 1,014,939</u>	<u>\$ 1,046,797</u>	<u>\$ (31,858)</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 85,900</u>	<u>\$ 85,900</u>	<u>\$ 69,116</u>	<u>\$ 16,784</u>
Mental health and mental retardation:				
Henrico area community services	<u>\$ 110,660</u>	<u>\$ 110,660</u>	<u>\$ 110,660</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 1,377,916	\$ 1,138,480	\$ 887,200	\$ 251,280
Comprehensive services act	621,590	238,696	378,896	(140,200)
Contributions	91,283	92,468	78,368	14,100
Total welfare	<u>\$ 2,090,789</u>	<u>\$ 1,469,644</u>	<u>\$ 1,344,464</u>	<u>\$ 125,180</u>
Total health and welfare	<u>\$ 2,287,349</u>	<u>\$ 1,666,204</u>	<u>\$ 1,524,240</u>	<u>\$ 141,964</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 949	\$ 949	\$ 949	\$ -
Contribution to County School Board	4,863,216	4,939,075	4,798,514	140,561
Total education	<u>\$ 4,864,165</u>	<u>\$ 4,940,024</u>	<u>\$ 4,799,463</u>	<u>\$ 140,561</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	<u>\$ 386,331</u>	<u>\$ 382,889</u>	<u>\$ 419,583</u>	<u>\$ (36,694)</u>
Total parks and recreation	<u>\$ 386,331</u>	<u>\$ 382,889</u>	<u>\$ 419,583</u>	<u>\$ (36,694)</u>
Cultural enrichment:				
Center for local history	<u>\$ 17,100</u>	<u>\$ 17,100</u>	<u>\$ 11,694</u>	<u>\$ 5,406</u>
Total cultural enrichment	<u>\$ 17,100</u>	<u>\$ 17,100</u>	<u>\$ 11,694</u>	<u>\$ 5,406</u>

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

Schedule 2
 Page 3 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Library:				
Library	\$ 67,456	\$ 67,456	\$ 66,667	\$ 789
Total library	<u>\$ 67,456</u>	<u>\$ 67,456</u>	<u>\$ 66,667</u>	<u>\$ 789</u>
Total parks, recreation, and cultural	<u>\$ 470,887</u>	<u>\$ 467,445</u>	<u>\$ 497,944</u>	<u>\$ (30,499)</u>
Community development:				
Planning and community development:				
Indoor plumbing rehab grant	\$ -	\$ 908,300	\$ 659,795	\$ 248,505
Planning commission	2,185	2,185	105	2,080
Department of development	258,215	256,650	259,123	(2,473)
Community development contribution	33,551	32,021	30,745	1,276
Chesapeake bay implementation	5,000	11,000	5,610	5,390
Total planning and community development	<u>\$ 298,951</u>	<u>\$ 1,210,156</u>	<u>\$ 955,378</u>	<u>\$ 254,778</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 5,977	\$ 5,977	\$ 5,977	\$ -
Litter control program	5,125	5,910	5,908	2
Water supply management grant	4,649	4,649	4,649	-
Total environmental management	<u>\$ 15,751</u>	<u>\$ 16,536</u>	<u>\$ 16,534</u>	<u>\$ 2</u>
Cooperative extension program:				
Extension office	\$ 33,864	\$ 33,864	\$ 20,326	\$ 13,538
Total cooperative extension program	<u>\$ 33,864</u>	<u>\$ 33,864</u>	<u>\$ 20,326</u>	<u>\$ 13,538</u>
Total community development	<u>\$ 348,566</u>	<u>\$ 1,260,556</u>	<u>\$ 992,238</u>	<u>\$ 268,318</u>
Nondepartmental:				
Contingency	\$ 100,000	\$ 23,815	\$ 1,185	\$ 22,630
Total nondepartmental	<u>\$ 100,000</u>	<u>\$ 23,815</u>	<u>\$ 1,185</u>	<u>\$ 22,630</u>
Capital projects:				
County capital improvements	\$ 150,356	\$ 148,254	\$ 55,585	\$ 92,669
Library design/bid	-	-	79,542	(79,542)
Total capital projects	<u>\$ 150,356</u>	<u>\$ 148,254</u>	<u>\$ 135,127</u>	<u>\$ 13,127</u>
Debt service:				
Principal retirement	\$ 878,820	\$ 935,226	\$ 932,472	\$ 2,754
Interest and other fiscal charges	212,097	155,691	183,526	(27,835)
Total debt service	<u>\$ 1,090,917</u>	<u>\$ 1,090,917</u>	<u>\$ 1,115,998</u>	<u>\$ (25,081)</u>
Total General Fund	<u>\$ 14,357,967</u>	<u>\$ 14,513,712</u>	<u>\$ 13,961,088</u>	<u>\$ 552,624</u>
Total Primary Government	<u>\$ 14,357,967</u>	<u>\$ 14,513,712</u>	<u>\$ 13,961,088</u>	<u>\$ 552,624</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 813,549	\$ 777,439	\$ 744,875	\$ 32,564
Instruction costs	7,742,428	7,950,830	7,558,719	392,111
Pupil transportation	824,084	820,084	775,137	44,947
Operation and maintenance of school plant	1,362,982	1,338,057	1,269,076	68,981
Commodities	-	18,894	18,894	-
School food	445,316	445,116	453,254	(8,138)
Total education	<u>\$ 11,188,359</u>	<u>\$ 11,350,420</u>	<u>\$ 10,819,955</u>	<u>\$ 530,465</u>
Debt service:				
Principal retirement	\$ -	\$ 25,502	\$ 25,502	\$ -
Interest and other fiscal charges	-	4,483	4,483	-
Total debt service	<u>\$ -</u>	<u>\$ 29,985</u>	<u>\$ 29,985</u>	<u>\$ -</u>
Total School Fund	<u>\$ 11,188,359</u>	<u>\$ 11,380,405</u>	<u>\$ 10,849,940</u>	<u>\$ 530,465</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 11,188,359</u>	<u>\$ 11,380,405</u>	<u>\$ 10,849,940</u>	<u>\$ 530,465</u>

