

COUNTY OF MADISON, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

COUNTY OF MADISON, VIRGINIA

Financial Report
Year Ended June 30, 2012

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COUNTY OF MADISON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2012

BOARD OF SUPERVISORS

J. Dave Allen, Chairman
Doris G. Lackey, Vice-Chair

Jerry J. Butler

Pete J. Elliott

Jonathon Weakley

DEPARTMENT OF SOCIAL SERVICES BOARD

Norris John, Chairman
Doris Turner Vice-Chair

Janet S. Lohr

Joseph Goodall

Jerry J. Butler

MADISON COUNTY SCHOOL BOARD

Jeffrey C. Early, Chairman
James L. Nelson, 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
Dwight Johnson Judge of the Juvenile & Domestic Relations Court
George S. Webb, III Commonwealth's Attorney
Gale Harris Commissioner of the Revenue
Stephanie Murray Treasurer
Erik Weaver Sheriff
Matthew Eberhardt Superintendent of Schools
Elizabeth Patterson Clerk of the School Board
Valerie Ward Director of Social Services

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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of 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, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2013, 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 fund financial statements and schedules, other supplementary information, and statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund statements and schedules, supporting 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 statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Robinson, Fermer, & Associates
Charlottesville, Virginia
February 19, 2013

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
At June 30, 2012

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>School Board</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,297,819	\$ 2,447,244
Receivables (net of allowance for uncollectibles):		
Property taxes	6,136,769	-
Accounts receivable	240,353	35,447
Note receivable	3,206	-
Inventory	-	20,641
Prepaid expenses	-	41,985
Due from other governments	751,798	528,386
Due from Primary Government	554,888	-
Total Current Assets	<u>\$ 14,984,833</u>	<u>\$ 3,073,703</u>
Noncurrent Assets:		
Capital assets:		
Land and construction in progress	\$ 1,442,042	\$ 109,803
Buildings and equipment, net of depreciation	16,680,418	5,327,141
Total Noncurrent Assets	<u>\$ 18,122,460</u>	<u>\$ 5,436,944</u>
Total Assets	<u>\$ 33,107,293</u>	<u>\$ 8,510,647</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 412,377	\$ 50,930
Retainage payable	370,247	-
Accrued liabilities	-	1,678,309
Due to Component Unit	-	554,888
Accrued interest payable	52,762	-
Deferred revenue	5,266,580	-
Current portion of long-term obligations	1,446,986	85,784
Total Current Liabilities	<u>\$ 7,548,952</u>	<u>\$ 2,369,911</u>
Noncurrent Liabilities:		
Noncurrent portion of long-term obligations	4,777,049	541,165
Total Liabilities	<u>\$ 12,326,001</u>	<u>\$ 2,911,076</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 13,285,654	\$ 5,287,093
Unrestricted assets	7,495,638	312,478
Total Net Assets	<u>\$ 20,781,292</u>	<u>\$ 5,599,571</u>
Total Liabilities and Net Assets	<u>\$ 33,107,293</u>	<u>\$ 8,510,647</u>

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

Statement of Activities
Year Ended June 30, 2012

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	\$ 1,227,155	\$ -	\$ 180,583	\$ -	\$ (1,046,572)	\$ -
Judicial administration	1,060,673	203,756	383,416	-	(473,501)	-
Public safety	4,744,000	576,171	845,333	-	(3,322,496)	-
Public works	932,829	341,748	296,367	-	(294,714)	-
Health and welfare	3,804,200	-	2,462,809	-	(1,341,391)	-
Education	7,967,091	-	-	-	(7,967,091)	-
Parks, recreation, and cultural	382,268	115,885	-	-	(266,383)	-
Community development	484,057	-	-	6,250	(477,807)	-
Interest on long-term debt	132,026	-	-	-	(132,026)	-
Total governmental activities	\$ 20,734,299	\$ 1,237,560	\$ 4,168,508	\$ 6,250	\$ (15,321,981)	\$ -
COMPONENT UNIT:						
School Board	\$ 18,197,392	\$ 384,011	\$ 9,660,788	\$ -	\$ -	\$ (8,152,593)
General revenues:						
General property taxes				\$ 13,623,003	\$ -	
Local sales and use tax				839,405	-	
Consumers' utility taxes				317,594	-	
Motor vehicle licenses				420,975	-	
Restaurant food taxes				335,143	-	
Other local taxes				401,744	-	
Unrestricted revenues from use of money and property				99,377	30,497	
Miscellaneous				254,084	487,094	
Grants and contributions not restricted to specific programs				1,756,719	-	
County contribution to School Board				14,266	7,894,976	
Total general revenues				\$ 18,062,310	\$ 8,412,567	
Change in net assets				\$ 2,740,329	\$ 259,974	
Net assets - beginning				18,040,963	5,339,597	
Net assets - ending				\$ 20,781,292	\$ 5,599,571	

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

Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2012

ASSETS	General Fund	Capital Improvement Fund	Total
Cash and cash equivalents	\$ 6,357,481	\$ 940,338	\$ 7,297,819
Receivables (Net of allowance for uncollectibles):			
Taxes, including penalties	6,136,769	-	6,136,769
Accounts receivable	240,353	-	240,353
Note receivable	3,206	-	3,206
Due from component unit	554,888	-	554,888
Due from other governmental units	751,798	-	751,798
Total assets	<u>\$ 14,044,495</u>	<u>\$ 940,338</u>	<u>\$ 14,984,833</u>
LIABILITIES			
Accounts payable	\$ 407,790	\$ 4,587	\$ 412,377
Retainage payable	-	370,247	370,247
Deferred revenue	6,094,537	-	6,094,537
Total liabilities	<u>\$ 6,502,327</u>	<u>\$ 374,834</u>	<u>\$ 6,877,161</u>
FUND BALANCES			
Nonspendable	\$ 3,206	\$ -	\$ 3,206
Committed	-	565,504	565,504
Unassigned	7,538,962	-	7,538,962
Total fund balances	<u>\$ 7,542,168</u>	<u>\$ 565,504</u>	<u>\$ 8,107,672</u>
Total liabilities and fund balances	<u>\$ 14,044,495</u>	<u>\$ 940,338</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.

18,122,460

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

(52,762)

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.

827,957

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.

(6,224,035)

Net assets of general government activities

\$ 20,781,292

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, 2012

	General	Capital Improvement	Total
Revenues:			
General property taxes	\$ 13,638,769	\$ -	\$ 13,638,769
Other local taxes	2,314,861	-	2,314,861
Permits, privilege fees and regulatory licenses	164,269	-	164,269
Fines and forfeitures	152,815	-	152,815
Revenue from use of money and property	99,377	-	99,377
Charges for services	920,476	-	920,476
Miscellaneous	254,084	-	254,084
Intergovernmental:			
Contribution from Component Unit School Board	14,266	-	14,266
Commonwealth	4,946,695	-	4,946,695
Federal	984,782	-	984,782
Total revenues	<u>\$ 23,490,394</u>	<u>\$ -</u>	<u>\$ 23,490,394</u>
Expenditures:			
Current:			
General government administration	\$ 1,063,875	\$ -	\$ 1,063,875
Judicial administration	730,518	-	730,518
Public safety	4,915,378	-	4,915,378
Public works	1,184,056	-	1,184,056
Health and welfare	3,795,114	-	3,795,114
Education	7,494,570	-	7,494,570
Parks, recreation, and cultural	314,751	-	314,751
Community development	481,807	-	481,807
Nondepartmental	90,040	-	90,040
Capital projects	-	52,249	52,249
Debt service:			
Principal retirement	1,698,131	-	1,698,131
Interest and other fiscal charges	144,328	-	144,328
Total expenditures	<u>\$ 21,912,568</u>	<u>\$ 52,249</u>	<u>\$ 21,964,817</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,577,826</u>	<u>\$ (52,249)</u>	<u>\$ 1,525,577</u>
Other Financing Sources (uses):			
Issuance of capital lease	<u>\$ 472,794</u>	<u>\$ -</u>	<u>\$ 472,794</u>
Total other financing sources (uses)	<u>\$ 472,794</u>	<u>\$ -</u>	<u>\$ 472,794</u>
Net change in fund balances	\$ 2,050,620	\$ (52,249)	\$ 1,998,371
Fund balances at beginning of year	<u>5,491,548</u>	<u>\$ 617,753</u>	<u>\$ 6,109,301</u>
Fund balances at end of year	<u><u>\$ 7,542,168</u></u>	<u><u>\$ 565,504</u></u>	<u><u>\$ 8,107,672</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, 2012

	Primary Governmental Funds
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Net change in fund balances - total governmental funds	\$ 1,998,371
<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	\$ 558,690
Depreciation expense	<u>(803,593)</u>
	(244,903)
Transfer of joint tenancy assets from Primary Government to the Component Unit	(402,771)
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.	(15,766)
<p>The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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	\$ 298,248
Principal retired on VML/VACO loan	1,010,000
Principal retired on capital lease	79,883
Issuance of capital lease	(472,794)
Principal retired on state literary fund loan	<u>310,000</u>
	1,225,337
<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 compensated absences	\$ (87,801)
Change in other post employment benefits	(15,240)
Change in landfill closure liability	270,800
Change in accrued interest payable	<u>12,302</u>
	<u>180,061</u>
Change in net assets of governmental activities	\$ <u><u>2,740,329</u></u>

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

Statement of Fiduciary Net Assets --
 Fiduciary Funds
 At June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>36,463</u>
Total assets	\$ <u><u>36,463</u></u>
LIABILITIES	
Amounts held for others	\$ <u>36,463</u>
Total liabilities	\$ <u><u>36,463</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, 2012

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 unit. 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, 2012 (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, 2012.

