

COUNTY OF CHARLES CITY, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2012

COUNTY OF CHARLES CITY, VIRGINIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

COUNTY OF CHARLES CITY, VIRGINIA

Board of Supervisors

Gilbert A. Smith, Chairperson

Floyd H. Miles, Sr.

William G. Coad

Board of Social Services

Muriel P. Adkins, Chairperson

Clyde L. Miles
Sherri M. Bowman

Evelyn M. Giebel
Floyd H. Miles, Sr.

COUNTY SCHOOL BOARD

Dr. Steve D. Fuhrmann, Chairperson

E. Preston Adkins, Vice Chairperson
Barbara C. Crawley

Helen Payne-Jones
Martha Harris

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 H. Tyler
Commissioner of the Revenue Denise B. Smith
TreasurerMindy Bradby
Sheriff..... Javier J. Smith
Superintendent of Schools.....Dr. Janet C. Crawley
Director of Social Services.....Byron M. Adkins
County Administrator..... Zach Trogdon
Chief Judge of the General District Court Colleen K. Killilea
Chief Judge of the Juvenile and Domestic Relations Court..... Richard Atlee, Jr.
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 aggregate discretely presented component units, and the major fund of the County of Charles City, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County 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 aggregate discretely presented component units, and the major fund of the County of Charles City, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated Draft, 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 other supplementary information 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 other supplementary information 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
Draft, 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, 2012. 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 \$10,712,471 (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 \$653,313 (Exhibit 5) after making contributions totaling \$4,442,584 to the School Board.

< As of the close of the current fiscal year; the County's funds reported ending fund balances of \$2,929,591, an increase of \$653,313 in comparison with the prior year.

< At the end of the current fiscal year, the unassigned fund balance was \$1,576,034, or 11% of total general fund expenditures and other uses.

< The combined long-term obligations decreased \$950,703 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 \$10,712,471 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	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 6,718,443	\$ 7,039,314	\$ 8,879	\$ 19,383	\$ 6,727,322	\$ 7,058,697
Capital assets	<u>8,485,567</u>	<u>9,260,344</u>	<u>1,852,162</u>	<u>1,941,120</u>	<u>10,337,729</u>	<u>11,201,464</u>
Total assets	<u>\$ 15,204,010</u>	<u>\$ 16,299,658</u>	<u>\$ 1,861,041</u>	<u>\$ 1,960,503</u>	<u>\$ 17,065,051</u>	<u>\$ 18,260,161</u>
Current liabilities	\$ 3,164,624	\$ 4,207,472	\$ 10,268	\$ 17,392	\$ 3,174,892	\$ 4,224,864
Long-term liabilities outstanding	<u>3,087,277</u>	<u>4,013,068</u>	<u>90,411</u>	<u>115,323</u>	<u>3,177,688</u>	<u>4,128,391</u>
Total liabilities	<u>\$ 6,251,901</u>	<u>\$ 8,220,540</u>	<u>\$ 100,679</u>	<u>\$ 132,715</u>	<u>\$ 6,352,580</u>	<u>\$ 8,353,255</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 5,816,842	\$ 5,687,069	\$ 1,768,392	\$ 1,850,283	\$ 7,585,234	\$ 7,537,352
Restricted	814,495	-	-	-	814,495	-
Unrestricted	<u>2,320,772</u>	<u>2,392,049</u>	<u>(8,030)</u>	<u>(22,495)</u>	<u>2,312,742</u>	<u>2,369,554</u>
Total net assets	<u>\$ 8,952,109</u>	<u>\$ 8,079,118</u>	<u>\$ 1,760,362</u>	<u>\$ 1,827,788</u>	<u>\$ 10,712,471</u>	<u>\$ 9,906,906</u>

Government-wide Financial Analysis (Continued)

During the current fiscal year, the County's net assets increased by \$805,565. 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	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,997,466	\$ 3,012,504	\$ 84,550	\$ 79,161	\$ 3,082,016	\$ 3,091,665
Operating grants and contributions	2,247,585	2,698,173	-	-	2,247,585	2,698,173
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
General property taxes	7,305,508	6,943,710	-	-	7,305,508	6,943,710
Other local taxes	721,386	692,967	-	-	721,386	692,967
Grants and other contributions not restricted	884,612	882,985	-	-	884,612	882,985
Other general revenues	268,169	231,532	-	-	268,169	231,532
Transfers	(241,037)	(254,449)	241,037	254,449	-	-
Total revenues	\$ 14,183,689	\$ 14,207,422	\$ 325,587	\$ 333,610	\$ 14,509,276	\$ 14,541,032
Expenses:						
General government administration	\$ 1,759,940	\$ 1,656,026	\$ -	\$ -	\$ 1,759,940	\$ 1,656,026
Judicial administration	771,759	738,044	-	-	771,759	738,044
Public safety	2,049,164	1,660,029	-	-	2,049,164	1,660,029
Public works	1,057,886	1,059,608	393,013	429,105	1,450,899	1,488,713
Health and welfare	1,354,736	1,539,830	-	-	1,354,736	1,539,830
Education	5,033,080	5,368,675	-	-	5,033,080	5,368,675
Parks, recreation, and cultural	532,630	481,388	-	-	532,630	481,388
Community development charges	634,184	972,003	-	-	634,184	972,003
	117,319	139,078	-	-	117,319	139,078
Total expenses	\$ 13,310,698	\$ 13,614,681	\$ 393,013	\$ 429,105	\$ 13,703,711	\$ 14,043,786
Change in net assets	\$ 872,991	592,741	(67,426)	(95,495)	805,565	\$ 497,246
Beginning of year	8,079,118	7,486,377	1,827,788	1,923,283	9,906,906	9,409,660
End of year	\$ 8,952,109	\$ 8,079,118	\$ 1,760,362	\$ 1,827,788	\$ 10,712,471	\$ 9,906,906

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 \$2,929,591, an increase of \$653,313 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 \$8,030. Net assets decreased by \$67,426. 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 \$320,222 and can be briefly summarized as follows:

- < \$ 57,452 increase in community development expenditures
- < \$ 16,784 decrease in health and welfare expenditures
- < \$ 126,462 increase in capital projects expenditures
- < \$ 25,750 increase in general administration expenditures
- < \$ 122,504 increase in public safety expenditures
- < \$ 4,838 net increase in various other expenditures

During the year, actual revenues and other financing sources exceeded budgetary estimates by \$77,482. Expenditures and other uses were less than budgetary estimates by \$871,195. The combination of both resulted in a net positive variance of \$948,677.

Capital Asset and Debt Administration

- < Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2012 amounts to \$8,485,567 (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 \$2,752,495. 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 \$911,617. 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 7.4% at June 30, 2012. The Commonwealth of Virginia's unemployment rate was 5.7% 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 2013 fiscal year.

The fiscal year 2013 budget decreased by approximately 3% from the adopted fiscal year 2012 budget. The real estate tax rate increased from \$.68 to \$.70 per \$100 of assessed value and all other tax rates remained the same as in 2012.

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.

