

COUNTY OF CULPEPER, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

County of Culpeper, Virginia

**Comprehensive Annual
Financial Report**

Year Ended June 30, 2011

PREPARED BY:

Valerie H. Lamb, Finance Director

COUNTY OF CULPEPER, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2011

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County of Culpeper
Frank T. Bossio, County Administrator
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Email: fbossio@culpepercountv.gov

December 19, 2011

To the Honorable Members of the Board of Supervisors
To the Citizens of Culpeper County
County of Culpeper, Virginia

We are pleased to present the Comprehensive Annual Financial Report of the County of Culpeper, Virginia, (the "County"), for the fiscal year which ended June 30, 2011. This report was prepared by the County's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls. In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of the general fund and capital projects fund are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2011 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.

The County adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds.

When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

THE REPORTING ENTITY AND ITS SERVICES

The Culpeper County Comprehensive Annual Financial Report includes all funds and account groups of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities and community development. Additionally, the County operates an airport, water and wastewater utility system and a Municipal Solid Waste Transfer Station. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified one discrete component unit. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations, and therefore are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the County School Board is reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government.

The financial statements for the Piedmont Regional Control Board, Rappahannock-Rapidan Regional Commission, and the Rappahannock-Rapidan Community Services Board are not included in the County report. Boards separate from, and independent of, the Board of Supervisors administer these organizations.

Culpeper County is located in north central Virginia, 75 miles southwest of Washington, D.C. and 75 miles northwest of Richmond, Virginia. The County encompasses a land area of 381 square miles. Three U.S. primary and one State primary route traverse the County. Culpeper has a diversified economy with strong manufacturing, trade services, and agricultural sectors. Manufacturing activity includes: auto parts, kitchen cabinets, wire cable, fiber optics, building components and iron castings. Major service industries include: international financial telecommunications, electronic data center, Library of Congress Film Archive, uniform rentals, health care, education, and government. International firms have a significant presence in the community. Agriculture remains important in Culpeper’s economy, with beef cattle the principal livestock and soy beans, hay and corn are the major cash crops.

The economy has slowed both on the state and federal level. The Consumer Price Index in the United States for 2010 fell by 1.2% from 2009 due to the recession. On the state level, the unemployment rate for Virginia as of June 2011 was 6.3% compared to 7.0% as of June 2010 and the unemployment rate for Culpeper County as of June 2011 is 6.8% vs. a year ago when the rate was only 7.7%. On a national level, unemployment exceeds both the state and local unemployment level at 9.3%.

MAJOR INITIATIVES

For fiscal year 2011: Following the goals and objectives established by the County of Culpeper Board of Supervisors, and with the assistance and guidance of the County's Administrator, County staff and agencies implemented and continued a number of specific "*programs*" designed to provide County residents with cost efficient government while enhancing their home and employment environment.

Major initiatives begun, continued, or completed during this fiscal year are:

- Purchase of VDOT Residency Building for DHS relocation
- Implementation of electronic document management system

Implementation of Electronic Document Management System

The Board of Supervisors authorized as part of the FY08 budget, \$282,000 for the implementation of an Electronic Document Management System (EDMS). The first phase of this implementation was email archiving to ensure compliance with the records retention guidelines for correspondence outlined by the Library of Virginia. The second phase will be to improve processes in departments by utilizing workflow, automated forms, and existing software integrations, this phase will begin in the Finance Department with the Accounts Payable process. The third phase will be an automated Records Management platform to ensure all documents maintained in the EDMS are retained for the period of time specified by the Library of Virginia and then disposed of accordingly.

Purchase of VDOT Residency Building

The Board of Supervisors purchased the vacated VDOT Residency Building in May 2011 for the relocation of the Department of Human Services. The Department currently rents multiple locations in town and with the purchase of this building the entire department will be housed under one roof. The rent currently being paid will offset the cost of debt service and once paid, the County will retain ownership of the building. Further the building will provide better parking for staff and clients. During fiscal year 2012, the county will begin renovation of the building for occupancy by Spring of 2012.

Prospects for the Future. For the fiscal year 2011-2012, the Board of Supervisors has approved a General Fund Operating Budget of \$70,432,665. During fiscal year 2008, the County realized that it would be realizing about a \$4 million shortfall. Therefore, immediate spending cuts were made, including a hiring freeze on all vacant positions. This hiring freeze has continued through FY11. Culpeper's General Fund revenues for fiscal year 2012 are basically flat as compared to fiscal year 2011. The County continues to strive to bring business into the County and provide services for those businesses. This is evident in the realization of an agreement with Town for providing water and sewer to businesses within the County and Town. The County's population has begun to level out, but the County maintains its commitment to maintaining a stable tax base fairly split between residential and commercial use, and its cost-effective approach towards service delivery.

Risk Management. The County of Culpeper has a risk management program which is committed to the logical, systematic and continuous identification of loss exposures for and to the County, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability and the application of sound loss control procedures. As a part of this commitment, the County has obtained third party coverage for all liability risk.

Cash Management. Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The amount of interest received was \$50,895. This is a decrease from interest earned on temporary investments in fiscal year 2009-2010 when the interest on investments totaled \$81,792.

OTHER INFORMATION

Management's Discussion and Analysis. Generally accepted accounting principles require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Culpeper's MD&A can be found immediately following the report of the independent auditors.

Independent Audit. The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

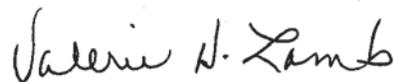
Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to County of Culpeper, Virginia for its comprehensive annual financial report for the fiscal year which ended June 30, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Acknowledgments. The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance. We would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner.

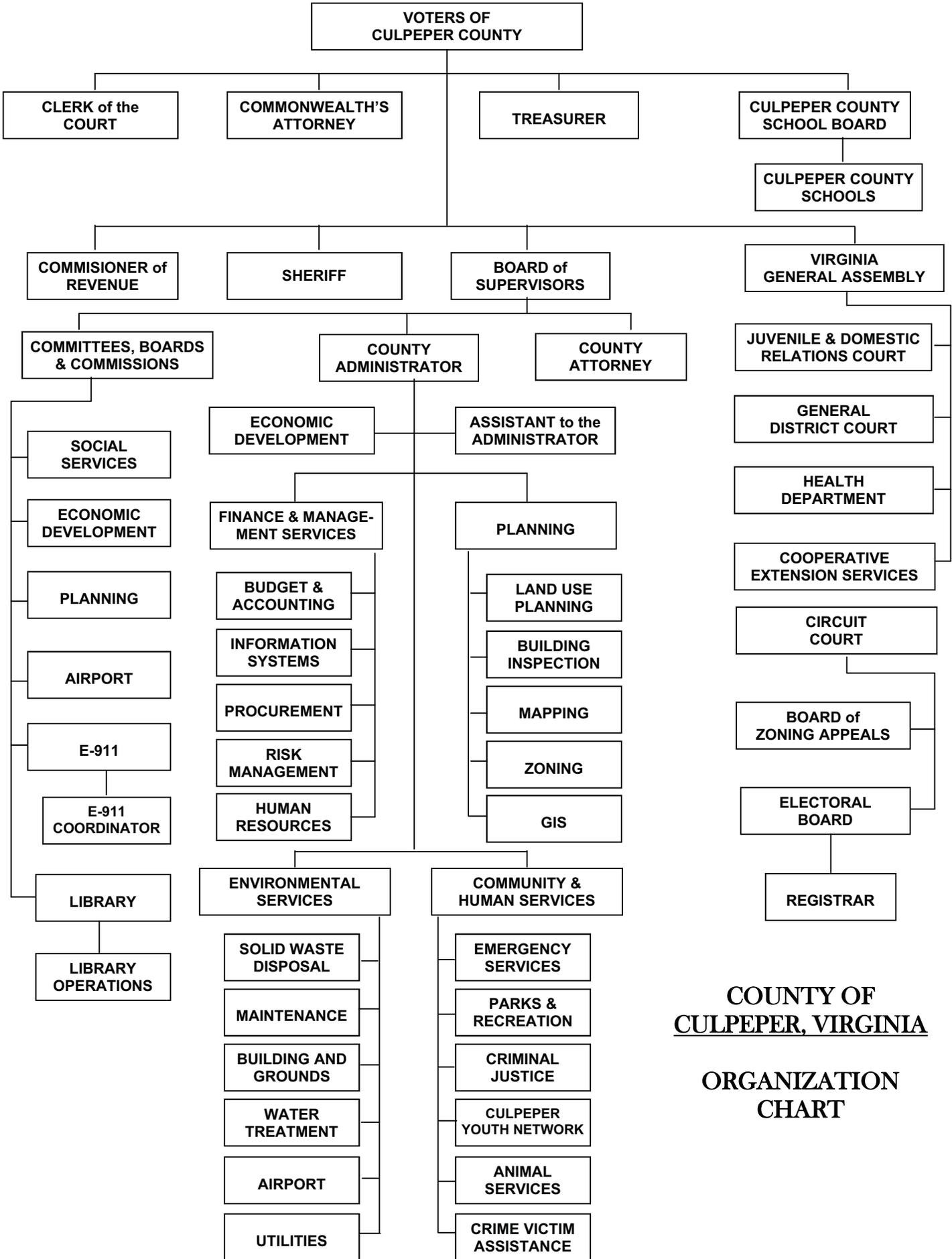
Respectfully submitted,



Frank T. Bossio
County Administrator



Valerie H. Lamb
Director of Finance



**COUNTY OF
CULPEPER, VIRGINIA
ORGANIZATION
CHART**

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COUNTY OF CULPEPER, VIRGINIA
Directory of Officials
June 30, 2011

PRIMARY GOVERNMENT OFFICIALS

BOARD OF SUPERVISORS

William C. Chase, Jr., Chairman
Sue D. Hansohn, Vice-Chairman
Bradley C. Rosenberger
Larry W. Aylor
Steven E. Nixon
Thomas S. Underwood
Steven L. Walker

Stevensburg District
Catalpa District
Jefferson District
Cedar Mountain District
West Fairfax District
Salem District
East Fairfax District

CONSTITUTIONAL OFFICERS

Terry Yowell
David L. DeJarnette
Gary Close
James Branch
Janice Corbin

Commissioner of Revenue
Treasurer
Commonwealth's Attorney
Sheriff
Circuit Court Clerk

ADMINISTRATIVE OFFICERS

Frank T. Bossio
Roy B. Thorpe, Jr.
Valerie H. Lamb
Calvin Coleman

County Administrator
County Attorney
Director of Finance
Director of Human Services

SCHOOL BOARD COMPONENT UNIT OFFICIALS

School Board

George T. Dasher, Chairman.....	Stevensburg District
Anne C. Luckinbill, Vice-Chair.....	Salem District
Robert Beard	East Fairfax District
Elizabeth S. Hutchins	Cedar Mountain District
Robert H. Houck	West Fairfax District
Leanne S. Mualulani	Jefferson District
Russell E. Jenkins.....	Catalpa District

Administrative Officers

Dr. Bobbi F. Johnson	Superintendent
Dr. Stacey Timmons	Director of Personnel
Jeffrey R. Shomo	Executive Director of Business

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Culpeper
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**The Honorable Members of
The Board of Supervisors
County of Culpeper, Virginia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County of Culpeper, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011, on our consideration of the County of Culpeper, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Culpeper, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements of the County of Culpeper, Virginia. The combining and individual nonmajor fund financial statements and schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Co. Associates
Charlottesville, Virginia
December 19, 2011

**To the Honorable Members of the Board of Supervisors
To the Citizens of Culpeper County
County of Culpeper, Virginia**

As management of the County of Culpeper, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$93,717,579 (net assets). Of this amount, \$30,653,191 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$28,364,355 an increase of \$1,306,131 in comparison with the prior year. Approximately 90 percent of this amount, \$25,424,950, is available for spending at Culpeper, Virginia's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$25,424,950, or 34 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Overview of the Financial Statements: (Continued)

Both of the Government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, police and volunteer fire protection, sanitation, social services, education, cultural events, and recreation. The business-type activities of the County include Water and Sewer, Landfill, and Airport operations.

The Government-wide financial statements include not only the County of Culpeper, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Culpeper, Virginia is financially accountable. Financial information for these component units is reported separately from the financial information present for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Culpeper, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statement focus on near-term inflows and outflows of spend-able resources, as well as on balance of spend-able resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund, both of which are considered to be major funds.

The County adopts an annual appropriated budget for its Governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - The County maintains three enterprise funds as well as the Culpeper County Water and Sewer Authority, which is a blended component unit of the County. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer, landfill, and airport operations as well as the water and sewer authority operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, landfill, airport, and water and sewer authority activities all of which are considered to be major funds of the County.

Overview of the Financial Statements: (Continued)

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

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. Culpeper County's assets exceeded liabilities by \$93,717,579 at year end.

The largest portion of the County's net assets (67 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Schedule of Assets, Liabilities and Net Assets For the Years Ended June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 36,740,092	\$ 35,498,529	\$ 4,266,893	\$ 4,093,852	\$ 41,006,985	\$ 39,592,381
Capital assets	<u>114,715,677</u>	<u>119,198,686</u>	<u>42,659,404</u>	<u>39,968,375</u>	<u>157,375,081</u>	<u>159,167,061</u>
Total assets	<u>\$ 151,455,769</u>	<u>\$ 154,697,215</u>	<u>\$ 46,926,297</u>	<u>\$ 44,062,227</u>	<u>\$ 198,382,066</u>	<u>\$ 198,759,442</u>
Long-term liabilities outstanding	\$ 90,902,468	\$ 95,313,980	\$ 1,531,791	\$ 1,780,709	\$ 92,434,259	\$ 97,094,689
Current liabilities	<u>11,708,012</u>	<u>11,768,973</u>	<u>522,216</u>	<u>515,242</u>	<u>12,230,228</u>	<u>12,284,215</u>
Total liabilities	<u>\$ 102,610,480</u>	<u>\$ 107,082,953</u>	<u>\$ 2,054,007</u>	<u>\$ 2,295,951</u>	<u>\$ 104,664,487</u>	<u>\$ 109,378,904</u>
Net assets:						
Invested in capital assets net of related debt	\$ 21,370,300	\$ 21,744,425	\$ 41,694,088	\$ 38,791,879	\$ 63,064,388	\$ 60,536,304
Unrestricted	<u>27,474,989</u>	<u>25,869,837</u>	<u>3,178,202</u>	<u>2,974,397</u>	<u>30,653,191</u>	<u>28,844,234</u>
Total net assets	<u>\$ 48,845,289</u>	<u>\$ 47,614,262</u>	<u>\$ 44,872,290</u>	<u>\$ 41,766,276</u>	<u>\$ 93,717,579</u>	<u>\$ 89,380,538</u>

Overview of the Financial Statements: (Continued)