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, 2012.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

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

B. Individual Component Unit Disclosures (Continued)

The Madison County School Board has the following funds:

Governmental Funds:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Madison and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

School Cafeteria Fund - This fund accounts for and reports the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales, and state and federal grants. The School Cafeteria Fund is considered a major fund for financial reporting purposes.

School Lottery Fund - This fund accounts for and reports the state school lottery revenues.

School State Construction Fund - This fund accounts for and reports for the school state construction revenue. The school state construction fund is considered a major fund for financial reporting purposes.

School Textbook Fund - This fund accounts for and reports for the school textbook funds. The school textbook fund is considered a major fund for financial reporting purposes.

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.

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

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.

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.

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

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

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

1. Governmental Funds:

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 and report 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 and reports all financial resources used for the acquisition or construction of major capital facilities.

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.

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

F. Budgets and Budgetary Accounting (Continued)

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 three months of the date acquired by the government.

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

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

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 \$163,140 at June 30, 2012 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.

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

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 the assets life 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.

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

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 obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

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

K. Long-term Obligations (Continued)

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

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.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

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

M. Fund Balances (Continued)

Financial Policies (Continued)

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 and School Board's Fund Balances:

Category	General Fund	Capital Projects Fund	Component Unit School Board
Nonspendable:			
Micro loans receivable	\$ 3,206	\$ -	\$ -
Prepaid expenditures	-	-	41,985
Inventory	-	-	20,641
Total Nonspendable	\$ 3,206	\$ -	\$ 62,626
Restricted:			
School Lottery Funds	\$ -	\$ -	\$ 136,455
School State Construction Funds	-	-	111,306
School Textbook Funds	-	-	109,579
Total Restricted	\$ -	\$ -	\$ 357,340
Committed:			
Capital Projects	\$ -	\$ 565,504	\$ -
School Operations	-	-	1,000
Cafeteria	-	-	410,595
Total Committed	\$ -	\$ 565,504	\$ 411,595

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.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

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, 2012 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAA</u>
U.S. Government Securities	\$ 71,592
Local Government Investment Pool	6,458
Total	\$ <u>78,050</u>

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.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

Note 2 - Deposits and Investments: (Continued)

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	\$ <u>71,592</u>	\$ <u>71,592</u>

Note 3 - Due From Other Governmental Units:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 145,976	\$ -
Public assistance and welfare administration	32,702	-
State sales tax	-	333,116
Comprehensive services	286,869	-
Recordation tax	8,077	-
Communications tax	101,243	-
Shared expenses	108,764	-
Criminal justice	15,851	-
Other state funds	13,425	-
Federal Government:		
School funds	-	195,270
Transportation	3,638	-
Emergency services	2,855	-
Public assistance and welfare administration	32,398	-
Totals	\$ <u>751,798</u>	\$ <u>528,386</u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

Note 4 - Capital Assets:

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Primary Government:				
Capital assets not being depreciated:				
Land	\$ 1,419,418	\$ -	\$ -	\$ 1,419,418
Construction in progress	<u>10,242,968</u>	<u>-</u>	<u>10,220,344</u>	<u>22,624</u>
Total capital assets not being depreciated	<u>\$ 11,662,386</u>	<u>\$ -</u>	<u>\$ 10,220,344</u>	<u>\$ 1,442,042</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,492,563	\$ 10,268,054	\$ -	\$ 16,760,617
Equipment (including vehicles)	2,350,866	510,980	-	2,861,846
Jointly owned assets	<u>3,398,248</u>	<u>-</u>	<u>608,248</u>	<u>2,790,000</u>
Total capital assets being depreciated	<u>\$ 12,241,677</u>	<u>\$ 10,779,034</u>	<u>\$ 608,248</u>	<u>\$ 22,412,463</u>
Less accumulated depreciation:				
Buildings and improvements	\$ (2,326,882)	\$ (473,206)	\$ -	\$ (2,800,088)
Equipment (including vehicles)	(1,834,321)	(260,637)	-	(2,094,958)
Jointly owned assets	<u>(972,726)</u>	<u>(69,750)</u>	<u>(205,477)</u>	<u>(836,999)</u>
Total accumulated depreciation	<u>\$ (5,133,929)</u>	<u>\$ (803,593)</u>	<u>\$ (205,477)</u>	<u>\$ (5,732,045)</u>
Net capital assets being depreciated	<u>\$ 7,107,748</u>	<u>\$ 9,975,441</u>	<u>\$ 402,771</u>	<u>\$ 16,680,418</u>
Net capital assets	<u>\$ 18,770,134</u>	<u>\$ 9,975,441</u>	<u>\$ 10,623,115</u>	<u>\$ 18,122,460</u>
	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Component Unit - School Board:				
Capital assets not 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 and improvements	\$ 4,797,624	\$ 51,071	\$ -	\$ 4,848,695
Equipment (including vehicles)	3,017,914	320,645	86,100	3,252,459
Jointly owned assets	<u>5,142,641</u>	<u>608,248</u>	<u>-</u>	<u>5,750,889</u>
Total capital assets being depreciated	<u>\$ 12,958,179</u>	<u>\$ 979,964</u>	<u>\$ 86,100</u>	<u>\$ 13,852,043</u>
Less accumulated depreciation:				
Buildings and improvements	\$ (3,829,339)	\$ (232,824)	\$ -	\$ (4,062,163)
Jointly owned assets	(1,621,927)	(205,477)	-	(1,827,404)
Equipment (including vehicles)	<u>(2,534,751)</u>	<u>(186,684)</u>	<u>(86,100)</u>	<u>(2,635,335)</u>
Total accumulated depreciation	<u>\$ (7,986,017)</u>	<u>\$ (624,985)</u>	<u>\$ (86,100)</u>	<u>\$ (8,524,902)</u>
Net capital assets being depreciated	<u>\$ 4,972,162</u>	<u>\$ 354,979</u>	<u>\$ -</u>	<u>\$ 5,327,141</u>
Net capital assets	<u>\$ 5,081,965</u>	<u>\$ 354,979</u>	<u>\$ -</u>	<u>\$ 5,436,944</u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

Note 4 - Capital Assets: (Continued)

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

Primary Government:	
Governmental activities:	
General government administration	\$ 44,692
Judicial administration	330,385
Public safety	229,247
Public works	33,629
Health and welfare	28,374
Education	69,750
Parks, recreation and cultural	67,516
Total	<u>\$ 803,593</u>
Component Unit School Board	<u>\$ 419,508</u>
Depreciation Expense	\$ 419,508
Joint tenancy transfer of accumulated depreciation	<u>205,477</u>
Total accumulated depreciation, previous page	<u>\$ 624,985</u>

Note 5 - Compensated Absences:

In accordance with GASB Statement No. 16, *Accounting for 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 and School Board had outstanding accrued vacation pay as follows:

Primary Government	\$ <u>364,651</u>
Component Unit School Board	\$ <u>358,338</u>

Note 6 - Due From/To Primary Government/Component Units:

Fund	Due from Component Unit	Due to Primary Government
General	\$ 554,888	\$ -
School	-	554,888
Total	<u>\$ 554,888</u>	<u>\$ 554,888</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 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with 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.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

Note 7 - Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

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 most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. All or part of 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 2012 were 9.42% and 1.78% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$574,294, \$355,874, and \$617,820 to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011 and 2010 respectively and these contributions represented 6.33%, 3.93%, 8.81% of current covered payroll for the fiscal years ended 2012, 2011, and 2010, respectively.

C. Annual Pension Cost

For fiscal year 2012, the County's annual pension cost of \$326,589 was equal to the County's required and actual contributions.

For fiscal year 2012, the County School Board's annual pension cost for the Board's non-professional employees was \$11,641 which was equal to the Board's required and actual contributions.

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2012	\$ 326,589	100%	\$ -
June 30, 2011	346,452	100%	-
June 30, 2010	295,687	100%	-

(1) Employer portion only

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

Note 7 - Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
School Board			
Non-Professional:			
June 30, 2012	\$ 11,641	100%	-
June 30, 2011	11,931	100%	-
June 30, 2010	25,745	100%	-

(1) Employer portion only

The FY2012 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 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, 2011, the most recent actuarial valuation date, the County's plan was 81.40% funded. The actuarial accrued liability for benefits was \$13,419,028, and the actuarial value of assets was \$10,922,889, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,496,139. The covered payroll (annual payroll of active employees covered by the plan) was \$3,524,956, and ratio of the UAAL to the covered payroll was 70.81%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board's plan was 97.99% funded. The actuarial accrued liability for benefits was \$3,126,624, and the actuarial value of assets was \$3,063,799, resulting in an unfunded actuarial accrued liability (UAAL) of \$62,825. The covered payroll (annual payroll of active employees covered by the plan) was \$666,654, and ratio of UAAL to the covered payroll was 9.42%.