OTHER STATISTICAL INFORMATION

Table 1

County of Charles City, Virginia
Government-Wide Expenses by Function
Last Nine Fiscal Years (1)

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Sanitary District	Total
2002-03	\$ 1,280,313	\$ 281,621	\$ 1,538,497	\$ 748,877	\$ 1,480,090	\$ 5,436,649	\$ 439,485	\$ 602,701	\$ 334,896	\$ 324,644	\$ 12,467,773
2003-04	1,401,119	570,278	1,348,489	910,300	1,527,490	6,041,220	459,389	884,606	478,919	318,300	13,940,110
2004-05	1,640,312	690,019	1,437,013	920,261	1,222,107	6,119,134	532,155	819,989	437,104	362,368	14,180,462
2005-06	1,982,532	469,581	1,578,343	953,873	1,730,460	6,589,265	487,665	674,304	386,302	436,259	15,288,584
2006-07	1,838,094	677,752	1,567,677	1,112,282	1,732,268	6,088,937	536,976	555,357	352,806	434,208	14,896,357
2007-08	1,862,735	643,074	1,691,980	1,002,415	1,993,208	6,453,624	500,508	460,901	302,479	452,988	15,363,912
2008-09	1,647,362	791,996	1,804,071	1,104,170	2,197,436	5,364,940	525,758	355,897	292,134	473,618	14,557,382
2009-10	1,739,638	738,957	2,055,534	1,084,483	1,877,355	5,490,863	414,432	612,185	199,819	448,855	14,662,121
2010-11	1,656,026	738,044	1,660,029	1,059,608	1,539,830	5,368,675	481,388	972,003	139,078	429,105	14,043,786

(1) Information has only been available for nine years.

Table 2

**County of Charles City, Virginia
Government-Wide Revenues
Last Nine Fiscal Years (1)**

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Gain on Disposal of Capital Assets		
2002-03	\$ 3,517,174	\$ 1,851,347	\$ -	\$ 4,798,814	\$ 950,453	\$ 318,651	\$ 130,441	\$ 694,491	\$ 27,457	\$ 12,288,828	
2003-04	3,418,059	2,406,970	-	4,792,362	821,513	275,457	171,516	686,784	53,953	12,626,614	
2004-05	3,241,398	2,245,149	-	5,107,477	1,008,952	223,172	155,966	768,807	29,930	12,780,851	
2005-06	3,365,879	2,432,800	-	5,486,231	1,053,249	327,691	224,878	744,316	(61,550)	13,573,494	
2006-07	3,261,270	2,241,386	-	5,776,256	846,451	298,119	204,708	747,470	18,124	13,393,784	
2007-08	3,222,283	2,572,482	-	6,373,816	851,971	204,194	197,301	749,543	-	14,171,590	
2008-09	3,114,550	2,950,534	-	6,450,632	755,316	185,085	206,711	724,303	-	14,387,131	
2009-10	2,893,295	2,756,479	343,256	6,651,861	625,777	26,038	222,205	702,501	55,500	14,276,912	
2010-11	3,091,665	2,698,173	-	6,943,710	692,967	14,926	161,279	882,985	55,327	14,541,032	

(1) Information has only been available for nine years.