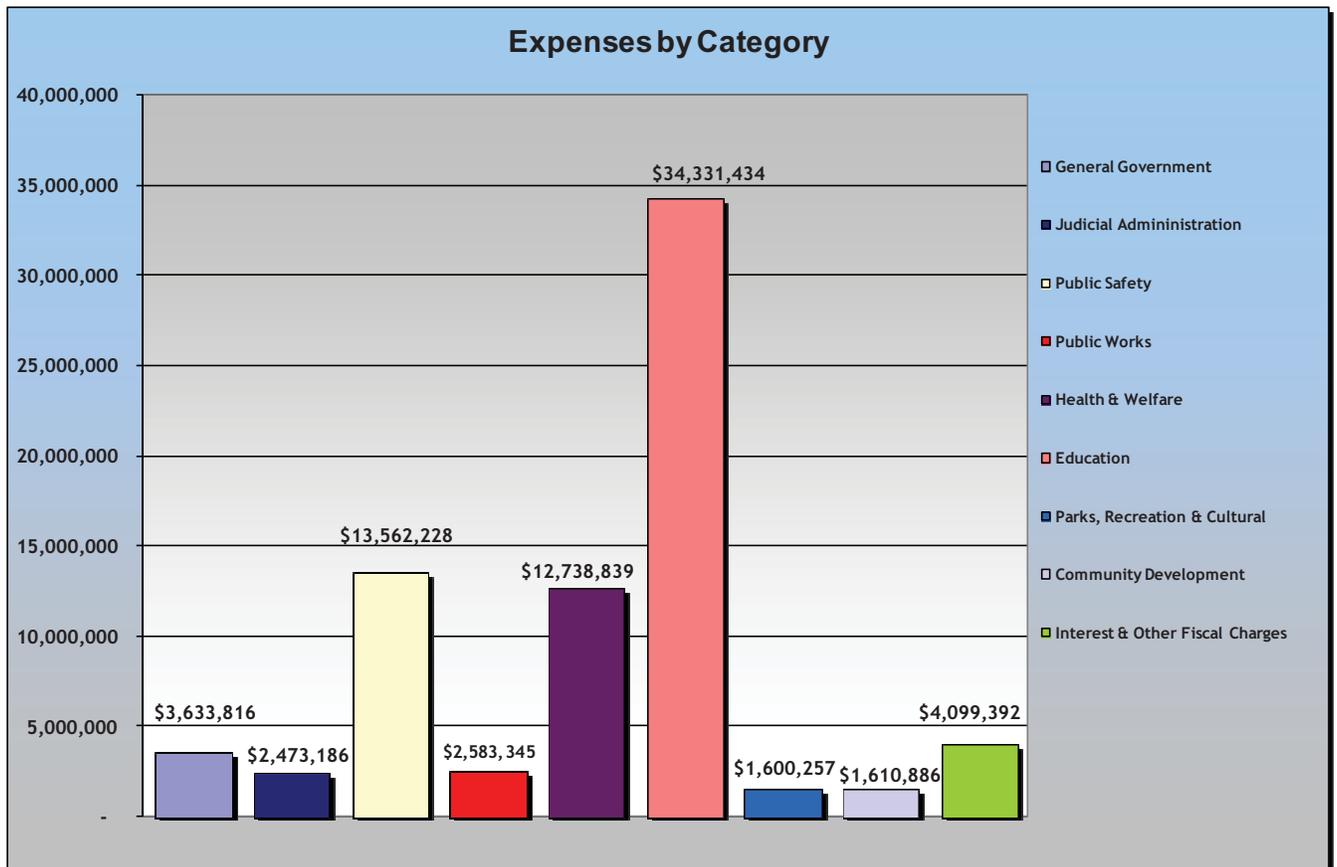
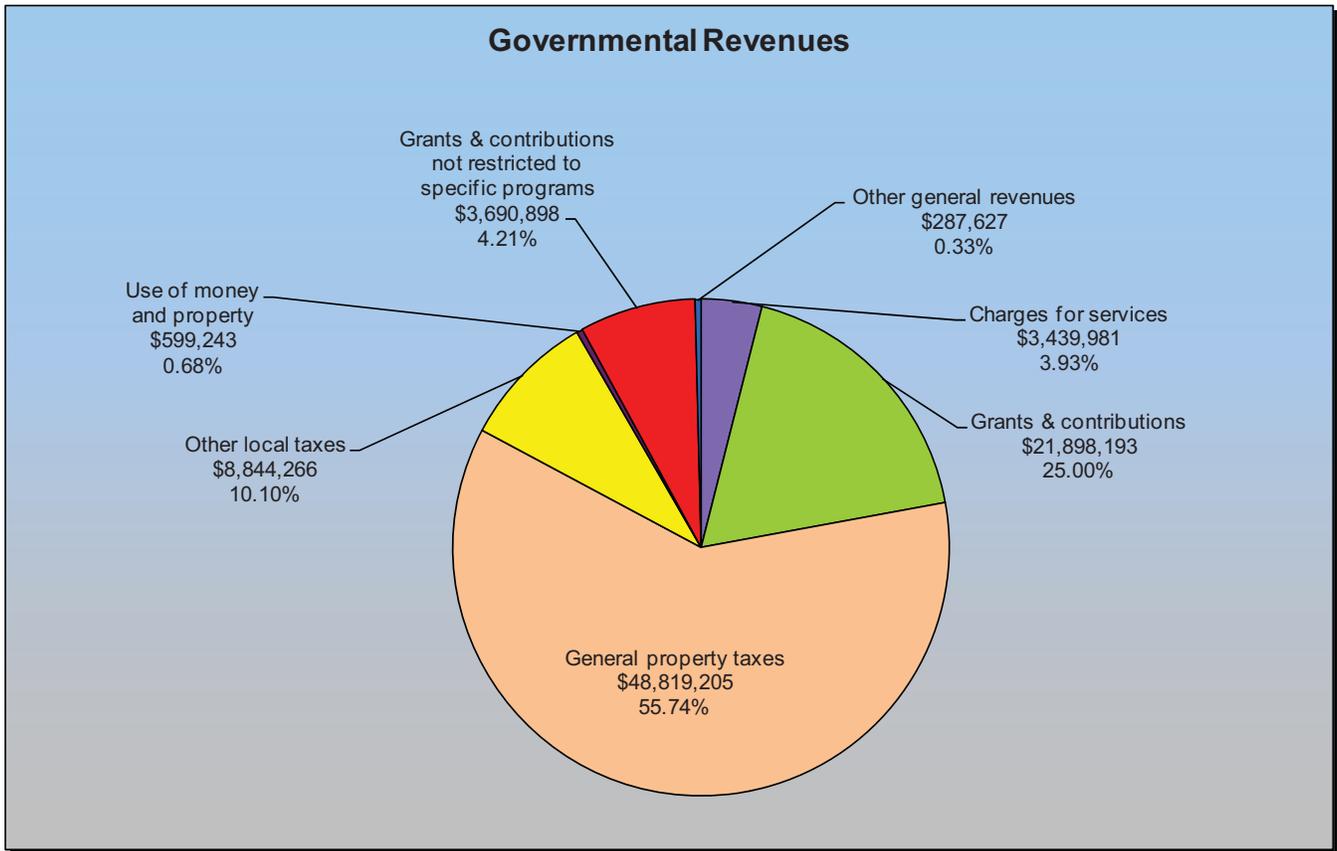
Governmental Activities - Governmental activities increased the County's net assets by \$1,231,027 and the Business-type activities increased \$3,106,014. The increase in business-type activities was caused primarily by the addition of assets contributed by the developer, Centex, for the Clevengers Village Project, providing water and sewer residents in the northern portion of the county. Key elements of the changes in net assets are as follows:

**Changes in Net Assets
For the Years Ended June 30, 2011 and 2010**

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 3,009,992	\$ 3,011,004	\$ 2,792,410	\$ 2,117,530	\$ 5,802,402	\$ 5,128,534
Operating grants and contributions	13,575,293	14,276,535	14,123	7,560	13,589,416	14,284,095
Capital grants and contributions	317,073	4,910,289	6,831,743	381,494	7,148,816	5,291,783
General revenues:						
General property taxes	46,440,370	45,953,541	-	-	46,440,370	45,953,541
Other local taxes	6,766,837	8,791,222	-	-	6,766,837	8,791,222
Use of money and property C/VA non-categorical aid	300,580	449,462	9,955	12,334	310,535	461,796
Other general revenues	5,768,766	3,626,392	-	-	5,768,766	3,626,392
	293,577	677,791	-	-	293,577	677,791
Total revenues	<u>\$ 76,472,488</u>	<u>\$ 81,696,236</u>	<u>\$ 9,648,231</u>	<u>\$ 2,518,918</u>	<u>\$ 86,120,719</u>	<u>\$ 84,215,154</u>
Expenses:						
General government administration	\$ 3,633,816	\$ 3,775,509	\$ -	\$ -	\$ 3,633,816	\$ 3,775,509
Judicial administration	2,473,186	2,447,227	-	-	2,473,186	2,447,227
Public safety	13,562,228	13,702,268	-	-	13,562,228	13,702,268
Public works	2,583,345	1,568,686	-	-	2,583,345	1,568,686
Health and welfare	12,738,839	15,032,809	-	-	12,738,839	15,032,809
Education	34,331,434	31,510,041	-	-	34,331,434	31,510,041
Parks, recreation, and cultural	1,600,257	1,919,952	-	-	1,600,257	1,919,952
Community development	1,610,886	1,452,963	-	-	1,610,886	1,452,963
Interest and other fiscal charges	4,099,392	4,389,711	-	-	4,099,392	4,389,711
Landfill	-	-	2,138,539	2,222,198	2,138,539	2,222,198
Water and Sewer	-	-	1,221,589	756,992	1,221,589	756,992
Airport	-	-	1,475,240	1,582,110	1,475,240	1,582,110
Water and Sewer Authority	-	-	314,927	16,591	314,927	16,591
Total expenses	<u>\$ 76,633,383</u>	<u>\$ 75,799,166</u>	<u>\$ 5,150,295</u>	<u>\$ 4,577,891</u>	<u>\$ 81,783,678</u>	<u>\$ 80,377,057</u>
Increase(decrease) in net assets before transfers	\$ (160,895)	\$ 5,897,070	\$ 4,497,936	\$ (2,058,973)	\$ 4,337,041	\$ 3,838,097
Transfers	1,391,922	(1,700,442)	(1,391,922)	1,700,442	-	-
Increase in net assets	\$ 1,231,027	\$ 4,196,628	\$ 3,106,014	\$ (358,531)	\$ 4,337,041	\$ 3,838,097
Net assets, beginning of year	47,614,262	43,417,634	41,766,276	42,124,807	89,380,538	85,542,441
Net assets, end of year	<u>\$ 48,845,289</u>	<u>\$ 47,614,262</u>	<u>\$ 44,872,290</u>	<u>\$ 41,766,276</u>	<u>\$ 93,717,579</u>	<u>\$ 89,380,538</u>

- Local revenues for FY11 appear to be reduced slightly from FY10, while non-categorical state aid appears to have increased however; the change is due to a reclassification of revenue for Communication tax, formerly known as Consumer Utility tax and E911 tax. Further revenues in general indicate a reduction of approximately \$4M, which for FY10 was the transfer of interest into the General Fund from the School Bond.

Overview of the Financial Statements: (Continued)



- Total government spending was reduced in FY11 from FY10 by approximately \$2M. \$1M was a reduction in local funding required by the School Board; another \$1M was across the board reductions in spending in all areas.

Overview of the Financial Statements: (Continued)

Business-Type Activities - Business-type activities decreased the County's net assets by \$3,106,014, thereby accounting for 72 percent of the total growth in the net assets of the County. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$681,443 (24 percent) during the year. This increase was due to the revenue from Centex to offset operating losses for the Clevengers Village Water and Sewer operating expenses.
- Expenses for business-type activities increased as well; \$464,597 was the increase in the Water and Sewer Fund, again because of the expenses related to the operation of the Clevengers Village.
- The Water and Sewer Authority received capital contributions of \$6,750,293 in FY11 compared to \$0 in FY10. This increase is due to the developer of the Clevengers Village Project contributing to the county buildings and lines for the project.
- Other increases in net assets are caused by the general growth in the County and the demand for services.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$28,364,355, an increase of \$1,306,131 in comparison with the prior year. Approximately 90 percent of this total constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is dedicated for construction projects and subsequent expenditures to indicate that is not available for new spending because it has already been committed.

The general fund is the main operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$25,424,950, while total fund balance reached \$28,213,001, an increase from the prior year of \$2,134,485. Key factors in the net increase are as follows:

- Property tax collections have leveled out; with the uncollected rate as of FY10 at 95.22% and for FY11 at 97.06%.

The County's Capital Projects Fund balance decreased \$828,354 during the year. The Capital Projects Fund had revenues of \$335,811 which included a bond issue of \$3,925,000, while it expended \$2,164,165 in various projects during the year. Expenditures for capital projects were as follows:

1. Courthouse renovation \$361,000
2. VDOT Residency building purchase \$1,100,000
3. Yowell Elementary School \$217,000
4. Eastern View High School \$100,000
5. Culpeper County High School renovations \$822,000

Proprietary funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Financial Analysis of the County's Funds: (Continued)

Net assets of the Airport Fund at the end of the year were \$10,617,400, a decrease from the prior year of \$447,017. Grant revenue decreased \$300,044 and the General Fund contribution decreased by \$98,983 from prior year amounts.

Net assets of the Landfill Fund totaled \$3,693,247, an increase from prior year of \$30,551. Charges for services decreased from the prior year by \$76,863 while expenditures decreased from the prior year by \$83,659.

The Water and Sewer fund expenses increased by \$464,597 in 2011, and charges for services increased by \$708,570. Water and Sewer net assets decreased \$2,916,257 for the year ending June 30, 2011 and total \$3,990,371. The primary reason for the decrease was the transference of funds for repayment to the General Fund when tap fees were purchased.

During 2005 the Board of Supervisors created the Water and Sewer Authority to account for water and sewer activities in the northern part of the County which we call Clevenger's Corner. During the year \$4,682,612 of infrastructure costs was capitalized. At June 30, 2011 net assets totaled \$26,571,272.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$1,572,962 and can be briefly summarized as follows:

- \$874,786 in public safety
- \$172,377 in buildings & grounds;
- \$155,558 in parks & recreation and library; and
- \$370,241 in other

Of this increase, \$627,167 was to be funded from intergovernmental revenues. The remaining \$945,795 was to be budgeted from available fund balance.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental and business type activities as of June 30, 2011 amounts to \$157,375,081 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County's capital assets can be found in Note 5 of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$93,878,201. Of this amount \$92,912,885 represents debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e. Revenue bonds).

Legislation enacted during fiscal year ended June 20, 2002 requires that the Primary Government has assumed debt historically reported by the School Board. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budget and Rates

The fiscal health of Culpeper County has an effect on the levels of service that will be provided to the residents of the County. During fiscal year 2008, the County recognized that it would be realizing about a \$4 million shortfall. Therefore, immediate spending cuts were made, including a hiring freeze on all vacant positions. Culpeper's General Fund revenues for fiscal year 2009 were down from fiscal year 2008 by \$3.4 million. During fiscal year 2009, positions frozen during fiscal year 2008 remained in effect, as well as any requests to refill vacant positions had to Board of Supervisors approval refill. Nearly all capital improvement projects were set aside, unless the project was already in process, such as the renovation of the Wachovia Building, or construction of the EMS Building. The FY10 budget was reduced from the FY09 budget by \$12M, with further reductions in staffing. The Building Officials Department was reduced during FY10, by half, or 7 employees, and of the 7 remaining, 4 were placed on part time status, leaving only 3 on full time status. Further during FY10, 4 employees took an early retirement incentive. The FY11 budget continued to reduce spending and the number of full time employees. The FY12 budget continues with no pay increases for employees; however, at this time it also does not contemplate any further staff reductions. The FY12 budget does increase the E911 budget by 3 full time employees in order to meet the demand of public safety calls. The FY12 budget also increases the Clerk of the Circuit Court's budget by 1 full time position. This is a deputy clerk position needed to assist with the number of criminal jury cases heard in Circuit Court. Lastly, the Sheriff's Office budget includes the change of a part time information officer to a full time information officer; however, the total budget is not increasing for the absorption of benefits for this position.

Locally, the fiscal year 2012 General Fund Budget reflects a slight decrease in general property tax revenues of .16% or \$73K, compared to the fiscal year 2011 Adopted Budget. Due to the recent general reassessment the total value of real property excluding additional assessments due to new construction or improvements to property, declined from last year's total assessed value by thirteen (12.96%) percent. This assessment decrease then required an adjusted tax rate to offset the decreased assessment. This resulted in a need to adjust the tax rate to achieve the equalization rate of \$.75 The FY12 adopted budget reduces the current real estate tax rate from the equalized rate of \$0.75 per \$100 of assessed value to \$.74 per \$100 of assessed value. The FY12 budget also equalizes the fire/rescue tax implemented in FY05 at \$.07 per \$100 of assessed value for real estate from the current adopted rate of \$0.05 per \$100 of assessed value. The FY12 budget submission maintains the current personal property tax rate of \$2.50 per \$100 of assessed value for recreational personal property; \$3.50 per \$100 of assessed value for all other personal property, except for the classification of airplanes which rate is maintained at \$.63 per \$100 of assessed value.

