

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements
As Of June 30, 2007

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared to conform to generally accepted accounting principles (GAAP) applicable to government units. These principles are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies applied in the preparation of this report:

A. The Financial Reporting Entity

Caroline County is a political subdivision of the Commonwealth of Virginia and is organized and operates under the general laws of the Commonwealth. It is governed by a five member Board of Supervisors and provides services to its citizens in the areas of public safety, solid waste collection and disposal, water and sewer utility service in limited areas, social services, recreation, land use planning and general administration.

As required by GAAP, these financial statements present the County (the primary government) and its component units. Component units are legally separate governmental or other organizations for which the County is financially accountable or whose relationship with the County is of a nature and significance that exclusion would cause the County's financial statements to be misleading or incomplete. A component unit may be reported as either blended, when, in substance, it is part of the primary government, or discretely presented when it is appropriate to emphasize the unit's separate legal and operational identity. The component units discussed in Note B are included in the County reporting entity because of the significance of their operational or financial relationships with the County.

B. Individual Component Unit Disclosures

Blended Component Units – The Industrial Development Authority of the County of Caroline is reported as a blended component unit, meaning that it has been fully integrated into the financial statements as part of the primary government. The Authority was created by the County in 1973 under provisions of the Code of Virginia and is governed by a Board of seven Directors appointed by the County Board of Supervisors. The Authority's activities are comprised solely of assisting the County in its economic development functions and in the financing of capital improvements. The Authority does not issue a separate financial report.

Discretely Presented Component Units – The County's government-wide financial statements include component unit columns that reflect the financial data of the Caroline County School Board. This data is reported in a separate column to emphasize that the School Board is legally separate from the County.

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Caroline County School Board is responsible for operating the elementary and secondary public schools and is fiscally dependent upon the County. The five members of the School Board are elected by the citizens of the County. The County Board of Supervisors has the ability to approve its budget and any amendments. The primary funding of the School Board is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2007.

C. Government-wide and Fund Financial Statements

The accounts of the County and its Component Unit are organized on the basis of funds, each of which is considered to be a separate accounting entity. Each fund is a separate set of self-balancing accounts that consists of assets, liabilities, fund equity, revenues, and expenditures or expenses. In compliance with GASB reporting requirements, the County's financial report presents financial data on both a government-wide and individual fund basis.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. On these government-wide financial statements, governmental activities, which primarily 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. In addition, the primary government is reported separately from legally distinct component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of individual functions of the government are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, and 2) grants or contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items of income not properly classified as program revenues are reported as general revenues.

In addition to the government-wide financial statements, separate financial statements are provided for governmental funds and proprietary funds. Statements are also included for the County's fiduciary funds, even though they are excluded from the government-wide statements. Major individual governmental funds and major individual enterprise funds, those comprising a significant portion of the County's financial activity, are reported in separate columns in the fund financial statements.

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The various funds in the County's accounting records are grouped as follows:

1. Governmental Funds account for expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The individual Governmental Funds are:

General Fund

The General Fund is the general operating fund of the County. This fund accounts for all revenues and expenditures of the County which are not accounted for in the other funds.

Special Revenue Funds

Special Revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term debt principal, interest and related charges.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

Caroline County reports the General Fund, the Debt Service Fund, the Capital Projects Fund, the Social Services Special Revenue Fund, and the Proffers Special Revenue Fund as Major Governmental Funds. All other non-major Governmental Funds are Special Revenue Funds and are grouped under the title Other Governmental Funds on the primary government's Basic Financial Statements.

2. Proprietary Funds account for activities similar to those found in the private sector. Proprietary Funds consist of the Enterprise Funds and Internal Service Fund.

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. In using an Enterprise Fund, the intent of the County is that the cost of the services those Funds provide to the general public be financed or recovered through user charges.

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Funds

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government, on a cost-reimbursement basis.

The County reports its three enterprise funds as Major Proprietary Funds: the Caroline County Utility Fund accounts for the provision of water and sewer service to a portion of the County, the Milford Sanitary District Fund accounts for the operation of a public water system in the Milford community of the County, and the Dawn Wastewater System Fund accounts for the construction and operation of a decentralized sewage disposal system for the Dawn community in the County.

3. Fiduciary Funds (Trust and Agency 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. At present, the County only maintains Agency Funds.

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

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

Governmental Fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related assets are recognized when 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. Accordingly, under this basis of accounting, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes, billed and due, but not collected within 60 days after year end are reflected as deferred revenues. Sales, utility and transient occupancy taxes, which are collected by the state or collection agents and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or agent, which is generally no more 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

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
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NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received.

