



COUNTY OF MADISON, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

COUNTY OF MADISON, VIRGINIA

Financial Report
Year Ended June 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	3
Exhibit 2 Statement of Activities	4
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Fund	5
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Fund	6
Exhibit 5 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities—Governmental Funds	7
Exhibit 6 Statement of Fiduciary Net Assets	8
Notes to Financial Statements	9-36
Required Supplementary Information:	
Exhibit 7 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General Fund	37
Exhibit 8 Schedule of Pension and OPEB Funding Progress	38
Other Supplementary Information:	
<u>Combining and Individual Fund Statements and Schedules:</u>	
Exhibit 9 Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Capital Improvement Fund	39
Exhibit 10 Schedule of Changes in Assets and Liabilities—Agency Funds	40
Exhibit 11 Combining Balance Sheet—Discretely Presented Component Unit—School Board	41

COUNTY OF MADISON, VIRGINIA

Financial Report
Year Ended June 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
Other Supplementary Information: (Continued)	
<u>Combining and Individual Fund Statements and Schedules: (Continued)</u>	
Exhibit 12 Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds—Discretely Presented Component Unit—School Board	42
Exhibit 13 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities—Discretely Presented Component Unit—School Board	43
Exhibit 14 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Discretely Presented Component Unit—School Board	44-45
Exhibit 15 Combining Balance Sheet—Nonmajor Special Revenue Funds—Discretely Presented Component Unit—School Board	46
Exhibit 16 Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Special Revenue Funds—Discretely Presented Component Unit—School Board	47
Exhibit 17 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Nonmajor Special Revenue Funds—Discretely Presented Component Unit—School Board	48-49
Exhibit 18 Statement of Fiduciary Net Assets—Component Unit—School Board	50
Exhibit 19 Statement of Changes in Fiduciary Net Assets—Component Unit—School Board	51
<u>Supporting Schedules</u>	
Schedule 1 Schedule of Revenues—Budget and Actual—Governmental Funds	52-56
Schedule 2 Schedule of Expenditures—Budget and Actual—Governmental Funds	57-61

COUNTY OF MADISON, VIRGINIA

Financial Report
Year Ended June 30, 2011

TABLE OF CONTENTS

PAGE

Other Supplementary Information: (Continued)

Statistical Tables:

Table 1	Government-wide Expenses by Function—Last Nine Fiscal Years	62
Table 2	Government-wide Revenues—Last Nine Fiscal Years	63
Table 3	General Government Revenues by Source—Last Ten Fiscal Years	64
Table 4	General Government Expenditures by Function—Last Ten Fiscal Years	65
Table 5	Property Tax Levies and Collections—Last Ten Fiscal Years	66
Table 6	Assessed Value of Taxable Property—Last Ten Fiscal Years	67
Table 7	Property Tax Rates—Last Ten Fiscal Years	68
Table 8	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita—Last Ten Fiscal Years	69
Table 9	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	70

Compliance:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	71-72
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	73-74
Schedule of Expenditures of Federal Awards	75-76
Notes to Schedule of Expenditures of Federal Awards	77
Schedule of Findings and Questioned Costs	78

COUNTY OF MADISON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2011

BOARD OF SUPERVISORS

Eddie Dean, Chairman
James L. Arrington, Vice-Chairman

Dave Allen
Pete Elliott

Jerry Butler

DEPARTMENT OF SOCIAL SERVICES BOARD

Lisa Robertson, Chairman
Michael D. Hale, Vice-Chairman

Jerry Butler
Doris Turner

Barbara A. Breeding

MADISON COUNTY SCHOOL BOARD

Jeffrey C. Early, Chairman
James L. Nelson, Jr., Vice-Chairman

Martin Boone

Tanya Taylor

Doreen G. Jenkins

OTHER OFFICIALS

Daniel R. Bouton..... Judge of the Circuit Court
Linda Parrish Clerk of the Circuit Court
Roger L. Morton..... Judge of the General District Court
Edward DeJ. Berry Judge of the Juvenile & Domestic Relations Court
Susan Whitlock Judge of the Juvenile & Domestic Relations Court
George S. Webb, III Commonwealth's Attorney
Gale L. Harris Commissioner of the Revenue
Stephanie Murray Treasurer
Erik Weaver Sheriff
Matthew Eberhardt..... Superintendent of Schools
Elizabeth Patterson Clerk of the School Board
Nancy B. Coppedge Director of Social Services
Lisa Robertson County Administrator

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Supervisors County of Madison, Virginia

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Madison, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Madison, 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 Commonwealth of Virginia, Office of the Auditor of Public Accounts. 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Madison, Virginia, as of June 30, 2011, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2012, on our consideration of the County of Madison, 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 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 schedule of pension 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 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Madison, Virginia's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Robinson, Farmer, & Associates
Charlottesville, Virginia
January 25, 2012

Basic Financial Statements

This page intentionally left blank

Government-wide Financial Statements

This page intentionally left blank

Statement of Net Assets
At June 30, 2011

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>School Board</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,423,003	\$ 2,310,403
Receivables (net of allowance for uncollectibles):		
Property taxes	5,453,524	-
Accounts receivable	157,878	21,396
Note receivable	15,562	-
Inventory	-	19,076
Prepaid expenses	-	53,040
Due from other governments	734,919	590,393
Due from Primary Government	538,445	-
Total Current Assets	<u>\$ 12,323,331</u>	<u>\$ 2,994,308</u>
Noncurrent Assets:		
Capital assets:		
Land and construction in progress	\$ 11,662,386	\$ 109,803
Buildings and equipment, net of depreciation	7,107,748	4,972,162
Total Noncurrent Assets	<u>\$ 18,770,134</u>	<u>\$ 5,081,965</u>
Total Assets	<u>\$ 31,093,465</u>	<u>\$ 8,076,273</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 845,082	\$ 126,384
Accrued liabilities	-	1,634,969
Due to Component Unit	-	538,445
Accrued interest payable	65,064	-
Deferred revenue	4,525,225	-
Current portion of long-term obligations	1,725,816	35,088
Total Current Liabilities	<u>\$ 7,161,187</u>	<u>\$ 2,334,886</u>
Noncurrent Liabilities:		
Noncurrent portion of long-term obligations	<u>5,891,315</u>	<u>401,790</u>
Total Liabilities	<u>\$ 13,052,502</u>	<u>\$ 2,736,676</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 12,262,003	\$ 5,081,965
Unrestricted assets	<u>5,778,960</u>	<u>257,632</u>
Total Net Assets	<u>\$ 18,040,963</u>	<u>\$ 5,339,597</u>
Total Liabilities and Net Assets	<u>\$ 31,093,465</u>	<u>\$ 8,076,273</u>

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

Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	School Board
PRIMARY GOVERNMENT:						
Governmental activities:						
General government						
administration	\$ 1,208,692	\$ -	\$ 184,705	\$ -	\$ (1,023,987)	\$ -
Judicial administration	772,906	220,610	376,663	-	(175,633)	-
Public safety	4,487,980	420,407	1,080,690	-	(2,986,883)	-
Public works	1,275,161	149,305	28,053	-	(1,097,803)	-
Health and welfare	2,880,632	-	1,763,807	-	(1,116,825)	-
Education	8,285,417	-	-	-	(8,285,417)	-
Parks, recreation, and cultural	364,838	123,703	-	-	(241,135)	-
Community development	654,796	-	-	-	(654,796)	-
Interest on long-term debt	179,355	-	-	-	(179,355)	-
Total governmental activities	\$ 20,109,777	\$ 914,025	\$ 3,433,918	\$ -	\$ (15,761,834)	\$ -
COMPONENT UNIT:						
School Board	\$ 17,674,757	\$ 434,706	\$ 9,171,618	\$ -	\$ -	\$ (8,068,433)
General revenues:						
General property taxes				\$ 12,513,243	\$ -	
Local sales and use tax				763,844	-	
Consumers' utility taxes				347,299	-	
Motor vehicle licenses				418,414	-	
Restaurant food taxes				318,251	-	
Other local taxes				282,431	-	
Unrestricted revenues from use of money and property				125,474	42,556	
Miscellaneous				185,893	150,209	
Grants and contributions not restricted to specific programs				1,763,040	-	
County contribution to School Board				-	8,198,346	
Change in net assets				\$ 956,055	\$ 322,678	
Net assets - beginning				17,084,908	5,016,919	
Net assets - ending				\$ 18,040,963	\$ 5,339,597	

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

Fund Financial Statements

This page intentionally left blank

Balance Sheet - Governmental Funds
At June 30, 2011

ASSETS	General Fund	Capital Improvement Fund	Total
Cash and cash equivalents	\$ 4,435,003	\$ 988,000	\$ 5,423,003
Receivables (Net of allowance for uncollectibles):			
Taxes, including penalties	5,453,524	-	5,453,524
Accounts receivable	157,878	-	157,878
Note receivable	15,562	-	15,562
Due from component unit	538,445	-	538,445
Due from other governmental units	734,919	-	734,919
Total assets	<u>\$ 11,335,331</u>	<u>\$ 988,000</u>	<u>\$ 12,323,331</u>
LIABILITIES			
Accounts payable	\$ 474,835	\$ 370,247	\$ 845,082
Deferred revenue	<u>5,368,948</u>	<u>-</u>	<u>5,368,948</u>
Total liabilities	<u>\$ 5,843,783</u>	<u>\$ 370,247</u>	<u>\$ 6,214,030</u>
FUND BALANCES			
Committed	\$ -	\$ 617,753	\$ 617,753
Unassigned	<u>5,491,548</u>	<u>-</u>	<u>5,491,548</u>
Total fund balances	<u>\$ 5,491,548</u>	<u>\$ 617,753</u>	<u>\$ 6,109,301</u>
Total liabilities and fund balances	<u>\$ 11,335,331</u>	<u>\$ 988,000</u>	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.

18,770,134

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(65,064)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.

843,723

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.

(7,617,131)

Net assets of general government activities

\$ 18,040,963

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 Year Ended June 30, 2011

	<u>General</u>	<u>Capital Improvement</u>	<u>Total</u>
Revenues:			
General property taxes	\$ 12,527,310	\$ -	\$ 12,527,310
Other local taxes	2,130,239	-	2,130,239
Permits, privilege fees and regulatory licenses	228,572	-	228,572
Fines and forfeitures	162,755	-	162,755
Revenue from use of money and property	125,474	-	125,474
Charges for services	522,698	-	522,698
Miscellaneous	185,893	-	185,893
Intergovernmental:			
Commonwealth	4,282,445	-	4,282,445
Federal	914,513	-	914,513
Total revenues	<u>\$ 21,079,899</u>	<u>\$ -</u>	<u>\$ 21,079,899</u>
Expenditures:			
Current:			
General government administration	\$ 1,079,799	\$ -	\$ 1,079,799
Judicial administration	752,503	-	752,503
Public safety	4,423,250	-	4,423,250
Public works	1,203,558	-	1,203,558
Health and welfare	2,899,404	-	2,899,404
Education	7,792,973	-	7,792,973
Parks, recreation, and cultural	304,055	-	304,055
Community development	653,101	-	653,101
Nondepartmental	111,112	-	111,112
Capital projects	-	239,673	239,673
Debt service:			
Principal retirement	1,390,719	-	1,390,719
Interest and other fiscal charges	195,248	-	195,248
Total expenditures	<u>\$ 20,805,722</u>	<u>\$ 239,673</u>	<u>\$ 21,045,395</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 274,177</u>	<u>\$ (239,673)</u>	<u>\$ 34,504</u>
Other Financing Sources (uses):			
Transfers in	\$ 12,000	\$ 239,673	\$ 251,673
Transfers (out)	<u>(239,673)</u>	<u>(12,000)</u>	<u>(251,673)</u>
Total other financing sources (uses)	<u>\$ (227,673)</u>	<u>\$ 227,673</u>	<u>\$ -</u>
Net change in fund balances	\$ 46,504	\$ (12,000)	\$ 34,504
Fund balances at beginning of year	<u>5,445,044</u>	<u>\$ 629,753</u>	<u>\$ 6,074,797</u>
Fund balances at end of year	<u><u>\$ 5,491,548</u></u>	<u><u>\$ 617,753</u></u>	<u><u>\$ 6,109,301</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2011