County of Charles City, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 2,828,409	\$ -	\$ 2,828,409	\$ -	\$ 947,440
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,527,955	-	3,527,955	-	-
Accounts receivable	34,944	8,879	43,823	65,000	-
Leases receivable	-	-	-	-	123,768
Due from other governmental units	327,135	-	327,135	669,432	-
Capital assets (net of accumulated depreciation):					
Land and improvements	1,549,410	7,819	1,557,229	263,786	-
Buildings and improvements	6,021,294	1,821,618	7,842,912	9,442,514	-
Machinery and equipment	581,714	15,675	597,389	505,069	-
Construction in progress	333,149	7,050	340,199	-	-
Total assets	<u>\$ 15,204,010</u>	<u>\$ 1,861,041</u>	<u>\$ 17,065,051</u>	<u>\$ 10,945,801</u>	<u>\$ 1,071,208</u>
LIABILITIES					
Accounts payable	\$ 149,313	2,323	\$ 151,636	\$ 19,407	\$ -
Accrued liabilities	-	-	-	643,511	-
Reconciled overdraft payable	-	-	-	71,514	-
Customers' deposits	-	1,280	1,280	-	-
Accrued interest payable	8,517	335	8,852	1,244	-
Due to other governmental units	843	-	843	-	-
Reconciled overdraft payable	-	6,330	6,330	-	-
Deferred revenue	2,890,452	-	2,890,452	-	-
Performance bonds payable	115,499	-	115,499	-	-
Long-term liabilities:					
Due within one year	385,970	8,092	394,062	40,017	-
Due in more than one year	2,701,307	82,319	2,783,626	125,229	-
Total liabilities	<u>\$ 6,251,901</u>	<u>\$ 100,679</u>	<u>\$ 6,352,580</u>	<u>\$ 900,922</u>	<u>\$ -</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 5,816,842	\$ 1,768,392	\$ 7,585,234	\$ 10,165,380	\$ -
Restricted	814,495	-	814,495	-	-
Unrestricted (deficit)	2,320,772	(8,030)	2,312,742	(120,501)	1,071,208
Total net assets	<u>\$ 8,952,109</u>	<u>\$ 1,760,362</u>	<u>\$ 10,712,471</u>	<u>\$ 10,044,879</u>	<u>\$ 1,071,208</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, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	School Board	IDA
					Governmental Activities	Business-type Activities			
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 1,759,940	\$ -	\$ 167,116	\$ -	\$ (1,592,824)	\$ -	\$ (1,592,824)	\$ -	\$ -
Judicial administration	771,759	76,394	292,992	-	(402,373)	-	(402,373)	-	-
Public safety	2,049,164	213,230	553,157	-	(1,282,777)	-	(1,282,777)	-	-
Public works	1,057,886	2,662,626	-	-	1,604,740	-	1,604,740	-	-
Health and welfare	1,354,736	-	825,228	-	(529,508)	-	(529,508)	-	-
Education	5,033,080	-	-	-	(5,033,080)	-	(5,033,080)	-	-
Parks, recreation, and cultural	532,630	45,216	3,047	-	(484,367)	-	(484,367)	-	-
Community development	634,184	-	406,045	-	(228,139)	-	(228,139)	-	-
Interest on long-term debt	117,319	-	-	-	(117,319)	-	(117,319)	-	-
Total governmental activities	\$ 13,310,698	\$ 2,997,466	\$ 2,247,585	\$ -	\$ (8,065,647)	\$ -	\$ (8,065,647)	\$ -	\$ -
Business-type activities:									
Sanitary District	\$ 393,013	\$ 84,550	\$ -	\$ -	\$ (308,463)	\$ (308,463)	\$ (308,463)	\$ -	\$ -
Total primary government	\$ 13,703,711	\$ 3,082,016	\$ 2,247,585	\$ -	\$ (8,065,647)	\$ (308,463)	\$ (8,374,110)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 11,022,360	\$ 150,384	\$ 5,765,421	\$ -	\$ -	\$ -	\$ (5,106,555)	\$ -	\$ -
Industrial Development Authority	84,903	51,224	-	-	-	-	-	-	(33,679)
Total component units	\$ 11,107,263	\$ 201,608	\$ 5,765,421	\$ -	\$ -	\$ -	\$ (5,106,555)	\$ -	\$ (33,679)
General revenues:									
General property taxes					\$ 7,305,508	\$ -	\$ 7,305,508	\$ -	\$ -
Local sales and use taxes					485,508	-	485,508	-	-
Consumer's utility taxes					154,827	-	154,827	-	-
Other local taxes					81,051	-	81,051	-	-
Unrestricted revenues from use of money and property					23,341	-	23,341	2,129	620
Miscellaneous					227,354	-	227,354	39,383	-
Grants and contributions not restricted to specific programs					884,612	-	884,612	-	-
Gain (loss) on disposal of capital assets					17,474	-	17,474	-	-
Payment from Charles City County					-	-	-	5,032,032	-
Transfers					(241,037)	241,037	-	-	-
Total general revenues					\$ 8,938,638	\$ 241,037	\$ 9,179,675	\$ 5,073,544	\$ 620
Change in net assets					872,991	(67,426)	805,565	(33,011)	(33,059)
Net assets - beginning					8,079,118	1,827,788	9,906,906	10,077,890	1,104,267
Net assets - ending					\$ 8,952,109	\$ 1,760,362	\$ 10,712,471	\$ 10,044,879	\$ 1,071,208

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

County of Charles City, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,828,409
Receivables (net of allowance for uncollectibles):	
Taxes receivable	3,527,955
Accounts receivable	34,944
Due from other governmental units	<u>327,135</u>
Total assets	<u><u>\$ 6,718,443</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 149,313
Deferred revenue	3,523,197
Performance bonds payable	115,499
Due to other governmental units	<u>843</u>
Total liabilities	<u><u>\$ 3,788,852</u></u>
Fund balances:	
Restricted	\$ 814,495
Committed	539,062
Unassigned	<u>1,576,034</u>
Total fund balances	<u><u>\$ 2,929,591</u></u>
Total liabilities and fund balances	<u><u>\$ 6,718,443</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, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	2,929,591
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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, cost	\$ 14,899,884	
Accumulated depreciation	<u>(6,414,317)</u>	8,485,567

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		632,745
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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	\$ (2,648,231)	
Compensated absences	(328,452)	
Capital lease obligations	(20,494)	
OPEB liability	(90,100)	
Accrued interest payable	<u>(8,517)</u>	(3,095,794)

Net assets of governmental activities	\$	<u><u>8,952,109</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, 2012

		<u>General</u>
REVENUES		
General property taxes	\$	7,246,242
Other local taxes		721,386
Permits, privilege fees, and regulatory licenses		2,746,988
Fines and forfeitures		1,202
Revenue from the use of money and property		23,341
Charges for services		249,276
Miscellaneous		227,354
Recovered costs		101,572
Intergovernmental revenues:		
Commonwealth		2,234,387
Federal		897,810
Total revenues	\$	<u>14,449,558</u>
EXPENDITURES		
Current:		
General government administration	\$	1,599,706
Judicial administration		635,502
Public safety		2,052,116
Public works		972,931
Health and welfare		1,339,500
Education		4,443,632
Parks, recreation, and cultural		537,786
Community development		627,515
Capital projects		332,727
Debt service:		
Principal retirement		925,044
Interest and other fiscal charges		126,717
Total expenditures	\$	<u>13,593,176</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>856,382</u>
OTHER FINANCING SOURCES (USES)		
Transfers out	\$	(241,037)
Issuance of capital leases		20,494
Sale of capital assets		17,474
Total other financing sources (uses)	\$	<u>(203,069)</u>
Net change in fund balances	\$	653,313
Fund balances - beginning		2,276,278
Fund balances - ending	\$	<u>2,929,591</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, 2012**

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

Net change in fund balances - total governmental funds	\$	653,313
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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	\$	252,368	
Activity related to jointly owned assets of Component Unit School Board and Primary Government		(589,448)	
Depreciation expense		<u>(437,697)</u>	(774,777)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred tax revenue	\$	<u>59,266</u>	59,266
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The following is a summary of items supporting this adjustment:

Principal retirement on lease revenue bonds	\$	330,179	
Principal retirement on capital leases		5,417	
Issuance of capital leases		(20,494)	
Principal retirement on general obligation bonds		<u>589,448</u>	904,550

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	\$	21,241	
(Increase) decrease in OPEB liability		-	
(Increase) decrease in accrued interest payable		<u>9,398</u>	30,639

Change in net assets of governmental activities	\$	<u><u>872,991</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 Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Fund
	<u>Sanitary District</u>
ASSETS	
Current assets:	
Accounts receivable, net of allowance for uncollectibles	\$ 8,879
Total current assets	\$ 8,879
Noncurrent assets:	
Capital assets:	
Utility plant in service	\$ 3,807,336
Machinery and equipment	40,900
Less accumulated depreciation	(2,010,943)
Construction in progress	7,050
Land and improvements	7,819
Total capital assets	\$ 1,852,162
Total noncurrent assets	\$ 1,852,162
Total assets	\$ 1,861,041
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 2,323
Customers' deposits	1,280
Accrued interest payable	335
Compensated absences	664
Reconciled overdraft payable	6,330
Bonds payable - current portion	7,428
Total current liabilities	\$ 18,360
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 76,342
Compensated absences	5,977
Total noncurrent liabilities	\$ 82,319
Total liabilities	\$ 100,679
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,768,392
Unrestricted	(8,030)
Total net assets	\$ 1,760,362

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, 2012

	Enterprise Fund
	Sanitary District
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 75,878
Connection fees	8,672
Total operating revenues	\$ 84,550
OPERATING EXPENSES	
Water	\$ 40,031
Wastewater	87,496
Industrial center	87,180
Government utility	61,664
Special projects	16,253
Depreciation	96,008
Total operating expenses	\$ 388,632
Operating income (loss)	\$ (304,082)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (4,381)
Total nonoperating revenues (expenses)	\$ (4,381)
Income before contributions and transfers	(308,463)
Transfers in	\$ 241,037
Change in net assets	\$ (67,426)
Total net assets - beginning	1,827,788
Total net assets - ending	\$ 1,760,362

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, 2012

	Enterprise Fund
	Sanitary District
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 82,920
Payments for operating activities	(323,864)
Net cash provided (used) by operating activities	\$ (240,944)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 241,037
Net cash provided (used) by noncapital financing activities	\$ 241,037
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to capital assets	\$ (7,050)
Principal payments on bonds	(7,067)
Interest payments	(4,440)
Net cash provided (used) by capital and related financing activities	\$ (18,557)
Net increase (decrease) in cash and cash equivalents	\$ (18,464)
Cash and cash equivalents - beginning	12,134
Cash and cash equivalents - ending	\$ (6,330)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (304,082)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 96,008
(Increase) decrease in accounts receivable	(1,630)
Increase (decrease) in accounts payable and accrued liabilities	(31,240)
Total adjustments	\$ 63,138
Net cash provided (used) by operating activities	\$ (240,944)

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, 2012

	Agency Funds
ASSETS	
Cash and cash equivalents	<u>\$ 31,588</u>
LIABILITIES	
Amounts held for social services clients	<u>\$ 31,588</u>

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

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012

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, 2012 (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, 2012 (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, 2012.