All of these factors were considered in preparing the County's budget for the 2011 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the County of Culpeper, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 302 N. Main Street, Culpeper, Virginia 22701.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
At June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	School Board
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 25,366,783	\$ 7,702,611	\$ 33,069,394	\$ 3,119,203
Receivables (net of allowance for uncollectibles):				
Property taxes	3,731,271	-	3,731,271	-
Accounts receivable	626,722	241,058	867,780	-
Prepaid items	41,294	13,063	54,357	-
Inventory	-	69,713	69,713	-
Due from primary government	-	-	-	4,549,776
Internal balances	3,792,942	(3,792,942)	-	-
Due from other governments	3,181,080	33,390	3,214,470	2,478,632
Total Current Assets	\$ 36,740,092	\$ 4,266,893	\$ 41,006,985	\$ 10,147,611
Noncurrent Assets				
Capital assets (net of depreciation):				
Land and land improvements	\$ 9,698,060	\$ 2,622,322	\$ 12,320,382	\$ 2,140,277
Construction in progress	3,979,362	1,839,706	5,819,068	821,741
Buildings	24,066,674	37,816,065	61,882,739	8,158,910
Equipment	1,870,041	381,311	2,251,352	4,850,912
Jointly owned assets	75,101,540	-	75,101,540	18,353,553
Total Capital Assets	\$ 114,715,677	\$ 42,659,404	\$ 157,375,081	\$ 34,325,393
Total Assets	\$ 151,455,769	\$ 46,926,297	\$ 198,382,066	\$ 44,473,004
LIABILITIES				
Current Liabilities				
Accounts payable and other current liabilities	\$ 308,911	\$ 231,445	\$ 540,356	\$ 7,450,889
Amounts held for others	108,883	-	108,883	-
Unearned revenue	163,055	-	163,055	-
Due to component unit	4,549,776	-	4,549,776	-
Accrued interest payable	1,942,343	23,936	1,966,279	-
Current portion of long-term obligations	4,635,044	266,835	4,901,879	357,125
Total Current Liabilities	\$ 11,708,012	\$ 522,216	\$ 12,230,228	\$ 7,808,014
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	90,902,468	1,531,791	92,434,259	1,178,301
Total Liabilities	\$ 102,610,480	\$ 2,054,007	\$ 104,664,487	\$ 8,986,315
NET ASSETS				
Invested in capital assets, net of related debt	\$ 21,370,300	\$ 41,694,088	\$ 63,064,388	\$ 34,050,061
Unrestricted	27,474,989	3,178,202	30,653,191	1,436,628
Total Net Assets	\$ 48,845,289	\$ 44,872,290	\$ 93,717,579	\$ 35,486,689
Total Liabilities and Net Assets	\$ 151,455,769	\$ 46,926,297	\$ 198,382,066	\$ 44,473,004

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

COUNTY OF CULPEPER, VIRGINIA

Statement of Activities
 Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,633,816	\$ -	\$ 320,640	\$ -
Judicial administration	2,473,186	249,528	686,096	-
Public safety	13,562,228	1,101,495	3,506,061	-
Public works	2,583,345	-	-	-
Health and welfare	12,738,839	1,461,360	8,719,521	-
Education	34,331,434	-	-	317,073
Parks, recreation, and cultural	1,600,257	193,087	148,913	-
Community development	1,610,886	4,522	194,062	-
Interest on long-term debt	4,099,392	-	-	-
Total governmental activities	\$ 76,633,383	\$ 3,009,992	\$ 13,575,293	\$ 317,073
Business-type activities:				
Landfill	\$ 2,138,539	\$ 1,109,940	\$ -	\$ -
Water and sewer	1,221,589	951,072	-	-
Airport	1,475,240	731,398	14,123	81,450
Water and sewer authority	314,927	-	-	6,750,293
Total business-type activities	\$ 5,150,295	\$ 2,792,410	\$ 14,123	\$ 6,831,743
Total primary government	\$ 81,783,678	\$ 5,802,402	\$ 13,589,416	\$ 7,148,816
COMPONENT UNIT:				
School Board	\$ 71,345,522	\$ 1,751,590	\$ 39,416,917	\$ 5,243,537
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
Taxes on recordation and wills				
Motor vehicle license taxes				
Other local taxes				
County contribution to School Board				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business Type Activities	Total	School Board	
\$ (3,313,176)	\$ -	\$ (3,313,176)	\$ -	-
(1,537,562)	-	(1,537,562)	-	-
(8,954,672)	-	(8,954,672)	-	-
(2,583,345)	-	(2,583,345)	-	-
(2,557,958)	-	(2,557,958)	-	-
(34,014,361)	-	(34,014,361)	-	-
(1,258,257)	-	(1,258,257)	-	-
(1,412,302)	-	(1,412,302)	-	-
(4,099,392)	-	(4,099,392)	-	-
<u>\$ (59,731,025)</u>	<u>\$ -</u>	<u>\$ (59,731,025)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ (1,028,599)	\$ (1,028,599)	\$ -	-
-	(270,517)	(270,517)	-	-
-	(648,269)	(648,269)	-	-
-	6,435,366	6,435,366	-	-
<u>\$ -</u>	<u>\$ 4,487,981</u>	<u>\$ 4,487,981</u>	<u>\$ -</u>	<u>-</u>
<u>\$ (59,731,025)</u>	<u>\$ 4,487,981</u>	<u>\$ (55,243,044)</u>	<u>\$ -</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,933,478)</u>	<u>-</u>
\$ 46,440,370	\$ -	\$ 46,440,370	\$ -	-
4,710,612	-	4,710,612	-	-
810,500	-	810,500	-	-
507,473	-	507,473	-	-
715,355	-	715,355	-	-
22,897	-	22,897	-	-
-	-	-	26,982,236	-
300,580	9,955	310,535	100,452	-
293,577	-	293,577	1,352,166	-
5,768,766	-	5,768,766	-	-
1,391,922	(1,391,922)	-	-	-
<u>\$ 60,962,052</u>	<u>\$ (1,381,967)</u>	<u>\$ 59,580,085</u>	<u>\$ 28,434,854</u>	<u>-</u>
<u>\$ 1,231,027</u>	<u>\$ 3,106,014</u>	<u>\$ 4,337,041</u>	<u>\$ 3,501,376</u>	<u>-</u>
<u>\$ 47,614,262</u>	<u>\$ 41,766,276</u>	<u>\$ 89,380,538</u>	<u>\$ 31,985,313</u>	<u>-</u>
<u>\$ 48,845,289</u>	<u>\$ 44,872,290</u>	<u>\$ 93,717,579</u>	<u>\$ 35,486,689</u>	<u>-</u>

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Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 25,215,429	\$ 151,354	\$ 25,366,783
Receivables (net of allowance for uncollectibles):			
Taxes, including penalties	3,731,271	-	3,731,271
Accounts	626,722	-	626,722
Prepaid items	41,294	-	41,294
Due from other funds	3,792,942	-	3,792,942
Due from other governmental units	<u>3,181,080</u>	<u>-</u>	<u>3,181,080</u>
Total assets	<u>\$ 36,588,738</u>	<u>\$ 151,354</u>	<u>\$ 36,740,092</u>
LIABILITIES			
Accounts payable	\$ 308,911	\$ -	\$ 308,911
Amounts held for others	108,883	-	108,883
Due to component unit	4,549,776	-	4,549,776
Deferred revenue	<u>3,408,167</u>	<u>-</u>	<u>3,408,167</u>
Total liabilities	<u>\$ 8,375,737</u>	<u>\$ -</u>	<u>\$ 8,375,737</u>
FUND BALANCES			
Nonspendable	\$ 41,294	\$ -	\$ 41,294
Restricted	79,313	-	79,313
Committed	2,663,269	151,354	2,814,623
Assigned	4,175	-	4,175
Unassigned	<u>25,424,950</u>	<u>-</u>	<u>25,424,950</u>
Total fund balances	<u>\$ 28,213,001</u>	<u>\$ 151,354</u>	<u>\$ 28,364,355</u>
Total liabilities and fund balances	<u>\$ 36,588,738</u>	<u>\$ 151,354</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.

114,715,677

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

(1,942,343)

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.

3,245,112

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.

(95,537,512)

Net assets of General Governmental Activities

\$ 48,845,289

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

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

	Governmental Fund Types		Total Governmental Funds
	General	Capital Projects	
Revenues:			
General property taxes	\$ 46,509,646	\$ -	\$ 46,509,646
Other local taxes	6,766,837	-	6,766,837
Permits, privilege fees and regulatory licenses	569,944	-	569,944
Fines and forfeitures	62,947	-	62,947
Revenue from use of money and property	284,048	16,532	300,580
Charges for services	2,377,101	-	2,377,101
Miscellaneous	291,371	2,206	293,577
Recovered costs	270,126	-	270,126
Intergovernmental:			
School Board Contribution to Primary Government	-	317,073	317,073
Commonwealth	14,091,483	-	14,091,483
Federal	5,252,576	-	5,252,576
Total revenues	\$ 76,476,079	\$ 335,811	\$ 76,811,890
Expenditures:			
Current:			
General government administration	\$ 3,534,138	\$ 22,091	\$ 3,556,229
Judicial administration	2,426,857	361,409	2,788,266
Public safety	13,708,943	-	13,708,943
Public works	1,003,106	1,112,528	2,115,634
Health and welfare	13,826,298	-	13,826,298
Education	28,289,067	322,314	28,611,381
Parks, recreation, and cultural	1,391,555	345,823	1,737,378
Community development	1,590,180	-	1,590,180
Nondepartmental	359,157	-	359,157
Debt service:			
Principal retirement	4,415,162	-	4,415,162
Interest and other fiscal charges	4,189,053	-	4,189,053
Total expenditures	\$ 74,733,516	\$ 2,164,165	\$ 76,897,681
Excess (deficiency) of revenues over expenditures	\$ 1,742,563	\$ (1,828,354)	\$ (85,791)
Other financing sources (uses):			
Transfers in	\$ 2,999,947	\$ 1,000,000	\$ 3,999,947
Transfers (out)	(2,608,025)	-	(2,608,025)
Total other financing sources (uses)	\$ 391,922	\$ 1,000,000	\$ 1,391,922
Changes in fund balances	\$ 2,134,485	\$ (828,354)	\$ 1,306,131
Fund balances at beginning of year	26,078,516	979,708	27,058,224
Fund balances at end of year	\$ 28,213,001	\$ 151,354	\$ 28,364,355

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

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

	<u>Primary Government Governmental Funds</u>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
Net changes in fund balances - total governmental funds	\$ 1,306,131
<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 capital outlays exceeded depreciation expense in the current period:</p>	
Capital outlays	\$ 2,781,642
Disposal of capital assets	(2,120)
Depreciation expense	<u>(3,218,994)</u> (439,472)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board	(4,043,537)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this adjustment consist of the change in deferred revenue - taxes.	(69,276)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Details of this adjustment are as follows:</p>	
Principal retired on long-term debt	\$ 4,415,162
Amortization of premium on bonds issued	43,011
Amortization of deferred amount on refunding	<u>(43,824)</u> 4,414,349
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:</p>	
Change in accrued leave	\$ 72,358
Change in other post employment benefits	(100,000)
Change in interest payable	<u>90,474</u> 62,832
Change in net assets of governmental activities	<u>\$ 1,231,027</u>

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

Statement of Net Assets
 Proprietary Funds
 At June 30, 2011

	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 4,022,403	\$ -	\$ -	\$ 3,680,208	\$ 7,702,611
Receivables (net of allowance for uncollectibles):					
Accounts receivable	110,537	90,888	39,633	-	241,058
Due from other governments	-	-	33,390	-	33,390
Prepaid expenses	1,019	6,838	5,206	-	13,063
Inventory	-	-	69,713	-	69,713
Total Current Assets	<u>\$ 4,133,959</u>	<u>\$ 97,726</u>	<u>\$ 147,942</u>	<u>\$ 3,680,208</u>	<u>\$ 8,059,835</u>
Noncurrent Assets					
Capital assets (net of depreciation):					
Land	\$ 401,073	\$ 235,200	\$ 516,929	\$ 1,469,120	\$ 2,622,322
Construction in progress	-	1,464,201	375,505	-	1,839,706
Buildings and improvements	7,472	2,051,836	11,043,679	24,713,078	37,816,065
Equipment	118,536	200,145	46,445	16,185	381,311
Total Capital Assets	<u>\$ 527,081</u>	<u>\$ 3,951,382</u>	<u>\$ 11,982,558</u>	<u>\$ 26,198,383</u>	<u>\$ 42,659,404</u>
Total Assets	<u>\$ 4,661,040</u>	<u>\$ 4,049,108</u>	<u>\$ 12,130,500</u>	<u>\$ 29,878,591</u>	<u>\$ 50,719,239</u>
LIABILITIES					
Current Liabilities					
Accounts payable and accrued expenses	\$ 174,950	\$ 28,436	\$ 28,059	\$ -	\$ 231,445
Interest payable	-	-	23,936	-	23,936
Due to other funds	-	-	485,623	3,307,319	3,792,942
Current portion of long-term obligations	40,184	3,030	223,621	-	266,835
Total Current Liabilities	<u>\$ 215,134</u>	<u>\$ 31,466</u>	<u>\$ 761,239</u>	<u>\$ 3,307,319</u>	<u>\$ 4,315,158</u>
Noncurrent Liabilities					
Noncurrent portion of long-term obligations	752,659	27,271	751,861	-	1,531,791
Total Liabilities	<u>\$ 967,793</u>	<u>\$ 58,737</u>	<u>\$ 1,513,100</u>	<u>\$ 3,307,319</u>	<u>\$ 5,846,949</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 527,081	\$ 3,951,382	\$ 11,017,242	\$ 26,198,383	\$ 41,694,088
Unrestricted (deficit)	3,166,166	38,989	(399,842)	372,889	3,178,202
Total Net Assets	<u>\$ 3,693,247</u>	<u>\$ 3,990,371</u>	<u>\$ 10,617,400</u>	<u>\$ 26,571,272</u>	<u>\$ 44,872,290</u>
Total Liabilities and Net Assets	<u>\$ 4,661,040</u>	<u>\$ 4,049,108</u>	<u>\$ 12,130,500</u>	<u>\$ 29,878,591</u>	<u>\$ 50,719,239</u>

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

Statement of Revenues, Expenses and Changes in Fund Net Assets --
 Proprietary Funds
 Year Ended June 30, 2011

	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals
Operating revenues:					
Charges for services	\$ 1,109,940	\$ 951,072	\$ 731,398	\$ -	\$ 2,792,410
Maintenance grants	-	-	14,123	-	14,123
Total operating revenues	\$ 1,109,940	\$ 951,072	\$ 745,521	\$ -	\$ 2,806,533
Operating expenses:					
Personal services	\$ 344,254	\$ 211,492	\$ 137,238	\$ -	\$ 692,984
Fringe benefits	93,792	63,744	29,284	-	186,820
Contractual services	1,512,850	285,221	132,245	-	1,930,316
Other charges	150,330	530,789	462,751	77	1,143,947
Depreciation	37,313	130,343	661,022	314,850	1,143,528
Total operating expenses	\$ 2,138,539	\$ 1,221,589	\$ 1,422,540	\$ 314,927	\$ 5,097,595
Operating income (loss)	\$ (1,028,599)	\$ (270,517)	\$ (677,019)	\$ (314,927)	\$ (2,291,062)
Nonoperating revenues (expenses):					
Interest income	\$ 6,584	\$ -	\$ -	\$ 3,371	\$ 9,955
Interest expense	-	-	(52,700)	-	(52,700)
Total nonoperating revenues (expenses)	\$ 6,584	\$ -	\$ (52,700)	\$ 3,371	\$ (42,745)
Income (loss) before contributions and transfers	\$ (1,022,015)	\$ (270,517)	\$ (729,719)	\$ (311,556)	\$ (2,333,807)
Capital contributions and construction grants	\$ -	\$ -	\$ 81,450	\$ 6,750,293	\$ 6,831,743
Transfers:					
Transfers in	\$ 1,052,566	\$ 354,207	\$ 201,252	\$ -	\$ 1,608,025
Transfers (out)	-	(2,999,947)	-	-	(2,999,947)
Total transfers	\$ 1,052,566	\$ (2,645,740)	\$ 201,252	\$ -	\$ (1,391,922)
Change in net assets	\$ 30,551	\$ (2,916,257)	\$ (447,017)	\$ 6,438,737	\$ 3,106,014
Net assets at beginning of year	3,662,696	6,906,628	11,064,417	20,132,535	41,766,276
Net assets at end of year	\$ 3,693,247	\$ 3,990,371	\$ 10,617,400	\$ 26,571,272	\$ 44,872,290