		<u>Primary Government Governmental Funds</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Net change in fund balances - total governmental funds	\$	34,504
<p>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 details support this adjustment:</p>		
Capital outlay	\$ 469,809	
Depreciation expense	<u>(572,132)</u>	(102,323)
Transfer of joint tenancy assets from Primary Government to the Component Unit		(407,488)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of deferred taxes.		(14,067)
<p>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. A summary of items supporting this adjustment is as follows:</p>		
Principal retired on general obligation bonds	\$ 289,820	
Principal retired on VML/VACO loan	715,000	
Principal retired on capital leases	75,899	
Principal retired on state literary fund loans	<u>310,000</u>	1,390,719
<p>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:</p>		
Change in accrued leave	\$ 58,817	
Change in OPEB liability	(20,000)	
Change in interest payable	<u>15,893</u>	<u>54,710</u>
Change in net assets of governmental activities	\$	<u><u>956,055</u></u>

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

Statement of Fiduciary Net Assets
 At June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>44,352</u>
 Total assets	 \$ <u><u>44,352</u></u>
LIABILITIES	
Amounts held for others	\$ <u>44,352</u>
 Total liabilities	 \$ <u><u>44,352</u></u>

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

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011

Note 1 - Summary of Significant Accounting Policies:

The County of Madison, Virginia was formed in 1792 and is governed by an elected five member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection, sanitation services, recreational activities, cultural events, education, and social services.

The financial statements of the County of Madison, 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.

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 the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Assets, and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities:

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

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.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

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

Fund Financial Statements:

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 government over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for 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 Madison, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Units: The County has no blended component units to be included for the fiscal year ended June 30, 2011.

Discretely Presented Component Unit: The School Board operates the County Public School System. Members are currently elected by popular vote. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2011.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

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

C. Other Related Organizations

Included in the County's Financial Statements: None

D. Other Related Organizations

Excluded from the County's Financial Statements:

Madison County Industrial Development Authority: The County's officials are responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment. The Board of Supervisors appoints the board members of the Madison County Industrial Development Authority.

Rappahannock-Rapidan Community Services Board, Central Virginia Regional Jail, Rappahannock Juvenile Detention Center, and the Rapidan Service Authority: The County, in conjunction with other localities, has created the Rappahannock-Rapidan Community Services Board, Central Virginia Regional Jail, Rappahannock Juvenile Detention Center, and the Rapidan Service Authority. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions.

E. 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.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

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

E. 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.

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

1. Governmental Funds:

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds:

a. General 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 revenues is used principally to finance the operations of the Component Unit School Board.

b. Capital Improvement Fund

The Capital Improvement Fund accounts for all financial resources used for the acquisition or construction of major capital facilities.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

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

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

2. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include 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. The County's only Agency Fund is the Special Welfare Fund.

F. Budgets and Budgetary Accounting

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

1. The County Administrator submits to the Board of Supervisors a proposed budget for the fiscal year commencing the following July 1. The 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 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 and budgets are legally adopted for the General Fund, Capital Improvement Fund, School Fund and School Cafeteria Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the government.

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

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

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

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

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$110,125 at June 30, 2011 and is comprised solely of property taxes.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real Estate taxes are payable and collectible on June 5th and December 5th. Personal property taxes are payable and collectible on December 5th. The County bills and collects its own property taxes.

I. 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, road registered vehicles, 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2011 was immaterial.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20 to 40
Vehicles	3 to 5
Office and computer equipment	5
Buses	12

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

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

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

K. 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. 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 is 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.

L. 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 amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Fund Balances

Financial Policies

The Board of Supervisors meets on a monthly basis to manage and review cash financial activities and to insure compliance with established policies. It is the County's policy to fund current expenditures with current revenues and the County's mission is to strive to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services. The County's unassigned General Fund balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

Beginning with fiscal year 2011, the County implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The 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 - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

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

M. Fund Balances: (Continued)

Financial Policies: (Continued)

Restricted fund balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned fund balance - Amounts that are constrained by the County's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

The Board of Supervisors is authorized to assign amounts for specific purposes. The Board of Supervisors is also authorized to commit amounts for specific purposes. The following is detail of County's Fund Balances:

Category	Capital Projects Fund	Component Unit School Board Cafeteria Fund
Restricted:		
School Lottery Funds	\$ -	\$ 136,300
School State Construction Funds	-	111,180
School Textbook Funds	-	64,544
Employee Suspension	-	14,221
Total Restricted	\$ -	\$ 326,245
Committed:		
Capital Projects	\$ 617,753	\$ -
School Operations	-	1,000
Cafeteria	-	367,265
Total Committed	\$ 617,753	\$ 368,265

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

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

N. 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.

Note 2 - Deposits and Investments:

Deposits

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

Investments

Statutes authorize the County and Component Unit School Board 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 does not have a policy related to credit risk of debt securities.

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

<u>Locality's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAA</u>
U.S. Government Securities	\$ 58,277
Local Government Investment Pool	6,448
Total	\$ <u>64,725</u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 2 - Deposits and Investments: (Continued)

External Investment Pool:

The fair values of the positions in the Local Government Investment Pool (LGIP) are 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.

Interest Rate Risk:

The County does not have a policy related to interest rate risk.

Investment Maturities (in years)		
Investment Type	Fair Value	Greater than 10 years
U.S. Government Securities	\$ 58,277	\$ 58,277

Note 3 - Due From Other Governmental Units:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 139,905	\$ -
Public assistance and welfare administration	14,034	-
State sales tax		310,239
Comprehensive services	162,703	-
Recordation tax	9,949	-
Communications tax	92,148	-
Shared expenses	95,152	-
Criminal justice		-
Other state funds	21,555	-
Federal Government:		
School funds	-	280,154
Transportation	2,956	-
Emergency services	164,904	-
Forestry grant		-
Public assistance and welfare administration	31,613	-
Totals	\$ 734,919	\$ 590,393

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 4 - Capital Assets:

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Primary Government:				
Capital assets not being depreciated:				
Land	\$ 1,419,418	\$ -	\$ -	\$ 1,419,418
Construction in progress	10,016,924	226,044	-	10,242,968
Total capital assets not being depreciated	<u>\$ 11,436,342</u>	<u>\$ 226,044</u>	<u>\$ -</u>	<u>\$ 11,662,386</u>
Capital assets being depreciated:				
Buildings	\$ 6,492,563	\$ -	\$ -	\$ 6,492,563
Equipment (including vehicles)	2,294,346	246,363	189,843	2,350,866
Jointly owned assets	3,998,068	-	599,820	3,398,248
Total capital assets being depreciated	<u>\$ 12,784,977</u>	<u>\$ 246,363</u>	<u>\$ 789,663</u>	<u>\$ 12,241,677</u>
Less accumulated depreciation:				
Buildings	\$ (2,113,956)	\$ (212,926)	\$ -	\$ (2,326,882)
Equipment (including vehicles)	(1,747,316)	(274,250)	(187,245)	(1,834,321)
Jointly owned assets	(1,080,102)	(84,956)	(192,332)	(972,726)
Total accumulated depreciation	<u>\$ (4,941,374)</u>	<u>\$ (572,132)</u>	<u>\$ (379,577)</u>	<u>\$ (5,133,929)</u>
Net capital assets being depreciated	<u>\$ 7,843,603</u>	<u>\$ (325,769)</u>	<u>\$ 410,086</u>	<u>\$ 7,107,748</u>
Net capital assets	<u>\$ 19,279,945</u>	<u>\$ (99,725)</u>	<u>\$ 410,086</u>	<u>\$ 18,770,134</u>
	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Component Unit - School Board:				
Capital assets not being depreciated:				
Land	\$ 109,803	\$ -	\$ -	\$ 109,803
Total capital assets not being depreciated	<u>\$ 109,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,803</u>
Capital assets being depreciated:				
Buildings	\$ 4,690,740	\$ 106,884	\$ -	\$ 4,797,624
Equipment (including vehicles)	2,872,076	145,838	-	3,017,914
Jointly owned assets	4,542,821	599,820	-	5,142,641
Total capital assets being depreciated	<u>\$ 12,105,637</u>	<u>\$ 852,542</u>	<u>\$ -</u>	<u>\$ 12,958,179</u>
Less accumulated depreciation:				
Buildings	\$ (5,036,521)	\$ (414,745)	\$ -	\$ (5,451,266)
Equipment (including vehicles)	(2,363,152)	(171,599)	-	(2,534,751)
Total accumulated depreciation	<u>\$ (7,399,673)</u>	<u>\$ (586,344)</u>	<u>\$ -</u>	<u>\$ (7,986,017)</u>
Net capital assets being depreciated	<u>\$ 4,705,964</u>	<u>\$ 266,198</u>	<u>\$ -</u>	<u>\$ 4,972,162</u>
Net capital assets	<u>\$ 4,815,767</u>	<u>\$ 266,198</u>	<u>\$ -</u>	<u>\$ 5,081,965</u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 4 - Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the primary government and Component Unit School Board as follows:

Governmental activities:		
General government administration	\$	50,995
Judicial administration		22,826
Public safety		277,297
Public works		45,148
Health and welfare		23,394
Education		84,956
Parks, recreation and cultural		67,516
Total	\$	<u>572,132</u>
Component Unit School Board	\$	<u>394,012</u>
Depreciation Expense	\$	394,012
Joint tenancy transfer of accumulated depreciation		<u>192,332</u>
Total accumulated depreciation, previous page	\$	<u>586,344</u>

Note 5 - Compensated Absences:

In accordance with GASB Statement No. 16, *Accounting and Financial Reporting Principal for Claims, Judgments and Compensated Absences*, the County has accrued the liability arising from outstanding claims, judgments and compensated absences.

County employees earn vacation and sick leave at various rates. No benefits or pay is received for unused sick leave upon termination. The County had outstanding accrued vacation pay as follows:

Primary Government	\$	<u>276,850</u>
Component Unit School Board	\$	<u>350,878</u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 6 - Interfund Transfers Due From/To Other Funds/Primary Government/Component Units:

Fund	Primary Government	Component Unit
General	\$ -	\$ 538,445
School	538,445	-
Total	\$ <u>538,445</u>	\$ <u>538,445</u>

Fund	Transfers In	Transfers Out
General	\$ 12,000	\$ 239,673
Capital Improvement	239,673	12,000
Total	\$ <u>251,673</u>	\$ <u>251,673</u>

Note 7 - 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 10 years of service credit or age 50 with at least five years of service credit.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 7 - 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 at 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 member's plan apply.

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 7 - Defined Benefit Pension Plan: (Continued)

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School's non-professional employee contribution rates for the fiscal year ended 2011 were 9.42% and 1.78% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$355,874, \$617,820, and \$829,394 to the teacher cost-sharing pool for the fiscal years ended June 30, 2011, 2010 and 2009 respectively and these contributions represented 3.93%, 8.81% for July 2009 through March 2010 and 0% for April through June 2010, and 8.81%, respectively, of current covered payroll.

C. Annual Pension Cost:

For fiscal year 2011, the County's annual pension cost of \$346,452 was equal to the County's required and actual contributions.

For fiscal year 2011, the County School Board's annual pension cost for the Board's non-professional employees was \$11,931 which was equal to the Board's required and actual contributions.