Table 3

County of Charles City, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total (3)
2001-02	\$ 1,124,642	\$ 438,414	\$ 1,162,355	\$ 717,850	\$ 1,407,783	\$ 8,829,191	\$ 348,555	\$ 485,553	\$ 78,828	\$ 1,074,506	\$ 15,667,677
2002-03	1,203,309	455,102	1,360,216	744,647	1,466,635	9,339,730	386,709	589,958	107,365	1,014,218	16,667,889
2003-04	1,255,577	482,952	1,410,583	825,381	1,517,094	10,133,017	374,170	872,143	124,424	1,083,992	18,079,333
2004-05	1,556,015	470,843	1,409,671	833,135	1,240,503	11,438,087	406,200	819,884	134,600	1,246,882	19,555,820
2005-06	1,785,759	498,124	1,609,986	945,834	1,734,926	11,756,333	447,457	664,952	222,131	1,173,905	20,839,407
2006-07	1,904,866	488,797	1,592,741	1,034,972	1,667,864	11,205,424	482,327	551,372	47,682	1,185,668	20,161,713
2007-08	1,939,120	557,295	1,625,252	1,019,792	1,967,938	12,552,537	458,689	493,780	165,547	1,203,297	21,983,247
2008-09	1,672,398	655,982	1,817,459	1,068,700	2,113,520	11,849,174	487,283	364,286	18,143	1,251,056	21,298,001
2009-10	1,676,350	606,158	2,023,606	1,056,667	1,852,837	11,897,241	476,678	669,925	20,649	1,247,240	21,527,351
2010-11	1,619,203	607,375	1,621,518	1,046,797	1,524,240	10,820,904	497,944	992,238	1,185	1,145,983	19,877,387

(1) Includes the General fund of the Primary Government and its Discretely Presented Component Unit - School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

(3) Excludes capital projects expenditures.

Table 4

County of Charles City, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2001-02	\$ 4,495,302	\$ 709,944	\$ 2,808,673	\$ 21,721	\$ 392,496	\$ 182,471	\$ 156,507	\$ 299,489	\$ 7,779,010	\$ 16,845,613
2002-03	4,706,990	950,453	3,378,183	28,067	316,768	175,864	163,409	233,251	6,810,536	16,763,521
2003-04	4,923,306	821,513	3,233,298	36,221	248,699	211,921	191,245	209,087	7,429,072	17,304,362
2004-05	5,167,309	1,008,952	3,036,178	40,005	294,807	249,275	176,554	173,993	8,579,156	18,726,229
2005-06	5,458,729	1,053,249	3,177,831	16,513	642,589	299,614	259,720	225,195	8,574,648	19,708,088
2006-07	5,752,817	846,451	3,060,535	36,323	320,690	292,542	223,653	258,008	8,965,592	19,756,611
2007-08	6,354,328	851,971	3,119,343	927	230,520	321,518	359,524	419,584	9,413,231	21,070,946
2008-09	6,498,076	755,316	2,811,953	8,137	185,085	350,930	272,665	126,053	10,218,831	21,227,046
2009-10	6,713,249	625,777	2,652,175	1,616	57,861	340,307	254,759	191,348	10,372,397	21,209,489
2010-11	6,947,917	692,967	2,837,442	6,818	29,486	334,967	179,577	114,394	9,439,113	20,582,681

(1) Includes the General fund of the Primary Government and its Discretely Presented Component Unit - School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

Table 5

County of Charles City, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)		Current Tax Collections (1,3)		Percent of Levy Collected		Delinquent Tax Collections (1)		Total Tax Collections		Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes (1,2)		Percent of Delinquent Taxes to Tax Levy	
	\$		\$		%		\$		\$		%		\$		%	
2001-02	\$	5,210,316	\$	4,917,850	94.39%	\$	72,839	\$	4,990,689	95.78%	\$	490,446	9.41%			
2002-03		5,276,832		5,017,588	95.09%		174,178		5,191,766	98.39%		535,289	10.14%			
2003-04		5,560,796		5,311,106	95.51%		99,071		5,410,177	97.29%		505,133	9.08%			
2004-05		5,838,182		5,571,395	95.43%		174,577		5,745,972	98.42%		531,295	9.10%			
2005-06		6,162,903		5,597,411	90.82%		445,308		6,042,719	98.05%		532,990	8.65%			
2006-07		6,575,203		6,303,617	95.87%		73,926		6,377,543	96.99%		598,669	9.10%			
2007-08		7,134,528		6,632,327	92.96%		272,984		6,905,311	96.79%		675,186	9.46%			
2008-09		7,332,724		6,955,920	94.86%		121,905		7,077,825	96.52%		553,342	7.55%			
2009-10		7,264,395		6,919,265	95.25%		236,066		7,155,331	98.50%		682,660	9.40%			
2010-11		7,520,467		7,223,716	96.05%		272,961		7,496,677	99.68%		729,005	9.69%			

(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.