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

Statement of Cash Flows --
Proprietary Funds
Year Ended June 30, 2011

	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,100,833	\$ 3,858,733	\$ 741,710	\$ -	\$ 5,701,276
Payments to suppliers	(1,664,942)	(818,873)	(634,295)	(77)	(3,118,187)
Payments to employees	(433,955)	(270,240)	(165,358)	-	(869,553)
Net cash provided by (used in) operating activities	<u>\$ (998,064)</u>	<u>\$ 2,769,620</u>	<u>\$ (57,943)</u>	<u>\$ (77)</u>	<u>\$ 1,713,536</u>
Cash flows from capital and related financing activities:					
Purchases of capital assets	\$ (11,894)	\$ (123,880)	\$ (16,170)	\$ (3,682,612)	\$ (3,834,556)
Capital contributions	-	-	124,935	6,750,293	6,875,228
Interest expense	-	-	(57,936)	-	(57,936)
Retirement of indebtedness	-	-	(211,180)	-	(211,180)
Net cash provided by (used in) capital and related financing activities	<u>\$ (11,894)</u>	<u>\$ (123,880)</u>	<u>\$ (160,351)</u>	<u>\$ 3,067,681</u>	<u>\$ 2,771,556</u>
Cash flows from noncapital financing activities:					
Transfers in	\$ 1,052,566	\$ 354,207	\$ 201,252	\$ -	\$ 1,608,025
Transfers (out)	-	(2,999,947)	-	-	(2,999,947)
Increase in due to other funds	-	-	17,042	607,319	624,361
Net cash provided by (used in) noncapital and related financing activities	<u>\$ 1,052,566</u>	<u>\$ (2,645,740)</u>	<u>\$ 218,294</u>	<u>\$ 607,319</u>	<u>\$ (767,561)</u>
Cash flows from investing activities:					
Interest income	\$ 6,584	\$ -	\$ -	\$ 3,371	\$ 9,955
Increase (decrease) in cash and cash equivalents	\$ 49,192	\$ -	\$ -	\$ 3,678,294	\$ 3,727,486
Cash and cash equivalents at beginning of year	3,973,211	-	-	1,914	3,975,125
Cash and cash equivalents at end of year	<u>\$ 4,022,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,680,208</u>	<u>\$ 7,702,611</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	<u>\$ (1,028,599)</u>	<u>\$ (270,517)</u>	<u>\$ (677,019)</u>	<u>\$ (314,927)</u>	<u>\$ (2,291,062)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operations:					
Depreciation	\$ 37,313	\$ 130,343	\$ 661,022	\$ 314,850	\$ 1,143,528
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	(9,107)	(30,906)	(3,811)	-	(43,824)
(Increase) decrease in prepaid expenses	2,411	1,036	(1,171)	-	2,276
(Increase) decrease in inventory	-	2,938,567	(10,420)	-	2,928,147
Increase (decrease) in accounts payable	31,367	(3,899)	(27,708)	-	(240)
Increase (decrease) in accrued leave	4,091	4,996	1,164	-	10,251
Increase (decrease) in landfill closure	(35,540)	-	-	-	(35,540)
Total adjustments	<u>\$ 30,535</u>	<u>\$ 3,040,137</u>	<u>\$ 619,076</u>	<u>\$ 314,850</u>	<u>\$ 4,004,598</u>
Net cash provided by (used in) operating activities	<u>\$ (998,064)</u>	<u>\$ 2,769,620</u>	<u>\$ (57,943)</u>	<u>\$ (77)</u>	<u>\$ 1,713,536</u>

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

Statement of Fiduciary Net Assets --
 Agency Funds
 At June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 483,693
Accounts receivable	<u>936</u>
Total assets	<u>\$ 484,629</u>
LIABILITIES	
Amounts held for others	\$ 218,230
Due to other governments	18,607
Amounts held for inmates	8,108
Amounts held for social services clients	<u>239,684</u>
Total liabilities	<u>\$ 484,629</u>

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

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COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
At June 30, 2011

Note 1—Summary of Significant Accounting Policies:

The County of Culpeper, Virginia was formed in 1749 and it is governed by an elected seven 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 Culpeper, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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 segments are 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 CULPEPER, VIRGINIA

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model governments provide budgetary comparison information in their annual reports, including the requirement to report the government's original budget in addition to the comparison of final budget and actual results.

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Units - Culpeper County Water and Sewer Authority - The Culpeper County Water and Sewer Authority serves all the citizens of the government and is governed by a board comprised of the government's elected supervisors. The rates for user charges and bond issuance authorizations are approved by the government's board. The Authority operates on a fiscal year which ends June 30. The Authority is presented as an enterprise fund in the County's financial statements for the fiscal year ended June 30, 2011.

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

COUNTY OF CULPEPER, VIRGINIA

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

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

B. Individual Component Unit Disclosures: (Continued)

Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

Rappahannock-Rapidan Planning District Commission

The Commission was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The County appoints two of the 17 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

Rappahannock-Rapidan Community Services Board

The Board was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The County appoints two of the 14 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

C. 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.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Agency funds have no measurement focus. 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

COUNTY OF CULPEPER, VIRGINIA

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

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

C. 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 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 Projects Fund

The Capital Projects Fund (Capital Improvements) accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

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

3. Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

COUNTY OF CULPEPER, VIRGINIA

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

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

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

3. Enterprise Funds: (Continued)

The County reports the following major enterprise funds:

Water and Sewer Fund - This fund is used to account for sewage treatment plant, sewage pumping stations and collection systems as well as the water distribution system.

Landfill Fund - This fund is used to account for the activities of the County's landfill.

Airport Fund - This fund is used to account for the activities occurring at the County's Airport.

Water and Sewer Authority - This fund is used to account for the activities occurring at the Water and Sewer Authority.

4. 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 agency funds are the Special Welfare Fund, Sheriff Commissary Fund, Piedmont Tech Fund, Thrift Store and Healthy Culpeper Fund.

D. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department 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 Projects Fund, School Operating Fund, School Cafeteria Fund, and School Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

COUNTY OF CULPEPER, VIRGINIA

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

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

D. Budgets and Budgetary Accounting: (Continued)

7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. No investments are valued at cost. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

F. 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). All other outstanding balances between funds are reported as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$684,612 at June 30, 2011, and is comprised solely of property taxes.

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

G. Inventory and Prepaid Items

Inventory is stated at cost (first-in, first-out) which is not in excess of market value. It consists primarily of operating materials held for consumption and or supplies for repairs and maintenance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

COUNTY OF CULPEPER, VIRGINIA

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

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

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20-40
Vehicles	5
Office and Computer Equipment	5
Buses	12

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government 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. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bonds payable are reported net of the applicable bond premium or discount.

COUNTY OF CULPEPER, VIRGINIA

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

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

J. 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 and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Fund Balances

Financial Policies

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

Beginning with fiscal year 2011, the County implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type definitions. Under GASB 54, fund balances are required to be reported according to the following classifications:

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.

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.

COUNTY OF CULPEPER, VIRGINIA

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

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

K. Fund Balances: (Continued)

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

Category	General Fund	Capital Project Fund	Total Primary Government	Component Unit School Board
Nonspendable:				
Prepaid Expenses	\$ 41,294	\$ -	\$ 41,294	\$ -
Total Nonspendable	\$ 41,294	\$ -	\$ 41,294	\$ -
Restricted:				
Library	\$ 19,659	\$ -	\$ 19,659	\$ -
Community Complex	5,326	-	5,326	-
School Athletic Programs	3,052	-	3,052	-
Social Services Children's Program	1,696	-	1,696	-
School Capital Projects	11,563	-	11,563	-
Community Pool	1,131	-	1,131	-
Parks and Recreation Multi Use Trails	3,543	-	3,543	-
Senior Citizen Programs	816	-	816	-
4th of July	346	-	346	-
Drug forfeitures	32,181	-	32,181	-
Unexpended Bond Proceeds	-	-	-	191,583
Total Restricted	\$ 79,313	\$ -	\$ 79,313	\$ 191,583
Committed:				
School Capital Projects	\$ 1,606,334	-	\$ 1,606,334	\$ 1,131,869
Library	567,212	-	567,212	-
Proffers	489,723	-	489,723	-
Capital Projects	-	151,354	151,354	-
Transportation	-	-	-	-
Total Committed	\$ 2,663,269	\$ 151,354	\$ 2,814,623	\$ 1,131,869
Assigned:				
Animal Services	\$ 1,175	\$ -	\$ 1,175	\$ -
E911 Tower Deposit	3,000	-	3,000	-
Cafeteria	-	-	-	1,373,270
Total Assigned	\$ 4,175	\$ -	\$ 4,175	\$ 1,373,270

COUNTY OF CULPEPER, VIRGINIA

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

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

L. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension costs as it accrues.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

O. Component Unit-School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the County who issues the debt on behalf of the School Board. However, the Code of Virginia requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

In the Statement of Net Assets, this scenario presents a dilemma for the County. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net assets of the County. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net assets.

The Virginia General Assembly amended the Code of Virginia to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

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.

COUNTY OF CULPEPER, VIRGINIA

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

Note 2—Deposits and Investments: (Continued)

Investments

Statutes authorize the County and Component Unit School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The County does not have a policy related to credit risk of debt securities.

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

Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAA	AA
Local Government Investment Pool	\$ 13,982,387	-
Wells Fargo Treasury Money Market Fund	404,451	-
Money Market Funds	293,996	-
Total	<u>\$ 14,680,834</u>	<u>-</u>
Investment maturities in years:		
Investment Type	Fair Value	Less Than 1 Year
Wells Fargo Treasury Money Market Fund	\$ 404,451	404,451
Money Market Funds	293,996	293,996
Total	<u>\$ 698,447</u>	<u>698,447</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 CULPEPER, VIRGINIA

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

Note 3—Due from Other Governments:

At June 30, 2011 the County and School Board have receivables from other governments as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Commonwealth of Virginia:		
Shared expenses	\$ 316,392	\$ -
State sales taxes	-	1,144,451
Local sales taxes	1,022,020	-
Communication taxes	322,787	-
Public assistance	153,349	-
Comprehensive services	666,657	-
Miscellaneous	58,387	-
Federal Government:		
School funds	-	1,334,181
Public assistance	231,658	-
Headstart	306,731	-
Airport funds	33,390	-
Miscellaneous	103,099	-
Total	<u>\$ 3,214,470</u>	<u>\$ 2,478,632</u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 4—Interfund Transfers Due From/To Other Funds/Primary Government/Component Units:

Individual fund and interfund receivable and payable balances relating to working capital loans at June 30, 2011 are summarized below:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 3,792,942	\$ -
Water and Sewer Authority	-	3,307,319
Airport	-	485,623
Total	<u>\$ 3,792,942</u>	<u>\$ 3,792,942</u>

<u>Fund</u>	<u>Due from Primary Government</u>	<u>Due to Component Unit</u>
General	\$ -	\$ 4,549,776
School	4,549,776	-
Total	<u>\$ 4,549,776</u>	<u>\$ 4,549,776</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 2,999,947	\$ 2,608,025
Landfill Fund	1,052,566	-
Water & Sewer Fund	354,207	2,999,947
Capital Projects Fund	1,000,000	-
Airport Fund	201,252	-
Total	<u>\$ 5,607,972</u>	<u>\$ 5,607,972</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

COUNTY OF CULPEPER, VIRGINIA

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

Note 5—Capital Assets:

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 9,272,460	\$ 425,600	\$ -	\$ 9,698,060
Construction in Progress	3,406,747	669,114	96,499	3,979,362
Construction in Progress-jointly owned assets	<u>67,532,619</u>	<u>317,073</u>	<u>67,849,692</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 80,211,826</u>	<u>\$ 1,411,787</u>	<u>\$ 67,946,191</u>	<u>\$ 13,677,422</u>
Capital assets, being depreciated:				
Buildings	\$ 30,050,612	\$ 761,464	\$ -	\$ 30,812,076
Equipment	6,881,296	704,890	70,007	7,516,179
Jointly owned assets	<u>17,192,558</u>	<u>67,849,692</u>	<u>4,494,044</u>	<u>80,548,206</u>
Total capital assets being depreciated	<u>\$ 54,124,466</u>	<u>\$ 69,316,046</u>	<u>\$ 4,564,051</u>	<u>\$ 118,876,461</u>
Less accumulated depreciation for:				
Buildings	\$ 5,897,659	\$ 847,743	\$ -	\$ 6,745,402
Equipment	5,189,946	524,079	67,887	5,646,138
Jointly owned assets	<u>4,050,001</u>	<u>1,847,172</u>	<u>450,507</u>	<u>5,446,666</u>
Total accumulated depreciation	<u>\$ 15,137,606</u>	<u>\$ 3,218,994</u>	<u>\$ 518,394</u>	<u>\$ 17,838,206</u>
Total capital assets being depreciated, net	<u>\$ 38,986,860</u>	<u>\$ 66,097,052</u>	<u>\$ 4,045,657</u>	<u>\$ 101,038,255</u>
Governmental activities capital assets, net	<u>\$ 119,198,686</u>	<u>\$ 67,508,839</u>	<u>\$ 71,991,848</u>	<u>\$ 114,715,677</u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 5—Capital Assets: (Continued)

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

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Governmental Activities:				
Courthouse/courtyard renovations	\$ 475,640	\$ -	\$ -	\$ 475,640
Route 620 Bicycle trail	6,948	-	6,948	-
Laurel Valley bike trail project	4,605	-	-	4,605
Spillman park	73,314	-	-	73,314
Upgrade Board of Supervisors meeting room	80,388	-	80,388	-
Lenn Brothers property	49,340	-	-	49,340
Wachovia Bank renovation	1,512,550	-	-	1,512,550
Courthouse renovations	1,162,277	361,409	-	1,523,686
VDOT replacement building	-	11,093	-	11,093
Lenn Brothers park	32,522	296,612	-	329,134
County bicycle route	9,163	-	9,163	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 3,406,747</u>	<u>\$ 669,114</u>	<u>\$ 96,499</u>	<u>\$ 3,979,362</u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 5—Capital Assets: (Continued)

Enterprise Capital Assets:

The following is a summary of changes in enterprise capital assets during the year:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Water and Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 235,200	\$ -	\$ -	\$ 235,200
Construction in Progress	<u>1,386,097</u>	<u>78,104</u>	<u>-</u>	<u>1,464,201</u>
Total capital assets not being depreciated	<u>\$ 1,621,297</u>	<u>\$ 78,104</u>	<u>\$ -</u>	<u>\$ 1,699,401</u>
Capital assets, being depreciated:				
Sewer Plant	\$ 3,025,848	\$ 23,948	\$ -	\$ 3,049,796
Equipment	<u>334,270</u>	<u>21,828</u>	<u>-</u>	<u>356,098</u>
Total capital assets being depreciated	<u>\$ 3,360,118</u>	<u>\$ 45,776</u>	<u>\$ -</u>	<u>\$ 3,405,894</u>
Less accumulated depreciation for:				
Sewer Plant	\$ 919,975	\$ 77,985	\$ -	\$ 997,960
Equipment	<u>103,595</u>	<u>52,358</u>	<u>-</u>	<u>155,953</u>
Total accumulated depreciation	<u>\$ 1,023,570</u>	<u>\$ 130,343</u>	<u>\$ -</u>	<u>\$ 1,153,913</u>
Total capital assets being depreciated, net	<u>\$ 2,336,548</u>	<u>\$ (84,567)</u>	<u>\$ -</u>	<u>\$ 2,251,981</u>
Net capital assets	<u>\$ 3,957,845</u>	<u>\$ (6,463)</u>	<u>\$ -</u>	<u>\$ 3,951,382</u>
Landfill Fund:				
Capital assets, not being depreciated:				
Land	<u>\$ 401,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401,073</u>
Capital assets, being depreciated:				
Buildings	\$ 8,539	\$ -	\$ -	\$ 8,539
Equipment	<u>239,632</u>	<u>11,894</u>	<u>-</u>	<u>251,526</u>
Total capital assets being depreciated	<u>\$ 248,171</u>	<u>\$ 11,894</u>	<u>\$ -</u>	<u>\$ 260,065</u>
Less accumulated depreciation for:				
Buildings	\$ 852	\$ 215	\$ -	\$ 1,067
Equipment	<u>95,892</u>	<u>37,098</u>	<u>-</u>	<u>132,990</u>
Total accumulated depreciation	<u>\$ 96,744</u>	<u>\$ 37,313</u>	<u>\$ -</u>	<u>\$ 134,057</u>
Total capital assets being depreciated, net	<u>\$ 151,427</u>	<u>\$ (25,419)</u>	<u>\$ -</u>	<u>\$ 126,008</u>
Net capital assets	<u>\$ 552,500</u>	<u>\$ (25,419)</u>	<u>\$ -</u>	<u>\$ 527,081</u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 5—Capital Assets: (Continued)

Enterprise Capital Assets: (Continued)