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2011	\$ 346,452	100%	\$ -
June 30, 2010	295,687	100%	-
June 30, 2009	294,642	100%	-
School Board Non-Professional:			
June 30, 2011	\$ 11,931	100%	-
June 30, 2010	25,745	100%	-
June 30, 2009	27,164	100%	-

(1) Employer portion only

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 7 - Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost: (Continued)

The FY2011 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 and the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the County's plan was 83.42% funded. The actuarial accrued liability for benefits was \$12,754,586, and the actuarial value of assets was \$10,640,322, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,114,264. The covered payroll (annual payroll of active employees covered by the plan) was \$3,668,934, and ratio of the UAAL to the covered payroll was 57.63%.

As of June 30, 2010, the most recent actuarial valuation date, the County School Board's plan was 101.12% funded. The actuarial accrued liability for benefits was \$3,001,621, and the actuarial value of assets was \$3,035,325, resulting in an unfunded actuarial accrued liability (UAAL) of (\$33,704). The covered payroll (annual payroll of active employees covered by the plan) was \$677,552, and ratio of UAAL to the covered payroll was (4.97%).

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 8 - Long-Term Obligations:

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

Year Ending June 30,	General Obligation Bonds		Literary Fund Loans		VACO/VML Loan		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 298,248	\$ 9,842	\$ 310,000	\$ 93,000	\$ 1,010,000	\$ 51,510	\$ 79,883	\$ 4,193
2013	-	-	310,000	83,700	1,010,000	34,340	-	-
2014	-	-	310,000	74,400	1,010,000	17,170	-	-
2015	-	-	310,000	65,100	-	-	-	-
2016	-	-	310,000	55,800	-	-	-	-
2017	-	-	310,000	46,500	-	-	-	-
2018	-	-	310,000	37,200	-	-	-	-
2019	-	-	310,000	27,900	-	-	-	-
2020	-	-	310,000	18,600	-	-	-	-
2021	-	-	310,000	9,300	-	-	-	-
Total	\$ 298,248	\$ 9,842	\$ 3,100,000	\$ 511,500	\$ 3,030,000	\$ 103,020	\$ 79,883	\$ 4,193

Changes in Long-Term Obligations:

The following is a summary of long-term obligation transactions for the year ended June 30, 2011:

	Amounts Payable at July 1, 2010			Amounts Payable at June 30, 2011		Amounts Due Within One Year
		Increases	Decreases			
Governmental Funds:						
School general obligation bonds	\$ 588,068	\$ -	\$ 289,820	\$ 298,248	\$ 298,248	
Landfill closure liability	792,150	-	-	792,150	-	
Literary fund loans	3,410,000	-	310,000	3,100,000	310,000	
VACO/VML loan	3,745,000	-	715,000	3,030,000	1,010,000	
Capital leases	155,782	-	75,899	79,883	79,883	
Other post employment benefits	20,000	44,000	24,000	40,000	-	
Compensated absences	335,667	-	58,817	276,850	27,685	
Total governmental funds	\$ 9,046,667	\$ 44,000	\$ 1,473,536	\$ 7,617,131	\$ 1,725,816	

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 8 - Long-Term Obligations: (Continued)

Details of Long-Term Obligations:

	<u>Amount Outstanding</u>	<u>Amounts Due Within One Year</u>
<i>School General Obligation Bonds:</i>		
\$4,809,082 School Bonds, 1991B, issued July 15, 1991, maturing annually through July 15, 2011, interest at 4.85% to 6.60% payable semiannually	\$ 298,248	\$ 298,248
<i>State Literary Fund Loans:</i>		
\$6,200,000, issued December 1, 2000 due in varying installments through December 1, 2020, interest at 3%	\$ 3,100,000	\$ 310,000
<i>VACO/VML Loans:</i>		
\$5,040,000 loan issued November 19, 2008 due in varying installments through November 2013. Interest is payable monthly at the bank's prime rate plus 1.5%. The amount drawn on the loan at June 30, 2010 was \$4,520,000	\$ 3,030,000	\$ 1,010,000
<i>Capital Leases:</i>		
\$192,987 lease issued February 5, 2010 due in annual installments of principal and interest of \$67,647 through February 2012. Interest is payable at 5.25%	\$ 64,273	\$ 64,273
\$46,871 lease issued December 21, 2009 due in annual installments of principal and interest of \$16,429 through December 2011. Interest is payable at 5.25%	15,610	15,610
Total Capital Leases	\$ 79,883	\$ 79,883
Landfill closure liability	\$ 792,150	\$ -
Other post employment benefits	\$ 40,000	\$ -
Compensated absences	\$ 276,850	\$ 27,685
Total	<u>\$ 7,617,131</u>	<u>\$ 1,725,816</u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 8 - Long-Term Obligations: (Continued)

Component Unit School Board:

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

	<u>Amounts Payable at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts payable at June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable	\$ 365,014	\$ -	\$ 14,136	\$ 350,878	\$ 35,088
Other post employment benefits	<u>43,000</u>	<u>74,000</u>	<u>31,000</u>	<u>86,000</u>	<u>-</u>
Total	<u>\$ 408,014</u>	<u>\$ 74,000</u>	<u>\$ 45,136</u>	<u>\$ 436,878</u>	<u>\$ 35,088</u>

Note 9 - Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$5,368,948 for the primary government is comprised of the following:

- A. Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$5,180,486 at June 30, 2011.
- B. Prepaid Property Taxes: Property tax due subsequent to June 30, 2011 but paid in advance by the taxpayers totaled \$101,912 at June 30, 2011.
- C. Landfill Tags: Landfill fees for periods after June 30, 2011, but paid in advance totaled \$86,550 at June 30, 2011.

Note 10 - Contingent Liabilities:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and 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 disallowances of current grant program expenditures, if any, would be immaterial.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 11 - Surety Bonds:

	<u>Amount</u>
Virginia Department of Risk Management - Surety	
Stephanie Murray, Treasurer	\$ 400,000
Linda Parrish, Clerk of the Circuit Court	25,000
Gale L. Harris, Commissioner of the Revenue	3,000
Erik Weaver, Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Madison County Department of Social Services employee blanket bond	100,000
Virginia Local Government Risk Management Plan	
Madison County School Board Public Officials Liability	1,000,000
Madison County Public Officials Liability	250,000

Note 12 - 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 insured by the Virginia Association of Counties (VACO) for all risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the past three fiscal years. Worker's Compensation is also carried through VACO.

Note 13 - Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste which occurred in fiscal year 2005 and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$792,150 reported as landfill closure and postclosure care liability at June 30, 2011, represents the cumulative amount reported based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from any funds accumulated for this purpose in the General Fund.

The County has demonstrated financial assurance requirements for closure and postclosure care and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

The County plans to meet all federal laws, regulations and tests of financial assurance related to the financing of closure and postclosure care when they become effective.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 14 - Other Post Employment Benefits Program:

County:

A. Plan Description:

The County post-retirement health care plan is a single employer defined benefit healthcare plan that offers insurance benefits for employees who are eligible for retirement benefits. All full-time employees who retire with 30 years of service, or at age 62 with 5 years of service are eligible. Once the participant is Medicare eligible they are no longer eligible to remain in the plan. The County's post-retirement health care Plan does not issue a separate, audited GAAP basis report.

B. Funding Policy:

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees, the retirees pay 100% of the published rates for individual and dependant coverage until age 65. Surviving spouses are not allowed access to the plan.

C. 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), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. 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:

Annual required contribution	\$	44,000
Interest on net OPEB obligation		950
Adjustment to annual required contribution		(950)
Annual OPEB cost (expense)	\$	<u>44,000</u>
Contribution made		24,000
Increase in net OPEB obligation	\$	<u>20,000</u>
Net OPEB obligation-beginning of year		20,000
Net OPEB obligation-end of year	\$	<u><u>40,000</u></u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 14 - Other Post Employment Benefits Program: (Continued)

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation:

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 is 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>
June 30, 2010	\$ 44,000	54%	\$ 20,000
June 30, 2011	44,000	54%	40,000

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010 is as follows:

Actuarial accrued liability (AAL)	\$ 461,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	461,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	3,836,000
UAAL as a percentage of covered payroll	12.02%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions 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 assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. 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 the 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.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 14 - Other Post Employment Benefits Program: (Continued)

County: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2010, was thirty years.

Unfunded

Discount rate	4.0%
Payroll growth	3.75%

School Board:

A. Plan Description:

The School Board Retiree Service Program is a single employer defined benefit healthcare plan that offers health insurance for retirees. Employees who receive an unreduced retirement benefit from VRS, has at least seven consecutive years of service immediately preceding retirement, is a full time, salaried employee of the school division at the time of applying for the program, and is not eligible for disability retirement benefits under VRS are eligible for the program. The School Board Extended Service Program does not issue a separate GAAP basis report.

B. Funding Policy:

The School Board establishes employer contribution rates for plan participants as part of the budgetary process. The school board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees the School Board pays an amount per month towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. Coverage ceases after seven years and there is no benefit provided after age 65. Surviving spouses are not allowed access to the plan.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 14 - Other Post Employment Benefits Program: (Continued)

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation:

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	\$ 74,000
Interest on net OPEB obligation	2,050
Adjustment to annual required contribution	<u>(2,050)</u>
Annual OPEB cost (expense)	\$ 74,000
Contribution made	<u>31,000</u>
Increase in net OPEB obligation	\$ 43,000
Net OPEB obligation-beginning of year	<u>43,000</u>
Net OPEB obligation-end of year	<u><u>\$ 86,000</u></u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding year are 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>
June 30, 2010	\$ 74,000	41%	\$ 43,000
June 30, 2011	74,000	41%	86,000

D. Funded Status and Funding Progress:

The funded status of the plan as of July 1, 2011 is as follows:

Actuarial accrued liability (AAL)	\$ 794,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	794,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	7,176,000
UAAL as a percentage of covered payroll	11.06%

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 14 - Other Post Employment Benefits Program: (Continued)

School Board: (Continued)

D. Funded Status and Funding Progress: (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions 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 assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. 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 the 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.

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2010, was thirty years.

	<u>Unfunded</u>
Discount rate	4.0%
Payroll growth	3.75%

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 15 - Other Post-Employment Benefits-VRS Health Insurance Credit (OPEB):

A. Plan Description

The County participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and 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.

An employee of the County 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 \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

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 7.

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2011 was .05% of annual covered payroll.

C. OPEB Cost and Net OPEB Obligation:

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The County is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2011, the County's contribution of \$1,839 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding year are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost (ARC)</u>	<u>Percentage of ARC</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2009	\$ 4,758	100%	\$ -
June 30, 2010	4,775	100%	-
June 30, 2011	1,839	100%	-

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2011 (Continued)

Note 15 - Other Post-Employment Benefits-VRS Health Insurance Credit (OPEB): (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	37,549
Actuarial value of plan assets		39,936
Unfunded actuarial accrued liability		-2,387
Funded ratio (actuarial value of plan assets / AAL)		106.36%
Covered payroll (active plan members)		3,668,934
UAAL as a percentage of covered payroll		-0.07%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the 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 liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. 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 included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.5% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2009 was 27 years.

Note 15 - Other Post-Employment Benefits-VRS Health Insurance Credit (OPEB): (Continued)

F. Professional Employees - Discretely Presented Component Unit School Board

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.

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.

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2011, 2010, and 2009 were \$54,332, \$73,893, and \$101,663, respectively and equaled the required contributions for each year.