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

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

Note 8 - Long-Term Obligations:

Primary Government-Long-term Obligations:

Changes in Long-Term Obligations:

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

	Balance at		Balance at		Amounts
	July 1,	Issuances/	Retirements/	June 30,	Due
	2011	Increases	Decreases	2012	Within
					One Year
Governmental Funds:					
School general obligation bonds	\$ 298,248	\$ -	\$ 298,248	\$ -	\$ -
Landfill closure liability	792,150	12,898	283,698	521,350	28,964
State literary fund loan	3,100,000	-	310,000	2,790,000	310,000
VACO/VML loan	3,030,000	-	1,010,000	2,020,000	1,010,000
Capital lease	79,883	472,794	79,883	472,794	61,557
Other post employment benefits	40,000	39,050	23,810	55,240	-
Compensated absences	276,850	87,801	-	364,651	36,465
	<u>276,850</u>	<u>87,801</u>	<u>-</u>	<u>364,651</u>	<u>36,465</u>
Total governmental funds	<u>\$ 7,617,131</u>	<u>\$ 612,543</u>	<u>\$ 2,005,639</u>	<u>\$ 6,224,035</u>	<u>\$ 1,446,986</u>

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

Year Ending June 30,	State Literary Fund Loan		VACO/VML Loan		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 310,000	\$ 83,700	\$ 1,010,000	\$ 34,340	\$ 61,557	\$ 13,020
2014	310,000	74,400	1,010,000	17,170	70,146	11,086
2015	310,000	65,100	-	-	72,134	9,098
2016	310,000	55,800	-	-	74,179	7,053
2017	310,000	46,500	-	-	76,282	4,950
2018	310,000	37,200	-	-	78,444	2,787
2019	310,000	27,900	-	-	40,052	564
2020	310,000	18,600	-	-	-	-
2021	310,000	9,300	-	-	-	-
Total	<u>\$ 2,790,000</u>	<u>\$ 418,500</u>	<u>\$ 2,020,000</u>	<u>\$ 51,510</u>	<u>\$ 472,794</u>	<u>\$ 48,558</u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

Note 8 - Long-Term Obligations: (Continued)

Details of Long-Term Obligations:

	<u>Amount Outstanding</u>	<u>Amounts Due Within One Year</u>
<i>State Literary Fund Loan:</i>		
\$6,200,000, issued December 1, 2000 due in varying installments through December 1, 2020, interest at 3%	\$ <u>2,790,000</u>	\$ <u>310,000</u>
<i>VACO/VML Loan:</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	\$ <u>2,020,000</u>	\$ <u>1,010,000</u>
<i>Capital Lease:</i>		
\$472,794 lease issued October 21, 2011 due in annual installments of principal and interest of \$81,232 through October 2018. Interest is payable at 2.185%. The assets acquired through the capital lease are \$472,794 for emergency operations equipment and had \$47,279 of accumulated depreciation as of June 30, 2012.	\$ <u>472,794</u>	\$ <u>61,557</u>
Landfill closure liability	\$ <u>521,350</u>	\$ <u>28,964</u>
Other post employment benefits	\$ <u>55,240</u>	\$ <u>-</u>
Compensated absences	\$ <u>364,651</u>	\$ <u>36,465</u>
Total	\$ <u><u>6,224,035</u></u>	\$ <u><u>1,446,986</u></u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

Note 8 - Long-Term Obligations: (Continued)

Discretely Presented Component Unit-School Board Obligations:

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

	Balance at July 1, 2011	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2012	Amounts Due Within One Year
Compensated absences	\$ 350,878	\$ 7,460	\$ -	\$ 358,338	\$ 35,834
Capital lease	-	199,802	49,951	149,851	49,950
Other post employment benefits	86,000	83,950	51,190	118,760	-
Total Component Unit	<u>\$ 436,878</u>	<u>\$ 291,212</u>	<u>\$ 101,141</u>	<u>\$ 626,949</u>	<u>\$ 85,784</u>

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

Year Ending June 30,	Capital Lease	
	Principal	Interest
2013	\$ 49,950	\$ -
2014	49,950	-
2015	49,951	-
Total	<u>\$ 149,851</u>	<u>\$ -</u>

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>
<u>Capital Leases:</u>	
\$199,802 capital lease for computers payable in annual principal installments of \$49,950 through August 15, 2014, interest payable at 0.00%. The assets acquired through the capital lease are \$199,802 for computers and had \$39,960 of accumulated depreciation as of June 30, 2012.	\$ <u>149,851</u>
Compensated absences	\$ <u>358,338</u>
Other post employment benefits	\$ <u>118,760</u>
Total long-term obligations	<u>\$ 626,949</u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

Note 9 - Deferred/Unearned 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 \$6,094,537 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 \$5,990,691 at June 30, 2012.
- B. Prepaid Property Taxes: Property tax due subsequent to June 30, 2012 but paid in advance by the taxpayers totaled \$103,846 at June 30, 2012.

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.

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

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

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 \$521,350 reported as landfill closure and postclosure care liability at June 30, 2012, 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 2012. 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.

Note 14 - Other Postemployment Benefits Program Health Insurance:

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 dependent coverage until age 65. Surviving spouses are not allowed access to the plan.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

Note 14 - Other Postemployment Benefits Program Health Insurance: (Continued)

County: (Continued)

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	\$ 39,050
Interest on net OPEB obligation	1,587
Adjustment to annual required contribution	<u>(1,587)</u>
Annual OPEB cost (expense)	\$ 39,050
Contribution made	<u>23,810</u>
Increase in net OPEB obligation	\$ 15,240
Net OPEB obligation-beginning of year	<u>40,000</u>
Net OPEB obligation-end of year	<u><u>\$ 55,240</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 44,000	54%	\$ 20,000
June 30, 2011	44,000	54%	40,000
June 30, 2012	39,050	61%	55,240

Note 14 - Other Postemployment Benefits Program Health Insurance: (Continued)

County: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010 the most recent actuarial valuation date, 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.

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.

Note 14 - Other Postemployment Benefits Program Health Insurance: (Continued)

County: (Continued)

E. Actuarial Methods and Assumptions (Continued)

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%

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, 2012 (Continued)

Note 14 - Other Postemployment Benefits Program Health Insurance: (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	\$ 83,950
Interest on net OPEB obligation	3,413
Adjustment to annual required contribution	<u>(3,413)</u>
Annual OPEB cost (expense)	\$ 83,950
Contribution made	<u>51,190</u>
Increase in net OPEB obligation	\$ 32,760
Net OPEB obligation-beginning of year	<u>86,000</u>
Net OPEB obligation-end of year	<u><u>\$ 118,760</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 2012 and the two preceding years 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
June 30, 2012	83,950	61%	118,760

Note 14 - Other Postemployment Benefits Program Health Insurance: (Continued)

School Board: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011 the most recent actuarial valuation date, 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%

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.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

Note 14 - Other Postemployment Benefits Program Health Insurance: (Continued)

School Board: (Continued)

E. Actuarial Methods and Assumptions (Continued)

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%

Note 15 - Other Postemployment 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.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2012 (Continued)

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

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 2012 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 2012, the County's contribution of \$1,733 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 2012 and the two preceding years are as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2010	\$ 4,775	100%	\$ -
June 30, 2011	1,839	100%	-
June 30, 2012	1,733	100%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 40,580
Actuarial value of plan assets	47,334
Unfunded actuarial accrued liability	(6,754)
Funded ratio (actuarial value of plan assets / AAL)	116.64%
Covered payroll (active plan members)	1,454,745
UAAL as a percentage of covered payroll	-0.46%

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.

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

D. Funded Status and Funding Progress (Continued)

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 payrolls on an open basis. The remaining open amortization period at June 30, 2009 was 27 years.

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, 2012, 2011, and 2010 were \$54,434, \$54,332, and \$73,893, respectively and equaled the required contributions for each year.

Note 16 - Litigation:

At June 30, 2012 there were no matters of litigation involving the County or its component units that would have an adverse material effect on the financial position of the reporting entity.