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 516,929	\$ -	\$ -	\$ 516,929
Construction in Progress	364,989	10,516	-	375,505
Total capital assets, not being depreciated	\$ 881,918	\$ 10,516	\$ -	\$ 892,434
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,727,592	\$ 5,654	\$ -	\$ 15,733,246
Equipment	196,836	-	-	196,836
Total capital assets being depreciated	\$ 15,924,428	\$ 5,654	\$ -	\$ 15,930,082
Less accumulated depreciation for:				
Buildings and improvements	\$ 4,046,444	\$ 643,123	\$ -	\$ 4,689,567
Equipment	132,493	17,898	-	150,391
Total accumulated depreciation	\$ 4,178,937	\$ 661,021	\$ -	\$ 4,839,958
Total capital assets being depreciated, net	\$ 11,745,491	\$ (655,367)	\$ -	\$ 11,090,124
Net capital assets	\$ 12,627,409	\$ (644,851)	\$ -	\$ 11,982,558
Water and Sewer Authority:				
Capital assets, not being depreciated:				
Land	\$ 1,092,320	\$ 376,800	\$ -	\$ 1,469,120
Construction in progress:	21,738,301	-	21,738,301	-
Total capital assets, not being depreciated	\$ 22,830,621	\$ 376,800	\$ 21,738,301	\$ 1,469,120
Capital assets, being depreciated:				
Buildings and improvements	\$ -	\$ 25,026,130	\$ -	\$ 25,026,130
Equipment	-	17,983	-	17,983
Total capital assets being depreciated	\$ -	\$ 25,044,113	\$ -	\$ 25,044,113
Less accumulated depreciation for:				
Buildings and improvements	\$ -	\$ 313,052	\$ -	\$ 313,052
Equipment	-	1,798	-	1,798
Total accumulated depreciation	\$ -	\$ 314,850	\$ -	\$ 314,850
Total capital assets being depreciated, net	\$ -	\$ 24,729,263	\$ -	\$ 24,729,263
Net capital assets	\$ 22,830,621	\$ 25,106,063	\$ 21,738,301	\$ 26,198,383

COUNTY OF CULPEPER, VIRGINIA

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

Note 5—Capital Assets: (Continued)

Enterprise Capital Assets: (Continued)

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Airport Fund:				
Hangar Sewer Line Extension	\$ 5,820	\$ -	\$ -	\$ 5,820
Hangar Design	49,168	10,516	-	59,684
Airport terminal facility - design	310,001	-	-	310,001
Total	<u>\$ 364,989</u>	<u>\$ 10,516</u>	<u>\$ -</u>	<u>\$ 375,505</u>

The following is a summary of changes in School Board capital assets during the year:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 200,151	\$ -	\$ -	\$ 200,151
Land improvements	1,755,531	184,595	-	1,940,126
Construction in progress	-	821,741	-	821,741
Total capital assets, not being depreciated	<u>\$ 1,955,682</u>	<u>\$ 1,006,336</u>	<u>\$ -</u>	<u>\$ 2,962,018</u>
Capital assets, being depreciated:				
Buildings	\$ 26,051,750	\$ 60,395	\$ -	\$ 26,112,145
Equipment	18,144,636	864,089	322,052	18,686,673
Jointly owned assets	18,340,463	4,494,044	-	22,834,507
Total capital assets being depreciated	<u>\$ 62,536,849</u>	<u>\$ 5,418,528</u>	<u>\$ 322,052</u>	<u>\$ 67,633,325</u>
Less accumulated depreciation for:				
Buildings	\$ 16,317,319	\$ 1,635,916	\$ -	\$ 17,953,235
Equipment	12,796,398	1,358,402	319,039	13,835,761
Jointly owned assets	4,030,447	450,507	-	4,480,954
Total accumulated depreciation	<u>\$ 33,144,164</u>	<u>\$ 3,444,825</u>	<u>\$ 319,039</u>	<u>\$ 36,269,950</u>
Total capital assets being depreciated, net	<u>\$ 29,392,685</u>	<u>\$ 1,973,703</u>	<u>\$ 3,013</u>	<u>\$ 31,363,375</u>
School Board capital assets, net	<u>\$ 31,348,367</u>	<u>\$ 2,980,039</u>	<u>\$ 3,013</u>	<u>\$ 34,325,393</u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 5—Capital Assets: (Continued)

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

Governmental activities:		
General government administration	\$	62,134
Judicial administration		5,006
Public safety		495,186
Public works		488,135
Health and welfare		33,784
Education		1,993,589
Parks, recreation and cultural		137,522
Community development		<u>3,638</u>
Total governmental activities	\$	<u><u>3,218,994</u></u>
Enterprise Funds:		
Landfill	\$	37,313
Water & sewer		130,343
Airport		<u>661,021</u>
Total enterprise funds	\$	<u><u>828,677</u></u>
Component Unit-School Board	\$	<u><u>2,994,318</u></u> (1)
(1) Depreciation Expense	\$	2,994,318
Joint tenancy transfer of accumulated depreciation		<u>450,507</u>
Total additions to accumulated depreciation, previous page	\$	<u><u>3,444,825</u></u>

Note 6—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue in the general fund totaling \$3,408,167 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,245,112 at June 30, 2011.

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2011 but paid in advance by the taxpayers totaled \$163,055 at June 30, 2011.

COUNTY OF CULPEPER, VIRGINIA

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

Note 7—Long-Term Obligations:

Primary Government:

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

	Amounts Payable at July 1, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due Within One Year
Governmental Funds:					
School lease revenue bonds	\$ 51,670,000	\$ -	\$ 1,330,000	\$ 50,340,000	\$ 1,380,000
Premium on school bonds	825,344	-	35,885	789,459	35,884
Total school lease revenue bonds	<u>\$ 52,495,344</u>	<u>\$ -</u>	<u>\$ 1,365,885</u>	<u>\$ 51,129,459</u>	<u>\$ 1,415,884</u>
School general obligation bonds	\$ 17,537,153	\$ -	\$ 1,692,635	\$ 15,844,518	\$ 1,649,928
Less deferred amount on refunding	(344,595)	-	(43,824)	(300,771)	(43,314)
Total school general obligation bonds	<u>\$ 17,192,558</u>	<u>\$ -</u>	<u>\$ 1,648,811</u>	<u>\$ 15,543,747</u>	<u>\$ 1,606,614</u>
Compensated absences payable	1,958,910	123,533	195,891	1,886,552	188,655
Other post employment benefits	14,000	167,000	67,000	114,000	-
Literary fund loans	14,625,000	-	750,000	13,875,000	750,000
General obligation bonds	2,774,560	-	150,034	2,624,526	155,846
Lease revenue bonds	\$ 10,721,334	\$ -	\$ 492,493	\$ 10,228,841	\$ 510,919
Premium on lease revenue bonds	142,513	-	7,126	135,387	7,126
Total lease revenue bonds	<u>\$ 10,863,847</u>	<u>\$ -</u>	<u>\$ 499,619</u>	<u>\$ 10,364,228</u>	<u>\$ 518,045</u>
Total Governmental Funds	<u>\$ 99,924,219</u>	<u>\$ 290,533</u>	<u>\$ 4,677,240</u>	<u>\$ 95,537,512</u>	<u>\$ 4,635,044</u>
Enterprise Funds:					
Compensated absences payable	\$ 76,653	\$ 17,917	\$ 7,665	\$ 86,905	\$ 8,691
Lease revenue bonds	1,176,496	-	211,180	965,316	222,604
Landfill closure and postclosure costs	781,945	-	35,540	746,405	35,540
Total Enterprise Funds	<u>\$ 2,035,094</u>	<u>\$ 17,917</u>	<u>\$ 254,385</u>	<u>\$ 1,798,626</u>	<u>\$ 266,835</u>
Total Primary Government	<u>\$ 101,959,313</u>	<u>\$ 308,450</u>	<u>\$ 4,931,625</u>	<u>\$ 97,336,138</u>	<u>\$ 4,901,879</u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	Lease Revenue Bonds		School Lease Revenue Bonds		School General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 510,919	\$ 424,363	\$ 1,380,000	\$ 2,279,644	\$ 1,649,928	\$ 706,959
2013	529,842	404,268	1,435,000	2,227,894	1,550,230	626,808
2014	549,280	384,226	1,490,000	2,170,494	1,587,700	546,651
2015	574,253	363,291	1,550,000	2,110,894	1,625,716	464,061
2016	594,781	340,941	1,615,000	2,048,894	1,653,310	387,295
2017	615,884	317,535	1,695,000	1,968,144	1,686,512	309,342
2018	642,583	292,623	1,780,000	1,883,394	1,287,352	241,741
2019	669,901	267,506	1,870,000	1,794,394	1,318,862	184,385
2020	692,860	241,137	1,960,000	1,700,894	1,355,082	125,669
2021	721,485	212,749	2,060,000	1,602,894	1,387,506	72,947
2022	745,799	182,961	2,160,000	1,499,894	742,320	18,929
2023	775,827	152,070	2,270,000	1,391,894	-	-
2024	801,599	120,048	2,365,000	1,298,256	-	-
2025	528,828	86,869	2,460,000	1,200,700	-	-
2026	235,000	68,489	2,585,000	1,077,700	-	-
2027	245,000	54,292	2,715,000	948,450	-	-
2028	255,000	39,497	2,830,000	833,063	-	-
2029	265,000	24,112	2,950,000	712,787	-	-
2030	275,000	8,137	3,080,000	580,038	-	-
2031	-	-	3,220,000	441,437	-	-
2032	-	-	3,360,000	300,563	-	-
2033	-	-	3,510,000	153,562	-	-
Total	\$ 10,228,841	\$ 3,985,114	\$ 50,340,000	\$ 30,225,884	\$ 15,844,518	\$ 3,684,787

COUNTY OF CULPEPER, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest: (Continued)

Year Ending June 30,	General Obligation Bonds		Literary Fund Loan	
	Principal	Interest	Principal	Interest
2012	\$ 155,846	\$ 99,178	\$ 750,000	\$ 487,500
2013	161,882	93,141	750,000	461,250
2014	168,154	86,870	750,000	435,000
2015	174,667	80,356	750,000	408,750
2016	181,434	73,590	750,000	382,500
2017	188,462	66,561	750,000	356,250
2018	195,764	59,260	750,000	330,000
2019	203,348	51,676	750,000	303,750
2020	211,226	43,798	750,000	277,500
2021	219,410	35,615	750,000	251,250
2022	227,910	27,114	750,000	225,000
2023	236,740	18,284	750,000	198,750
2024	245,914	9,111	750,000	172,500
2025	53,769	1,006	750,000	146,250
2026	-	-	750,000	120,000
2027	-	-	750,000	93,750
2028	-	-	750,000	67,500
2029	-	-	750,000	41,250
2030	-	-	375,000	15,000
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
Total	\$ <u>2,624,526</u>	\$ <u>745,560</u>	\$ <u>13,875,000</u>	\$ <u>4,773,750</u>

Debt service requirements for general obligation bonds and other long-term obligations are met by the General Fund. The County retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board.

General obligation bonds are direct obligations and pledge the full faith and credit of the County.

COUNTY OF CULPEPER, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Enterprise:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2012	\$ 222,604	\$ 46,202
2013	234,647	33,833
2014	247,342	20,796
2015	260,723	7,053
Total	\$ <u>965,316</u>	\$ <u>107,884</u>

Details of Long-Term Obligations:

	Amount Outstanding	Due Within One Year
General Fund:		
<u>Lease Revenue Bonds:</u>		
\$8,385,000 IDA Lease Revenue Bonds Series 2004 issued November 29, 2004 maturing semi-annually through July 15, 2024, interest payable semi-annually at 3.67%	\$ 6,433,841	\$ 375,919
\$3,925,000 VRA Lease Revenue Bonds Series 2009 issued November 1, 2009 maturing semi-annually through October 1, 2029, interest payable semi-annually at rates from 4.97% to 5.70%	3,795,000	135,000
Premium on bonds	135,387	7,126
Total County lease revenue bonds	\$ <u>10,364,228</u>	\$ <u>518,045</u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
General Fund: (Continued)		
<u>County General Obligation Bonds:</u>		
\$2,000,000 General Obligation Bonds Series 2003 issued December 19, 2003 maturing semi-annually through January 15, 2024, interest payable semi-annually at 3.91%	\$ 1,471,569	\$ 88,795
\$1,500,000 General Obligation Bonds Series 2004 issued November 29, 2004 maturing semi-annually through July 15, 2024, interest payable semi-annually at 3.74%	<u>1,152,957</u>	<u>67,051</u>
Total County general obligation bonds	<u>\$ 2,624,526</u>	<u>\$ 155,846</u>
<u>School Lease Revenue Bonds:</u>		
\$54,200,000 Public Facility Lease Revenue Bonds, Series 2005, issued September 28, 2005 payable in various annual installments through January 1, 2033, interest at 4.35%	\$ 50,340,000	\$ 1,380,000
Premium on bonds	<u>789,459</u>	<u>35,884</u>
Total school lease revenue bonds	<u>\$ 51,129,459</u>	<u>\$ 1,415,884</u>
<u>School General Obligation Bonds:</u>		
\$13,025,026 Virginia Public School Authority Bonds Series 2001B, issued November 15, 2001, maturing annually through July 15, 2021, interest payable semi-annually at 4.57%	\$ 7,566,188	\$ 633,598
\$2,069,507 Virginia Public School Authority Bonds 1991B, issued July 1, 1991, maturing annually through July 15, 2011, interest payable semi-annually at rates from 4.85% to 6.60%	123,330	123,330
\$2,675,000 Virginia Public School Authority Bonds 1996A, issued May 1, 1996, maturing annually through January 15, 2017, interest payable semi-annually at rates ranging from 4.6% to 6.1%	810,000	135,000

COUNTY OF CULPEPER, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
General Fund: (Continued)		
<u>School General Obligation Bonds: (Continued)</u>		
\$6,000,000 Virginia Public School Authority Bonds 1996B, issued November 14, 1996, maturing annually through July 15, 2016, interest payable semi-annually at rates ranging from 5.1% to 5.255%	\$ 1,800,000	\$ 300,000
\$8,325,000 Series 2000, issued August 10, 2000, maturing annually in various annual installments through January 15, 2014, interest payable semi-annually at 5.33%	1,270,000	405,000
\$4,613,000 General Obligation Refunding Bond, Series 2003 dated August 6, 2003, principal payable annually in various incremental amounts through January 15, 2021, interest payable semi-annually at 7.35%	4,275,000	53,000
Less deferred amount on refunding bonds	<u>(300,771)</u>	<u>(43,314)</u>
Total school general obligation bonds	<u>\$ 15,543,747</u>	<u>\$ 1,606,614</u>
<u>Literary Fund Loans:</u>		
\$7,500,000 literary fund loan, issued January 15, 2009, principal payable annually in various incremental amounts through January 15, 2029, interest payable annually at 3.00%	\$ 6,750,000	\$ 375,000
\$7,500,000 literary fund loan, issued August 1, 2009, principal payable annually in various incremental amounts through August 1, 2029, interest payable annually at 4.00%	<u>7,125,000</u>	<u>375,000</u>
Total literary fund loans	<u>\$ 13,875,000</u>	<u>\$ 750,000</u>
<u>Compensated absences</u>	<u>\$ 1,886,552</u>	<u>\$ 188,655</u>
<u>Other post employment benefits</u>	<u>\$ 114,000</u>	<u>\$ -</u>
Total literary fund loans	<u><u>\$ 95,537,512</u></u>	<u><u>\$ 4,635,044</u></u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Enterprise Funds:		
<u>Airport Revenue Bond:</u>		
\$2,835,000 revenue bonds series 1999 issued December 15, 1999, payable in annual principal installments ranging from \$131,436 to \$260,723 through July 15, 2014, interest payable semi-annually at 5.41%	\$ 965,316	\$ 222,604
<u>Compensated absences</u>	86,905	8,691
<u>Landfill closure and postclosure costs</u>	746,405	35,540
Total enterprise obligations	<u>\$ 1,798,626</u>	<u>\$ 266,835</u>
Total Primary Government	<u>\$ 97,336,138</u>	<u>\$ 4,901,879</u>

Component Unit School Board:

The following is summary of changes in long-term obligation transactions for fiscal year ended June 30, 2011.