Required Supplementary Information

Note to Required Supplementary Information:

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

This page intentionally left blank

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

	Original Budget	Budget As Amended	Actual	Variance With Amended Budget Positive (Negative)
Revenues:				
General property taxes	\$ 11,840,586	\$ 11,840,586	\$ 12,527,310	\$ 686,724
Other local taxes	2,153,020	2,153,020	2,130,239	(22,781)
Permits, privilege fees and regulatory licenses	242,850	244,850	228,572	(16,278)
Fines and forfeitures	127,700	127,700	162,755	35,055
Revenue from use of money and property	146,851	149,643	125,474	(24,169)
Charges for services	349,020	349,020	522,698	173,678
Miscellaneous	45,060	45,060	185,893	140,833
Intergovernmental:				
Commonwealth	4,018,691	4,018,691	4,282,445	263,754
Federal	1,133,698	1,306,388	914,513	(391,875)
Total revenues	\$ 20,057,476	\$ 20,234,958	\$ 21,079,899	\$ 844,941
Expenditures:				
Current:				
General government administration	\$ 1,123,347	\$ 1,170,434	\$ 1,079,799	\$ 90,635
Judicial administration	731,280	795,283	752,503	42,780
Public safety	4,404,708	4,735,770	4,423,250	312,520
Public works	1,477,850	1,480,355	1,203,558	276,797
Health and welfare	2,893,458	2,895,958	2,899,404	(3,446)
Education	7,919,078	7,919,078	7,792,973	126,105
Parks, recreation, and cultural	210,924	449,147	304,055	145,092
Community development	813,574	815,854	653,101	162,753
Nondepartmental	1,294,972	1,145,668	111,112	1,034,556
Debt service:				
Principal retirement	1,615,904	1,615,904	1,390,719	225,185
Interest and other fiscal charges	200,201	200,201	195,248	4,953
Total expenditures	\$ 22,685,296	\$ 23,223,652	\$ 20,805,722	\$ 2,417,930
Excess (deficiency) of revenues over expenditures	\$ (2,627,820)	\$ (2,988,694)	\$ 274,177	\$ 3,262,871
Other Financing Sources (uses):				
Transfers in	\$ -	\$ 12,000	\$ 12,000	\$ -
Transfers (out)	(250,000)	(250,000)	(239,673)	10,327
Total other financing sources (uses)	\$ (250,000)	\$ (238,000)	\$ (227,673)	\$ 10,327
Net change in fund balances	\$ (2,877,820)	\$ (3,226,694)	\$ 46,504	\$ 3,273,198
Fund balances at beginning of year	2,877,820	3,226,694	5,445,044	2,218,350
Fund balances at end of year	\$ -	\$ -	\$ 5,491,548	\$ 5,491,548

Schedule of Pension Funding Progress
Last Three Fiscal Years

Virginia Retirement System

County:

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3)-(2)	Funded Ratio Assets at % of AAL (2) (3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 10,640,322	\$ 12,754,586	\$ 2,114,264	83.42%	\$ 3,668,934	57.63%
6/30/2009	10,454,709	11,464,989	1,010,280	91.19%	3,666,853	27.55%
6/30/2008	10,106,992	10,511,099	404,107	96.16%	3,608,233	11.20%

School Board Non-Professional:

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3)-(2)	Funded Ratio Assets at % of AAL (2) (3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 3,035,325	\$ 3,001,621	\$ (33,704)	101.12%	\$ 677,552	-4.97%
6/30/2009	3,043,334	2,745,930	(297,404)	110.83%	699,131	-42.54%
6/30/2008	3,060,786	2,893,283	(167,503)	105.79%	750,046	-22.33%

County VRS Health Insurance Credit:

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3)-(2)	Funded Ratio Assets at % of AAL (2) (3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/10	\$ 39,936	\$ 37,549	\$ (2,387)	106.36%	\$ 3,668,934	-0.07%
6/30/09	32,323	34,473	2,150	93.76%	3,666,853	0.06%
6/30/08	37,826	50,335	12,509	75.15%	3,608,233	0.35%

Other Post Employment Benefits

County

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (4)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/10	\$ -	\$ 461,000	\$ 461,000	0.00%	\$ 3,836,000	12.02%

Discretely Presented Component Unit - School Board

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (4)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2010	\$ -	\$ 794,000	\$ 794,000	0.00%	\$ 7,176,000	11.06%

Other Supplementary Information

This page intentionally left blank

Combining and Individual Fund Statements and Schedules

This page intentionally left blank

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Capital projects	\$ 250,000	\$ 577,000	\$ 239,673	\$ 337,327
Total expenditures	\$ 250,000	\$ 577,000	\$ 239,673	\$ 337,327
Excess (deficiency) of revenues over (under) expenditures	\$ (250,000)	\$ (577,000)	\$ (239,673)	\$ (337,327)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 250,000	\$ 250,000	\$ 239,673	\$ (10,327)
Transfers out	-	(12,000)	(12,000)	-
Total other financing sources and (uses)	\$ 250,000	\$ 238,000	\$ 227,673	\$ (10,327)
Net change in fund balances	\$ -	\$ (339,000)	\$ (12,000)	\$ 327,000
Fund balances at beginning of year	-	339,000	629,753	290,753
Fund balances at end of year	\$ -	\$ -	\$ 617,753	\$ 617,753

Agency Funds
 Schedule of Changes in Assets and Liabilities
 Year Ended June 30, 2011

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 39,156	\$ 35,930	\$ 30,734	\$ 44,352
Total assets	<u>\$ 39,156</u>	<u>\$ 35,930</u>	<u>\$ 30,734</u>	<u>\$ 44,352</u>
Liabilities:				
Amounts held for others	\$ 39,156	\$ 35,930	\$ 30,734	\$ 44,352
Total liabilities	<u>\$ 39,156</u>	<u>\$ 35,930</u>	<u>\$ 30,734</u>	<u>\$ 44,352</u>

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

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,591,818	\$ 392,340	\$ 326,245	\$ 2,310,403
Accounts receivable	21,396	-	-	21,396
Due from other governmental units	590,393	-	-	590,393
Prepaid expenditures	53,040	-	-	53,040
Inventory	-	19,076	-	19,076
Total assets	<u>\$ 2,256,647</u>	<u>\$ 411,416</u>	<u>\$ 326,245</u>	<u>\$ 2,994,308</u>
LIABILITIES				
Accounts payable	\$ 126,384	\$ -	\$ -	\$ 126,384
Accrued liabilities	1,590,818	44,151	-	1,634,969
Due to Primary Government	538,445	-	-	538,445
Total liabilities	<u>\$ 2,255,647</u>	<u>\$ 44,151</u>	<u>\$ -</u>	<u>\$ 2,299,798</u>
FUND BALANCES				
Restricted	\$ -	\$ -	\$ 326,245	\$ 326,245
Committed	1,000	367,265	-	368,265
Total fund balances	<u>\$ 1,000</u>	<u>\$ 367,265</u>	<u>\$ 326,245</u>	<u>\$ 694,510</u>
Total liabilities and fund balances	<u>\$ 2,256,647</u>	<u>\$ 411,416</u>	<u>\$ 326,245</u>	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the School Board as a whole.

5,081,965

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.

(436,878)

Net assets of General Government Activities

\$ 5,339,597

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

	School Operating Fund	School Cafeteria Fund	Nonmajor Funds	Total
Revenues:				
Revenue from use of money and property	\$ 41,674	\$ -	\$ 882	\$ 42,556
Charges for services	27,300	407,406	-	434,706
Miscellaneous	150,068	141	-	150,209
Intergovernmental:				
County contribution to School Board	7,790,858	-	-	7,790,858
Commonwealth	7,334,196	20,961	-	7,355,157
Federal	1,422,428	394,033	-	1,816,461
Total revenues	\$ 16,766,524	\$ 822,541	\$ 882	\$ 17,589,947
Expenditures:				
Current:				
Education	\$ 16,766,524	\$ 720,579	\$ 17,500	\$ 17,504,603
Total expenditures	\$ 16,766,524	\$ 720,579	\$ 17,500	\$ 17,504,603
Changes in fund balances	\$ -	\$ 101,962	\$ (16,618)	\$ 85,344
Fund balances at beginning of year	1,000	265,303	342,863	609,166
Fund balances at end of year	\$ 1,000	\$ 367,265	\$ 326,245	\$ 694,510

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
Year Ended June 30, 2011

		<u>Component Unit School Board</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Net change in fund balances - total governmental funds	\$	85,344
<p>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 computed as follows:</p>		
Capital additions	\$ 252,722	
Depreciation expense	<u>(394,012)</u>	(141,290)
<p>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:</p>		
Change in accrued leave	14,136	
Change in OPEB liability	<u>(43,000)</u>	(28,864)
Transfer of joint tenancy assets from Primary Government to the Component Unit		<u>407,488</u>
Change in net assets of governmental activities	\$	<u><u>322,678</u></u>

COUNTY OF MADISON, VIRGINIA

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

	School Operating Fund			Variance From Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Revenue from use of money and property	\$ 21,000	\$ 36,011	\$ 41,674	\$ 5,663
Charges for services	10,000	19,400	27,300	7,900
Miscellaneous	52,000	120,259	150,068	29,809
Intergovernmental:				
County contribution to School Board	7,917,624	7,917,624	7,790,858	(126,766)
Commonwealth	7,505,255	7,505,255	7,334,196	(171,059)
Federal	1,516,744	1,516,744	1,422,428	(94,316)
Total revenues	<u>\$ 17,022,623</u>	<u>\$ 17,115,293</u>	<u>\$ 16,766,524</u>	<u>\$ (348,769)</u>
Expenditures:				
Current:				
Education	\$ <u>17,022,623</u>	\$ <u>17,115,293</u>	\$ <u>16,766,524</u>	\$ <u>348,769</u>
Total expenditures	<u>\$ 17,022,623</u>	<u>\$ 17,115,293</u>	<u>\$ 16,766,524</u>	<u>\$ 348,769</u>
Changes in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	-	1,000	1,000
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>

School Cafeteria Fund			
Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
433,250	433,250	407,406	(25,844)
10,000	10,000	141	(9,859)
-	-	-	-
9,500	9,500	20,961	11,461
202,500	202,500	394,033	191,533
<u>\$ 655,250</u>	<u>\$ 655,250</u>	<u>\$ 822,541</u>	<u>\$ 167,291</u>
<u>\$ 655,250</u>	<u>\$ 655,250</u>	<u>\$ 720,579</u>	<u>\$ (65,329)</u>
<u>\$ 655,250</u>	<u>\$ 655,250</u>	<u>\$ 720,579</u>	<u>\$ (65,329)</u>
\$ -	\$ -	\$ 101,962	\$ 101,962
-	-	265,303	265,303
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,265</u>	<u>\$ 367,265</u>

Combining Balance Sheet

Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board

As of June 30, 2011

	School Lottery Fund	School State Construction Fund	School Textbook Fund	Employee Suspension Fund	Total
ASSETS					
Cash and cash equivalents	\$ 136,300	\$ 111,180	\$ 64,544	\$ 14,221	\$ 326,245
Total assets	<u>\$ 136,300</u>	<u>\$ 111,180</u>	<u>\$ 64,544</u>	<u>\$ 14,221</u>	<u>\$ 326,245</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Restricted	\$ 136,300	\$ 111,180	\$ 64,544	\$ 14,221	\$ 326,245
Total fund balances	<u>\$ 136,300</u>	<u>\$ 111,180</u>	<u>\$ 64,544</u>	<u>\$ 14,221</u>	<u>\$ 326,245</u>
Total liabilities and fund balances	<u>\$ 136,300</u>	<u>\$ 111,180</u>	<u>\$ 64,544</u>	<u>\$ 14,221</u>	<u>\$ 326,245</u>