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REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual -- General Fund
 Year Ended June 30, 2012

	Original Budget	Budget As Amended	Actual	Variance With Amended Budget Positive (Negative)
Revenues:				
General property taxes	\$ 13,285,557	\$ 13,285,557	\$ 13,638,769	\$ 353,212
Other local taxes	2,110,489	2,123,489	2,314,861	191,372
Permits, privilege fees and regulatory licenses	217,342	218,992	164,269	(54,723)
Fines and forfeitures	150,700	150,700	152,815	2,115
Revenue from use of money and property	114,821	114,821	99,377	(15,444)
Charges for services	660,485	786,188	920,476	134,288
Miscellaneous	13,500	90,193	254,084	163,891
Intergovernmental:				
Contribution from Component Unit School Board	-	14,266	14,266	-
Commonwealth	3,789,323	3,838,761	4,946,695	1,107,934
Federal	845,321	862,273	984,782	122,509
Total revenues	\$ 21,187,538	\$ 21,485,240	\$ 23,490,394	\$ 2,005,154
Expenditures:				
Current:				
General government administration	\$ 1,103,424	\$ 1,165,118	\$ 1,063,875	\$ 101,243
Judicial administration	748,172	788,093	730,518	57,575
Public safety	4,507,640	5,067,164	4,915,378	151,786
Public works	1,398,701	1,385,564	1,184,056	201,508
Health and welfare	2,816,804	3,116,804	3,795,114	(678,310)
Education	7,951,417	8,010,635	7,494,570	516,065
Parks, recreation, and cultural	182,928	409,996	314,751	95,245
Community development	417,450	514,884	481,807	33,077
Nondepartmental	544,505	224,260	90,040	134,220
Debt service:				
Principal retirement	1,688,131	1,698,131	1,698,131	-
Interest and other fiscal charges	107,036	144,328	144,328	-
Total expenditures	\$ 21,466,208	\$ 22,524,977	\$ 21,912,568	\$ 612,409
Excess (deficiency) of revenues over (under) expenditures	\$ (278,670)	\$ (1,039,737)	\$ 1,577,826	\$ 2,617,563
Other Financing Sources (uses):				
Issuance of capital lease	\$ -	\$ 472,794	\$ 472,794	\$ -
Total other financing sources (uses)	\$ -	\$ 472,794	\$ 472,794	\$ -
Net change in fund balances	\$ (278,670)	\$ (566,943)	\$ 2,050,620	\$ 2,617,563
Fund balances at beginning of year	278,670	566,943	5,491,548	4,924,605
Fund balances at end of year	\$ -	\$ -	\$ 7,542,168	\$ 7,542,168

Schedule of Pension and OPEB 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)
6/30/2011	\$ 10,922,889	\$ 13,419,028	\$ 2,496,139	81.40%	\$ 3,524,966	70.81%
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%

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)
6/30/2011	\$ 3,063,799	\$ 3,126,624	\$ 62,825	97.99%	\$ 666,654	9.42%
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%

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)
6/30/11	\$ 47,334	\$ 40,580	\$ (6,754)	116.64%	\$ 1,454,745	-0.46%
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%

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

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Combining and Individual Fund Statements and Schedules

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Capital Improvement Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Capital projects	\$ 375,000	\$ 375,000	\$ 52,249	\$ 322,751
Total expenditures	\$ 375,000	\$ 375,000	\$ 52,249	\$ 322,751
Excess (deficiency) of revenues over (under) expenditures	\$ (375,000)	\$ (375,000)	\$ (52,249)	\$ 322,751
Net change in fund balances	\$ (375,000)	\$ (375,000)	\$ (52,249)	\$ 322,751
Fund balances at beginning of year	375,000	375,000	617,753	242,753
Fund balances at end of year	\$ -	\$ -	\$ 565,504	\$ 565,504

Agency Funds
 Schedule of Changes in Assets and Liabilities
 Year Ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 44,352	\$ 32,386	\$ 40,275	\$ 36,463
Total assets	<u>\$ 44,352</u>	<u>\$ 32,386</u>	<u>\$ 40,275</u>	<u>\$ 36,463</u>
Liabilities:				
Amounts held for others	\$ 44,352	\$ 32,386	\$ 40,275	\$ 36,463
Total liabilities	<u>\$ 44,352</u>	<u>\$ 32,386</u>	<u>\$ 40,275</u>	<u>\$ 36,463</u>

Combining Balance Sheet - Discretely Presented Component Unit - School Board
 At June 30, 2012

	School Operating Fund	School Cafeteria Fund	Nonmajor Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,636,097	\$ 453,807	\$ 357,340	\$ 2,447,244
Accounts receivable	35,447	-	-	35,447
Due from other governmental units	528,386	-	-	528,386
Prepaid expenditures	41,985	-	-	41,985
Inventory	-	20,641	-	20,641
Total assets	<u>\$ 2,241,915</u>	<u>\$ 474,448</u>	<u>\$ 357,340</u>	<u>\$ 3,073,703</u>
LIABILITIES				
Accounts payable	\$ 50,930	\$ -	\$ -	\$ 50,930
Accrued liabilities	1,635,097	43,212	-	1,678,309
Due to Primary Government	554,888	-	-	554,888
Total liabilities	<u>\$ 2,240,915</u>	<u>\$ 43,212</u>	<u>\$ -</u>	<u>\$ 2,284,127</u>
FUND BALANCES				
Nonspendable	\$ 41,985	\$ 20,641	\$ -	\$ 62,626
Restricted	-	-	357,340	357,340
Committed	1,000	410,595	-	411,595
Unassigned	(41,985)	-	-	(41,985)
Total fund balances	<u>\$ 1,000</u>	<u>\$ 431,236</u>	<u>\$ 357,340</u>	<u>\$ 789,576</u>
Total liabilities and fund balances	<u>\$ 2,241,915</u>	<u>\$ 474,448</u>	<u>\$ 357,340</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.

5,436,944

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.

(626,949)

Net assets of General Government Activities

\$ 5,599,571

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds - Discretely Presented Component Unit - School Board
 Year Ended June 30, 2012

	School Operating Fund	School Cafeteria Fund	Nonmajor Funds	Total
Revenues:				
Revenue from use of money and property	\$ 30,088	\$ -	\$ 409	\$ 30,497
Charges for services	2,100	381,911	-	384,011
Miscellaneous	487,094	-	-	487,094
Intergovernmental:				
County contribution to School Board	7,447,253	-	44,952	7,492,205
Commonwealth	7,541,711	22,687	-	7,564,398
Federal	1,669,168	427,222	-	2,096,390
Total revenues	\$ 17,177,414	\$ 831,820	\$ 45,361	\$ 18,054,595
Expenditures:				
Current:				
Education	\$ 17,327,265	\$ 767,849	\$ 14,266	\$ 18,109,380
Debt service:				
Principal	49,951	-	-	49,951
Total expenditures	\$ 17,377,216	\$ 767,849	\$ 14,266	\$ 18,159,331
Excess (deficiency) of revenues over (under) expenditures	\$ (199,802)	\$ 63,971	\$ 31,095	\$ (104,736)
Other financing sources (uses):				
Issuance of capital lease	\$ 199,802	\$ -	\$ -	\$ 199,802
Total other financing sources (uses)	\$ 199,802	\$ -	\$ -	\$ 199,802
Changes in fund balances	\$ -	\$ 63,971	\$ 31,095	\$ 95,066
Fund balances at beginning of year	1,000	367,265	326,245	694,510
Fund balances at end of year	<u>\$ 1,000</u>	<u>\$ 431,236</u>	<u>\$ 357,340</u>	<u>\$ 789,576</u>

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, 2012

		Component Unit
		School Board

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

Net change in fund balances - total governmental funds	\$	95,066
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period computed as follows:

Capital additions	\$	371,716	
Depreciation expense		(419,508)	(47,792)

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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:

Principal retired on capital lease	\$	49,951	
Issuance of capital lease		(199,802)	(149,851)

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:

Change in compensated absences		(7,460)	
Change in other postemployment benefits		(32,760)	(40,220)

Transfer of joint tenancy assets from Primary Government to the Component Unit		402,771
--	--	---------

Change in net assets of governmental activities	\$	259,974
---	----	---------

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, 2012

	School Operating Fund			Variance From Amended Budget Positive (Negative)
	Original	Budget	Actual	
	Budget	As Amended		
Revenues:				
Revenue from use of money and property	\$ 21,000	\$ 21,000	\$ 30,088	\$ 9,088
Charges for services	10,000	10,000	2,100	(7,900)
Miscellaneous	208,200	217,376	487,094	269,718
Intergovernmental:				
County contribution to School Board	7,949,052	7,963,318	7,447,253	(516,065)
Commonwealth	7,463,570	7,463,570	7,541,711	78,141
Federal	1,288,289	1,514,235	1,669,168	154,933
Total revenues	<u>\$ 16,940,111</u>	<u>\$ 17,189,499</u>	<u>\$ 17,177,414</u>	<u>\$ (12,085)</u>
Expenditures:				
Current:				
Education	\$ 16,940,111	\$ 17,189,499	\$ 17,327,265	\$ (137,766)
Debt service:				
Principal	-	-	49,951	(49,951)
Total expenditures	<u>\$ 16,940,111</u>	<u>\$ 17,189,499</u>	<u>\$ 17,377,216</u>	<u>\$ (187,717)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (199,802)</u>	<u>\$ (199,802)</u>
Other Financing Sources (Uses)				
Issuance of capital lease	\$ -	\$ -	\$ 199,802	\$ 199,802
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><u>\$ -</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 1,000</u></u>