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, 2012.

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, 2012. 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, 2012, the County contributed \$73,475 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.

2. 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.

3. 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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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.

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

G. Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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" (i.e. the noncurrent portion of interfund loans).

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 \$143,395 at June 30, 2012 and is comprised of property taxes of \$138,768 and water and sewer charges of \$4,627.

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, 2012 (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 the asset's life 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>
Buildings	40
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, 2012 (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	\$ 305,815
Grants fund	104,764
Debt service reserve	403,916
Total Restricted Fund Balance	<u>\$ 814,495</u>
Committed to:	
E-911	\$ 154,779
Performance bonds	115,499
Landfill closure	253,178
Central gas	14,763
Sheriff's collections	843
Total Committed Fund Balance	<u>\$ 539,062</u>
Unassigned Fund Balance	<u>\$ 1,576,034</u>
Total Fund Balances	<u><u>\$ 2,929,591</u></u>

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, 2012 (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, 2012 (Continued)

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the following departments/functions at June 30, 2012:

General Fund:	
Board of Supervisors	\$ 937
County Administrator	16,845
Legal Services	4,230
Commissioner of Revenue	2,002
Motor Pool	983
Other general administration	74,039
Electoral Board and Officials	2,928
Courthouse security fund	476
Sheriff-Courts	40,437
Sheriff	52,397
Ambulance and Rescue Services	2,490
Confinement and care of prisoners	64,711
Animal Control	9,471
Emergency services	46,569
Medical examiner	335
General Properties	37,234
Supplement to local health department	9,720
Parks and Recreation	68,802
Library	5,033
Indoor plumbing	267,079
Library design/bid	106,156
Principal retirement	5,010
Interest and other fiscal charges	3,179
School Fund:	
School Food	39,884
Principal retirement	1,026
Interest and other fiscal charges	4,188

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.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 3 - Deposits and Investments: (Continued)

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).

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2012 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</u>	<u>IDA</u>
	<u>AAAm</u>	<u>AAAm</u>
Local Government Investment Pool	\$ 438	\$ -
Money Market Mutual Fund	<u>403,916</u>	<u>857,995</u>
Total	<u>\$ 404,354</u>	<u>\$ 857,995</u>

Interest Rate Risk

	<u>Investment Maturities (in years)</u>			
	<u>County</u>		<u>IDA</u>	
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than</u>	<u>Fair Value</u>	<u>Less Than</u>
		<u>1 Year</u>		<u>1 Year</u>
Money Market Mutual Funds	\$ 403,916	\$ 403,916	\$ 857,995	\$ 857,995
Total	<u>\$ 403,916</u>	<u>\$ 403,916</u>	<u>\$ 857,995</u>	<u>\$ 857,995</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, 2012 (Continued)

Note 4—Due to/from Other Governments:

At June 30, 2012, 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	\$ 107,668	\$ -
Shared expenses	75,350	-
Recordation tax	3,195	-
E-911 wireless	3,333	-
VPA funds	19,299	-
Mobile home titling tax	1,739	-
PSAP grant	582	-
Circuit court - jurors		-
State Sales Tax	-	150,762
Fire programs	2,741	-
Comprehensive services act	22,224	-
Communications tax	26,958	-
Local law enforcement block grant		-
Federal Government:		
School fund grants	-	518,670
CDBG	33,235	-
VPA funds	30,811	-
Total due from other governments	\$ <u>327,135</u>	\$ <u>669,432</u>

At June 30, 2012, amounts due to other local governments are as follows:

Other Local Governments:		
Sheriff's collections	\$ <u>843</u>	\$ <u>-</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Primary Government:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,549,410	\$ -	\$ -	\$ 1,549,410
Construction in Progress	226,993	106,156	-	333,149
Total capital assets not subject to depreciation	<u>\$ 1,776,403</u>	<u>\$ 106,156</u>	<u>\$ -</u>	<u>\$ 1,882,559</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 10,248,981	\$ -	\$ -	\$ 10,248,981
Equipment	2,796,459	146,212	174,327	2,768,344
Jointly owned assets	1,111,993	-	1,111,993	-
Total capital assets being depreciated	<u>\$ 14,157,433</u>	<u>\$ 146,212</u>	<u>\$ 1,286,320</u>	<u>\$ 13,017,325</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 3,976,723	\$ 250,964	\$ -	\$ 4,227,687
Equipment	2,174,224	186,733	174,327	2,186,630
Jointly owned assets	522,545	31,795	554,340	-
Total accumulated depreciation	<u>\$ 6,673,492</u>	<u>\$ 469,492</u>	<u>\$ 728,667</u>	<u>\$ 6,414,317</u>
Total capital assets subject to depreciation, net	<u>\$ 7,483,941</u>	<u>\$ (323,280)</u>	<u>\$ 557,653</u>	<u>\$ 6,603,008</u>
Net capital assets primary government	<u>\$ 9,260,344</u>	<u>\$ (217,124)</u>	<u>\$ 557,653</u>	<u>\$ 8,485,567</u>
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 7,819	\$ -	\$ -	\$ 7,819
Construction in Progress	-	7,050	-	7,050
Total capital assets not subject to depreciation	<u>\$ 7,819</u>	<u>\$ 7,050</u>	<u>\$ -</u>	<u>\$ 14,869</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,807,336	\$ -	\$ -	\$ 3,807,336
Equipment	40,900	-	-	40,900
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	\$ 1,888,060	\$ 95,183	\$ -	\$ 1,983,243
Equipment	26,875	825	-	27,700
Total accumulated depreciation	<u>\$ 1,914,935</u>	<u>\$ 96,008</u>	<u>\$ -</u>	<u>\$ 2,010,943</u>
Total capital assets subject to depreciation, net	<u>\$ 1,933,301</u>	<u>\$ (96,008)</u>	<u>\$ -</u>	<u>\$ 1,837,293</u>
Net capital assets enterprise fund	<u>\$ 1,941,120</u>	<u>\$ (88,958)</u>	<u>\$ -</u>	<u>\$ 1,852,162</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Component Unit-School Board:				
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	2,735,775	-	129,334	2,606,441
Jointly owned assets	<u>17,570,989</u>	<u>-</u>	<u>(1,111,993)</u>	<u>18,682,982</u>
Total capital assets being depreciated	<u>\$ 20,398,264</u>	<u>\$ -</u>	<u>\$ (982,659)</u>	<u>\$ 21,380,923</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 13,725	\$ 4,575	\$ -	\$ 18,300
Equipment	2,083,629	147,077	129,334	2,101,372
Jointly owned assets	<u>8,256,917</u>	<u>502,411</u>	<u>(554,340)</u>	<u>9,313,668</u>
Total accumulated depreciation	<u>\$ 10,354,271</u>	<u>\$ 654,063</u>	<u>\$ (425,006)</u>	<u>\$ 11,433,340</u>
Total capital assets subject to depreciation, net	<u>\$ 10,043,993</u>	<u>\$ (654,063)</u>	<u>\$ (557,653)</u>	<u>\$ 9,947,583</u>
Net capital assets Component Unit-School Board	<u>\$ 10,307,779</u>	<u>\$ (654,063)</u>	<u>\$ (557,653)</u>	<u>\$ 10,211,369</u>

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

Governmental activities:	
General government	\$ 93,498
Judicial administration	133,239
Public safety	137,840
Public works	14,745
Health and welfare	10,000
Education	31,795
Parks, recreation and cultural	35,737
Community development	12,638
Total Governmental activities	<u>\$ 469,492</u>
Business-type activities	<u>\$ 96,008</u>
Component Unit School Board	<u>\$ 654,063</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 6—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 241,037
Sanitary District	<u>241,037</u>	<u>-</u>
Total	<u>\$ 241,037</u>	<u>\$ 241,037</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 obligation transactions of the County for the fiscal year ended June 30, 2012:

	<u>Balance at July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County:					
Claims, judgments and compensated absences payable	\$ 349,693	\$ 13,728	\$ 34,969	\$ 328,452	\$ 32,845
Lease revenue bond payable	2,978,410	-	330,179	2,648,231	342,537
Capital lease obligations (Note 8)	5,417	20,494	5,417	20,494	9,924
OPEB liability	<u>90,100</u>	<u>-</u>	<u>-</u>	<u>90,100</u>	<u>-</u>
Total incurred by County	<u>\$ 3,423,620</u>	<u>\$ 34,222</u>	<u>\$ 370,565</u>	<u>\$ 3,087,277</u>	<u>\$ 385,306</u>
Incurred by School Board:					
General obligation bonds payable	<u>\$ 589,448</u>	<u>\$ -</u>	<u>\$ 589,448</u>	<u>\$ -</u>	<u>-</u>
Total incurred by School Board	<u>\$ 589,448</u>	<u>\$ -</u>	<u>\$ 589,448</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Obligations	<u>\$ 4,013,068</u>	<u>\$ 34,222</u>	<u>\$ 960,013</u>	<u>\$ 3,087,277</u>	<u>\$ 385,306</u>
Enterprise Obligations:					
Claims, judgments and compensated absences payable	\$ 24,486	-	\$ 17,845	\$ 6,641	\$ 664
Revenue bonds payable	<u>90,837</u>	<u>-</u>	<u>7,067</u>	<u>83,770</u>	<u>7,428</u>
Total Enterprise Obligations	<u>\$ 115,323</u>	<u>\$ -</u>	<u>\$ 24,912</u>	<u>\$ 90,411</u>	<u>\$ 8,092</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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
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>2,648,231</u>	\$ <u>355,350</u>

Year Ending June 30	Enterprise Fund	
	Revenue Bonds Payable	
	Principal	Interest
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	\$ <u>83,770</u>	\$ <u>20,738</u>

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations:

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%.

\$ 2,648,231

Capital Leases Payable:

\$20,494 2012 Chevy Tahoe lease issued on January 5, 2012, due in annual installments of \$5,735 on each January 5 through 2014.

\$ 20,494

Total capital leases payable

\$ 20,494

OPEB liability (payable from the General Fund)

\$ 90,100

Compensated absences (payable from the General Fund)

\$ 335,093

Total Incurred by County

\$ 3,093,918

Total Governmental Obligations

\$ 3,093,918

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Detail of long-term obligations: (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>83,770</u>
Compensated absences (payable from the Enterprise Fund)	\$ <u>6,641</u>
Total Enterprise obligations	\$ <u><u>90,411</u></u>

Component Unit-School Board:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2012:

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012	Amounts Due Within One Year
Claims, judgments and compensated absences payable	\$ 146,761	\$ -	\$ 27,504	\$ 119,257	\$ 11,926
Capital lease obligations (Note 8)	<u>83,003</u>	<u>-</u>	<u>37,014</u>	<u>45,989</u>	<u>28,091</u>
Total Component Unit-School Board	<u><u>\$ 229,764</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 64,518</u></u>	<u><u>\$ 165,246</u></u>	<u><u>\$ 40,017</u></u>

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7—Long-Term Obligations: (Continued)

Component Unit-School Board: (continued)

Detail of long-term obligations: (Continued)

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%.	\$ 35,184
\$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%.	<u>10,805</u>
Total Capital Leases Payable	<u>\$ 45,989</u>
Compensated absences (payable from the School Fund)	<u>\$ 119,257</u>
Total Component Unit-School Board	<u><u>\$ 165,246</u></u>

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COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 8—Capital Leases:

The government has entered into lease agreements as lessee for financing the acquisition of school buses and a police vehicle. 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
Asset:		
Equipment	\$ 31,750	\$ 138,544
Less: accumulated depreciation	(6,350)	(41,563)
Total	\$ 25,400	\$ 96,981

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

Year Ended June 30	Primary Government	Component Unit School Board
2013	\$ 11,256	\$ 29,955
2014	11,356	18,707
Total minimum lease payments	\$ 22,612	\$ 48,662
Less: amount representing interest	(2,118)	(2,673)
Present value of minimum lease payments	\$ 20,494	\$ 45,989

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, 2012 (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 \$3,523,197 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,367,112 at June 30, 2012.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012 but paid in advance by the taxpayers totaled \$156,085 at June 30, 2012.

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, 2012, 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, 2012 (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, 2012, 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 (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS Website at: <http://varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (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 2012 were 9.49% and .49% of annual covered payroll, respectively.

The School Board’s professional employees contributed \$289,741, \$183,084, and \$316,337, to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011, and 2010 respectively. The School Board’s rate was 6.33%, 3.93% and 8.81% of annual covered payroll, respectively.

C. Annual Pension Cost

For the fiscal year 2012, the County’s annual pension cost of \$262,941 (which does not include the portion of the employee share which was \$138,536) was equal to the County’s required and actual contributions.

For the fiscal year 2012, the County School Board’s annual pension cost for the Board’s non-professional employees was \$1,459 (which does not include the employees portion assumed by the School Board of \$14,888) 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, 2012	\$ 262,941	100%	\$ -
June 30, 2011	264,562	100%	-
June 30, 2010	244,481	100%	-
School Board:			
Non-Professional:			
June 30, 2012	\$ 1,459	100%	\$ -
June 30, 2011	1,478	100%	-
June 30, 2010	-	100%	-

(1) Employer portion only

COUNTY OF CHARLES CITY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 15 – Defined Benefit Pension Plan (Continued):

C. Annual Pension Cost (Continued)

The fiscal year 2012 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, 2011, the most recent actuarial valuation date, the plan was 75.74% funded. The actuarial accrued liability for benefits was \$13,832,908, and the actuarial value of assets was \$10,477,029, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,355,879. The covered payroll (annual payroll of active employees covered by the plan) was \$2,864,035, and ratio of the UAAL to the covered payroll was 117.17%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board's Non-Professional's plan was 103.16% funded. The actuarial accrued liability for benefits was \$1,567,960 and the actuarial value of assets was \$1,617,553, resulting in an unfunded actuarial accrued liability (UAAL) of (\$49,593). The covered payroll (annual payroll of active employees covered by the plan) was \$301,579 and ratio of the UAAL to the covered payroll was (16.44%).

The schedule of funding progress, presented as required supplementary information (RSI) 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
Mindy 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, 2012 (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, 2012 (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 2012 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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, 2012 (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, 2012, 2011, and 2010 were \$27,464, \$27,952, and \$37,343, respectively and equaled the required contributions for each year.

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, 2012

	<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	\$ 7,253,475	\$ 7,253,475	\$ 7,246,242	\$ (7,233)
Other local taxes	538,800	538,800	721,386	182,586
Permits, privilege fees, and regulatory licenses	2,723,710	2,723,710	2,746,988	23,278
Fines and forfeitures	4,000	4,000	1,202	(2,798)
Revenue from the use of money and property	38,350	38,350	23,341	(15,009)
Charges for services	206,687	208,450	249,276	40,826
Miscellaneous	108,390	108,893	227,354	118,461
Recovered costs	47,918	47,918	101,572	53,654
Intergovernmental revenues:				
Commonwealth	2,645,927	2,775,670	2,234,387	(541,283)
Federal	646,378	665,778	897,810	232,032
Total revenues	<u>\$ 14,213,635</u>	<u>\$ 14,365,044</u>	<u>\$ 14,449,558</u>	<u>\$ 84,514</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,491,956	\$ 1,517,706	\$ 1,599,706	\$ (82,000)
Judicial administration	589,283	618,284	635,502	(17,218)
Public safety	1,872,435	1,994,939	2,052,116	(57,177)
Public works	1,037,777	1,037,777	972,931	64,846
Health and welfare	2,239,949	2,223,165	1,339,500	883,665
Education	4,782,264	4,782,264	4,443,632	338,632
Parks, recreation, and cultural	470,652	471,155	537,786	(66,631)
Community development	326,184	383,636	627,515	(243,879)
Nondepartmental	100,000	75,334	-	75,334
Capital projects	175,585	302,047	332,727	(30,680)
Debt service:				
Principal retirement	908,123	919,085	925,044	(5,959)
Interest and other fiscal charges	135,449	124,487	126,717	(2,230)
Total expenditures	<u>\$ 14,129,657</u>	<u>\$ 14,449,879</u>	<u>\$ 13,593,176</u>	<u>\$ 856,703</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 83,978</u>	<u>\$ (84,835)</u>	<u>\$ 856,382</u>	<u>\$ 941,217</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (255,259)	\$ (255,529)	\$ (241,037)	\$ 14,492
Issuance of capital leases	-	-	20,494	20,494
Sale of property	45,000	45,000	17,474	(27,526)
Total other financing sources (uses)	<u>\$ (210,259)</u>	<u>\$ (210,529)</u>	<u>\$ (203,069)</u>	<u>\$ 7,460</u>
Net change in fund balances	\$ (126,281)	\$ (295,364)	\$ 653,313	\$ 948,677
Fund balances - beginning	126,281	295,364	2,276,278	1,980,914
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,929,591</u>	<u>\$ 2,929,591</u>