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

	School Lottery Fund	School State Construction Fund	School Textbook Fund	Employee Suspension Fund	Total
REVENUES					
Revenue from the use of money and property	\$ 349	\$ 264	\$ 153	\$ 116	\$ 882
Total revenues	<u>\$ 349</u>	<u>\$ 264</u>	<u>\$ 153</u>	<u>\$ 116</u>	<u>\$ 882</u>
EXPENDITURES					
Current:					
Education	\$ 17,500	\$ -	\$ -	\$ -	\$ 17,500
Total expenditures	<u>\$ 17,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (17,151)</u>	<u>\$ 264</u>	<u>\$ 153</u>	<u>\$ 116</u>	<u>\$ (16,618)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (17,151)	\$ 264	\$ 153	\$ 116	\$ (16,618)
Fund balances - beginning	153,451	110,916	64,391	14,105	342,863
Fund balances - ending	<u>\$ 136,300</u>	<u>\$ 111,180</u>	<u>\$ 64,544</u>	<u>\$ 14,221</u>	<u>\$ 326,245</u>

COUNTY OF MADISON, VIRGINIA

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

	School Lottery Fund				School State Construction Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ 349	\$ 349	\$ -	\$ -	\$ 264	\$ 264
Total revenues	\$ -	\$ -	\$ 349	\$ 349	\$ -	\$ -	\$ 264	\$ 264
EXPENDITURES								
Current:								
Education	\$ -	\$ 17,500	\$ 17,500	\$ -	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ 17,500	\$ 17,500	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (17,500)	\$ (17,151)	\$ 349	\$ -	\$ -	\$ 264	\$ 264
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ (17,500)	\$ (17,151)	\$ 349	\$ -	\$ -	\$ 264	\$ 264
Fund balances - beginning	-	17,500	153,451	135,951	-	-	110,916	110,916
Fund balances - ending	\$ -	\$ -	\$ 136,300	\$ 136,300	\$ -	\$ -	\$ 111,180	\$ 111,180

School Textbook Fund				Employee Suspension Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ 153	\$ 153	\$ -	\$ -	\$ 116	\$ 116
\$ -	\$ -	\$ 153	\$ 153	\$ -	\$ -	\$ 116	\$ 116
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ 153	\$ 153	\$ -	\$ -	\$ 116	\$ 116
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ 153	\$ 153	\$ -	\$ -	\$ 116	\$ 116
-	-	64,391	64,391	-	-	14,105	14,105
\$ -	\$ -	\$ 64,544	\$ 64,544	\$ -	\$ -	\$ 14,221	\$ 14,221

Statement of Fiduciary Net Assets
 Component Unit - School Board
 At June 30, 2011

	Scholarship Private- Purpose Trust Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ <u>92,947</u>
Total assets	\$ <u><u>92,947</u></u>
NET ASSETS	
Reserved for scholarships	\$ <u>92,947</u>
Total net assets	\$ <u>92,947</u>
Total liabilities and net assets	\$ <u><u>92,947</u></u>

Statement of Changes in Fiduciary Net Assets
 Component Unit - School Board
 Year Ended June 30, 2011

	<u>Scholarship Private- Purpose Trust Fund</u>
Additions:	
Interest income	\$ <u>273</u>
Total additions	\$ <u>273</u>
Deductions:	
Scholarships awarded	\$ <u>5,000</u>
Total deductions	\$ <u>5,000</u>
Change in net assets	\$ (4,727)
Net assets - beginning of year	<u>97,674</u>
Net assets - end of year	<u><u>\$ 92,947</u></u>

This page intentionally left blank

Supporting Schedules

This page intentionally left blank

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 8,660,254	\$ 8,660,254	\$ 9,278,128	\$ 617,874
Real and personal public service corporation property taxes	170,000	170,000	188,576	18,576
Personal property taxes	2,564,386	2,564,386	2,515,465	(48,921)
Mobile home taxes	5,772	5,772	5,814	42
Machinery and tools taxes	80,000	80,000	66,468	(13,532)
Merchants capital taxes	221,774	221,774	174,042	(47,732)
Penalties	96,400	96,400	197,890	101,490
Interest	42,000	42,000	100,927	58,927
Total general property taxes	\$ 11,840,586	\$ 11,840,586	\$ 12,527,310	\$ 686,724
Other local taxes:				
Local sales and use taxes	\$ 840,000	\$ 840,000	\$ 763,844	\$ (76,156)
Consumers' utility taxes	320,000	320,000	347,299	27,299
Local consumption tax	40,000	40,000	44,388	4,388
Restaurant food taxes	330,000	330,000	318,251	(11,749)
Gross receipts taxes	30,000	30,000	22,621	(7,379)
Bank stock taxes	50,000	50,000	89,512	39,512
Motor vehicle licenses	400,000	400,000	418,414	18,414
Taxes on recordation and wills	143,020	143,020	125,910	(17,110)
Total other local taxes	\$ 2,153,020	\$ 2,153,020	\$ 2,130,239	\$ (22,781)
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 12,000	\$ 12,000	\$ 10,482	\$ (1,518)
Building and related permits	210,350	212,350	199,054	(13,296)
Land transfer fees	500	500	436	(64)
Land use application fees	20,000	20,000	18,600	(1,400)
Total permits, privilege fees and regulatory licenses	\$ 242,850	\$ 244,850	\$ 228,572	\$ (16,278)
Fines and Forfeitures:				
Court fines and forfeitures	\$ 127,700	\$ 127,700	\$ 162,755	\$ 35,055
Total fines and forfeitures	\$ 127,700	\$ 127,700	\$ 162,755	\$ 35,055
Revenue from use of money and property:				
Revenue from use of money	\$ 70,530	\$ 70,530	\$ 40,360	\$ (30,170)
Revenue from use of property	76,321	79,113	85,114	6,001
Total revenue from use of money and property	\$ 146,851	\$ 149,643	\$ 125,474	\$ (24,169)

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (continued)				
Charges for services:				
Sheriff's fees	\$ 350	\$ 350	\$ 344	\$ (6)
Commonwealth attorney fees	375	375	657	282
Courthouse maintenance fees	8,060	8,060	9,939	1,879
Courtroom security fees	40,000	40,000	46,915	6,915
Other charges for services	15,300	15,300	15,391	91
Ambulance transportation fees	5,000	5,000	176,444	171,444
Waste collection and disposal charges	154,972	154,972	149,305	(5,667)
Recreation fees	124,963	124,963	123,703	(1,260)
Total charges for services	<u>\$ 349,020</u>	<u>\$ 349,020</u>	<u>\$ 522,698</u>	<u>\$ 173,678</u>
Miscellaneous revenue:				
Expenditure refunds	\$ 20,010	\$ 20,010	\$ 128,663	\$ 108,653
CSA	-	-	5,186	5,186
Miscellaneous	25,050	25,050	52,044	26,994
Total miscellaneous revenue	<u>\$ 45,060</u>	<u>\$ 45,060</u>	<u>\$ 185,893</u>	<u>\$ 140,833</u>
Total revenue from local sources	<u>\$ 14,905,087</u>	<u>\$ 14,909,879</u>	<u>\$ 15,882,941</u>	<u>\$ 973,062</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Rental tax - DMV	\$ 500	\$ 500	\$ 469	\$ (31)
Mobile home titling taxes	7,200	7,200	4,526	(2,674)
PPTRA	1,029,052	1,029,052	1,029,053	1
Communication taxes	584,000	584,000	605,110	21,110
Motor vehicle carrier's tax	600	600	617	17
Recordation tax	32,140	32,140	43,228	11,088
Total noncategorical aid	<u>\$ 1,653,492</u>	<u>\$ 1,653,492</u>	<u>\$ 1,683,003</u>	<u>\$ 29,511</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 152,988	\$ 152,988	\$ 158,844	\$ 5,856
Sheriff	619,447	619,447	673,588	54,141
Commissioner of the Revenue	65,888	65,888	71,269	5,381
Treasurer	66,528	66,528	75,874	9,346
Medical examiner	1,000	1,000	-	(1,000)
Registrar/electoral board	47,970	47,970	37,562	(10,408)
Clerk of the Circuit Court	183,698	183,698	196,833	13,135
Total shared expenses	<u>\$ 1,137,519</u>	<u>\$ 1,137,519</u>	<u>\$ 1,213,970</u>	<u>\$ 76,451</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (continued)				
Other categorical aid:				
Fire programs	\$ 35,544	\$ 35,544	\$ 35,544	\$ -
Litter Control	8,000	8,000	8,785	785
Four for life	14,608	14,608	14,608	-
Emergency services	-	-	1,668	1,668
Domestic Violence	40,000	40,000	29,994	(10,006)
LOD Insurance	11,600	11,600	11,997	397
Victim witness	19,734	19,734	20,986	1,252
Department of Juvenile Justice	6,925	6,925	4,830	(2,095)
E-911	28,000	28,000	33,072	5,072
Comprehensive Services Act	733,770	733,770	835,439	101,669
PSAP State 911 grant	48,533	48,533	55,200	6,667
Sanitation improvement	-	-	19,268	19,268
Sheriff -asset forfeiture	-	-	2,764	2,764
Public assistance and welfare	271,949	271,949	306,666	34,717
Other state grants	9,017	9,017	4,651	(4,366)
Total other categorical aid	<u>\$ 1,227,680</u>	<u>\$ 1,227,680</u>	<u>\$ 1,385,472</u>	<u>\$ 157,792</u>
Total categorical aid	<u>\$ 2,365,199</u>	<u>\$ 2,365,199</u>	<u>\$ 2,599,442</u>	<u>\$ 234,243</u>
Total revenue from the Commonwealth	<u>\$ 4,018,691</u>	<u>\$ 4,018,691</u>	<u>\$ 4,282,445</u>	<u>\$ 263,754</u>
Revenue from the Federal Government:				
Payments in lieu of taxes	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 80,037</u>	<u>\$ 40,037</u>
Categorical aid:				
Public assistance and welfare	\$ 793,698	\$ 793,698	\$ 609,662	\$ (184,036)
Public assistance and welfare - ARRA	-	-	12,040	12,040
Emergency Services	-	164,904	173,245	8,341
Transportation enhancement program	300,000	300,000	-	(300,000)
Homeland Security	-	-	19,770	19,770
Ground Safety Transportation	-	7,786	19,759	11,973
Total categorical aid	<u>\$ 1,093,698</u>	<u>\$ 1,266,388</u>	<u>\$ 834,476</u>	<u>\$ (431,912)</u>
Total revenue from the Federal Government	<u>\$ 1,133,698</u>	<u>\$ 1,306,388</u>	<u>\$ 914,513</u>	<u>\$ (391,875)</u>
Total General Fund	<u>\$ 20,057,476</u>	<u>\$ 20,234,958</u>	<u>\$ 21,079,899</u>	<u>\$ 844,941</u>
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	<u>\$ 21,000</u>	<u>\$ 36,011</u>	<u>\$ 41,674</u>	<u>\$ 5,663</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Charges for services:				
Charges for education	\$ 10,000	\$ 19,400	\$ 27,300	\$ 7,900
Total charges for services	<u>\$ 10,000</u>	<u>\$ 19,400</u>	<u>\$ 27,300</u>	<u>\$ 7,900</u>
Miscellaneous revenue:				
Rebates and refunds	\$ 30,000	\$ 53,547	\$ 55,960	\$ 2,413
Sale of surplus property	1,000	1,980	2,980	1,000
Miscellaneous	21,000	64,732	91,128	26,396
Total miscellaneous revenue	<u>52,000</u>	<u>120,259</u>	<u>150,068</u>	<u>29,809</u>
Total revenue from local sources	<u>\$ 83,000</u>	<u>\$ 175,670</u>	<u>\$ 219,042</u>	<u>\$ 43,372</u>
Intergovernmental revenue:				
County contribution to School Board	<u>\$ 7,917,624</u>	<u>\$ 7,917,624</u>	<u>\$ 7,790,858</u>	<u>\$ (126,766)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,745,106	\$ 1,745,106	\$ 1,816,444	\$ 71,338
Basic school aid	3,816,115	3,816,115	3,576,538	(239,577)
Special ed SOQ	587,122	587,122	583,504	(3,618)
Vocational SOQ	153,237	153,237	152,293	(944)
Hold harmless composite index	394,686	394,686	349,894	(44,792)
Technology	154,000	154,000	154,000	-
Fringe benefits	385,676	385,676	383,299	(2,377)
Other state funds	269,313	269,313	318,224	48,911
Total categorical aid	<u>\$ 7,505,255</u>	<u>\$ 7,505,255</u>	<u>\$ 7,334,196</u>	<u>\$ (171,059)</u>
Total revenue from the Commonwealth	<u>\$ 7,505,255</u>	<u>\$ 7,505,255</u>	<u>\$ 7,334,196</u>	<u>\$ (171,059)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 287,726	\$ 287,726	\$ 298,682	\$ 10,956
Title I - ARRA	118,766	118,766	85,683	(33,083)
Title III	3,711	3,711	3,728	17
Title VI - B Special Education	426,995	426,995	398,964	(28,031)
Title VI - B Special Education - ARRA	225,971	225,971	194,454	(31,517)
Drug free schools	-	-	2,390	2,390
Education technology	3,369	3,369	-	(3,369)
State fiscal stabilization funds - ARRA	307,860	307,860	275,931	(31,929)
American History Grant	-	-	8,540	8,540
Vocational education	30,320	30,320	31,175	855
Preschool	-	-	16,910	16,910
Preschool - ARRA	14,562	14,562	14,562	-
Title II	97,464	97,464	91,409	(6,055)
Total categorical aid	<u>\$ 1,516,744</u>	<u>\$ 1,516,744</u>	<u>\$ 1,422,428</u>	<u>\$ (94,316)</u>
Total revenue from the federal government	<u>\$ 1,516,744</u>	<u>\$ 1,516,744</u>	<u>\$ 1,422,428</u>	<u>\$ (94,316)</u>
Total School Operating Fund	<u>\$ 17,022,623</u>	<u>\$ 17,115,293</u>	<u>\$ 16,766,524</u>	<u>\$ (348,769)</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 433,250	\$ 433,250	\$ 407,406	\$ (25,844)
Total charges for services	<u>\$ 433,250</u>	<u>\$ 433,250</u>	<u>\$ 407,406</u>	<u>\$ (25,844)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 10,000	\$ 10,000	\$ 141	\$ (9,859)
Total revenue from local sources	<u>\$ 443,250</u>	<u>\$ 443,250</u>	<u>\$ 407,547</u>	<u>\$ (35,703)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food grant	\$ 9,500	\$ 9,500	\$ 20,961	\$ 11,461
Revenue from the federal government:				
Categorical aid:				
School food grant	\$ 202,500	\$ 202,500	\$ 394,033	\$ 191,533
Total School Cafeteria Fund	<u>\$ 655,250</u>	<u>\$ 655,250</u>	<u>\$ 822,541</u>	<u>\$ 167,291</u>
School Lottery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 349	\$ 349
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349</u>	<u>\$ 349</u>
Total School Lottery Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349</u>	<u>\$ 349</u>
School State Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 264	\$ 264
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264</u>	<u>\$ 264</u>
Total School State Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264</u>	<u>\$ 264</u>
School Textbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 153	\$ 153
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153</u>	<u>\$ 153</u>
Total School Textbook Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153</u>	<u>\$ 153</u>
Employee Suspension Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 116	\$ 116
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116</u>	<u>\$ 116</u>
Total School Textbook Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116</u>	<u>\$ 116</u>
Grand Total Revenues -- Component Unit -- School Board	<u>\$ 17,677,873</u>	<u>\$ 17,770,543</u>	<u>\$ 17,589,947</u>	<u>\$ (180,596)</u>