	Amounts Payable July 1, 2010			Amounts Payable June 30, 2011		Amounts Due Within One Year
		Increases	Decreases			
Compensated absences payable	\$ 959,374	\$ 66,657	\$ 95,937	\$ 930,094	\$ 93,009	
Other post employment benefits	209,000	297,000	176,000	330,000	-	
Capital lease	710,093	-	434,761	275,332	264,116	
Total	<u>\$ 1,878,467</u>	<u>\$ 363,657</u>	<u>\$ 706,698</u>	<u>\$ 1,535,426</u>	<u>\$ 357,125</u>	

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

Year Ending June 30,	Capital Lease	
	Principal	Interest
2012	\$ 264,116	\$ 8,878
2013	11,216	58
Total	<u>\$ 275,332</u>	<u>\$ 8,936</u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Component Unit School Board: (Continued)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>
<u>Capital Leases:</u>	
The School Board has entered into various lease obligations for financing the acquisition of buses. These buses were acquired with lease financing in the amount of \$2,840,696 and a total cost of \$2,840,696. Accumulated depreciation of these buses as of June 30, 2010 was \$1,032,564. Annual requirements to amortize School Board long-term obligations are disclosed above.	
\$627,209 capital lease for school buses payable in monthly installments of \$11,647 through July 17, 2011, interest payable at 4.34%.	\$ 11,606
\$305,029 capital lease for school buses payable in monthly installments of \$5,637 through September 1, 2012, interest payable at 4.14%.	76,911
\$1,377,368 capital lease for school buses payable in annual installments of \$193,704 through August 17, 2012, interest payable at 3.62%.	<u>186,815</u>
Total Capital Leases	\$ 275,332
Compensated absences	\$ 930,094
Other post employment benefits	\$ 330,000
Total long-term obligations	<u>\$ 1,535,426</u>

Note 8—Landfill Closure and Postclosure Care Cost:

The County owns a landfill site and began collecting tipping fees based upon the source of the waste as of July 1, 1994. The County maintains a contract with an independent contractor for operations of the landfill; however, the County is responsible for landfill closure and postclosure costs.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$746,405 reported as landfill closure and postclosure care liability at June 30, 2011, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues and from any funds accumulated for this purpose in the County Landfill Fund.

COUNTY OF CULPEPER, VIRGINIA

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

Note 8—Landfill Closure and Postclosure Care Cost: (Continued)

The County has demonstrated financial assurance requirements for closure, 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.

Note 9—Commitments and Contingencies:

Federal programs in which the County and its Component Units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 10—Defined Benefit Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- 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.

COUNTY OF CULPEPER, VIRGINIA

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

Note 10—Defined Benefit Pension Plan:

A. Plan Description: (Continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their 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 Board's non-professional employee contribution rates for the fiscal year ended 2011 were 9.42% and 6.93% of annual covered payroll, respectively.

The School Board's contribution for professional employees were \$1,436,269, \$2,492,414, and \$3,306,058, to the teacher cost-sharing pool for the fiscal years ended June 30, 2011, 2010 and 2009, respectively and these contributions represented 3.93%, 8.81% for July 2009 through March 2010 and (0.00%) for April through June 2010, and 8.81%, respectively, of current covered payroll.

COUNTY OF CULPEPER, VIRGINIA

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

Note 10—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost:

For fiscal year 2011, the County’s annual pension cost of \$1,314,180 (does not include the employee share assumed by the County which was \$697,548) was equal to the County’s required and actual contributions.

For fiscal year 2011, the County School Board’s annual pension cost for the Board’s non-professional employees was \$273,765 (does not include the employee share assumed by the Board which was \$197,522) which was equal to the Board’s required and actual contributions.

Three-Year Trend Information for the County and School Board:

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2011	\$ 1,314,180	100%	\$ -
June 30, 2010	1,147,658	100%	-
June 30, 2009	1,200,273	100%	-
School Board:			
Non-professional:			
June 30, 2011	\$ 273,765	100%	\$ -
June 30, 2010	315,579	100%	-
June 30, 2009	318,569	100%	-

(1) Employer portion only

The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County’s and the County and School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County’s and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF CULPEPER, VIRGINIA

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

Note 10—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the County's plan was 78.82% funded. The actuarial accrued liability for benefits was \$41,156,228, and the actuarial value of assets was \$32,440,096, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,716,132. The covered payroll (annual payroll of active employees covered by the plan) was \$13,959,631, and ratio of the UAAL to the covered payroll was 62.44%.

As of June 30, 2010, the most recent actuarial valuation date, the County School Board's plan was 90.91% funded. The actuarial accrued liability for benefits was \$9,557,313, and the actuarial value of assets was \$8,688,396, resulting in an unfunded actuarial accrued liability (UAAL) of \$868,917. The covered payroll (annual payroll of active employees covered by the plan) was \$4,122,945, and ratio of the UAAL to the covered payroll was 21.08%.

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

Note 11—Risk Management:

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

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

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

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

Note 12—Litigation:

At June 30, 2011, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

COUNTY OF CULPEPER, VIRGINIA

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

Note 13—Surety Bonds:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Janice Corbin, Clerk of the Circuit Court	\$ 25,000
David L. DeJarnette, Treasurer	400,000
Terry Yowell, Commissioner of the Revenue	3,000
James Branch, Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Aetna Casualty and Surety Company - Surety	
Calvin Coleman, Director of the Department of Social Services	100,000
William C. Chase, Jr., Supervisor	1,000
Steven L. Walker, Supervisor	1,000
Steven E. Nixon, Supervisor	1,000
Thomas S. Underwood, Supervisor	1,000
Sue D. Hansohn, Supervisor	1,000
Bradley C. Rosenberger, Supervisor	1,000
Larry W. Aylor, Supervisor	1,000

Note 14—Other Post-Employment Benefits Program:

County:

A. Plan Description:

The County post-retirement health care plan is a single employer defined benefit healthcare plan that offers insurance benefits for employees who are eligible for retirement benefits. All full-time employees who retire with 30 years of service, or at age 62 with 5 years of service are eligible. Employees with disabilities must meet service retirement eligibility to be eligible. Pre-Medicare retirees may continue to remain in the Key Care 100 Plan, which includes prescription drugs. Once the participant is Medicare eligible they are no longer eligible to remain in the plan. The County's post-retirement health care Plan does not issue a separate, audited GAAP basis report.

B. Funding Policy:

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

COUNTY OF CULPEPER, VIRGINIA

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

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

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation:

The County's annual 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	\$ 167,000
Interest on net OPEB obligation	1,000
Adjustment to annual required contribution	(1,000)
Annual OPEB cost (expense)	<u>\$ 167,000</u>
Contribution made	<u>67,000</u>
Increase in net OPEB obligation	\$ 100,000
Net OPEB obligation-beginning of year	<u>14,000</u>
Net OPEB obligation-end of year	<u><u>\$ 114,000</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 167,000	40%	\$ 114,000
June 30, 2010	57,000	93%	14,000
June 30, 2009	56,000	82%	10,000

D. Funded Status and Funding Progress

The funded status of the plan as of March 29, 2010, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 1,386,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,386,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	13,959,631
UAAL as a percentage of covered payroll	9.93%

COUNTY OF CULPEPER, VIRGINIA

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

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

County: (Continued)

D. Funded Status and Funding Progress: (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

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

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March 29, 2010, was thirty years.

	<u>Unfunded</u>
Discount rate	4.0%
Payroll growth	3.5%

COUNTY OF CULPEPER, VIRGINIA

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

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

School Board:

A. Plan Description:

The School Board Extended 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 reached Level M (or equivalent years) or the top of the administrative schedule, 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 \$256 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.

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	\$ 302,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	<u>(13,000)</u>
Annual OPEB cost (expense)	\$ 297,000
Contribution made	<u>176,000</u>
Increase in net OPEB obligation	\$ 121,000
Net OPEB obligation-beginning of year	<u>209,000</u>
Net OPEB obligation-end of year	<u><u>\$ 330,000</u></u>

COUNTY OF CULPEPER, VIRGINIA

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

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

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 297,000	59%	\$ 330,000
June 30, 2010	133,000	61%	209,000
June 30, 2009	287,000	45%	157,000

D. Funded Status and Funding Progress:

The funded status of the plan as of March 29, 2010, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 2,356,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	2,356,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

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.

COUNTY OF CULPEPER, VIRGINIA

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

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

School Board: (Continued)

E. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

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

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March, 29, 2010, was thirty years.

	<u>Unfunded</u>
Discount rate	4.0%
Payroll growth	3.5%

Note 15—VRS Health Insurance Credit—Other Post-Employment Benefits Program:

A. Plan Description

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

COUNTY OF CULPEPER, VIRGINIA

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

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

A. Plan Description: (Continued)

An employee of the School Board, 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 10.

B. Funding Policy

As a participating local political subdivision, the School Board 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 School Board's contribution rate for the fiscal year ended 2011 was .32% 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 School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2011, the School Board's contribution of \$12,641 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding year are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 12,641	100%	\$ -
June 30, 2010	21,678	100%	\$ -
June 30, 2009	21,883	100%	-

COUNTY OF CULPEPER, VIRGINIA

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

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

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$	185,642
Actuarial value of plan assets		131,073
Unfunded actuarial accrued liability		54,569
Funded ratio (actuarial value of plan assets / AAL)		70.61%
Covered payroll (active plan members)		4,122,945
UAAL as a percentage of covered payroll		1.32%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2010 was 26 years.

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

F. Professional Employees - Discretely Presented Component Unit School Board

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 0.60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2011, 2010, and 2009 were \$219,278, \$294,224, and \$405,283, respectively and equaled the required contributions for each year.

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 45,253,785	\$ 45,253,785	\$ 46,509,646	\$ 1,255,861
Other local taxes	6,424,350	6,424,350	6,766,837	342,487
Permits, privilege fees and regulatory licenses	492,700	504,311	569,944	65,633
Fines and forfeitures	75,000	75,000	62,947	(12,053)
Revenue from use of money and property	321,919	321,919	284,048	(37,871)
Charges for services	2,881,947	3,041,696	2,377,101	(664,595)
Miscellaneous	168,000	253,555	291,371	37,816
Recovered costs	275,615	275,615	270,126	(5,489)
Intergovernmental:				
School Board Contribution to Primary Government Commonwealth	15,696,524	15,738,844	14,091,483	(1,647,361)
Federal	3,174,524	3,644,938	5,252,576	1,607,638
Total revenues	\$ 74,764,364	\$ 75,534,013	\$ 76,476,079	\$ 942,066
Expenditures:				
Current:				
General government administration:				
Legislative:				
Board of supervisors	\$ 262,898	\$ 261,390	\$ 225,116	\$ 36,274
General and financial administration:				
County administration	\$ 327,193	\$ 327,693	\$ 301,634	\$ 26,059
County attorney	234,069	234,069	217,988	16,081
Human resources	159,538	170,963	138,787	32,176
Procurement	209,981	260,311	237,368	22,943
Auditor	56,000	56,000	48,500	7,500
Commissioner of the Revenue	531,738	533,238	487,737	45,501
Reassessment	409,818	410,568	392,426	18,142
Board of equalization	14,763	14,763	10,111	4,652
Treasurer	455,346	458,874	412,193	46,681
Department of finance and budget	400,941	402,941	391,695	11,246
Information systems	393,868	394,368	349,823	44,545
Records management	167,696	174,633	153,968	20,665
Risk management	-	2,858	-	2,858
Other general and financial administration	17,000	17,000	2,915	14,085
Total general and financial administration	\$ 3,377,951	\$ 3,458,279	\$ 3,145,145	\$ 313,134
Board of Elections:				
Electoral board and officials	\$ 41,691	\$ 70,441	\$ 51,735	\$ 18,706
Registrar	113,997	114,907	112,142	2,765
Total board of elections	\$ 155,688	\$ 185,348	\$ 163,877	\$ 21,471
Total general government administration	\$ 3,796,537	\$ 3,905,017	\$ 3,534,138	\$ 370,879

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

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 81,784	\$ 81,784	\$ 64,338	\$ 17,446
Clerk of the circuit court	576,800	614,173	568,372	45,801
Victim assistance program	105,436	108,329	102,302	6,027
Sheriff	616,160	593,354	586,886	6,468
Other courts	58,620	58,621	37,977	20,644
Total courts	<u>\$ 1,438,800</u>	<u>\$ 1,456,261</u>	<u>\$ 1,359,875</u>	<u>\$ 96,386</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 698,161	\$ 702,757	\$ 689,562	\$ 13,195
Criminal justice services	379,998	387,498	377,420	10,078
Total commonwealth attorney	<u>\$ 1,078,159</u>	<u>\$ 1,090,255</u>	<u>\$ 1,066,982</u>	<u>\$ 23,273</u>
Total judicial administration	<u>\$ 2,516,959</u>	<u>\$ 2,546,516</u>	<u>\$ 2,426,857</u>	<u>\$ 119,659</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,557,304	\$ 4,830,719	\$ 4,633,008	\$ 197,711
Other law enforcement and traffic control	130,657	194,684	142,066	52,618
E-911	1,701,641	1,730,243	1,553,050	177,193
Total law enforcement and traffic control	<u>\$ 6,389,602</u>	<u>\$ 6,755,646</u>	<u>\$ 6,328,124</u>	<u>\$ 427,522</u>
Fire and rescue services:				
Fire and rescue	\$ 1,346,189	\$ 1,346,812	\$ 1,327,072	\$ 19,740
EMS council	9,786	9,786	9,786	-
State forest fire extinction	9,939	9,939	9,939	-
Total fire and rescue services	<u>\$ 1,365,914</u>	<u>\$ 1,366,537</u>	<u>\$ 1,346,797</u>	<u>\$ 19,740</u>
Correction and detention:				
Jail	\$ 2,536,150	\$ 2,643,207	\$ 2,605,230	\$ 37,977
Outside jail services	170,000	230,000	229,115	885
Probation office	474,600	474,600	372,103	102,497
Total correction and detention	<u>\$ 3,180,750</u>	<u>\$ 3,347,807</u>	<u>\$ 3,206,448</u>	<u>\$ 141,359</u>
Inspections:				
Building	\$ 456,567	\$ 706,938	\$ 564,009	\$ 142,929

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

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 556,126	\$ 705,114	\$ 625,030	\$ 80,084
Medical examiner	700	700	500	200
Emergency services	<u>1,801,887</u>	<u>1,833,387</u>	<u>1,638,035</u>	<u>195,352</u>
Total other protection	\$ <u>2,358,713</u>	\$ <u>2,539,201</u>	\$ <u>2,263,565</u>	\$ <u>275,636</u>
Total public safety	\$ <u>13,751,546</u>	\$ <u>14,716,129</u>	\$ <u>13,708,943</u>	\$ <u>1,007,186</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ <u>1,068,184</u>	\$ <u>1,226,494</u>	\$ <u>1,003,106</u>	\$ <u>223,388</u>
Total public works	\$ <u>1,068,184</u>	\$ <u>1,226,494</u>	\$ <u>1,003,106</u>	\$ <u>223,388</u>
Health and welfare:				
Health:				
Local health department	\$ <u>316,203</u>	\$ <u>316,203</u>	\$ <u>316,203</u>	\$ <u>-</u>
Mental health and mental retardation:				
Community services	\$ <u>255,519</u>	\$ <u>276,634</u>	\$ <u>276,634</u>	\$ <u>-</u>
Welfare:				
Community youth services	\$ 3,408,717	\$ 3,408,567	\$ 3,115,925	\$ 292,642
Culpeper cable commission	101,913	101,913	101,913	-
Options	186,773	190,372	173,429	16,943
2nd chance grant	-	84,030	19,167	64,863
Social services administration	6,740,167	6,740,167	6,625,453	114,714
Workforce investment board	209,008	209,008	288,589	(79,581)
Cosmetology center	200,374	200,374	197,904	2,470
Daycare	1,375,246	1,375,246	1,248,812	126,434
Families first	204,923	204,923	201,980	2,943
Headstart	<u>1,134,629</u>	<u>1,195,994</u>	<u>1,260,289</u>	<u>(64,295)</u>
Total welfare	\$ <u>13,561,750</u>	\$ <u>13,710,594</u>	\$ <u>13,233,461</u>	\$ <u>477,133</u>
Total health and welfare	\$ <u>14,133,472</u>	\$ <u>14,303,431</u>	\$ <u>13,826,298</u>	\$ <u>477,133</u>
Education:				
Contributions to Piedmont Tech	\$ 46,705	\$ 46,705	\$ 106,831	\$ (60,126)
Contributions to Component Unit School Board	<u>29,578,034</u>	<u>29,578,034</u>	<u>28,182,236</u>	<u>1,395,798</u>
Total education	\$ <u>29,624,739</u>	\$ <u>29,624,739</u>	\$ <u>28,289,067</u>	\$ <u>1,335,672</u>