County of Charles City, Virginia
Schedule of Funding Progress-Virginia Retirement System
For The Year Ended June 30, 2012

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:						
6/30/2011	\$ 10,477,029	\$ 13,832,908	\$ 3,355,879	75.74%	\$ 2,864,035	117.17%
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%
School Board Non-Professionals:						
6/30/2011	\$ 1,617,553	\$ 1,567,960	\$ (49,593)	103.16%	\$ 301,579	-16.44%
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%

County of Charles City, Virginia

Schedule of Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2012

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Payroll ((b-a)/c)
County:						
6/30/2009	\$ -	\$ 613,000	\$ 613,000	0.00%	\$ 2,667,500	22.98%
6/30/2012						

County of Charles City, Virginia

Fiduciary Funds
 Statement of Changes in Fiduciary Net Assets - Agency Funds
 For the Year Ended June 30, 2012

	<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	\$ 40,363	\$ 6,834	\$ 15,609	\$ 31,588
Liabilities:				
Amounts held for social services clients	\$ 40,363	\$ 6,834	\$ 15,609	\$ 31,588

County of Charles City, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	School Operating Fund
ASSETS	
Receivables (net of allowance for uncollectibles):	
Accounts receivable	\$ 65,000
Due from other governmental units	669,432
Total assets	\$ 734,432
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 19,407
Accrued liabilities	643,511
Reconciled overdraft payable	71,514
Total liabilities	\$ 734,432
Fund balances:	
Committed	\$ -
Total fund balances	\$ -
Total liabilities and fund balances	\$ -

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, cost	\$ 21,644,709	
Accumulated depreciation	(11,433,340)	10,211,369

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	\$ (45,989)	
Compensated absences	(119,257)	
Accrued interest payable	(1,244)	(166,490)

Net assets of governmental activities	\$	10,044,879
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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, 2012

		School Operating Fund
REVENUES		
Revenue from the use of money and property	\$	2,129
Charges for services		150,384
Miscellaneous		39,383
Recovered costs		159,268
Intergovernmental revenues:		
Local government		4,442,584
Commonwealth		4,374,588
Federal		1,390,833
Total revenues	<u>\$</u>	<u>10,559,169</u>
EXPENDITURES		
Current:		
Education	\$	10,517,966
Debt service:		
Principal retirement		37,014
Interest and other fiscal charges		4,189
Total expenditures	<u>\$</u>	<u>10,559,169</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	\$	-
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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:

Activity related to jointly owned assets of Component Unit School Board and Primary Government	\$	589,448	
Depreciation expense		<u>(685,858)</u>	(96,410)

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>37,014</u>	37,014
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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	\$	27,504	
(Increase) decrease in accrued interest payable		<u>(1,119)</u>	26,385

Change in net assets of governmental activities	<u>\$</u>	<u>(33,011)</u>
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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, 2012

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Appropriated	Actual	
REVENUES				
Revenue from the use of money and property	\$ 1,800	\$ 1,800	\$ 2,129	\$ 329
Charges for services	256,253	256,253	150,384	(105,869)
Miscellaneous	39,730	50,724	39,383	(11,341)
Recovered costs	7,500	236,923	159,268	(77,655)
Intergovernmental revenues:				
Local government	4,781,216	4,781,216	4,442,584	(338,632)
Commonwealth	4,561,692	4,562,818	4,374,588	(188,230)
Federal	1,059,684	1,615,303	1,390,833	(224,470)
Total revenues	<u>\$ 10,707,875</u>	<u>\$ 11,505,037</u>	<u>\$ 10,559,169</u>	<u>\$ (945,868)</u>
EXPENDITURES				
Current:				
Education	\$ 10,671,886	\$ 11,469,048	\$ 10,517,966	\$ 951,082
Debt service:				
Principal retirement	35,989	35,989	37,014	(1,025)
Interest and other fiscal charges	-	-	4,189	(4,189)
Total expenditures	<u>\$ 10,707,875</u>	<u>\$ 11,505,037</u>	<u>\$ 10,559,169</u>	<u>\$ 945,868</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>

County of Charles City, Virginia
Statement of Net Assets
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$	89,445
Investments		857,995
Leases receivable		123,768
Total current assets	\$	1,071,208
Total assets	\$	1,071,208

NET ASSETS

Unrestricted	\$	1,071,208
Total net assets	\$	1,071,208

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, 2012

OPERATING REVENUES

Charges for services:

Bond fees	\$ 51,224
Total operating revenues	<u>\$ 51,224</u>

OPERATING EXPENSES

Other expenses	\$ 84,903
Total operating expenses	<u>\$ 84,903</u>

Operating income (loss)	<u>\$ (33,679)</u>
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NONOPERATING REVENUES (EXPENSES)

Investment earnings	\$ 620
Total nonoperating revenues (expenses)	<u>\$ 620</u>

Change in net assets	\$ (33,059)
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Total net assets - beginning	1,104,267
Total net assets - ending	<u><u>\$ 1,071,208</u></u>

County of Charles City, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 51,224
Payments for operating activities	(84,903)
Net cash provided (used) by operating activities	<u>\$ (33,679)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	\$ 19
Net cash provided (used) by investing activities	<u>\$ 19</u>

Net increase (decrease) in cash and cash equivalents \$ (33,660)

Cash and cash equivalents - beginning	123,105
Cash and cash equivalents - ending	<u><u>\$ 89,445</u></u>

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

Operating income (loss)	\$ (33,679)
Total adjustments	<u>\$ -</u>
Net cash provided (used) by operating activities	<u><u>\$ (33,679)</u></u>

County of Charles City, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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<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	\$ 5,516,300	\$ 5,516,300	\$ 5,196,752	\$ (319,548)
Real and personal public service corporation taxes	310,000	310,000	431,587	121,587
Personal property taxes	1,121,575	1,121,575	1,276,817	155,242
Mobile home taxes	9,600	9,600	8,198	(1,402)
Machinery and tools taxes	167,000	167,000	150,967	(16,033)
Merchant's capital taxes	22,000	22,000	21,906	(94)
Penalties	65,000	65,000	103,361	38,361
Interest	42,000	42,000	56,654	14,654
Total general property taxes	<u>\$ 7,253,475</u>	<u>\$ 7,253,475</u>	<u>\$ 7,246,242</u>	<u>\$ (7,233)</u>
Other local taxes:				
Local sales and use taxes	\$ 350,000	\$ 350,000	\$ 485,508	\$ 135,508
Consumers' utility taxes	137,300	137,300	154,827	17,527
Consumption tax	40,000	40,000	42,794	2,794
Cable television franchise license tax	3,000	3,000	5,495	2,495
Motor vehicle licenses	500	500	150	(350)
Taxes on recordation and wills	8,000	8,000	32,612	24,612
Total other local taxes	<u>\$ 538,800</u>	<u>\$ 538,800</u>	<u>\$ 721,386</u>	<u>\$ 182,586</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 11,000	\$ 11,000	\$ 10,289	\$ (711)
Transfer fees	200	200	231	31
Landfill host fees	2,655,760	2,655,760	2,662,626	6,866
Permits and other licenses	56,750	56,750	73,842	17,092
Total permits, privilege fees, and regulatory licenses	<u>\$ 2,723,710</u>	<u>\$ 2,723,710</u>	<u>\$ 2,746,988</u>	<u>\$ 23,278</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 4,000	\$ 4,000	\$ 1,202	\$ (2,798)
Revenue from use of money and property:				
Revenue from use of money	\$ 9,000	\$ 9,000	\$ 4,937	\$ (4,063)
Revenue from use of property	29,350	29,350	18,404	(10,946)
Total revenue from use of money and property	<u>\$ 38,350</u>	<u>\$ 38,350</u>	<u>\$ 23,341</u>	<u>\$ (15,009)</u>
Charges for services:				
Clerk's interest fees	\$ 200	\$ 200	\$ 121	\$ (79)
Sheriff's fees	350	350	(205)	(555)
Courthouse maintenance fees	2,500	2,500	2,722	222
Courthouse security fees	12,000	12,000	11,969	(31)
Court fees	42,900	44,663	58,446	13,783
Commonwealth's attorney fees	300	300	548	248
Charges for parks and recreation	27,050	27,050	45,216	18,166
Charges for other protection	2,000	2,000	3,545	1,545
Document reproduction fees	2,014	2,014	1,386	(628)
Charges for EMS transport	117,373	117,373	125,528	8,155
Total charges for services	<u>\$ 206,687</u>	<u>\$ 208,450</u>	<u>\$ 249,276</u>	<u>\$ 40,826</u>
Miscellaneous revenue:				
Miscellaneous	\$ 108,390	\$ 108,893	\$ 227,354	\$ 118,461