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

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 57,019	\$ 57,019	\$ 55,780	\$ 1,239
General and financial administration:				
County administrator	\$ 211,630	\$ 211,780	\$ 195,429	\$ 16,351
Legal services	55,476	59,692	59,691	1
Independent Auditor	49,250	53,717	48,218	5,499
Commissioner of the revenue	191,731	191,731	171,785	19,946
Personal property	5,133	7,133	6,495	638
Data Processing	18,000	33,792	33,792	-
Land use	1,793	1,793	1,129	664
Assessor	7,625	7,625	3,500	4,125
Finance Department	179,816	181,692	177,119	4,573
Treasurer	223,080	241,184	230,357	10,827
Total general and financial administration	\$ 943,534	\$ 990,139	\$ 927,515	\$ 62,624
Board of Elections:				
Electoral board and officials	\$ 42,300	\$ 42,300	\$ 23,510	\$ 18,790
Registrar	80,494	80,976	72,994	7,982
Total board of elections	\$ 122,794	\$ 123,276	\$ 96,504	\$ 26,772
Total general government administration	\$ 1,123,347	\$ 1,170,434	\$ 1,079,799	\$ 90,635
Judicial administration:				
Courts:				
Circuit court	\$ 21,685	\$ 21,685	\$ 21,017	\$ 668
Combined court	13,200	13,200	10,216	2,984
Clerk of the circuit court	270,353	287,764	266,064	21,700
Sheriff - court security	142,938	169,530	157,505	12,025
Magistrates	500	500	-	500
Rappahannock legal services	2,000	2,000	2,000	-
Victim witness program	22,751	22,751	20,762	1,989
Commissioner of accounts	910	910	720	190
Total courts	\$ 474,337	\$ 518,340	\$ 478,284	\$ 40,056
Commonwealth's attorney:				
Commonwealth's attorney	\$ 256,943	\$ 276,943	\$ 274,219	\$ 2,724
Total judicial administration	\$ 731,280	\$ 795,283	\$ 752,503	\$ 42,780

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

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,611,280	\$ 1,658,806	\$ 1,586,280	\$ 72,526
Public safety	61,858	61,858	51,773	10,085
Asset forfeiture	-	-	6,524	(6,524)
E-911 system	600,659	823,602	699,060	124,542
Total law enforcement and traffic control	<u>\$ 2,273,797</u>	<u>\$ 2,544,266</u>	<u>\$ 2,343,637</u>	<u>\$ 200,629</u>
Fire and rescue services:				
Volunteer fire department	\$ 118,512	\$ 119,056	\$ 119,056	-
Ambulance and rescue service	102,950	114,608	114,608	-
Emergency medical services	899,932	924,374	911,453	12,921
EMS Council	7,743	7,743	7,743	-
Total fire and rescue services	<u>\$ 1,129,137</u>	<u>\$ 1,165,781</u>	<u>\$ 1,152,860</u>	<u>\$ 12,921</u>
Correction and detention:				
Confinement of prisoners	\$ 2,300	\$ 2,300	\$ 642	\$ 1,658
Regional jail	449,872	449,872	432,129	17,743
Jefferson area community corrections	6,244	6,244	6,244	-
Juvenile detention	59,259	67,592	64,248	3,344
Probation office	19,485	20,520	18,856	1,664
Total correction and detention	<u>\$ 537,160</u>	<u>\$ 546,528</u>	<u>\$ 522,119</u>	<u>\$ 24,409</u>
Inspections:				
Building	\$ 231,725	\$ 236,065	\$ 226,007	\$ 10,058
Total inspections	<u>\$ 231,725</u>	<u>\$ 236,065</u>	<u>\$ 226,007</u>	<u>\$ 10,058</u>
Other protection:				
Animal control and shelter facility	\$ 228,917	\$ 239,158	\$ 175,015	\$ 64,143
Services to abused families	3,372	3,372	3,372	-
Medical examiner (coroner)	600	600	240	360
Total other protection	<u>\$ 232,889</u>	<u>\$ 243,130</u>	<u>\$ 178,627</u>	<u>\$ 64,503</u>
Total public safety	<u>\$ 4,404,708</u>	<u>\$ 4,735,770</u>	<u>\$ 4,423,250</u>	<u>\$ 312,520</u>
Public works:				
Sanitation and waste removal:				
County landfill	\$ 814,422	\$ 815,628	\$ 650,341	\$ 165,287
Total sanitation and waste removal	<u>\$ 814,422</u>	<u>\$ 815,628</u>	<u>\$ 650,341</u>	<u>\$ 165,287</u>
Maintenance of general buildings and grounds:				
General properties	\$ 663,428	\$ 664,727	\$ 553,217	\$ 111,510
Total maintenance of general buildings and grounds	<u>\$ 663,428</u>	<u>\$ 664,727</u>	<u>\$ 553,217</u>	<u>\$ 111,510</u>
Total public works	<u>\$ 1,477,850</u>	<u>\$ 1,480,355</u>	<u>\$ 1,203,558</u>	<u>\$ 276,797</u>

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

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 141,292	\$ 141,292	\$ 141,292	\$ -
Total health	\$ 141,292	\$ 141,292	\$ 141,292	\$ -
Mental health and mental retardation:				
Chapter X board	\$ 74,677	\$ 74,677	\$ 74,677	\$ -
Total mental health and mental retardation	\$ 74,677	\$ 74,677	\$ 74,677	\$ -
Welfare:				
Administration	\$ 1,478,685	\$ 1,478,685	\$ 1,326,312	\$ 152,373
Hospice of the Rapidan	2,000	2,000	2,000	-
Madison free clinic	2,500	2,500	2,500	-
Rapp-Rapidan medical reserve corporation	500	500	500	-
Piedmont regional dental clinic	-	2,500	2,500	-
CSA - at risk youth	1,193,804	1,193,804	1,349,623	(155,819)
Total welfare	\$ 2,677,489	\$ 2,679,989	\$ 2,683,435	\$ (3,446)
Total health and welfare	\$ 2,893,458	\$ 2,895,958	\$ 2,899,404	\$ (3,446)
Education:				
Contributions to community colleges	\$ 2,115	\$ 2,115	\$ 2,115	\$ -
Contributions to component unit school board	7,916,963	7,916,963	7,790,858	126,105
Total education	\$ 7,919,078	\$ 7,919,078	\$ 7,792,973	\$ 126,105
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 112,454	\$ 350,677	\$ 205,585	\$ 145,092
Total parks and recreation	\$ 112,454	\$ 350,677	\$ 205,585	\$ 145,092
Cultural enrichment:				
Public TV	\$ 1,200	\$ 1,200	\$ 1,200	\$ -
Boys and girls club	500	500	500	-
Senior center	542	542	542	-
NPS 75th anniversary	1,000	1,000	1,000	-
Total cultural enrichment	\$ 3,242	\$ 3,242	\$ 3,242	\$ -
Library:				
County library	\$ 95,228	\$ 95,228	\$ 95,228	\$ -
Total parks, recreation and cultural	\$ 210,924	\$ 449,147	\$ 304,055	\$ 145,092

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

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning commission	\$ 18,404	\$ 18,404	\$ 11,400	\$ 7,004
Zoning and planning	127,105	128,107	121,405	6,702
Main street project	390,000	390,000	260,650	129,350
Rapidan Better Housing Corp.	7,000	7,000	7,000	-
Aging together	9,250	9,250	9,250	-
Board of zoning appeals	5,440	5,440	3,156	2,284
Board of building code appeals	700	700	120	580
Planning district commission	11,889	11,889	11,888	1
Chamber of commerce	61,000	61,000	61,000	-
Updating tax maps	32,438	32,475	17,132	15,343
Piedmont workforce network	500	500	500	-
Habitat for humanity	500	500	500	-
Skyline CAP	27,980	27,980	27,980	-
Total planning and community development	<u>\$ 692,206</u>	<u>\$ 693,245</u>	<u>\$ 531,981</u>	<u>\$ 161,264</u>
Environmental management:				
Soil and water conservation district	\$ 29,284	\$ 29,284	\$ 29,284	-
Forestry service	6,000	6,000	5,979	21
Total environmental management	<u>\$ 35,284</u>	<u>\$ 35,284</u>	<u>\$ 35,263</u>	<u>\$ 21</u>
Cooperative extension program:				
VPI extension	\$ 85,584	\$ 86,825	\$ 85,357	\$ 1,468
Northern VA 4-H center	500	500	500	-
Total cooperative extension program	<u>\$ 86,084</u>	<u>\$ 87,325</u>	<u>\$ 85,857</u>	<u>\$ 1,468</u>
Total community development	<u>\$ 813,574</u>	<u>\$ 815,854</u>	<u>\$ 653,101</u>	<u>\$ 162,753</u>
Nondepartmental:				
Miscellaneous	\$ 1,294,972	\$ 1,145,668	\$ 111,112	\$ 1,034,556
Total nondepartmental	<u>\$ 1,294,972</u>	<u>\$ 1,145,668</u>	<u>\$ 111,112</u>	<u>\$ 1,034,556</u>
Debt service:				
Principal retirement	\$ 1,615,904	\$ 1,615,904	\$ 1,390,719	\$ 225,185
Interest and fiscal charges	200,201	200,201	195,248	4,953
Total debt service	<u>\$ 1,816,105</u>	<u>\$ 1,816,105</u>	<u>\$ 1,585,967</u>	<u>\$ 230,138</u>
Total General Fund	<u><u>\$ 22,685,296</u></u>	<u><u>\$ 23,223,652</u></u>	<u><u>\$ 20,805,722</u></u>	<u><u>\$ 2,417,930</u></u>