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Interest on long-term debt is recognized when due except for interest due on July 1, which is accrued.

The County follows all applicable GASB pronouncements and FASB pronouncements issued before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Agency Funds utilize the accrual basis of accounting.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and service charges between the County's Public Utility enterprise function and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues also include all taxes.

Proprietary 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 principal operating revenues of the County's enterprise funds and of the internal service fund are charges to customers for services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

E. Budgets and Budgetary Accounting

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

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents are defined as short term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less. Cash and cash equivalents includes all certificates of deposit in accordance with the Code of Virginia.

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Restricted Assets

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

H. Investments

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

I. Inventories and Prepaid Items

Inventories and prepaid expenditures are accounted for on the consumption method. Prepaid items on the Balance Sheet of the Discretely Presented Component Unit - Caroline County School Board represent advance payments of insurance and tuition expenses for the following fiscal year.

J. Encumbrances

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations, is utilized by the Caroline County School Board. There were no encumbrances outstanding at June 30, 2007.

K. Property Taxes

Property is assessed at its value on January 1st of each year. The County reassesses all existing real property every four years and the last reassessment was done as of January 1, 2006. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable June 5th and December 5th. The County bills and collects its own property taxes.

L. Property, Plant and Equipment

Capital assets, which include property, plant, equipment and utility infrastructure assets, are reported in the applicable governmental or business-activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All purchased property, plant and equipment are valued at historical cost or estimated historical cost and includes capitalized interest during construction. Donated capital assets are recorded at their fair market value at the date of donation.

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of capital assets reflected in the Government-Wide Statement of Activities and in the Proprietary Funds has been computed over the following useful lives using the straight line method:

Buildings	20-40 years
Improvements other than buildings	5-50 years
Equipment	3-10 years

M. Compensated Absences

It is the County's policy to allow employees to accumulate, subject to annual limitations, earned but unused vacation and sick pay benefits. Employees are also permitted to earn compensatory time off in lieu of cash payment for overtime worked. Upon termination, County employees receive payment at their then current pay rate for all hours of accumulated and unused vacation leave and compensatory time off. No payment is made for unused sick leave. Upon termination, County School Board employees are paid at their current pay rate for up to 30 days of unused vacation leave and \$10 for each unused day of sick leave. The latter payment is only available to employees with more than 5 years service.

The value of earned vacation and compensatory time off is accrued when incurred in the government-wide financial statements and in the proprietary funds and is reported as a fund liability. In general government funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are not reported in the financial statements. No expenditure is reported for these amounts. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

N. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

O. 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.

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 2- DEPOSITS AND INVESTMENTS

Deposits: All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments: Statutes authorize local governments and other public bodies 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, certificates of deposit and the State Treasurer’s Local Government Investment pool (LGIP).

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

Credit Risk of Debt Securities: The County’s investment policy allows for investments whose ratings are A-1 by Standard and Poor’s Corporation or P-1 by Moody’s Commercial Paper Record.

The County’s rated debt investments as of June 30, 2007 were rated by Standard and Poor’s and the ratings are presented in the following table using the Standard and Poor’s rating scale:

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 2-DEPOSITS AND INVESTMENTS (Continued)

Caroline County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAA	AAAm
Virginia Local Government Investment Pool	\$ -	\$ 3,106,930
Virginia State Non-Arbitrage Pool	-	1,431,959
Institutional US Treasury Securities Money Market Fund	-	6,417,702
US Treasury Obligations Repurchase Agreements – Underlying: US Agency Securities	-	673,534
	3,879,944	-
Total	\$ 3,879,944	\$11,630,125

Concentration of Credit Risk: The County's investment policy does not specifically address concentration of credit risk.

The County had investments at June 30, 2007, with more than 5 percent of the total in the Virginia Local Government Investment Pool, Virginia State Non-Arbitrage Pool, Institutional US Treasury Securities Money Market Fund, and securities underlying repurchase agreements with Union Bank and Trust Company. These investments represented 18.7%, 15.4%, 38.5%, and 23.3%, respectively, of total investments.

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

Investment Type	Investment Maturities (in years)	
	Fair Value	Less Than One Year
Virginia State Non-Arbitrage Pool	\$ 1,431,959	\$ 1,431,959
Institutional US Treasury Securities Money Market Fund	6,417,702	6,417,702
US Treasury Obligations Repurchase Agreements – Underlying: US Agency Securities	673,534	673,534
	3,879,944	3,879,944
Total	\$ 12,403,139	\$ 12,403,139

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 2-DEPOSITS AND INVESTMENTS (Continued)

External Investment Pools: The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

NOTE 3-AMOUNT OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The County calculates allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible property taxes amounted to \$824,210 and, in the Enterprise Funds, \$45,118 is the amount of the allowance for uncollectible utility service receivables at June 30, 2007.