School Cafeteria Fund			
Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
433,250	433,250	381,911	(51,339)
10,000	10,000	-	(10,000)
-	-	-	-
9,500	9,500	22,687	13,187
202,500	202,500	427,222	224,722
<u>\$ 655,250</u>	<u>\$ 655,250</u>	<u>\$ 831,820</u>	<u>\$ 176,570</u>
\$ 655,250	\$ 655,250	\$ 767,849	\$ (112,599)
-	-	-	-
<u>\$ 655,250</u>	<u>\$ 655,250</u>	<u>\$ 767,849</u>	<u>\$ (112,599)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,971</u>	<u>\$ 63,971</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 63,971	\$ 63,971
-	-	367,265	367,265
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,236</u>	<u>\$ 431,236</u>

Combining Balance Sheet

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

As of June 30, 2012

	School Lottery Fund	School State Construction Fund	School Textbook Fund	Employee Suspension Fund	Total
ASSETS					
Cash and cash equivalents	\$ 136,455	\$ 111,306	\$ 109,579	\$ -	\$ 357,340
Total assets	<u>\$ 136,455</u>	<u>\$ 111,306</u>	<u>\$ 109,579</u>	<u>\$ -</u>	<u>\$ 357,340</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	\$ 136,455	\$ 111,306	\$ 109,579	\$ -	\$ 357,340
Total fund balances	<u>\$ 136,455</u>	<u>\$ 111,306</u>	<u>\$ 109,579</u>	<u>\$ -</u>	<u>\$ 357,340</u>
Total liabilities and fund balances	<u>\$ 136,455</u>	<u>\$ 111,306</u>	<u>\$ 109,579</u>	<u>\$ -</u>	<u>\$ 357,340</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, 2012

	School Lottery Fund	School State Construction Fund	School Textbook Fund	Employee Suspension Fund	Total
REVENUES					
Revenue from the use of money and property	\$ 155	\$ 126	\$ 83	\$ 45	\$ 409
Intergovernmental revenues:					
Local government	-	-	44,952	-	44,952
Total revenues	<u>\$ 155</u>	<u>\$ 126</u>	<u>\$ 45,035</u>	<u>\$ 45</u>	<u>\$ 45,361</u>
EXPENDITURES					
Current:					
Education	\$ -	\$ -	\$ -	\$ 14,266	\$ 14,266
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,266</u>	<u>\$ 14,266</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 155</u>	<u>\$ 126</u>	<u>\$ 45,035</u>	<u>\$ (14,221)</u>	<u>\$ 31,095</u>
Net change in fund balances	\$ 155	\$ 126	\$ 45,035	\$ (14,221)	\$ 31,095
Fund balances - beginning	136,300	111,180	64,544	14,221	326,245
Fund balances - ending	<u><u>\$ 136,455</u></u>	<u><u>\$ 111,306</u></u>	<u><u>\$ 109,579</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 357,340</u></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, 2012

	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	\$ -	\$ -	\$ 155	\$ 155	\$ -	\$ -	\$ 126	\$ 126
Intergovernmental revenues:								
Local government	-	-	-	-	-	-	-	-
Total revenues	\$ -	\$ -	\$ 155	\$ 155	\$ -	\$ -	\$ 126	\$ 126
EXPENDITURES								
Current:								
Education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 155	\$ 155	\$ -	\$ -	\$ 126	\$ 126
Net change in fund balances	\$ -	\$ -	\$ 155	\$ 155	\$ -	\$ -	\$ 126	\$ 126
Fund balances - beginning	-	-	136,300	136,300	-	-	111,180	111,180
Fund balances - ending	\$ -	\$ -	\$ 136,455	\$ 136,455	\$ -	\$ -	\$ 111,306	\$ 111,306

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		
\$ -	\$ -	\$ 83	\$ 83	\$ -	\$ -	\$ 45	\$ 45
-	44,952	44,952	-	-	-	-	-
<u>\$ -</u>	<u>\$ 44,952</u>	<u>\$ 45,035</u>	<u>\$ 83</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 45</u>
\$ -	\$ 44,952	\$ -	\$ 44,952	\$ -	\$ 14,266	\$ 14,266	\$ -
\$ -	\$ 44,952	\$ -	\$ 44,952	\$ -	\$ 14,266	\$ 14,266	\$ -
\$ -	\$ -	\$ 45,035	\$ 45,035	\$ -	\$ (14,266)	\$ (14,221)	\$ 45
\$ -	\$ -	\$ 45,035	\$ 45,035	\$ -	\$ (14,266)	\$ (14,221)	\$ 45
-	-	64,544	64,544	-	14,266	14,221	(45)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,579</u>	<u>\$ 109,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Statement of Fiduciary Net Assets
 Discretely Presented Component Unit - School Board
 At June 30, 2012

	Scholarship Private- Purpose Trust Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ <u>104,445</u>
Total assets	\$ <u><u>104,445</u></u>
NET ASSETS	
Held in trust for scholarships	\$ <u>104,445</u>
Total net assets	\$ <u>104,445</u>
Total liabilities and net assets	\$ <u><u>104,445</u></u>

Statement of Changes in Fiduciary Net Assets
 Discretely Presented Component Unit - School Board
 Year Ended June 30, 2012

	Scholarship Private- Purpose Trust Fund
	<u> </u>
Additions:	
Interest income	\$ 16,498
Total additions	\$ <u>16,498</u>
Deductions:	
Scholarships awarded	\$ 5,000
Total deductions	\$ <u>5,000</u>
Change in net assets	\$ 11,498
Net assets - beginning of year	<u>92,947</u>
Net assets - end of year	\$ <u><u>104,445</u></u>

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Supporting Schedules

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Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2012

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	\$ 9,916,911	\$ 9,916,911	\$ 10,204,890	\$ 287,979
Real and personal public service corporation property taxes	181,000	181,000	236,361	55,361
Personal property taxes	2,762,456	2,762,456	2,556,000	(206,456)
Mobile home taxes	6,782	6,782	6,614	(168)
Machinery and tools taxes	72,741	72,741	70,263	(2,478)
Merchants capital taxes	177,267	177,267	197,842	20,575
Penalties	96,400	96,400	194,555	98,155
Interest	42,000	42,000	119,829	77,829
Tax collection fee	30,000	30,000	52,415	22,415
Total general property taxes	\$ 13,285,557	\$ 13,285,557	\$ 13,638,769	\$ 353,212
Other local taxes:				
Local sales and use taxes	\$ 800,000	\$ 800,000	\$ 839,405	\$ 39,405
Consumers' utility taxes	320,000	320,000	317,594	(2,406)
Local consumption tax	40,000	40,000	38,319	(1,681)
Restaurant food taxes	323,000	323,000	335,143	12,143
Transient occupancy taxes	20,000	33,000	116,772	83,772
Gross receipts taxes	27,000	27,000	20,954	(6,046)
Bank stock taxes	75,600	75,600	81,111	5,511
Motor vehicle licenses	382,117	382,117	420,975	38,858
Taxes on recordation and wills	122,772	122,772	144,588	21,816
Total other local taxes	\$ 2,110,489	\$ 2,123,489	\$ 2,314,861	\$ 191,372
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 10,842	\$ 10,842	\$ 14,658	\$ 3,816
Building and related permits	186,100	187,750	125,048	(62,702)
Land transfer fees	400	400	413	13
Land use application fees	20,000	20,000	24,150	4,150
Total permits, privilege fees and regulatory licenses	\$ 217,342	\$ 218,992	\$ 164,269	\$ (54,723)
Fines and Forfeitures:				
Court fines and forfeitures	\$ 150,700	\$ 150,700	\$ 152,815	\$ 2,115
Total fines and forfeitures	\$ 150,700	\$ 150,700	\$ 152,815	\$ 2,115
Revenue from use of money and property:				
Revenue from use of money	\$ 32,500	\$ 32,500	\$ 21,451	\$ (11,049)
Revenue from use of property	82,321	82,321	77,926	(4,395)
Total revenue from use of money and property	\$ 114,821	\$ 114,821	\$ 99,377	\$ (15,444)

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2012 (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	1,138	763
Courthouse maintenance fees	8,060	8,060	8,723	663
Courtroom security fees	48,000	48,000	40,736	(7,264)
Other charges for services	14,300	15,432	22,378	6,946
Ambulance transportation fees	192,000	201,300	389,524	188,224
Waste collection and disposal charges	172,400	172,400	169,003	(3,397)
Transfer station entrance fee	225,000	225,000	172,745	(52,255)
Recreation fees	-	115,271	115,885	614
Total charges for services	<u>\$ 660,485</u>	<u>\$ 786,188</u>	<u>\$ 920,476</u>	<u>\$ 134,288</u>
Miscellaneous revenue:				
Expenditure refunds	\$ 10,000	\$ 62,918	\$ 84,199	\$ 21,281
CSA	-	-	27,536	27,536
Miscellaneous	3,500	27,275	142,349	115,074
Total miscellaneous revenue	<u>\$ 13,500</u>	<u>\$ 90,193</u>	<u>\$ 254,084</u>	<u>\$ 163,891</u>
Total revenue from local sources	<u>\$ 16,552,894</u>	<u>\$ 16,769,940</u>	<u>\$ 17,544,651</u>	<u>\$ 774,711</u>
Intergovernmental revenue:				
Contribution from Component Unit School Board	\$ -	\$ 14,266	\$ 14,266	\$ -
Revenue from the Commonwealth:				
Noncategorical aid:				
Rental tax - DMV	\$ 500	\$ 500	\$ 964	\$ 464
Mobile home titling taxes	7,200	7,200	6,424	(776)
PPTRA	1,029,052	1,029,052	1,029,053	1
Communication taxes	556,373	556,373	592,812	36,439
Motor vehicle carrier's tax	600	600	349	(251)
Recordation tax	32,140	32,140	45,421	13,281
Total noncategorical aid	<u>\$ 1,625,865</u>	<u>\$ 1,625,865</u>	<u>\$ 1,675,023</u>	<u>\$ 49,158</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 143,317	\$ 143,317	\$ 158,688	\$ 15,371
Sheriff	582,978	582,978	665,904	82,926
Commissioner of the Revenue	61,173	61,173	70,918	9,745
Treasurer	64,556	64,556	75,430	10,874
Registrar/electoral board	42,500	42,500	34,235	(8,265)
Clerk of the Circuit Court	167,913	186,036	203,340	17,304
Total shared expenses	<u>\$ 1,062,437</u>	<u>\$ 1,080,560</u>	<u>\$ 1,208,515</u>	<u>\$ 127,955</u>