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
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<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	\$ 2,130	\$ (870)
Sheriff support -- IDA	44,918	44,918	34,679	(10,239)
Central gas receipts	-	-	14,763	14,763
Library design/bid -- IDA	-	-	50,000	50,000
Total recovered costs	<u>\$ 47,918</u>	<u>\$ 47,918</u>	<u>\$ 101,572</u>	<u>\$ 53,654</u>
Total revenue from local sources	<u>\$ 10,921,330</u>	<u>\$ 10,923,596</u>	<u>\$ 11,317,361</u>	<u>\$ 393,765</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 12,000	\$ 12,000	\$ 7,273	\$ (4,727)
Rolling stock tax	5,000	5,000	6,078	1,078
Communications tax	138,000	138,000	157,847	19,847
State recordation tax	42,800	42,800	22,451	(20,349)
Personal property tax relief funds	690,963	690,963	690,963	-
Total noncategorical aid	<u>\$ 888,763</u>	<u>\$ 888,763</u>	<u>\$ 884,612</u>	<u>\$ (4,151)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 150,155	\$ 150,155	\$ 148,171	\$ (1,984)
Sheriff	470,594	479,849	454,792	(25,057)
Commissioner of revenue	59,256	59,256	59,156	(100)
Treasurer	64,350	72,402	63,939	(8,463)
Registrar/electoral board	26,364	36,541	33,896	(2,645)
Clerk of the Circuit Court	135,579	153,943	144,821	(9,122)
Total shared expenses	<u>\$ 906,298</u>	<u>\$ 952,146</u>	<u>\$ 904,775</u>	<u>\$ (47,371)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 323,977	\$ 323,977	\$ 249,270	\$ (74,707)
Comprehensive services act program	444,115	444,115	79,785	(364,330)
Emergency medical services	8,500	8,500	8,404	(96)
Asset forfeiture	4,274	7,309	-	(7,309)
Local law enforcement block grant	-	1,305	1,305	-
Litter control	-	4,998	4,998	-
Emergency services	12,000	12,000	8,000	(4,000)
Chesapeake bay implementation grant	-	-	5,610	5,610
Wireless grant	40,000	40,000	40,000	-
PSAP grant	-	69,582	2,000	(67,582)
Fire programs fund	18,000	18,000	19,397	1,397
Indoor plumbing grant	-	-	17,601	17,601
Other state funds	-	4,975	8,630	3,655
Total other categorical aid	<u>\$ 850,866</u>	<u>\$ 934,761</u>	<u>\$ 445,000</u>	<u>\$ (489,761)</u>
Total categorical aid	<u>\$ 1,757,164</u>	<u>\$ 1,886,907</u>	<u>\$ 1,349,775</u>	<u>\$ (537,132)</u>
Total revenue from the Commonwealth	<u>\$ 2,645,927</u>	<u>\$ 2,775,670</u>	<u>\$ 2,234,387</u>	<u>\$ (541,283)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Categorical aid:				
Public assistance and welfare administration	\$ 644,878	\$ 644,878	\$ 496,173	\$ (148,705)

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
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<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	\$ -	\$ -	\$ 179,231	\$ 179,231
Registrar/Electoral Board grant	-	-	1,495	1,495
Community development block grant	-	-	198,605	198,605
Transportation safety	-	19,400	19,259	(141)
USDA summer food	-	-	3,047	3,047
Total categorical aid	<u>\$ 644,878</u>	<u>\$ 664,278</u>	<u>\$ 897,810</u>	<u>\$ 233,532</u>
Total revenue from the federal government	<u>\$ 646,378</u>	<u>\$ 665,778</u>	<u>\$ 897,810</u>	<u>\$ 232,032</u>
Total General Fund	<u>\$ 14,213,635</u>	<u>\$ 14,365,044</u>	<u>\$ 14,449,558</u>	<u>\$ 84,514</u>
Total Primary Government	<u>\$ 14,213,635</u>	<u>\$ 14,365,044</u>	<u>\$ 14,449,558</u>	<u>\$ 84,514</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	\$ 1,800	\$ 1,800	\$ 2,129	\$ 329
Total revenue from use of money and property	<u>\$ 1,800</u>	<u>\$ 1,800</u>	<u>\$ 2,129</u>	<u>\$ 329</u>
Charges for services:				
School food service	\$ 250,000	\$ 250,000	\$ 150,384	\$ (99,616)
Tuition and payments from other divisions	6,253	6,253	-	(6,253)
Total charges for services	<u>\$ 256,253</u>	<u>\$ 256,253</u>	<u>\$ 150,384</u>	<u>\$ (105,869)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 39,730	\$ 50,724	\$ 39,383	\$ (11,341)
Recovered costs:				
Workforce investment act	\$ -	\$ 229,423	\$ 157,256	\$ (72,167)
Transportation - recreation department	7,500	7,500	2,012	(5,488)
Total recovered costs	<u>\$ 7,500</u>	<u>\$ 236,923</u>	<u>\$ 159,268</u>	<u>\$ (77,655)</u>
Total revenue from local sources	<u>\$ 305,283</u>	<u>\$ 545,700</u>	<u>\$ 351,164</u>	<u>\$ (194,536)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Charles City, Virginia	\$ 4,781,216	\$ 4,781,216	\$ 4,442,584	\$ (338,632)
Total revenues from local governments	<u>\$ 4,781,216</u>	<u>\$ 4,781,216</u>	<u>\$ 4,442,584</u>	<u>\$ (338,632)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 810,634	\$ 810,634	\$ 828,454	\$ 17,820
Basic school aid	2,229,015	2,229,015	2,188,204	(40,811)
Regular foster care	41,674	41,674	15,023	(26,651)
Gifted and talented	20,354	20,354	20,061	(293)
Remedial education	75,084	75,084	74,003	(1,081)
Special education	448,240	448,240	447,223	(1,017)
Textbook payment	18,345	18,345	-	(18,345)
GED funding	7,859	7,859	7,859	-
Vocational education	86,482	86,482	85,513	(969)
English as a second language	10,214	10,214	6,384	(3,830)

County of Charles City, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
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<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	\$ 276,815	\$ 276,815	\$ 272,830	\$ (3,985)
Technology grant	128,000	128,000	12,451	(115,549)
Early reading intervention	15,852	15,852	7,045	(8,807)
Remedial Ed-Summer School	531	531	9,824	9,293
Supplemental support for school operating costs	58,629	58,629	57,785	(844)
School food program	10,305	10,305	10,015	(290)
At risk payments	219,988	219,988	218,082	(1,906)
Primary class size	89,623	89,623	83,136	(6,487)
Standards of Learning algebra readiness	12,593	12,593	10,831	(1,762)
Mentor teacher	269	1,395	1,126	(269)
Other state	-	-	18,082	18,082
Homebound	1,186	1,186	657	(529)
Total categorical aid	<u>\$ 4,561,692</u>	<u>\$ 4,562,818</u>	<u>\$ 4,374,588</u>	<u>\$ (188,230)</u>
Total revenue from the Commonwealth	<u>\$ 4,561,692</u>	<u>\$ 4,562,818</u>	<u>\$ 4,374,588</u>	<u>\$ (188,230)</u>
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 200,000	\$ 200,000	\$ 200,910	\$ 910
Title I	156,793	322,879	291,168	(31,711)
Title I - ARRA	-	23,398	23,398	-
Commodities	-	-	15,901	15,901
Vocational education	16,200	16,200	24,557	8,357
Drug free schools	1,000	1,896	1,896	-
Title VIB	303,008	313,654	258,928	(54,726)
Title VIB - ARRA	-	112,575	111,588	(987)
1003 G school improvement	-	220,588	126,665	(93,923)
Education technology - ARRA	-	4,837	4,837	-
Education technology	-	1,481	1,910	429
Preschool grant	8,000	19,615	8,859	(10,756)
Title II -- part a	88,100	90,010	36,144	(53,866)
21st Century learning	-	1,587	-	(1,587)
Education jobs fund	217,056	217,056	220,104	3,048
JROTC grant	69,527	69,527	63,968	(5,559)
Total categorical aid	<u>\$ 1,059,684</u>	<u>\$ 1,615,303</u>	<u>\$ 1,390,833</u>	<u>\$ (224,470)</u>
Total revenue from the federal government	<u>\$ 1,059,684</u>	<u>\$ 1,615,303</u>	<u>\$ 1,390,833</u>	<u>\$ (224,470)</u>
Total School Operating Fund	<u>\$ 10,707,875</u>	<u>\$ 11,505,037</u>	<u>\$ 10,559,169</u>	<u>\$ (945,868)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 10,707,875</u>	<u>\$ 11,505,037</u>	<u>\$ 10,559,169</u>	<u>\$ (945,868)</u>