Table 6

County of Charles City, Virginia
 Assessed Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2001-02	\$ 417,849,376	\$ 41,913,629	\$ 2,590,708	\$ 748,200	\$ 33,928,613	\$ 497,030,526
2002-03	424,989,997	41,275,581	3,738,552	885,190	34,180,396	505,069,716
2003-04	436,941,423	41,324,933	8,881,002	1,243,293	32,713,140	521,103,791
2004-05	515,887,069	41,790,354	10,264,697	1,236,805	29,914,950	599,093,875
2005-06	584,292,131	46,119,510	8,682,662	798,598	37,001,751	676,894,652
2006-07	580,077,477	54,829,767	5,500,042	787,449	33,233,074	674,427,809
2007-08	589,551,974	58,210,197	3,659,829	805,521	28,920,474	681,147,995
2008-09	597,928,422	59,492,001	6,351,653	820,569	26,054,623	690,647,268
2009-10	765,790,469	55,409,143	3,052,807	809,342	27,769,101	852,830,862
2010-11	783,055,397	55,156,017	4,385,891	784,140	54,891,549	898,272,994

(1) Real estate is assessed at 100% of fair market value.

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

Table 7

County of Charles City, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
2001-02	\$ 0.76	\$ 0.76	\$ 3.40	\$ 2.80	\$ 2.50
2002-03	0.82	0.82	3.40	2.80	2.50
2003-04	0.82	0.82	3.40	2.80	2.50
2004-05	0.70	0.82	3.40	2.80	2.50
2005-06	0.70	0.70	3.40	2.80	2.50
2006-07	0.75	0.75	3.40	2.80	2.50
2007-08	0.82	0.75	3.50	2.80	2.50
2008-09	0.82	0.82	3.50	2.80	2.50
2009-10	0.68	0.68	3.50	2.80	2.50
2010-11	0.68	0.68	3.50	2.80	2.50

(1) Per \$100 of assessed value.

Table 8

County of Charles City, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2001-02	6,926	\$ 497,030,526	\$ 5,165,557	\$ 5,165,557	1.04%	\$ 746
2002-03	6,926	505,069,716	4,711,784	4,711,784	0.93%	680
2003-04	6,926	521,103,791	4,246,296	4,246,296	0.81%	613
2004-05	6,926	599,093,875	3,768,061	3,768,061	0.63%	544
2005-06	6,926	676,894,652	3,276,209	3,276,209	0.48%	473
2006-07	6,926	674,427,809	2,769,811	2,769,811	0.41%	400
2007-08	6,926	681,147,995	2,247,874	2,247,874	0.33%	325
2008-09	6,926	690,647,268	1,709,337	1,709,337	0.25%	247
2009-10	7,256	852,830,862	1,158,660	1,158,660	0.14%	160
2010-11	7,256	898,272,994	589,448	589,448	0.07%	81

(1) Weldon Cooper Center for Public Service for 2000 and 2010 census counts.

(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.

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 Charles City
Charles City, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, and the major fund of the County of Charles City, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Charles City, Virginia's basic financial statements and have issued our report thereon dated February 7, 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 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 Charles City, 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 of Charles City, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Charles City, Virginia'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 Charles City, 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 Charles City, Virginia, in a separate letter dated February 7, 2012.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and 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.

A handwritten signature in black ink, appearing to read "R. F. Clark", followed by a horizontal line extending to the right.

Richmond, Virginia
February 7, 2012

**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 Charles City
Charles City, Virginia

Compliance

We have audited County of Charles City, 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 Charles City, Virginia's major federal programs for the year ended June 30, 2011. The County of Charles City, 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 Charles City, Virginia's management. Our responsibility is to express an opinion on the County of Charles City, 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 Charles City, 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 Charles City, Virginia's compliance with those requirements.

In our opinion, the County of Charles City, 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 program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the County of Charles City, 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 Charles City, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Charles City, Virginia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a control 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.

A handwritten signature in black ink, appearing to read "R. F. Clark", followed by a horizontal line extending to the right.