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

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
Capital Improvement Fund:				
Capital Projects:				
School projects	\$ 250,000	\$ 236,371	\$ -	\$ 236,371
Courthouse renovation project	-	340,629	239,673	100,956
Total capital projects	<u>\$ 250,000</u>	<u>\$ 577,000</u>	<u>\$ 239,673</u>	<u>\$ 337,327</u>
Total Capital Improvements Fund	<u>\$ 250,000</u>	<u>\$ 577,000</u>	<u>\$ 239,673</u>	<u>\$ 337,327</u>
Grand Total Expenditures--Primary Government	<u>\$ 22,935,296</u>	<u>\$ 23,800,652</u>	<u>\$ 21,045,395</u>	<u>\$ 2,755,257</u>
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Instruction	\$ 12,309,077	\$ 12,309,077	\$ 12,035,065	\$ 274,012
Administration, attendance and health	751,285	751,285	750,307	978
Pupil transportation services	1,359,042	1,359,042	1,359,608	(566)
Operation and maintenance services	1,886,682	1,886,682	1,879,408	7,274
Facilities	286,640	286,640	233,603	53,037
Technology	429,897	522,567	508,533	14,034
Total education	<u>\$ 17,022,623</u>	<u>\$ 17,115,293</u>	<u>\$ 16,766,524</u>	<u>\$ 348,769</u>
Total School Operating Fund	<u>\$ 17,022,623</u>	<u>\$ 17,115,293</u>	<u>\$ 16,766,524</u>	<u>\$ 348,769</u>
School Cafeteria Fund:				
Education:				
School food program	<u>\$ 655,250</u>	<u>\$ 655,250</u>	<u>\$ 720,579</u>	<u>\$ (65,329)</u>
School Lottery Fund:				
Education:				
Facilities	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 17,500</u>	<u>\$ -</u>
Grand Total Expenditures--Component Unit--School Board	<u>\$ 17,677,873</u>	<u>\$ 17,788,043</u>	<u>\$ 17,504,603</u>	<u>\$ 283,440</u>
Grand Total Expenditures--Reporting Entity	<u>\$ 40,613,169</u>	<u>\$ 41,588,695</u>	<u>\$ 38,549,998</u>	<u>\$ 3,038,697</u>

Statistical Tables

This page intentionally left blank

COUNTY OF MADISON, VIRGINIA

Table 1

Government-Wide Expenses by Function
Last Nine Fiscal Years

Fiscal Year	General			Public Safety			Public Works			Health and Welfare			Education			Parks Recreation and Cultural		Community Development		Capital Outlays		Non-Departmental		Interest on Debt		Total
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks Recreation and Cultural	Community Development	Capital Outlays	Non-Departmental	Interest on Debt															
2002-03	\$ 716,800	\$ 423,957	\$ 2,532,449	\$ 1,011,267	\$ 1,368,827	\$ 6,257,248	\$ 284,177	\$ 362,644	\$ 157,766	\$ 1,607	\$ 323,774	\$ 13,440,516														
2003-04	981,547	437,319	2,531,628	1,133,108	1,365,171	6,099,078	376,214	524,605	-	-	288,931	13,737,601														
2004-05	885,213	480,576	3,130,935	1,316,008	1,392,766	6,218,856	370,662	986,286	-	-	293,510	15,074,812														
2005-06	949,045	543,889	3,628,091	1,183,355	1,680,276	6,908,934	425,737	410,815	-	-	258,137	15,988,279														
2006-07	1,167,738	581,515	4,014,589	1,382,984	2,290,794	7,206,592	307,191	1,172,189	-	-	234,594	18,358,186														
2007-08	1,159,581	611,026	4,311,119	1,553,922	2,513,784	7,656,901	283,031	732,319	-	-	205,686	19,027,369														
2008-09	1,274,260	816,078	4,279,844	1,432,619	2,652,806	7,455,744	354,226	435,164	-	-	206,551	18,907,292														
2009-10	1,236,352	784,033	4,266,320	1,235,080	2,580,466	8,259,183	371,752	411,120	-	-	199,776	19,344,082														
2010-11	1,208,692	772,906	4,487,980	1,275,161	2,880,632	8,285,417	364,838	654,796	-	-	179,355	20,109,777														

COUNTY OF MADISON, VIRGINIA

Table 2

Government-Wide Revenues
Last Nine Fiscal Years

Fiscal Year	Program Revenues					General Revenues										Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Local Sales and Use Tax	Comm-unication Tax (1)	Consumers' Utility Tax	Motor Vehicle Licenses	Restaurant Food Taxes	Other Local Taxes	Grants and Contributions Not Restricted to Specific Programs (1)	Revenues from the Use of Money & Property	Miscellaneous			
2002-03	\$ 739,814	\$ 2,517,812	\$ 31,574	\$ 7,638,370	\$ 723,525	\$ -	\$ 602,217	\$ 329,134	\$ 269,302	\$ 464,412	\$ 994,060	\$ 85,097	\$ 115,068	\$ 14,510,385		
2003-04	627,902	2,274,968	55,609	8,311,566	840,938	-	662,424	341,070	297,518	457,849	1,014,432	77,112	129,626	15,091,014		
2004-05	687,502	2,359,662	240,601	8,368,873	858,730	-	684,033	352,139	322,589	569,621	1,002,356	134,758	214,742	15,795,606		
2005-06	814,418	2,581,085	-	10,108,547	898,085	-	658,496	359,950	318,422	639,408	1,091,326	300,719	265,542	18,035,998		
2006-07	844,410	2,970,282	775,166	10,575,070	945,452	285,814	533,146	352,763	329,270	440,733	1,160,745	434,989	277,296	19,925,136		
2007-08	802,944	3,000,591	30,000	10,796,759	885,111	666,524	321,026	346,983	337,062	298,080	1,132,739	299,916	151,095	19,068,830		
2008-09	700,279	3,471,398	95,724	16,597,542	871,669	605,598	323,111	11,395	328,782	274,476	1,089,378	150,953	249,562	24,769,867		
2009-10	683,771	3,192,291	-	11,966,643	776,952	608,119	304,321	1,410	320,479	265,345	1,082,024	174,695	133,961	19,510,011		
2010-11	914,025	3,433,918	-	12,513,243	763,844	-	347,299	418,414	318,251	282,431	1,763,040	125,474	185,893	21,065,832		

(1) Starting in FY 2011 Communication Tax is reported as a revenue from the commonwealth instead of a local revenue in accordance with the Auditor of Public Accounts.

COUNTY OF MADISON, VIRGINIA

Table 3

General Government Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General Property Taxes (3)	Other Local Taxes	Permits, Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2001-02	\$ 7,036,964	\$ 2,311,125	\$ 122,603	\$ 252,267	\$ 94,041	\$ 484,847	\$ 208,560	\$ 30,710	\$ 10,860,836	\$ 21,401,953
2002-03	7,583,719	2,388,590	125,189	435,067	85,223	499,329	219,026	33,502	11,956,481	23,326,126
2003-04	8,254,263	2,599,799	161,657	296,648	77,112	594,301	208,126	33,502	12,014,383	24,239,791
2004-05	8,406,422	2,787,112	173,077	344,611	134,901	507,413	290,110	33,502	12,961,011	25,638,159
2005-06	10,121,086	2,874,361	177,143	304,777	301,718	781,335	330,417	-	13,477,950	28,368,787
2006-07	10,479,228	2,887,178	243,660	159,163	436,563	938,793	340,875	-	15,448,144	30,933,604
2007-08	10,641,562	2,854,786	285,298	68,780	300,560	962,013	226,991	-	14,733,412	30,073,402
2008-09	16,255,821	2,415,031	213,156	127,581	180,985	844,561	416,134	-	14,926,950	35,380,219
2009-10	11,881,329	2,276,626	193,601	160,201	213,718	818,527	214,365	-	14,020,795	29,779,162
2010-11	12,527,310	2,130,239	228,572	162,755	168,030	957,404	336,102	-	14,368,576	30,878,988

(1) Includes General and Capital Improvement Funds of the primary government and its discretely presented component unit.

(2) The General Fund contributions to the Component Unit School Board are not included.

(3) In 2009, the County changed to semiannual collections for real estate taxes. In the year of change one and a half years of real estate taxes were collected.

COUNTY OF MADISON, VIRGINIA

Table 4

General Government Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Recreation and Cultural	Community Development	Non-departmental	Capital Projects	Debt Service	Total
2001-02	\$ 621,079	\$ 378,066	\$ 2,034,244	\$ 925,728	\$ 1,339,145	\$ 13,452,559	\$ 283,345	\$ 310,377	\$ 1,235	\$ 250,661	\$ 1,007,034	\$ 20,603,473
2002-03	667,037	401,284	2,399,436	979,835	1,392,118	14,666,424	279,386	365,125	1,607	2,159,664	891,314	24,203,230
2003-04	775,092	414,646	2,389,695	1,098,344	1,358,058	14,642,915	371,492	523,692	3,855	715,043	884,574	23,177,406
2004-05	810,857	448,712	2,917,334	1,258,591	1,409,053	15,368,690	354,490	964,387	7,628	375,856	860,329	24,775,927
2005-06	842,860	501,572	3,321,342	1,100,196	1,629,216	16,627,783	400,619	410,965	2,444	1,095,866	831,109	26,763,972
2006-07	1,076,421	547,999	4,001,064	1,366,803	2,266,613	17,735,628	300,210	1,156,839	6,886	519,851	811,873	29,790,187
2007-08	1,069,986	580,475	4,103,144	1,503,808	2,492,297	18,274,023	278,166	727,606	2,969	2,487,444	791,972	32,311,890
2008-09	1,066,321	779,987	4,095,111	1,384,744	2,637,754	17,766,916	283,468	434,648	141,418	3,580,242	800,187	32,970,796
2009-10	1,032,617	751,801	4,285,339	1,213,242	2,549,199	17,619,776	302,702	382,894	84,874	4,634,042	1,648,163	34,504,649
2010-11	1,079,799	752,503	4,423,250	1,203,558	2,899,404	17,506,718	304,055	653,101	111,112	239,673	1,585,967	30,759,140

(1) Includes General and Capital Improvement Funds of the primary government and its discretely presented component unit.

(2) The General Fund contributions to the Component Unit School Board are not included.