County of Charles City, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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	\$ 58,988	\$ 58,988	\$ 59,925	\$ (937)
General and financial administration:				
County administrator	\$ 175,487	\$ 175,487	\$ 192,332	\$ (16,845)
Legal services	38,970	38,970	43,200	(4,230)
Commissioner of revenue	168,037	168,037	170,039	(2,002)
Independent Auditor	36,500	42,500	39,000	3,500
Treasurer	163,630	171,932	166,229	5,703
Motor pool	75,895	75,895	76,878	(983)
Central gas	6,751	6,751	4,788	1,963
Memberships	3,000	3,000	2,496	504
Information technology	257,124	257,124	256,056	1,068
Management services	240,252	240,252	233,083	7,169
Other general and financial administration	202,515	203,515	277,554	(74,039)
Total general and financial administration	<u>\$ 1,368,161</u>	<u>\$ 1,383,463</u>	<u>\$ 1,461,655</u>	<u>\$ (78,192)</u>
Board of elections:				
Electoral board and officials	\$ 17,536	\$ 21,570	\$ 24,498	\$ (2,928)
Registrar	47,271	53,685	53,628	57
Total board of elections	<u>\$ 64,807</u>	<u>\$ 75,255</u>	<u>\$ 78,126</u>	<u>\$ (2,871)</u>
Total general government administration	<u>\$ 1,491,956</u>	<u>\$ 1,517,706</u>	<u>\$ 1,599,706</u>	<u>\$ (82,000)</u>
Judicial administration:				
Courts:				
Circuit court	\$ 25,021	\$ 25,021	\$ 22,948	\$ 2,073
General district court	6,633	6,633	4,865	1,768
Courthouse security fund	21,339	23,102	23,578	(476)
Special Magistrates	1,177	1,177	593	584
Sheriff	122,556	123,485	163,922	(40,437)
9th district court services	19,020	19,020	18,017	1,003
Crater Criminal Justice	4,561	7,285	7,285	-
Clerk of the circuit court	191,281	214,370	197,321	17,049
Total courts	<u>\$ 391,588</u>	<u>\$ 420,093</u>	<u>\$ 438,529</u>	<u>\$ (18,436)</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 197,695	\$ 198,191	\$ 196,973	\$ 1,218
Total commonwealth's attorney	<u>\$ 197,695</u>	<u>\$ 198,191</u>	<u>\$ 196,973</u>	<u>\$ 1,218</u>
Total judicial administration	<u>\$ 589,283</u>	<u>\$ 618,284</u>	<u>\$ 635,502</u>	<u>\$ (17,218)</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 715,153	\$ 762,873	\$ 815,270	\$ (52,397)
E-911	84,883	150,315	68,690	81,625
Total law enforcement and traffic control	<u>\$ 800,036</u>	<u>\$ 913,188</u>	<u>\$ 883,960</u>	<u>\$ 29,228</u>
Fire and rescue services:				
Fire department	\$ 132,900	\$ 132,900	\$ 104,312	\$ 28,588
Ambulance and rescue services	345,640	345,640	348,130	(2,490)
Total fire and rescue services	<u>\$ 478,540</u>	<u>\$ 478,540</u>	<u>\$ 452,442</u>	<u>\$ 26,098</u>

County of Charles City, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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	\$ 319,920	\$ 301,458	\$ 366,169	\$ (64,711)
Criminal justice planner	5,386	5,386	5,386	-
Total correction and detention	<u>\$ 325,306</u>	<u>\$ 306,844</u>	<u>\$ 371,555</u>	<u>\$ (64,711)</u>
Other protection:				
Animal control	\$ 101,274	\$ 101,274	\$ 110,745	\$ (9,471)
Codes enforcement	128,372	128,372	123,937	4,435
Emergency services	35,605	59,271	105,840	(46,569)
VJCCCA	3,002	7,150	3,002	4,148
Medical examiner	300	300	635	(335)
Total other protection	<u>\$ 268,553</u>	<u>\$ 296,367</u>	<u>\$ 344,159</u>	<u>\$ (47,792)</u>
Total public safety	<u>\$ 1,872,435</u>	<u>\$ 1,994,939</u>	<u>\$ 2,052,116</u>	<u>\$ (57,177)</u>
Public works:				
Sanitation and waste removal:				
Landfill monitoring	\$ 312,087	\$ 312,087	\$ 210,007	\$ 102,080
Maintenance of general buildings and grounds:				
General properties	\$ 725,690	\$ 725,690	\$ 762,924	\$ (37,234)
Total public works	<u>\$ 1,037,777</u>	<u>\$ 1,037,777</u>	<u>\$ 972,931</u>	<u>\$ 64,846</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 77,000	\$ 60,216	\$ 69,936	\$ (9,720)
Mental health and mental retardation:				
Henrico area community services	\$ 110,660	\$ 110,660	\$ 110,660	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,314,196	\$ 1,314,196	\$ 883,058	\$ 431,138
Comprehensive services act	645,900	645,900	194,505	451,395
Contributions	92,193	92,193	81,341	10,852
Total welfare	<u>\$ 2,052,289</u>	<u>\$ 2,052,289</u>	<u>\$ 1,158,904</u>	<u>\$ 893,385</u>
Total health and welfare	<u>\$ 2,239,949</u>	<u>\$ 2,223,165</u>	<u>\$ 1,339,500</u>	<u>\$ 883,665</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 1,048	\$ 1,048	\$ 1,048	\$ -
Contribution to County School Board	4,781,216	4,781,216	4,442,584	338,632
Total education	<u>\$ 4,782,264</u>	<u>\$ 4,782,264</u>	<u>\$ 4,443,632</u>	<u>\$ 338,632</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 384,210	\$ 384,210	\$ 453,012	\$ (68,802)
Total parks and recreation	<u>\$ 384,210</u>	<u>\$ 384,210</u>	<u>\$ 453,012</u>	<u>\$ (68,802)</u>
Cultural enrichment:				
Center for local history	\$ 18,000	\$ 18,503	\$ 11,299	\$ 7,204
Total cultural enrichment	<u>\$ 18,000</u>	<u>\$ 18,503</u>	<u>\$ 11,299</u>	<u>\$ 7,204</u>

County of Charles City, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

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<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	\$ 68,442	\$ 68,442	\$ 73,475	\$ (5,033)
Total library	<u>\$ 68,442</u>	<u>\$ 68,442</u>	<u>\$ 73,475</u>	<u>\$ (5,033)</u>
Total parks, recreation, and cultural	<u>\$ 470,652</u>	<u>\$ 471,155</u>	<u>\$ 537,786</u>	<u>\$ (66,631)</u>
Community development:				
Planning and community development:				
Indoor plumbing rehab grant	\$ -	\$ 57,203	\$ 324,282	\$ (267,079)
Planning commission	2,185	2,185	311	1,874
Department of development	246,440	246,440	238,158	8,282
Community development contribution	33,093	33,093	32,825	268
Total planning and community development	<u>\$ 281,718</u>	<u>\$ 338,921</u>	<u>\$ 595,576</u>	<u>\$ (256,655)</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 5,977	\$ 5,977	\$ 5,977	\$ -
Litter control program	4,625	4,998	4,361	637
Total environmental management	<u>\$ 10,602</u>	<u>\$ 10,975</u>	<u>\$ 10,338</u>	<u>\$ 637</u>
Cooperative extension program:				
Extension office	\$ 33,864	\$ 33,740	\$ 21,601	\$ 12,139
Total cooperative extension program	<u>\$ 33,864</u>	<u>\$ 33,740</u>	<u>\$ 21,601</u>	<u>\$ 12,139</u>
Total community development	<u>\$ 326,184</u>	<u>\$ 383,636</u>	<u>\$ 627,515</u>	<u>\$ (243,879)</u>
Nondepartmental:				
Contingency	\$ 100,000	\$ 75,334	\$ -	\$ 75,334
Total nondepartmental	<u>\$ 100,000</u>	<u>\$ 75,334</u>	<u>\$ -</u>	<u>\$ 75,334</u>
Capital projects:				
County capital improvements	\$ 175,585	\$ 302,047	\$ 226,571	\$ 75,476
Library design/bid	-	-	106,156	(106,156)
Total capital projects	<u>\$ 175,585</u>	<u>\$ 302,047</u>	<u>\$ 332,727</u>	<u>\$ (30,680)</u>
Debt service:				
Principal retirement	\$ 908,123	\$ 919,085	\$ 925,044	\$ (5,959)
Interest and other fiscal charges	135,449	124,487	126,717	(2,230)
Total debt service	<u>\$ 1,043,572</u>	<u>\$ 1,043,572</u>	<u>\$ 1,051,761</u>	<u>\$ (8,189)</u>
Total General Fund	<u>\$ 14,129,657</u>	<u>\$ 14,449,879</u>	<u>\$ 13,593,176</u>	<u>\$ 856,703</u>
Total Primary Government	<u>\$ 14,129,657</u>	<u>\$ 14,449,879</u>	<u>\$ 13,593,176</u>	<u>\$ 856,703</u>