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2012 (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)				
Intergovernmental Revenue: (continued)				
Revenue from the Commonwealth: (continued)				
Other categorical aid:				
Fire programs	\$ 35,000	\$ 35,000	\$ 34,963	\$ (37)
Litter Control	8,000	8,000	7,118	(882)
Four for life	14,000	14,000	13,762	(238)
Domestic Violence	39,991	39,991	49,831	9,840
LOD Insurance	12,533	12,533	11,547	(986)
Victim witness	19,734	19,734	21,388	1,654
Department of Juvenile Justice	6,544	6,544	6,585	41
E-911	32,000	32,000	40,000	8,000
Comprehensive Services Act	661,270	661,270	1,412,212	750,942
Sanitation improvement	-	26,969	50,513	23,544
Sheriff -asset forfeiture	-	-	376	376
Public assistance and welfare	271,949	271,949	413,984	142,035
Other state grants	-	4,346	878	(3,468)
Total other categorical aid	<u>\$ 1,101,021</u>	<u>\$ 1,132,336</u>	<u>\$ 2,063,157</u>	<u>\$ 930,821</u>
Total categorical aid	<u>\$ 2,163,458</u>	<u>\$ 2,212,896</u>	<u>\$ 3,271,672</u>	<u>\$ 1,058,776</u>
Total revenue from the Commonwealth	<u>\$ 3,789,323</u>	<u>\$ 3,838,761</u>	<u>\$ 4,946,695</u>	<u>\$ 1,107,934</u>
Revenue from the Federal Government:				
Payments in lieu of taxes	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 81,696</u>	<u>\$ 41,696</u>
Categorical aid:				
Public assistance and welfare	\$ 805,321	\$ 805,321	\$ 636,613	\$ (168,708)
Sheriff -asset forfeiture	-	-	997	997
Emergency Services	-	-	2,855	2,855
Transportation enhancement program	-	-	238,736	238,736
Community development block grant	-	-	6,250	6,250
Ground Safety Transportation	-	16,952	17,635	683
Total categorical aid	<u>\$ 805,321</u>	<u>\$ 822,273</u>	<u>\$ 903,086</u>	<u>\$ 80,813</u>
Total revenue from the Federal Government	<u>\$ 845,321</u>	<u>\$ 862,273</u>	<u>\$ 984,782</u>	<u>\$ 122,509</u>
Total General Fund	<u><u>\$ 21,187,538</u></u>	<u><u>\$ 21,485,240</u></u>	<u><u>\$ 23,490,394</u></u>	<u><u>\$ 2,005,154</u></u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	<u>\$ 21,000</u>	<u>\$ 21,000</u>	<u>\$ 30,088</u>	<u>\$ 9,088</u>

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2012 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Discretely Presented Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for education	\$ 10,000	\$ 10,000	\$ 2,100	\$ (7,900)
Total charges for services	\$ 10,000	\$ 10,000	\$ 2,100	\$ (7,900)
Miscellaneous revenue:				
Rebates and refunds	\$ 120,000	\$ 120,000	\$ 306,410	\$ 186,410
Miscellaneous	88,200	97,376	180,684	83,308
Total miscellaneous revenue	208,200	217,376	487,094	269,718
Total revenue from local sources	\$ 239,200	\$ 248,376	\$ 519,282	\$ 270,906
Intergovernmental revenue:				
County contribution to School Board	\$ 7,949,052	\$ 7,963,318	\$ 7,447,253	\$ (516,065)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,880,178	\$ 1,880,178	\$ 1,904,946	\$ 24,768
Basic school aid	3,763,386	3,763,386	3,773,605	10,219
Special ed SOQ	587,122	587,122	588,894	1,772
Vocational SOQ	153,237	153,237	153,700	463
Supplemental support	110,176	110,176	111,924	1,748
Technology	154,000	154,000	154,000	-
Fringe benefits	459,712	459,712	461,099	1,387
Other state funds	355,759	355,759	393,543	37,784
Total categorical aid	\$ 7,463,570	\$ 7,463,570	\$ 7,541,711	\$ 78,141
Total revenue from the Commonwealth	\$ 7,463,570	\$ 7,463,570	\$ 7,541,711	\$ 78,141
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 287,726	\$ 287,726	\$ 441,829	\$ 154,103
Title I - ARRA	41,000	41,000	37,751	(3,249)
Title III	3,711	3,711	2,013	(1,698)
Title VI - B Special Education	426,995	426,995	453,534	26,539
Drug free schools	2,300	2,300	2,041	(259)
Education technology	3,369	3,369	2,300	(1,069)
ARRA - Education technology	-	-	2,224	2,224
State fiscal stabilization funds - ARRA	271,812	271,812	473,563	201,751
American History Grant	-	-	1,550	1,550
Vocational education	30,320	30,320	30,431	111
Preschool	-	-	14,473	14,473
Education jobs fund	123,592	349,538	134,199	(215,339)
Title II	97,464	97,464	73,260	(24,204)
Total categorical aid	\$ 1,288,289	\$ 1,514,235	\$ 1,669,168	\$ 154,933
Total revenue from the federal government	\$ 1,288,289	\$ 1,514,235	\$ 1,669,168	\$ 154,933
Total School Operating Fund	\$ 16,940,111	\$ 17,189,499	\$ 17,177,414	\$ (12,085)

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2012 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Discretely Presented Component Unit -- School Board: (Continued)				
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 433,250	\$ 433,250	\$ 381,911	\$ (51,339)
Total charges for services	<u>\$ 433,250</u>	<u>\$ 433,250</u>	<u>\$ 381,911</u>	<u>\$ (51,339)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Total revenue from local sources	<u>\$ 443,250</u>	<u>\$ 443,250</u>	<u>\$ 381,911</u>	<u>\$ (61,339)</u>
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Categorical aid:				
School food grant	\$ 9,500	\$ 9,500	\$ 22,687	\$ 13,187
Revenue from the federal government:				
Categorical aid:				
School food grant	\$ 202,500	\$ 202,500	\$ 427,222	\$ 224,722
Total School Cafeteria Fund	<u>\$ 655,250</u>	<u>\$ 655,250</u>	<u>\$ 831,820</u>	<u>\$ 176,570</u>
School Lottery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 155	\$ 155
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155</u>	<u>\$ 155</u>
Total School Lottery Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155</u>	<u>\$ 155</u>
School State Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 126	\$ 126
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126</u>	<u>\$ 126</u>
Total School State Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126</u>	<u>\$ 126</u>
School Textbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 83	\$ 83
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83</u>	<u>\$ 83</u>
Intergovernmental revenue:				
County contribution to School Board	\$ -	\$ -	\$ 44,952	\$ 44,952
Total School Textbook Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,035</u>	<u>\$ 45,035</u>
Employee Suspension Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 45	\$ 45
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 45</u>
Total Employee Suspension Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 45</u>
Total Revenues --Discretely Presented Component Unit -- School Board	<u>\$ 17,595,361</u>	<u>\$ 17,844,749</u>	<u>\$ 18,054,595</u>	<u>\$ 209,846</u>

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2012

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	\$ 56,019	\$ 58,955	\$ 58,931	\$ 24
General and financial administration:				
County administrator	\$ 199,820	\$ 197,707	\$ 156,474	\$ 41,233
Legal services	53,534	53,534	52,154	1,380
Independent Auditor	52,595	52,595	46,337	6,258
Commissioner of the revenue	176,553	176,108	146,155	29,953
Personal property	6,909	6,909	6,724	185
Data Processing	62,639	77,816	77,797	19
Land use	1,694	1,694	1,397	297
Assessor	6,104	43,364	40,960	2,404
Finance Department	158,807	165,601	164,666	935
Treasurer	210,831	212,916	208,574	4,342
Total general and financial administration	\$ 929,486	\$ 988,244	\$ 901,238	\$ 87,006
Board of Elections:				
Electoral board and officials	\$ 39,739	\$ 39,739	\$ 31,794	\$ 7,945
Registrar	78,180	78,180	71,912	6,268
Total board of elections	\$ 117,919	\$ 117,919	\$ 103,706	\$ 14,213
Total general government administration	\$ 1,103,424	\$ 1,165,118	\$ 1,063,875	\$ 101,243
Judicial administration:				
Courts:				
Circuit court	\$ 21,685	\$ 22,369	\$ 22,250	\$ 119
Combined court	13,220	13,220	9,170	4,050
Clerk of the circuit court	267,217	289,686	267,704	21,982
Sheriff - court security	138,570	154,613	129,490	25,123
Magistrates	500	500	-	500
Rappahannock legal services	2,000	2,000	2,000	-
Victim witness program	22,751	22,751	21,388	1,363
Commissioner of accounts	910	910	720	190
Total courts	\$ 466,853	\$ 506,049	\$ 452,722	\$ 53,327
Commonwealth's attorney:				
Commonwealth's attorney	\$ 281,319	\$ 282,044	\$ 277,796	\$ 4,248
Total judicial administration	\$ 748,172	\$ 788,093	\$ 730,518	\$ 57,575