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

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 283,510	\$ 361,415	\$ 340,752	\$ 20,663
Community complex	227,059	227,059	211,683	15,376
Total parks and recreation	\$ 510,569	\$ 588,474	\$ 552,435	\$ 36,039
Library:				
Library	\$ 789,537	\$ 871,003	\$ 839,120	\$ 31,883
Total parks, recreation and cultural	\$ 1,300,106	\$ 1,459,477	\$ 1,391,555	\$ 67,922
Community development:				
Planning and community development:				
Planning	\$ 604,117	\$ 606,617	\$ 538,892	\$ 67,725
Zoning board	4,844	4,844	-	4,844
Economic development	916,679	918,162	875,618	42,544
Total planning and community development	\$ 1,525,640	\$ 1,529,623	\$ 1,414,510	\$ 115,113
Environmental management:				
Soil and water conservation district	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Cooperative extension program:				
VPI extension	\$ 155,548	\$ 157,548	\$ 140,670	\$ 16,878
Total community development	\$ 1,716,188	\$ 1,722,171	\$ 1,590,180	\$ 131,991
Nondepartmental:				
Employee benefits	\$ 194,166	\$ 125,810	\$ 359,157	\$ (233,347)
Total nondepartmental	\$ 194,166	\$ 125,810	\$ 359,157	\$ (233,347)
Debt service:				
Principal retirement	\$ 4,415,163	\$ 4,415,163	\$ 4,415,162	\$ 1
Interest and fiscal charges	4,149,926	4,195,001	4,189,053	5,948
Total debt service	\$ 8,565,089	\$ 8,610,164	\$ 8,604,215	\$ 5,949
Total expenditures	\$ 76,666,986	78,239,948	74,733,516	3,506,432
Excess (deficiency) of revenues over expenditures	\$ (1,902,622)	\$ (2,705,935)	\$ 1,742,563	\$ 4,448,498
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 2,999,947	\$ 2,999,947
Transfers (out)	(2,608,025)	(2,608,025)	(2,608,025)	-
Total other financing sources (uses)	\$ (2,608,025)	\$ (2,608,025)	\$ 391,922	\$ 2,999,947
Changes in fund balances	\$ (4,510,647)	\$ (5,313,960)	\$ 2,134,485	\$ 7,448,445
Fund balances at beginning of year	4,510,647	5,313,960	26,078,516	20,764,556
Fund balances at end of year	\$ -	\$ -	\$ 28,213,001	\$ 28,213,001

Schedule of Funding Progress
Last Three Fiscal Years

Virginia Retirement System						
County	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
Valuation Date	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 32,440,096	\$ 41,156,228	\$ 8,716,132	78.82%	\$ 13,959,631	62.44%
6/30/2009	31,327,190	36,171,711	4,844,521	86.61%	14,618,582	33.14%
6/30/2008	29,842,741	33,626,493	3,783,752	88.75%	15,324,711	24.69%

Discretely Presented Component Unit - School Board
School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 8,688,396	\$ 9,557,313	\$ 868,917	90.91%	\$ 4,122,945	21.08%
6/30/2009	8,299,898	8,597,057	297,159	96.54%	4,294,141	6.92%
6/30/2008	7,712,391	8,144,710	432,319	94.69%	4,182,308	10.34%

Other Post Employment Benefits						
County	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
Valuation Date	(2)	(3)	(4)	(5)	(6)	(7)
3/29/2010	\$ -	\$ 1,386,000	\$ 1,386,000	0.00%	\$ 13,959,631	9.93%
6/21/2007	-	611,000	611,000	0.00%	14,618,582	4.18%

Discretely Presented Component Unit - School Board

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
3/29/2010	\$ -	\$ 2,356,000	\$ 2,356,000	0.00%	N/A	N/A
7/2/2007	-	2,484,000	2,484,000	0.00%	N/A	N/A

Virginia Retirement System - Health Insurance Credit

Discretely Presented Component Unit - School Board
School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 131,073	\$ 185,642	\$ 54,569	70.61%	\$ 4,122,945	1.32%
6/30/2009	101,067	172,050	70,983	58.74%	4,294,141	1.65%
6/30/2008	109,612	208,145	98,533	52.66%	4,182,308	2.36%

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OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 16,532	\$ 16,532
Miscellaneous	1,500,000	1,502,033	2,206	(1,499,827)
Intergovernmental:				
School Board Contribution to Primary Government	-	695,929	317,073	(378,856)
Commonwealth	-	207,000	-	(207,000)
Total revenues	<u>\$ 1,500,000</u>	<u>\$ 2,404,962</u>	<u>\$ 335,811</u>	<u>\$ (2,069,151)</u>
Expenditures:				
Current:				
General government administration	\$ -	\$ 727,873	\$ 22,091	\$ 705,782
Judicial administration	-	619,490	361,409	258,081
Public safety	-	-	-	-
Public works	1,000,000	3,160,000	1,112,528	2,047,472
Education:				
School construction	-	701,170	322,314	378,856
Parks & recreation	1,500,000	2,898,482	345,823	2,552,659
Total expenditures	<u>\$ 2,500,000</u>	<u>\$ 8,107,015</u>	<u>\$ 2,164,165</u>	<u>\$ 5,942,850</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,000,000)</u>	<u>\$ (5,702,053)</u>	<u>\$ (1,828,354)</u>	<u>\$ 3,873,699</u>
Other financing sources (uses):				
Issuance of bonds	\$ -	\$ 1,160,000	\$ -	\$ (1,160,000)
Transfers in	1,000,000	1,000,000	1,000,000	1,000,000
Total other financing sources (uses)	<u>\$ 1,000,000</u>	<u>\$ 2,160,000</u>	<u>\$ 1,000,000</u>	<u>\$ (160,000)</u>
Changes in fund balances	<u>\$ -</u>	<u>\$ (3,542,053)</u>	<u>\$ (828,354)</u>	<u>\$ 3,713,699</u>
Fund balances at beginning of year	<u>-</u>	<u>3,542,053</u>	<u>979,708</u>	<u>(2,562,345)</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,354</u>	<u>\$ 151,354</u>

Combining Statement of Fiduciary Net Assets -
 Agency Funds
 At June 30, 2011

	Special Welfare Fund	Sheriff Commissary Fund	Piedmont Tech Fund	Healthy Culpeper Fund	Thrift Store	Totals
Assets:						
Cash and cash equivalents	\$ 239,684	\$ 26,715	\$ -	\$ 16,349	\$ 200,945	\$ 483,693
Accounts receivable	-	-	936	-	-	936
 Total assets	 <u>\$ 239,684</u>	 <u>\$ 26,715</u>	 <u>\$ 936</u>	 <u>\$ 16,349</u>	 <u>\$ 200,945</u>	 <u>\$ 484,629</u>
 Liabilities:						
Amounts held for others	\$ -	\$ -	\$ 936	\$ 16,349	\$ 200,945	\$ 218,230
Due to other governments	-	18,607	-	-	-	18,607
Amounts held for inmates	-	8,108	-	-	-	8,108
Amounts held for social services clients	239,684	-	-	-	-	239,684
 Total liabilities	 <u>\$ 239,684</u>	 <u>\$ 26,715</u>	 <u>\$ 936</u>	 <u>\$ 16,349</u>	 <u>\$ 200,945</u>	 <u>\$ 484,629</u>

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 102,965	\$ 336,450	\$ 199,731	\$ 239,684
Liabilities:				
Amounts held for social services clients	\$ 102,965	\$ 336,450	\$ 199,731	\$ 239,684
Sheriff Commissary Fund:				
Assets:				
Cash and cash equivalents	\$ 5,519	\$ 166,176	\$ 144,980	\$ 26,715
Liabilities:				
Due to other governments	\$ -	\$ 18,607	\$ -	\$ 18,607
Amounts held for inmates	5,519	147,569	144,980	8,108
Total liabilities	\$ 5,519	\$ 166,176	\$ 144,980	\$ 26,715
Piedmont Tech Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 120,605	\$ 120,605	\$ -
Accounts receivable	1,906	936	1,906	936
Total assets	\$ 1,906	\$ 121,541	\$ 122,511	\$ 936
Liabilities:				
Amounts held for others	\$ 1,906	\$ 121,541	\$ 122,511	\$ 936
Healthy Culpeper Fund:				
Assets:				
Cash and cash equivalents	\$ 23,845	\$ 17,959	\$ 25,455	\$ 16,349
Liabilities:				
Amounts held for others	\$ 23,845	\$ 17,959	\$ 25,455	\$ 16,349
Thrift Store:				
Assets:				
Cash and cash equivalents	\$ 238,943	\$ 487,951	\$ 525,949	\$ 200,945
Liabilities:				
Amounts held for others	\$ 238,943	\$ 487,951	\$ 525,949	\$ 200,945
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 371,272	\$ 1,129,141	\$ 1,016,720	\$ 483,693
Accounts receivable	1,906	936	1,906	936
Total assets	\$ 373,178	\$ 1,130,077	\$ 1,018,626	\$ 484,629
Liabilities:				
Amounts held for social services clients	\$ 102,965	\$ 336,450	\$ 199,731	\$ 239,684
Amounts held for inmates	5,519	147,569	144,980	8,108
Due to other governments	-	18,607	-	18,607
Amounts held for others	264,694	627,451	673,915	218,230
Total liabilities	\$ 373,178	\$ 1,130,077	\$ 1,018,626	\$ 484,629

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

	Governmental Funds			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
ASSETS				
Cash and cash equivalents	\$ 78,276	\$ 1,504,606	\$ 1,536,321	\$ 3,119,203
Receivables (net of allowances for uncollectibles):				
Accounts receivable	-	-	-	-
Due from other governmental units	2,413,233	65,399	-	2,478,632
Due from primary government	4,549,776	-	-	4,549,776
Total assets	<u>\$ 7,041,285</u>	<u>\$ 1,570,005</u>	<u>\$ 1,536,321</u>	<u>\$ 10,147,611</u>
LIABILITIES				
Accounts payable	\$ 510,539	\$ -	\$ 212,869	\$ 723,408
Accrued liabilities	6,530,746	196,735	-	6,727,481
Total liabilities	<u>\$ 7,041,285</u>	<u>\$ 196,735</u>	<u>\$ 212,869</u>	<u>\$ 7,450,889</u>
FUND BALANCES				
Restricted	\$ -	\$ -	\$ 191,583	\$ 191,583
Committed	-	-	1,131,869	1,131,869
Assigned	-	1,373,270	-	1,373,270
Total fund balances	<u>\$ -</u>	<u>\$ 1,373,270</u>	<u>\$ 1,323,452</u>	<u>\$ 2,696,722</u>
Total liabilities and fund balances	<u>\$ 7,041,285</u>	<u>\$ 1,570,005</u>	<u>\$ 1,536,321</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.

\$ 34,325,393

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.

(1,535,426)

Net assets of General Government Activities

\$ 35,486,689

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

	Governmental Fund Types			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
Revenues:				
Revenue from use of money and property	\$ 92,167	\$ 8,216	\$ 69	\$ 100,452
Charges for services	99,574	1,652,016	-	1,751,590
Miscellaneous	1,296,411	55,755	-	1,352,166
Intergovernmental:				
County contribution to School Board	26,982,236	-	1,200,000	28,182,236
Commonwealth	31,667,457	41,944	-	31,709,401
Federal	5,934,770	1,772,746	-	7,707,516
Total revenues	\$ 66,072,615	\$ 3,530,677	\$ 1,200,069	\$ 70,803,361
Expenditures:				
Current:				
Education	\$ 65,615,701	\$ 3,350,228	\$ -	\$ 68,965,929
Capital projects	-	-	882,136	882,136
Contribution to primary government	-	-	317,073	317,073
Debt service:				
Principal retirement	434,761	-	-	434,761
Interest and other fiscal charges	22,153	-	-	22,153
Total expenditures	\$ 66,072,615	\$ 3,350,228	\$ 1,199,209	\$ 70,622,052
Changes in fund balances	\$ -	\$ 180,449	\$ 860	\$ 181,309
Fund balances at beginning of year	-	1,192,821	1,322,592	2,515,413
Fund balances at end of year	\$ -	\$ 1,373,270	\$ 1,323,452	\$ 2,696,722

COUNTY OF CULPEPER, VIRGINIA

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

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 130,000	\$ 130,000	\$ 92,167	\$ (37,833)
Charges for services	384,500	384,500	99,574	(284,926)
Miscellaneous	817,000	817,000	1,296,411	479,411
Intergovernmental:				
County contribution to School Board	28,378,034	28,378,034	26,982,236	(1,395,798)
Commonwealth	32,733,486	32,733,486	31,667,457	(1,066,029)
Federal	5,051,899	5,328,899	5,934,770	605,871
Total revenues	\$ 67,494,919	\$ 67,771,919	\$ 66,072,615	\$ (1,699,304)
Expenditures:				
Current:				
Education:				
Instruction	\$ 50,340,569	\$ 49,629,230	\$ 49,155,468	\$ 473,762
Administration, attendance and health	3,465,930	3,582,301	3,065,244	517,057
Pupil transportation	3,793,963	4,397,220	4,374,228	22,992
Operation and maintenance of school plant	7,445,174	7,446,092	6,850,844	595,248
Facilities	-	121,967	121,966	1
Technology instruction	1,992,263	2,138,089	2,047,951	90,138
School food service	-	-	-	-
Total education	\$ 67,037,899	\$ 67,314,899	\$ 65,615,701	\$ 1,699,198
Capital Projects	-	-	-	-
Contribution to primary government	-	-	-	-
Debt service:				
Principal retirement	434,762	434,762	434,761	1
Interest and other fiscal charges	22,258	22,258	22,153	105
Total expenditures	\$ 67,494,919	\$ 67,771,919	\$ 66,072,615	\$ 1,699,304
Changes in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -

School Cafeteria Fund				School Capital Projects Fund			
Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)	Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ 8,216	\$ 8,216	\$ -	\$ -	\$ 69	\$ 69
2,120,122	1,955,329	1,652,016	(303,313)	-	-	-	-
-	-	55,755	55,755	-	161,661	-	(161,661)
-	-	-	-	1,200,000	1,200,000	1,200,000	-
46,903	46,903	41,944	(4,959)	-	-	-	-
1,138,860	1,303,653	1,772,746	469,093	-	-	-	-
<u>\$ 3,305,885</u>	<u>\$ 3,305,885</u>	<u>\$ 3,530,677</u>	<u>\$ 224,792</u>	<u>\$ 1,200,000</u>	<u>\$ 1,361,661</u>	<u>\$ 1,200,069</u>	<u>\$ (161,592)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,305,885</u>	<u>3,305,885</u>	<u>3,350,228</u>	<u>(44,343)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,305,885</u>	<u>\$ 3,305,885</u>	<u>\$ 3,350,228</u>	<u>\$ (44,343)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	1,200,000	2,778,358	882,136	1,896,222
-	-	-	-	-	695,929	317,073	378,856
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,305,885</u>	<u>\$ 3,305,885</u>	<u>\$ 3,350,228</u>	<u>\$ (44,343)</u>	<u>\$ 1,200,000</u>	<u>\$ 3,474,287</u>	<u>\$ 1,199,209</u>	<u>\$ 2,275,078</u>
\$ -	\$ -	\$ 180,449	\$ 180,449	\$ -	\$ (2,112,626)	\$ 860	\$ 2,113,486
-	-	1,192,821	1,192,821	-	2,112,626	1,322,592	(790,034)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,373,270</u>	<u>\$ 1,373,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,323,452</u>	<u>\$ 1,323,452</u>

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

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

Net changes in fund balances - total governmental funds	\$	181,309
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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 expense in the current period:

Capital asset additions	\$	1,927,807	
Depreciation expense		<u>(2,994,318)</u>	(1,066,511)

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. This amount reflects the change in accrued leave and other post employment benefits:

Accrued leave	\$	29,280	
Other post employment benefits		<u>(121,000)</u>	(91,720)

The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Details of this adjustment are as follows:

Principal retired on capital lease obligations	\$	434,761	434,761
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Transfer of joint tenancy assets from Primary Government to the Component Unit School Board			<u>4,043,537</u>
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Change in net assets of governmental activities	\$	<u><u>3,501,376</u></u>
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Supporting Schedule

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Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2011