County of Charles City, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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	\$ 823,448	\$ 824,442	\$ 769,473	\$ 54,969
Instruction costs	7,416,085	8,212,253	7,338,804	873,449
Pupil transportation	785,684	785,684	746,640	39,044
Operation and maintenance of school plant	1,289,892	1,289,892	1,266,388	23,504
Commodities	-	-	15,901	(15,901)
School food	356,777	356,777	380,760	(23,983)
Total education	<u>\$ 10,671,886</u>	<u>\$ 11,469,048</u>	<u>\$ 10,517,966</u>	<u>\$ 951,082</u>
Debt service:				
Principal retirement	\$ 35,989	\$ 35,989	\$ 37,014	\$ (1,025)
Interest and other fiscal charges	-	-	4,189	(4,189)
Total debt service	<u>\$ 35,989</u>	<u>\$ 35,989</u>	<u>\$ 41,203</u>	<u>\$ (5,214)</u>
Total School Fund	<u>\$ 10,707,875</u>	<u>\$ 11,505,037</u>	<u>\$ 10,559,169</u>	<u>\$ 945,868</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 10,707,875</u>	<u>\$ 11,505,037</u>	<u>\$ 10,559,169</u>	<u>\$ 945,868</u>

Table 1

County of Charles City, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

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
2011-12	1,759,940	771,759	2,049,164	1,057,886	1,354,736	5,033,080	532,630	634,184	117,319	393,013	13,703,711

Table 2

County of Charles City, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

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		
2011-12	3,082,016	2,247,585	-	7,305,508	721,386	23,341	227,354	884,612	17,474	14,509,276		

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)
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
2011-12	1,599,706	635,502	2,052,116	972,931	1,339,500	10,519,014	537,786	627,515	-	1,092,964	19,377,034

(1) Includes General, Special Revenue, and Debt Service funds 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
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
2011-12	7,246,242	721,386	2,746,988	1,202	25,470	399,660	266,737	260,840	8,897,618	20,566,143

(1) Includes General and Special Revenue funds 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	
	\$		\$		%		\$		\$		%		\$		%	
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		7,705,043		7,223,716	93.75%		272,961		7,496,677	97.30%		729,005	9.46%			
2011-12		7,915,274		7,476,887	94.46%		300,303		7,777,190	98.26%		792,435	10.01%			

(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
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
2011-12	760,354,950	58,619,679	6,189,565	799,942	60,307,748	886,271,884

(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
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
2011-12	0.70	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
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	6,926	852,830,862	1,158,660	1,158,660	0.14%	167
2010-11	6,926	898,272,994	589,448	589,448	0.07%	85
2011-12	6,926	886,271,884	-	-	0.00%	-

(1) Institute of Government at the University of Virginia for 1990 Census information and Weldon Cooper Center for Public Service for 2000 census information.

(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.

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, 2012, which collectively comprise the County of Charles City, Virginia's basic financial statements and have issued our report thereon dated Draft, 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

Management of County of Charles City, Virginia is responsible for establishing and maintaining effective 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2012-1). *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items.

We noted certain matters that we reported to management of the County of Charles City, Virginia, in a separate letter dated Draft, 2012.

County of Charles City, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questions costs. We did not audit County of Charles City, Virginia's response and, accordingly, we express no opinion on it.

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.

Richmond, Virginia
Draft, 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, 2012. 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, 2012.

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.

Richmond, Virginia
Draft, 2012

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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	\$ 2,577
Temporary assistance for needy families	93.558	0400109/0400110	90,698
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	160
Low income home energy assistance	93.568	0600409/0600410	10,816
Child care cluster:			
Child care and development block grant	93.575	0770109/0770110	42,803
Child care mandatory and matching funds of the child care development fund	93.596	0760109/0760110	26,179
Stephanie Tubbs Jones child welfare services program	93.645	0900109/090110	312
Foster care - Title IV-E	93.658	1100109/1100110	31,484
Adoption assistance	93.659	1120109/1120110	6,728
Social services block grant	93.667	1000109/1000110	74,941
Chafee foster care independence program	93.674	9150109/9150110	679
Children's health insurance program	93.767	0540109/0540110	3,246
Medical assistance program	93.778	1200109/1200110	<u>77,091</u>
Total Department of Health and Human Services			<u>\$ 367,714</u>
U.S. Election Assistance Commission:			
Pass Through Payments:			
State Board of Elections:			
Help America vote act requirements payments	90.401	72302-40040	<u>\$ 1,495</u>
Department of Agriculture:			
Direct Payments:			
Summer food program	10.559	N/A	<u>\$ 3,047</u>
Pass Through Payments:			
Child nutrition cluster:			
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 15,901
Department of Education:			
National school lunch program	10.555	17901-40623	134,174
Total CFDA# 10.555			<u>\$ 150,075</u>
Department of Education:			
School breakfast program	10.553	17901-40591	66,736
Department of Social Services:			
SNAP cluster:			
State administrative matching grants for the supplemental nutrition assistance program	10.561	0010109/0010100	<u>128,459</u>
Total Department of Agriculture			<u>\$ 348,317</u>

County of Charles City, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2012

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 Motor Vehicles:			
State and community highway safety	20.600	60507-52230	\$ 11,500
Alcohol open container requirements	20.607	60507-51357	<u>7,759</u>
Total Department of Transportation			<u>\$ 19,259</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community development block grant	14.228	53305-50798	\$ 198,605
Home investment partnerships program	14.239	45805-45856	<u>179,231</u>
Total Department of Housing and Urban Development			<u>\$ 377,836</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I , part A cluster:			
Title I grants to local educational agencies	84.010	17901-42901	\$ 291,168
ARRA - Title I grants to local educational agencies	84.389	17901-42913	23,398
Special education cluster:			
Special education - grants to states	84.027	17901-43071	258,928
ARRA - Special education - grants to states	84.391	17901-61245	111,588
Special education - preschool grants	84.173	17901-62521	8,859
Career and technical education: basic grants to states	84.048	17901-61095	24,557
Safe and drug free schools and communities - state grants	84.186	17901-60511	1,896
Improving teacher quality state grants	84.367	17901-61480	36,144
Education technology cluster:			
Education technology state grants	84.318	17901-61600	1,910
ARRA - Education technology state grants	84.386	17901-60897	4,837
ARRA - Education jobs fund	84.410	17901-62700	220,104
School improvement grant	84.377	17901-43040	<u>126,665</u>
Total Department of Education			<u>\$ 1,110,054</u>
Department of Defense:			
Direct payments:			
Junior ROTC	12.xxx		<u>\$ 63,968</u>
Total Expenditures of Federal Awards			<u>\$ 2,288,643</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, 2012

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, 2012. 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 - Food Donation

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

Note D - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ <u>897,810</u>
Total primary government	\$ <u>897,810</u>
Component Unit-School Board:	
School Operating Fund	\$ <u>1,390,833</u>
Total component unit public schools	\$ <u>1,390,833</u>
Total federal expenditures per basic financial statements	\$ <u>2,288,643</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>2,288,643</u></u>

**County of Charles City, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

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>
84.410	ARRA - Education Jobs Fund
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

**County of Charles City, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section II—Financial Statement Findings

2012-01

Cafeteria Reimbursements:

Condition: The School Board did not apply for the February, 2012 cafeteria reimbursement until it was too late to apply.

Criteria: The School Board should file reimbursements for all months the school cafeteria program is in operation during the school year.

Effect: The School Board did not receive one months (February, 2012) reimbursement, thus increasing the local share of expenditures.

Cause: Procedures are not in place to track reimbursement requests versus funds received.

Recommendation: Reimbursement requests should be filed timely to ensure reimbursement. Revenues received per the general ledger should be reconciled to requests made.

Management's Response: The School Board is considering corrective action for FY13.

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, 2012

Findings Related to the Financial Statements in Accordance with *Government Auditing Standards*

None