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2012 (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	\$ 1,628,916	\$ 1,667,938	\$ 1,614,949	\$ 52,989
Public safety	60,687	60,687	50,813	9,874
Asset forfeiture	-	-	2,589	(2,589)
E-911 system	516,079	997,006	976,394	20,612
Total law enforcement and traffic control	<u>\$ 2,205,682</u>	<u>\$ 2,725,631</u>	<u>\$ 2,644,745</u>	<u>\$ 80,886</u>
Fire and rescue services:				
Volunteer fire department	\$ 119,500	\$ 119,500	\$ 119,463	\$ 37
Ambulance and rescue service	114,000	114,000	113,762	238
Emergency medical services	933,860	950,850	943,468	7,382
EMS Council	7,705	7,705	7,705	-
Total fire and rescue services	<u>\$ 1,175,065</u>	<u>\$ 1,192,055</u>	<u>\$ 1,184,398</u>	<u>\$ 7,657</u>
Correction and detention:				
Confinement of prisoners	\$ 2,300	\$ 2,300	\$ 376	\$ 1,924
Regional jail	574,464	574,464	574,033	431
Jefferson area community corrections	6,211	6,211	6,211	-
Juvenile detention	77,361	77,361	67,847	9,514
Probation office	20,322	20,322	15,779	4,543
Total correction and detention	<u>\$ 680,658</u>	<u>\$ 680,658</u>	<u>\$ 664,246</u>	<u>\$ 16,412</u>
Inspections:				
Building	\$ 222,939	\$ 223,925	\$ 219,167	\$ 4,758
Total inspections	<u>\$ 222,939</u>	<u>\$ 223,925</u>	<u>\$ 219,167</u>	<u>\$ 4,758</u>
Other protection:				
Animal control and shelter facility	\$ 219,324	\$ 219,772	\$ 178,179	\$ 41,593
Line of Duty Act	-	19,296	19,296	-
Services to abused families	3,372	3,372	3,372	-
Medical examiner (coroner)	600	2,455	1,975	480
Total other protection	<u>\$ 223,296</u>	<u>\$ 244,895</u>	<u>\$ 202,822</u>	<u>\$ 42,073</u>
Total public safety	<u>\$ 4,507,640</u>	<u>\$ 5,067,164</u>	<u>\$ 4,915,378</u>	<u>\$ 151,786</u>
Public works:				
Maintenance of highways, streets, bridges				
Road construction	\$ -	\$ 18,750	\$ 9,340	\$ 9,410
Total Maintenance of highways, streets, bridges	<u>\$ -</u>	<u>\$ 18,750</u>	<u>\$ 9,340</u>	<u>\$ 9,410</u>
Sanitation and waste removal:				
County landfill	\$ 790,902	\$ 790,902	\$ 619,731	\$ 171,171
Total sanitation and waste removal	<u>\$ 790,902</u>	<u>\$ 790,902</u>	<u>\$ 619,731</u>	<u>\$ 171,171</u>
Maintenance of general buildings and grounds:				
General properties	\$ 607,799	\$ 575,912	\$ 554,985	\$ 20,927
Total maintenance of general buildings and grounds	<u>\$ 607,799</u>	<u>\$ 575,912</u>	<u>\$ 554,985</u>	<u>\$ 20,927</u>
Total public works	<u>\$ 1,398,701</u>	<u>\$ 1,385,564</u>	<u>\$ 1,184,056</u>	<u>\$ 201,508</u>

Governmental Funds -
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2012 (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	\$ 135,692	\$ 5,600
Total health	\$ 141,292	\$ 141,292	\$ 135,692	\$ 5,600
Mental health and mental retardation:				
Chapter X board	\$ 74,650	\$ 74,650	\$ 74,650	\$ -
Total mental health and mental retardation	\$ 74,650	\$ 74,650	\$ 74,650	\$ -
Welfare:				
Administration	\$ 1,488,871	\$ 1,488,871	\$ 1,398,934	\$ 89,937
Hospice of the Rapidan	3,250	3,250	3,250	-
Madison free clinic	1,437	1,437	1,437	-
Rapp-Rapidan medical reserve corporation	500	500	500	-
Piedmont regional dental clinic	500	500	500	-
CSA - at risk youth	1,106,304	1,406,304	2,180,151	(773,847)
Total welfare	\$ 2,600,862	\$ 2,900,862	\$ 3,584,772	\$ (683,910)
Total health and welfare	\$ 2,816,804	\$ 3,116,804	\$ 3,795,114	\$ (678,310)
Education:				
Contributions to community colleges	\$ 2,365	\$ 2,365	\$ 2,365	\$ -
Contributions to component unit school board	7,949,052	8,008,270	7,492,205	516,065
Total education	\$ 7,951,417	\$ 8,010,635	\$ 7,494,570	\$ 516,065
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 85,629	\$ 312,697	\$ 217,452	\$ 95,245
Total parks and recreation	\$ 85,629	\$ 312,697	\$ 217,452	\$ 95,245
Cultural enrichment:				
Public TV	\$ 550	\$ 550	\$ 550	-
Boys and girls club	500	500	500	-
Senior center	521	521	521	-
NPS 75th anniversary	500	500	500	-
Total cultural enrichment	\$ 2,071	\$ 2,071	\$ 2,071	-
Library:				
County library	\$ 95,228	\$ 95,228	\$ 95,228	-
Total parks, recreation and cultural	\$ 182,928	\$ 409,996	\$ 314,751	\$ 95,245

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2012 (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	\$ 17,644	\$ 17,644	\$ 11,501	\$ 6,143
Zoning and planning	122,042	122,722	119,064	3,658
Main street project	-	34,322	34,322	-
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	2,128	3,312
Board of building code appeals	700	700	-	700
Economic development	-	1,000	1,000	-
Tourism	-	13,000	12,461	539
Planning district commission	11,889	11,889	11,703	186
Chamber of commerce	61,439	61,439	61,439	-
Geographic information system	23,513	23,513	16,553	6,960
Piedmont workforce network	500	500	500	-
Madison habitat for humanity	500	500	500	-
Skyline CAP	28,000	28,000	28,000	-
Total planning and community development	<u>\$ 287,917</u>	<u>\$ 336,919</u>	<u>\$ 315,421</u>	<u>\$ 21,498</u>
Environmental management:				
Soil and water conservation district	\$ 36,429	\$ 36,429	\$ 36,429	\$ -
Forestry service	6,000	6,000	5,979	21
Water quality management	1,000	49,432	49,433	(1)
Total environmental management	<u>\$ 43,429</u>	<u>\$ 91,861</u>	<u>\$ 91,841</u>	<u>\$ 20</u>
Cooperative extension program:				
VPI extension	\$ 85,604	\$ 85,604	\$ 74,045	\$ 11,559
Northern VA 4-H center	500	500	500	-
Total cooperative extension program	<u>\$ 86,104</u>	<u>\$ 86,104</u>	<u>\$ 74,545</u>	<u>\$ 11,559</u>
Total community development	<u>\$ 417,450</u>	<u>\$ 514,884</u>	<u>\$ 481,807</u>	<u>\$ 33,077</u>
Nondepartmental:				
Miscellaneous	\$ 544,505	\$ 224,260	\$ 90,040	\$ 134,220
Total nondepartmental	<u>\$ 544,505</u>	<u>\$ 224,260</u>	<u>\$ 90,040</u>	<u>\$ 134,220</u>
Debt service:				
Principal retirement	\$ 1,688,131	\$ 1,698,131	\$ 1,698,131	\$ -
Interest and fiscal charges	107,036	144,328	144,328	-
Total debt service	<u>\$ 1,795,167</u>	<u>\$ 1,842,459</u>	<u>\$ 1,842,459</u>	<u>\$ -</u>
Total General Fund	<u>\$ 21,466,208</u>	<u>\$ 22,524,977</u>	<u>\$ 21,912,568</u>	<u>\$ 612,409</u>