Richmond, Virginia
February 7, 2012

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program Title 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	\$ 4,353
Temporary assistance for needy families	93.558	0400109/0400110	87,546
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	200
Low income home energy assistance	93.568	0600409/0600410	9,197
Child care cluster:			
Child care and development block grant	93.575	0770109/0770110	50,971
Child care mandatory and matching funds of the child care development fund	93.596	0760109/0760110	32,086
ARRA - Child care and development block grant	93.713	0740109/0780109	4,023
Stephanie Tubbs child welfare services program	93.645	0900109/090110	346
Foster care - Title IV-E	93.658	1100109/1100110	35,444
ARRA - Foster care - Title IV-E	93.658	1100109/1100110	267
Total CFDA# 93.658			<u>\$ 35,711</u>
Adoption assistance	93.659	1120109/1120110	6,150
ARRA - Adoption assistance	93.659	1120109/1120110	234
Total CFDA# 93.659			<u>\$ 6,384</u>
Social services block grant	93.667	1000109/1000110	66,993
Chafee foster care independence program	93.674	9150109/9150110	856
Children's health insurance program	93.767	0540109/0540110	3,392
Medical assistance program	93.778	1200109/1200110	78,308
Total Department of Health and Human Services			<u>\$ 380,366</u>
U. S. Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency management performance grants	97.042	77501-52749	\$ 14,034
Total U. S. Department of Homeland Security			<u>\$ 14,034</u>
Department of Agriculture:			
Pass Through Payments:			
Child nutrition cluster:			
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 18,894
Department of Education:			
National school lunch program	10.555	17901-40623	162,450
Total CFDA# 10.555			<u>\$ 181,344</u>
Department of Education:			
School breakfast program	10.553	17901-40591	83,209
Department of Social Services:			
SNAP cluster:			
State administrative matching grants for the supplemental nutrition assistance program	10.561	0010109/0010100	129,367
ARRA - State administrative matching grants for the supplemental nutrition assistance program	10.561	0040109/0040110	3,232
Total CFDA# 10.561			<u>\$ 132,599</u>
Total Department of Agriculture			<u>\$ 397,152</u>

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation: Pass Through Payments: Department of Transportation: Alcohol open container requirements	20.607	60507-50295/59139	\$ 16,149
Total Department of Transportation			<u>\$ 16,149</u>
Department of Housing and Urban Development: Pass Through Payments: Department of Housing and Community Development: Community development block grant Home investment partnerships program	14.228 14.239	53305-50798 45805-45856	\$ 99,541 305,780
Total Department of Housing and Urban Development			<u>\$ 405,321</u>
Department of Education: Pass Through Payments: Department of Education: Title I , part A cluster: Title I grants to local educational agencies ARRA - Title I grants to local educational agencies Special education cluster: Special education - grants to states ARRA - Special education - grants to states Special education - preschool grants ARRA - Special education - preschool grants Career and technical education: basic grants to states Safe and drug free schools and communities - state grants Improving teacher quality state grants Twenty-first century community learning centers ARRA - State fiscal stabilization fund, education state grants School improvement grant	84.010 84.389 84.027 84.391 84.173 84.392 84.048 84.186 84.367 84.287 84.394 84.377	17901-42901 17901-42913 17901-43071 17901-61245 17901-62521 17901-61247 17901-61095 17901-60511 17901-61480 17901-60565 17901-62532 17901-43040	\$ 209,502 53,665 266,593 97,447 12,015 7,038 7,251 878 89,426 83,046 103,807 138,223
Total Department of Education			<u>\$ 1,068,891</u>
Department of Defense: Direct payments: Junior ROTC	12.xxx		\$ 71,852
Department of the Interior: Direct Payments: Bureau of Land Management: Payments in lieu of taxes	15.226		\$ 928
Total Expenditures of Federal Awards			<u><u>\$ 2,354,693</u></u>

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

County of Charles City, 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 Charles City, 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 Charles City, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Charles City, 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 - 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	\$ 949,397
Total primary government	\$ <u>949,397</u>
Component Unit-School Board:	
School Operating Fund	\$ 1,405,296
Total component unit public schools	\$ <u>1,405,296</u>
Total federal expenditures per basic financial statements	\$ <u>2,354,693</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>2,354,693</u></u>

**County of Charles City, 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 deficiency(ies) 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 deficiency(ies) 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
 Circular A-133? _____ yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnerships Program
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? ✓ yes _____ no

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

County of Charles City, Virginia

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2011**

There were no prior year findings and questioned costs.