NOTE 4-DUE TO/DUE FROM OTHER GOVERNMENTS

At June 30, 2007, amounts due to other governments were as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Other Local Governments:		
Caroline County School Board	\$2,197,273	-
Commonwealth of Virginia:		
DMV Withholding Fees	<u>3,700</u>	<u>-</u>
Totals	<u>\$2,200,973</u>	<u>-</u>

At June 30, 2007, the County had receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Other Local Governments:		
Caroline County	\$ -	\$2,197,273
Commonwealth of Virginia:		
School Funds	-	740,705
Personal Property Tax Relief Act		
Reimbursements	1,147,226	-
Local sales taxes	231,553	-
Telecommunications Tax	136,361	-
Compensation Board Reimbursements	145,114	-
Indoor Plumbing Rehabilitation Grant	124,118	-
Rolling Stock Tax	74,128	-
VPA funds	42,458	-
Recordation Tax	41,415	-
Mobile Home Titling Tax	11,543	-
Clerk of the Circuit Court Excess Fees	10,098	-
Comprehensive Services Act Funds	118,349	-

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 4-DUE TO/DUE FROM OTHER GOVERNMENTS (Continued)

Wireless Public Safety Answering Point Expense Reimbursement	25,915	-
Public Safety Line of Duty Medical Insurance Reimbursement	4,608	-
DMV License Agent Revenue	1,851	-
Automobile Rental Tax	411	-
Grant Program Reimbursements	151,972	-
Water Quality Revolving Loan	640,244	-
Federal government:		
School Funds	-	129,430
TEA-21 Visitors Center Grant	729,351	-
Community Development Block Grant	192,076	-
VPA Funds	77,597	-
Grant Program Reimbursements	<u>62,281</u>	<u>-</u>
Totals	<u>\$3,968,669</u>	<u>\$3,067,408</u>

NOTE 5-INTERFUND OBLIGATIONS

Details of the primary government's interfund receivables and payables at June 30, 2007 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$5,689,983	\$ -
Social Services Fund	-	104,214
Proffers Fund	1,000,000	-
Comprehensive Services Act Fund	-	115,949
Housing Fund	-	291,192
Debt Service Fund	-	24,840
Milford Sanitary District Fund	-	81,369
Dawn Wastewater System Fund	-	611,999
Caroline County Utility Fund	-	<u>5,460,420</u>
Totals	<u>\$6,689,983</u>	<u>\$6,689,983</u>

NOTE 6-INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 29,500	\$3,906,360
Capital Projects Fund	1,353,079	-
Debt Service Fund	2,147,604	16,078
Social Services Fund	286,093	-
Proffers Fund	-	356,222
Comprehensive Services Act Fund	351,004	12,500
Courthouse Maintenance Fund	-	27,500
Housing Fund	30,000	-

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2007

NOTE 6-INTERFUND TRANSFERS (Continued)

Tourism Fund	-	2,000
Milford Sanitary District Fund	27,495	-
Caroline County Utility Fund	<u>95,885</u>	-
Totals	<u>\$4,320,660</u>	<u>\$4,320,660</u>

NOTE 7-EMPLOYEE PENSION BENEFIT OBLIGATIONS

- A. Pension benefits for employees of Caroline County and non-professional (non-teaching) employees of the Caroline County School Board are provided through participation in the Virginia Retirement System (VRS), a state-wide, agent, multiple-employer pension plan administered by VRS. Separate, but identical, defined benefit plans are maintained for County and School Board employees.

Plan Description:

All full-time, salaried employees of participating employers must participate in the VRS. Benefits vest after five years service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service or at age 50 with 30 years of service for participating employers payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Caroline County has also chosen to offer special optional retirement benefits available under the provisions of the Code of Virginia to deputies of the County Sheriff and to personnel in medical response/firefighter positions employed by the County's Department of Fire and Rescue. These special benefits, referred to as Law Enforcement Officer Coverage (LEOS), allow Sheriff's deputies and certified firefighters to retire with an unreduced pension at age 60 with 5 years of service or at age 50 with 25 years of service.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the VRS web site at <http://www.varetire.org/Pdf/2006AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, Virginia 23218-2500.