COUNTY OF MADISON, VIRGINIA

Table 5

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1) (3) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2001-02	\$ 7,831,767	\$ 7,687,200	98.15%	\$ 126,676	\$ 7,813,876	99.77%	\$ 241,208	3.08%
2002-03	8,492,674	8,252,039	97.17%	143,536	8,395,575	98.86%	271,947	3.20%
2003-04	9,039,498	8,937,525	98.87%	138,928	9,076,453	100.41%	266,806	2.95%
2004-05	9,217,268	9,051,634	98.20%	165,343	9,216,977	100.00%	308,811	3.35%
2005-06	11,045,017	10,867,441	98.39%	141,373	11,008,814	99.67%	402,371	3.64%
2006-07	11,500,532	11,177,781	97.19%	184,236	11,362,017	98.80%	449,996	3.91%
2007-08	11,652,043	11,254,150	96.59%	212,406	11,466,556	98.41%	626,000	5.37%
2008-09	17,587,904	16,116,635	91.63%	977,283	17,093,918	97.19%	1,067,952	6.07%
2009-10	12,769,838	11,763,290	92.12%	863,163	12,626,453	98.88%	1,103,966	8.65%
2010-11	13,253,517	12,332,708	93.05%	993,265	13,325,973	100.55%	1,226,886	9.26%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes Commonwealth of Virginia Personal Property Tax Relief Act funds.

COUNTY OF MADISON, VIRGINIA

Table 6

Assessed Value of Taxable Property (1)

Last Ten Fiscal Years

Fiscal Year	Real Estate (2)	Personal Property	Mobile Homes	Machinery and Tools			Public Service	Total
				Merchants' Capital	Merchants' Capital	Merchants' Capital		
2001-02	\$ 759,599,000	\$ 24,879,291	\$ 1,231,300	\$ 1,559,599	\$ 3,835,237	\$ 33,375,950	\$ 824,480,377	
2002-03	775,913,500	26,325,665	1,349,300	1,627,531	3,283,032	35,053,804	843,552,832	
2003-04	796,312,600	27,714,533	1,529,900	1,451,303	3,879,555	35,671,761	866,559,652	
2004-05	820,600,600	28,843,923	1,606,340	1,204,030	3,719,957	30,628,417	886,603,267	
2005-06	1,226,556,700	153,743,395	1,367,200	5,706,345	26,010,545	37,909,513	1,451,293,698	
2006-07	1,264,715,300	163,607,309	1,417,940	6,190,939	23,301,149	33,151,419	1,492,384,056	
2007-08	1,298,909,100	162,442,134	1,509,889	5,871,140	26,275,770	24,477,476	1,519,485,509	
2008-09	2,931,263,050	147,441,726	1,323,762	6,014,590	27,220,872	37,295,445	3,150,559,445	
2009-10	1,962,094,200	122,898,091	1,331,600	4,930,033	26,865,146	41,188,982	2,159,308,052	
2010-11	1,968,205,900	119,915,146	1,356,400	4,490,180	20,612,489	42,548,911	2,157,129,026	

(1) 100% fair market value.

(2) FY 09 includes 2008 and 1st half of 2009 assessment. FY 09 was the first year the County collected Real Estate Taxes in semiannual installments.

COUNTY OF MADISON, VIRGINIA

Table 7

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property (2)	Mobile Homes	Machinery and Tools (2)		Merchants' Capital (2)
2001-02	\$ 0.72	\$ 8.70		\$ 0.68	\$ 5.50	4.30
2002-03	0.73	8.70		0.73	5.50	4.30
2003-04	0.76	8.70		0.76	5.50	4.30
2004-05	0.76	8.70		0.76	5.50	4.30
2005-06	0.59	2.14		0.59	1.10	0.86
2006-07	0.59	2.14		0.59	1.10	0.86
2007-08	0.59	2.14		0.59	1.10	0.86
2008-09	0.44	2.14		0.44	1.47	0.86
2009-10	0.44	2.95/2.80		0.44	1.47	0.86
2010-11	0.44/0.50	2.95/2.80		0.44	1.47	0.86

(1) Per \$100 of assessed value.

(2) Levied at 20% of fair market value through FY 05 -- at 100% in FY 06.

COUNTY OF MADISON, VIRGINIA

Table 8

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	
					General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2001-02	12,520	824,480,377	8,540,889	8,540,889	0.0104	682
2002-03	12,520	843,552,832	7,993,956	7,993,956	0.0095	638
2003-04	12,520	866,559,652	7,442,122	7,442,122	0.0086	594
2004-05	12,520	886,603,267	6,884,519	6,884,519	0.0078	550
2005-06	12,520	1,451,293,698	6,320,857	6,320,857	0.0044	505
2006-07	12,520	1,492,384,056	5,750,840	5,750,840	0.0039	459
2007-08	12,520	1,519,485,509	5,174,039	5,174,039	0.0034	413
2008-09	12,520	3,150,559,445	7,599,998	7,599,998	0.0024	607
2009-10	12,520	4,121,402,252	7,743,068	7,743,068	0.0019	618
2010-11	12,520	4,125,334,926	6,428,248	6,428,248	0.0016	513

(1) Bureau of the Census.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans.
Excludes compensated absences and landfill closure liability.

COUNTY OF MADISON, VIRGINIA

Table 9

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures Last Ten Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2001-02	\$ 632,517	\$ 374,467	\$ 1,006,984	\$ 20,603,473	4.89%
2002-03	546,933	344,381	891,314	24,203,230	3.68%
2003-04	551,834	332,740	884,574	23,177,406	3.82%
2004-05	557,603	302,726	860,329	24,775,927	3.47%
2005-06	563,662	267,447	831,109	26,763,972	3.11%
2006-07	570,017	241,856	811,873	29,790,187	2.73%
2007-08	576,801	215,171	791,972	32,311,890	2.45%
2008-09	584,041	216,146	800,187	32,970,796	2.43%
2009-10	1,451,006	197,157	1,648,163	34,504,649	4.78%
2010-11	1,390,719	195,248	1,585,967	30,759,140	5.16%

(1) Includes general and discretely presented component unit.

This page intentionally left blank

Compliance

This page intentionally left blank

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 Madison, Virginia

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Madison, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Madison, Virginia's basic financial statements and have issued our report thereon dated January 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States;

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the County of Madison, 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 Madison, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Madison, 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 County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Madison, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Rainson, Farmer, Co. Associates
Charlottesville, Virginia
January 25, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance with Requirements That Could Have 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 Madison, Virginia

Compliance

We have audited the compliance of County of Madison, Virginia's Compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The County of Madison, 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 County of Madison, Virginia's management. Our responsibility is to express an opinion on County of Madison, 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 Madison, 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 Madison, Virginia's compliance with those requirements.

In our opinion, the County of Madison, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the County of Madison, 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 Madison, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order 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's internal control over compliance.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify 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 the Board of Supervisors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Co. Associates

Charlottesville, Virginia
January 25, 2012

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

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government:			
Department of Transportation:			
Pass Through Payments:			
Virginia Department of Transportation:			
State and Community Highway Safety	20.600	SC1050366	\$ 6,022
Alcohol Open Container Requirements	20.607	154AL1151249	<u>13,737</u>
Total Department of Transportation			<u>\$ 19,759</u>
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting safe and stable families	93.556	0950109/0950110	\$ 13,014
Temporary assistance for needy families (TANF)	93.558	0400109/0400110	99,977
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	543
Low-income home energy assistance	93.568	0600409/0600410	7,241
Child care and development block grant (Child Care Cluster)	93.575	0770109/0770110	56,008
Child care mandatory and matching funds of the child care and development fund (Child Care Cluster)	93.596	0760109/0760110	33,810
ARRA-Child care and development block grant (Child Care Cluster)	93.713	0740109/0780109	3,886
Chafee education and training vouchers program	93.599	9160110	3,809
Stephanie Tubbs Jones child welfare services program	93.645	0900109/0900110	405
Foster care - Title IV-E	93.658	1100109/1100110	88,073
ARRA-Foster care - Title IV-E	93.658	1100109/1100110	<u>3,365</u>
			91,438
Adoption assistance	93.659	1120109/1120110	14,187
ARRA-Adoption assistance	93.659	1120109/1120110	<u>587</u>
			14,774
Social services block grant	93.667	1000109/1000110	70,723
Chafee foster care independence program	93.674	9150108/9150109/91501110	2,829
Children's health insurance program	93.767	0540109/0540110	4,094
Medical assistance program	93.778	1200109/1200110	<u>80,844</u>
Total Department of Health and Human Services			<u>\$ 483,395</u>
Department of Interior:			
Direct Payments:			
Payments in lieu of taxes	15.226	N/A	\$ 80,037
Department of Homeland Security:			
Pass Through Payments:			
Virginia Department of Emergency Management:			
State Homeland Security Program	97.073	N/A	\$ 184,674
Disaster Grants - Public Assistance	97.036	N/A	<u>8,341</u>
Total Department of Homeland Security			<u>\$ 193,015</u>

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2011 (continued)

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government: (continued)			
Department of Agriculture:			
Pass Through Payments:			
Department of Social Services:			
State administrative matching grants for the supplemental nutrition assistance program (SNAP Cluster)	10.561	0010109/0010110/0040109/0040110	\$ 134,105
ARRA-State administrative matching grants for the supplemental nutrition assistance program (SNAP Cluster)	10.561	0010109/0010110/0040109/0040110	<u>4,202</u>
Total Department of Agriculture			\$ <u>138,307</u>
Total Expenditures of Federal Awards-Primary Government			<u>\$ 914,513</u>
Component Unit School Board:			
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution -- Schools (Child Nutrition Cluster)	10.555	10.553/2009/2010	\$ 39,707
Department of Education:			
National school lunch program (Child Nutrition Cluster)	10.555	10.553/2009/2010	<u>276,167</u>
			315,874
National school breakfast program (Child Nutrition Cluster)	10.553	10.553/2009/2010	<u>78,159</u>
Total Department of Agriculture			\$ <u>394,033</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title 1 grants to local educational agencies (Title I Part A Cluster)	84.010	S010A080046/S010090046	\$ 298,682
ARRA-Title 1 grants to local educational agencies (Title I Part A Cluster)	84.389	S389A090046	85,683
Improving teacher quality - state grants	84.367	S367A070044/S367A08044/S367A090044	91,409
American history grant	84.251	N/A	8,540
English language acquisition grants	84.365	N/A	3,728
Special education - grants to states (Special Education Cluster)	84.027	H027A080107/H027A090107	398,964
ARRA-Special education - grants to states (Special Education Cluster)	84.391	H391A090107	194,454
Special education - preschool grants (Special Education Cluster)	84.173	H173A080112/H173A090112	16,910
ARRA-Special education - preschool grants (Special Education Cluster)	84.392		14,562
Career and technical education -- basic grants to states	84.048	V048A080046/V048A090046	31,175
Safe and drug-free schools and communities - state grants	84.186	Q186A080048/Q186A090048	2,390
ARRA-State fiscal stabilization fund - Education State Grants	84.394	S394A090047	<u>275,931</u>
Total Department of Education			\$ <u>1,422,428</u>
Total Expenditures of Federal Awards-Component Unit School Board			\$ <u>1,816,461</u>
Total Expenditures of Federal Awards-Reporting Entity			<u>\$ 2,730,974</u>

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF MADISON, VIRGINIA

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

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Madison, Virginia under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of 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 Madison, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Madison, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures 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 3 - Food Donation

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

Note 4 - 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 \$ 914,513

Total primary government \$ 914,513

Component Unit Public Schools:

School Operating Fund \$ 1,422,428

School Cafeteria Fund 394,033

Total component unit public schools \$ 1,816,461

Total federal expenditures per basic financial
statements \$ 2,730,974

Total federal expenditures per the Schedule of Expenditures
of Federal Awards \$ 2,730,974

COUNTY OF MADISON, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.010/84.389	Title I Part A Cluster
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA)
10.553/10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
---	-----------

Auditee qualified as low-risk auditee?	Yes
--	-----

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings and Questioned Costs

There are no prior year findings and questioned costs to report.