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2012 (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:				
Courthouse renovation project	\$ 375,000	\$ 375,000	\$ 52,249	\$ 322,751
Total capital projects	\$ 375,000	\$ 375,000	\$ 52,249	\$ 322,751
Total Capital Improvements Fund	\$ 375,000	\$ 375,000	\$ 52,249	\$ 322,751
Total Expenditures--Primary Government	<u>\$ 21,841,208</u>	<u>\$ 22,899,977</u>	<u>\$ 21,964,817</u>	<u>\$ 935,160</u>
Discretely Presented Component Unit -- School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 12,235,633	\$ 12,475,845	\$ 12,434,926	\$ 40,919
Administration, attendance and health	785,332	785,332	770,033	15,299
Pupil transportation services	1,431,627	1,440,803	1,450,864	(10,061)
Operation and maintenance services	1,956,425	1,956,425	1,879,808	76,617
Facilities	45,866	45,866	44,773	1,093
Technology	485,228	485,228	746,861	(261,633)
Total education	<u>\$ 16,940,111</u>	<u>\$ 17,189,499</u>	<u>\$ 17,327,265</u>	<u>\$ (137,766)</u>
Debt service:				
Principal retirement	\$ -	\$ -	\$ 49,951	\$ (49,951)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,951</u>	<u>\$ (49,951)</u>
Total School Operating Fund	<u>\$ 16,940,111</u>	<u>\$ 17,189,499</u>	<u>\$ 17,377,216</u>	<u>\$ (187,717)</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food program	<u>\$ 655,250</u>	<u>\$ 655,250</u>	<u>\$ 767,849</u>	<u>\$ (112,599)</u>
School Textbook Fund:				
Education:				
Instruction	<u>\$ -</u>	<u>\$ 44,952</u>	<u>\$ -</u>	<u>\$ 44,952</u>
Employee Suspension Fund:				
Education:				
Instruction	<u>\$ -</u>	<u>\$ 14,266</u>	<u>\$ 14,266</u>	<u>\$ -</u>
Total Expenditures--Discretely Presented Component Unit-- School Board	<u>\$ 17,595,361</u>	<u>\$ 17,903,967</u>	<u>\$ 18,159,331</u>	<u>\$ (255,364)</u>

STATISTICAL INFORMATION

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COUNTY OF MADISON, VIRGINIA

Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government			Judicial Administration			Public Safety		Public Works		Health and Welfare		Education		Parks Recreation and Cultural		Community Development		Capital Outlays		Non-Departmental		Interest on Debt		Total
	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	Administration	
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													
2011-12	1,227,155	1,060,673	4,744,000	932,928	3,804,200	7,967,091	382,268	484,057	-	-	132,026	20,734,398													

COUNTY OF MADISON, VIRGINIA

Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	Program Revenues										General Revenues					Revenues from the Use of		Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Local Sales and Use Tax	Communication Tax (1)	Consumers' Utility Tax	Motor Vehicle Licenses	Restaurant Food Taxes	Other Local Taxes	Contributions Not Restricted to Specific Programs (1)	Grants and Contributions	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				
2011-12	1,237,560	4,168,508	6,250	13,623,003	839,405	-	317,594	420,975	335,143	401,744	1,756,719	99,377	268,350	23,474,628				

(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 (2)	Total
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		
2011-12	13,638,769	2,314,861	164,269	152,815	129,874	1,304,487	741,178	-	15,606,531	34,052,784		

(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(2)	Recreation and Cultural	Community Development	Non-departmental	Capital Projects	Debt Service	Total
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
2011-12	1,063,875	730,518	4,915,378	1,184,056	3,795,114	18,111,745	314,751	481,807	90,040	52,249	1,892,410	32,631,943

(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		Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
				(1) Tax (2) Collections	(2) Collections				
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%	
2011-12	13,851,173	13,351,165	96.39%	949,858	14,301,023	103.25%	1,137,175	8.21%	

(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	Public Service	Total		
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	
2011-12	1,978,255,150	115,602,303	1,351,300	4,386,450	24,618,756	47,248,097	2,171,462,056	

(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)
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
2011-12	0.50/0.53	2.95/2.80		0.50	1.62	0.86

(1) Per \$100 of assessed value.

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

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
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	2,159,308,052	7,743,068	7,743,068	0.0036	618
2010-11	12,520	2,157,129,026	6,428,248	6,428,248	0.0030	513
2011-12	12,520	2,171,462,056	4,810,000	4,810,000	0.0022	384

(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
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%
2011-12	1,698,131	144,328	1,842,459	32,631,943	5.65%

(1) Includes primary government and discretely presented component unit.

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COMPLIANCE

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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, 2012, which collectively comprise the County of Madison, Virginia's basic financial statements and have issued our report thereon dated February 19, 2013. 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:

The management of the County of Madison, Virginia is responsible for establishing and maintaining effective 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, 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
February 19, 2013

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited County of Madison, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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, & Associates
Charlottesville, Virginia
February 19, 2013

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government:			
Department of Justice			
Pass Through Payments:			
Department of Criminal Justice Services:			
Asset forfeiture	16.000		\$ <u>997</u>
Department of Transportation:			
Pass Through Payments:			
Virginia Department of Motor Vehicles:			
Alcohol impaired driving countermeasures incentive grants 1	20.601	K81252274	\$ 14,557
Alcohol Open Container Requirements	20.607	154AL1151249	3,078
Virginia Department of Transportation:			
Highway planning and construction	20.205	na	<u>238,736</u>
Total Department of Transportation			\$ <u>256,371</u>
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting safe and stable families	93.556	0950109/0950110	\$ 12,498
Temporary assistance for needy families	93.558	0400109/0400110	102,347
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	342
Low-income home energy assistance	93.568	0600409/0600410	8,584
Child care and development block grant (Child Care Cluster)	93.575	0770109/0770110	35,895
Child care mandatory and matching funds of the child care and development fund (Child Care Cluster)	93.596	0760109/0760110	28,953
Chafee education and training vouchers program	93.599	9160110	181
Stephanie Tubbs Jones child welfare services program	93.645	0900109/0900110	352
Foster care - Title IV-E	93.658	1100109/1100110	150,011
Adoption assistance	93.659	1120109/1120110	13,986
Social services block grant	93.667	1000109/1000110	72,086
Chafee foster care independence program	93.674	9150108/9150109/91501110	3,644
Children's health insurance program	93.767	0540109/0540110	3,662
Medical assistance program	93.778	1200109/1200110	<u>76,981</u>
Total Department of Health and Human Services			\$ <u>509,522</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community development block grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	N/A	\$ <u>6,250</u>
Department of Homeland Security:			
Pass Through Payments:			
Virginia Department of Emergency Management:			
Disaster Grants - Public Assistance(Presidentially Declared Disasters)	97.036	N/A	\$ <u>2,855</u>
Total Department of Homeland Security			\$ <u>2,855</u>

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2012 (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	0010111/0010112/0040111/0040112	\$ 127,091
Total Department of Agriculture			<u>\$ 127,091</u>
Total Expenditures of Federal Awards-Primary Government			<u>\$ 903,086</u>
Component Unit School Board:			
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	10.555/2011/2012	\$ 33,295
Department of Education:			
School lunch program (Child Nutrition Cluster)	10.555	10.555/2011/2012	<u>294,975</u>
			328,270
School breakfast program (Child Nutrition Cluster)	10.553	10.553/2011/2012	<u>98,952</u>
Total Department of Agriculture			<u>\$ 427,222</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	\$ 441,829
ARRA-Title 1 grants to local educational agencies (Title I Part A Cluster)	84.389	S389A090046	37,751
Improving teacher quality - state grants	84.367	S367A070044/S367A080044/S367A090044	73,260
Fund for the improvement for education	84.215	N/A	1,550
English language acquisition grants	84.365	N/A	2,013
Special education - grants to states (Special Education Cluster)	84.027	H027A080107/H027A090107	453,534
Special education - preschool grants (Special Education Cluster)	84.173	H173A080112/H173A090112	14,473
Education technology state grants (Education Technology Cluster)	84.318	S318X100046	2,300
ARRA-Education technology state grants (Education Technology Cluster)	84.386	S386A090046	2,224
ARRA-Education jobs fund	84.410	S410A100047	134,199
Career and technical education -- basic grants to states	84.048	V048A080046/V048A090046	30,431
Safe and drug-free schools and communities - state grants	84.186	Q186A080048/Q186A090048	2,041
ARRA-State fiscal stabilization fund - Education State Grants	84.394	S394A090047	<u>473,563</u>
Total Department of Education			<u>\$ 1,669,168</u>
Total Expenditures of Federal Awards-Component Unit School Board			<u>\$ 2,096,390</u>
Total Expenditures of Federal Awards-Reporting Entity			<u>\$ 2,999,476</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, 2012

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, 2012. 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 \$ 984,782

Total primary government \$ 984,782

Component Unit School Board:

School Operating Fund \$ 1,669,168

School Cafeteria Fund 427,222

Total component unit school board \$ 2,096,390

Total federal expenditures per basic financial statements \$ 3,081,172

Payments in lieu of taxes \$ (81,696)

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 2,999,476

COUNTY OF MADISON, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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>
84.410	ARRA-Education Jobs Fund
84.027/84.173	Special Education Cluster
84.394	ARRA - State Fiscal Stabilization Funds - Education State Grants

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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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.