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 30,524,830	\$ 30,524,830	\$ 30,717,096	\$ 192,266
Real and personal public service corporation property taxes	1,126,271	1,126,271	1,252,793	126,522
Personal property taxes	10,990,861	10,990,861	11,773,862	783,001
Mobile home taxes	19,426	19,426	52,226	32,800
Machinery and tools taxes	1,709,175	1,709,175	1,629,821	(79,354)
Aircraft taxes	37,498	37,498	34,603	(2,895)
Recreational property taxes	245,724	245,724	243,128	(2,596)
Penalties	400,000	400,000	447,090	47,090
Interest	200,000	200,000	359,027	159,027
Total general property taxes	\$ 45,253,785	\$ 45,253,785	\$ 46,509,646	\$ 1,255,861
Other local taxes:				
Local sales and use taxes	\$ 4,550,000	\$ 4,550,000	\$ 4,710,612	\$ 160,612
Transient occupancy tax	17,000	17,000	15,181	(1,819)
Consumer utility taxes	607,350	607,350	810,500	203,150
Bank Stock taxes	-	-	7,716	7,716
Motor vehicle licenses tax	650,000	650,000	715,355	65,355
Taxes on recordation and wills	600,000	600,000	507,473	(92,527)
Total other local taxes	\$ 6,424,350	\$ 6,424,350	\$ 6,766,837	\$ 342,487
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 35,200	\$ 35,200	\$ 20,621	\$ (14,579)
Building and related permits	360,000	360,000	347,524	(12,476)
Other permits and licenses	97,500	109,111	201,799	92,688
Total permits, privilege fees and regulatory licenses	\$ 492,700	\$ 504,311	\$ 569,944	\$ 65,633
Fines and Forfeitures:				
Court fines and forfeitures	\$ 75,000	\$ 75,000	\$ 62,947	\$ (12,053)
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 50,895	\$ 895
Revenue from use of property	271,919	271,919	233,153	(38,766)
Total revenue from use of money and property	\$ 321,919	\$ 321,919	\$ 284,048	\$ (37,871)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 42,000	\$ 42,000	\$ 10,535	\$ (31,465)
Charges for Commonwealth's attorney	1,000	1,000	1,333	333
Charges for parks and recreation	72,433	108,270	104,324	(3,946)
Charges for law enforcement and traffic control	10,000	10,000	14,226	4,226
Charges for courthouse maintenance fees	16,500	16,500	16,341	(159)
Charges for courthouse and courtroom security fees	85,000	85,000	86,652	1,652
Charges for other court costs	35,500	41,500	56,458	14,958
Charges for electronic monitoring	-	-	18,607	18,607
Charges for other protection	24,000	92,038	73,042	(18,996)
Charges for library	60,000	109,874	88,763	(21,111)
Charges for fire and rescue services	500,000	500,000	425,676	(74,324)
Charges for planning and community development	17,825	17,825	4,522	(13,303)
Charges for law library	15,000	15,000	15,262	262
Cosmetology fees	200,124	200,124	259,465	59,341
Charges for daycare	1,802,565	1,802,565	1,201,895	(600,670)
Total charges for services	<u>\$ 2,881,947</u>	<u>\$ 3,041,696</u>	<u>\$ 2,377,101</u>	<u>\$ (664,595)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 168,000	\$ 253,555	\$ 291,371	\$ 37,816
Total miscellaneous revenue	<u>\$ 168,000</u>	<u>\$ 253,555</u>	<u>\$ 291,371</u>	<u>\$ 37,816</u>
Recovered costs:				
Wheels for work	\$ 15,000	\$ 15,000	\$ 15,399	\$ 399
Town of Culpeper E-911	243,566	243,566	236,230	(7,336)
Payments from localities	17,049	17,049	18,497	1,448
Total recovered costs	<u>\$ 275,615</u>	<u>\$ 275,615</u>	<u>\$ 270,126</u>	<u>\$ (5,489)</u>
Total revenue from local sources	<u>\$ 55,893,316</u>	<u>\$ 56,150,231</u>	<u>\$ 57,132,020</u>	<u>\$ 981,789</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 37,500	\$ 37,500	\$ 39,476	\$ 1,976
Recordation tax	200,000	200,000	173,193	(26,807)
Mobile home titling taxes	10,000	10,000	12,739	2,739
Communications tax	2,119,650	2,119,650	2,119,650	-
PPTRA	3,367,808	3,367,808	3,367,808	-
Auto rental tax	26,000	26,000	55,900	29,900
Total noncategorical aid	<u>\$ 5,760,958</u>	<u>\$ 5,760,958</u>	<u>\$ 5,768,766</u>	<u>\$ 7,808</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 333,054	\$ 333,054	\$ 365,710	\$ 32,656
Sheriff	2,482,899	2,482,899	2,676,193	193,294
Commissioner of the Revenue	105,812	105,812	116,826	11,014
Treasurer	106,249	106,249	109,770	3,521
Registrar/electoral board	43,334	43,334	42,697	(637)
Clerk of the Circuit Court	267,410	302,283	308,804	6,521
Combined Court	6,000	6,000	11,582	5,582
Total shared expenses	\$ 3,344,758	\$ 3,379,631	\$ 3,631,582	\$ 251,951
Other categorical aid:				
Welfare administration and assistance	\$ 3,289,534	\$ 3,289,534	\$ 1,588,379	\$ (1,701,155)
Local jail	146,750	146,750	125,571	(21,179)
Abandoned vehicle program	9,450	9,450	-	(9,450)
Fire service program	68,000	68,000	71,025	3,025
Families first grant	154,982	154,982	149,896	(5,086)
Options	22,000	25,099	16,506	(8,593)
Library aid	148,800	148,833	148,913	80
E-911 wireless	70,000	70,000	95,208	25,208
Two for life funds	39,000	39,000	45,091	6,091
Community youth services grant	2,317,791	2,317,791	2,120,419	(197,372)
Juvenile and domestic relations	54,473	54,473	51,479	(2,994)
Criminal justice services	237,022	237,022	241,021	3,999
Crime victim assistance	12,954	12,954	17,600	4,646
Other categorical aid	20,052	24,367	20,027	(4,340)
Total other categorical aid	\$ 6,590,808	\$ 6,598,255	\$ 4,691,135	\$ (1,907,120)
Total categorical aid	\$ 9,935,566	\$ 9,977,886	\$ 8,322,717	\$ (1,655,169)
Total revenue from the Commonwealth	\$ 15,696,524	\$ 15,738,844	\$ 14,091,483	\$ (1,647,361)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 1,753,369	\$ 1,753,369	\$ 3,074,111	\$ 1,320,742
ARRA-Welfare administration and assistance	-	-	102,440	102,440
Adult services grant	208,758	208,758	301,442	92,684
Department of justice grants	-	2,561	6,523	3,962
VSTOP grant	33,204	33,204	34,921	1,717
Emergency services	-	-	34,050	34,050
ARRA-ICAC	-	-	4,803	4,803
Victim witness grant	51,814	51,814	52,800	986
Electoral board	-	-	6,600	6,600
USDA grant funds	-	17,213	264,876	247,663
Headstart	1,127,379	1,127,379	1,031,277	(96,102)
Headstart - ARRA	-	44,152	52,309	8,157
2nd chance grant	-	84,030	17,866	(66,164)
ARRA-Green grant	-	247,621	194,062	(53,559)
Federal interest subsidy	-	45,075	44,747	(328)
Law enforcement grant	-	9,562	9,562	-
DMV selective enforcement grant	-	20,200	20,187	(13)
Total revenue from the federal government	<u>\$ 3,174,524</u>	<u>\$ 3,644,938</u>	<u>\$ 5,252,576</u>	<u>\$ 1,607,638</u>
Total General Fund	<u>\$ 74,764,364</u>	<u>\$ 75,534,013</u>	<u>\$ 76,476,079</u>	<u>\$ 942,066</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1,492	\$ 1,492
Revenue from use of property	-	-	15,040	15,040
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,532</u>	<u>\$ 16,532</u>
Miscellaneous:				
Miscellaneous	\$ 1,500,000	\$ 1,502,033	\$ 2,206	\$ (1,499,827)
Total revenue from local sources	<u>\$ 1,500,000</u>	<u>\$ 1,502,033</u>	<u>\$ 18,738</u>	<u>\$ (1,483,295)</u>
Intergovernmental revenue:				
School Board Contribution to Primary Government	\$ -	\$ 695,929	\$ 317,073	\$ (378,856)
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grant	\$ -	\$ 207,000	\$ -	\$ (207,000)
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 207,000</u>	<u>\$ -</u>	<u>\$ (207,000)</u>
Total Capital Projects Fund	<u>\$ 1,500,000</u>	<u>\$ 2,404,962</u>	<u>\$ 335,811</u>	<u>\$ (2,069,151)</u>
Grand Total Revenues -- Primary Government	<u>\$ 76,264,364</u>	<u>\$ 77,938,975</u>	<u>\$ 76,811,890</u>	<u>\$ (1,127,085)</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 10	\$ 10
Revenue from use of property	130,000	130,000	92,157	(37,843)
Total revenue from use of money and property	\$ 130,000	\$ 130,000	\$ 92,167	\$ (37,833)
Charges for services:				
Textbook sales	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Transportation and field trips	45,000	45,000	37,128	(7,872)
Tuition and fees	333,500	333,500	62,446	(271,054)
Total charges for services	\$ 384,500	\$ 384,500	\$ 99,574	\$ (284,926)
Miscellaneous revenue:				
Miscellaneous	\$ 817,000	\$ 817,000	\$ 1,296,411	\$ 479,411
Total miscellaneous revenue	\$ 817,000	\$ 817,000	\$ 1,296,411	\$ 479,411
Total revenue from local sources	\$ 1,331,500	\$ 1,331,500	\$ 1,488,152	\$ 156,652
Intergovernmental revenue:				
County contribution to School Board	\$ 28,378,034	\$ 28,378,034	\$ 26,982,236	\$ (1,395,798)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 6,437,580	\$ 6,437,580	\$ 6,700,743	\$ 263,163
Basic school aid	18,943,314	18,943,314	17,842,367	(1,100,947)
Special education-SOQ	1,819,649	1,819,649	1,818,231	(1,418)
Primary class size	467,210	467,210	456,950	(10,260)
Gifted and talented	200,729	200,729	200,572	(157)
Remedial education	405,821	405,821	405,505	(316)
Third grade remedial	40,073	40,073	28,051	(12,022)
Vocational education-SOQ	432,003	432,003	431,666	(337)
Educational technology	460,000	460,000	213,079	(246,921)
At - risk	304,784	304,784	304,632	(152)
Textbook	429,267	429,267	149,578	(279,689)
Fringe benefits	1,767,285	1,767,285	1,765,907	(1,378)
ESL	193,563	193,563	177,111	(16,452)
Special education-Tuition	-	-	495,855	495,855
Preschool initiative	-	-	255,485	255,485
Other categorical aid	832,208	832,208	421,725	(410,483)
Total categorical aid	\$ 32,733,486	\$ 32,733,486	\$ 31,667,457	\$ (1,066,029)
Total revenue from the Commonwealth	\$ 32,733,486	\$ 32,733,486	\$ 31,667,457	\$ (1,066,029)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,479,199	\$ 1,479,199	\$ 1,578,697	\$ 99,498
ARRA-Title I	80,912	80,912	94,036	13,124
Title II -- Part A	256,000	256,000	172,913	(83,087)
Drug free schools	17,762	17,762	-	(17,762)
State fiscal stabilization funds	-	-	826,713	826,713
Title VI - B	1,518,562	1,518,562	1,608,920	90,358
ARRA-Title VI - B	1,186,935	1,186,935	1,208,540	21,605
Preschool incentive	41,492	41,492	41,494	2
ARRA-Preschool incentive	27,681	27,681	31,997	4,316
Technology grant	12,770	12,770	8,718	(4,052)
ARRA-Technology grant	-	-	2,113	2,113
School improvement grant	200,000	200,000	25,775	(174,225)
Title III	59,376	59,376	46,744	(12,632)
Vocational education	100,822	100,822	93,849	(6,973)
ARRA-Education Jobs Fund	-	277,000	194,261	(82,739)
Miscellaneous federal grants	70,388	70,388	-	(70,388)
Total revenue from the federal government	<u>\$ 5,051,899</u>	<u>\$ 5,328,899</u>	<u>\$ 5,934,770</u>	<u>\$ 605,871</u>
Total School Operating Fund	<u>\$ 67,494,919</u>	<u>\$ 67,771,919</u>	<u>\$ 66,072,615</u>	<u>\$ (1,699,304)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 8,216	\$ 8,216
Charges for services:				
Cafeteria sales	2,120,122	1,955,329	1,652,016	(303,313)
Miscellaneous revenue:				
Miscellaneous	-	-	55,755	55,755
Total revenue from local sources	<u>\$ 2,120,122</u>	<u>\$ 1,955,329</u>	<u>\$ 1,715,987</u>	<u>\$ (239,342)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 46,903	\$ 46,903	\$ 41,944	\$ (4,959)
Total revenue from the Commonwealth	<u>\$ 46,903</u>	<u>\$ 46,903</u>	<u>\$ 41,944</u>	<u>\$ (4,959)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,138,860	\$ 1,303,653	\$ 1,772,746	\$ 469,093
Total revenue from the federal government	<u>\$ 1,138,860</u>	<u>\$ 1,303,653</u>	<u>\$ 1,772,746</u>	<u>\$ 469,093</u>
Total School Cafeteria Fund	<u>\$ 3,305,885</u>	<u>\$ 3,305,885</u>	<u>\$ 3,530,677</u>	<u>\$ 224,792</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 69	\$ 69
Miscellaneous revenue:				
Miscellaneous	-	161,661	-	(161,661)
Intergovernmental revenue:				
County contribution to School Board	1,200,000	1,200,000	1,200,000	-
Total School Capital Projects Fund	\$ 1,200,000	\$ 1,361,661	\$ 1,200,069	\$ (161,592)
Grand Total Revenues--Component Unit--School Board	\$ 72,000,804	\$ 72,439,465	\$ 70,803,361	\$ (1,636,104)
Grand Total Revenues -- Reporting Entity	\$ 148,265,168	\$ 150,378,440	\$ 147,615,251	\$ (2,763,189)

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Description	Table #
Financial Trends	
These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Net Assets by Component	1
Changes in Net Assets	2
Governmental Activities Tax Revenues by Source (Accrual Basis of Accounting)	3
Fund Balances of Governmental Funds	4
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Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accounting)	6
Revenue Capacity	
These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	
Assessed Value of Taxable Property	7
Property Tax Rates	8
Principal Taxpayers	9
Property Tax Levies and Collections	10
Debt Capacity	
These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	
Ratios of Outstanding Debt by Type	11
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	12
Computation of Direct and Overlapping Bonded Debt	13
Demographic and Economic Information	
This table offers demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	
Demographic and Economic Statistics	14
Operating Information	
These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	
Principal Employers	15
Full-time Equivalent County Government Employees by Function	16
Operating Indicators by Function	17
Capital Asset Statistics by Function	18

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF CULPEPER, VIRGINIA

Net Assets by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Governmental activities:			
Invested in capital assets, net of related debt	\$ 7,329,859	\$ 6,486,359	\$ 6,935,344
Restricted	5,103,876	4,419,784	5,558,267
Unrestricted	12,117,203	18,533,545	19,919,678
Total governmental activities net assets	<u>\$ 24,550,938</u>	<u>\$ 29,439,688</u>	<u>\$ 32,413,289</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 7,781,918	\$ 9,112,272	\$ 11,934,526
Unrestricted	1,133,550	(64,870)	(82,002)
Total primary government expenses	<u>\$ 8,915,468</u>	<u>\$ 9,047,402</u>	<u>\$ 11,852,524</u>
Primary government			
Invested in capital assets, net of related debt	\$ 15,111,777	\$ 15,598,631	\$ 18,869,870
Restricted	5,103,876	4,419,784	5,558,267
Unrestricted	13,250,753	18,468,675	19,837,676
Total primary government	<u>\$ 33,466,406</u>	<u>\$ 38,487,090</u>	<u>\$ 44,265,813</u>

Table 1

	2005	2006	2007	2008	2009	2010	2011
\$	14,986,153	\$ 10,685,692	\$ 14,961,689	\$ 18,469,361	\$ 25,331,224	\$ 21,744,425	\$ 21,370,300
	285,663	291,256	-	-	-	-	-
	24,746,856	(16,216,855)	4,410,152	18,933,684	18,086,410	25,869,837	27,474,989
\$	<u>40,018,672</u>	<u>(5,239,907)</u>	<u>19,371,841</u>	<u>37,403,045</u>	<u>43,417,634</u>	<u>47,614,262</u>	<u>48,845,289</u>
\$	13,272,556	\$ 16,010,805	\$ 25,343,202	\$ 36,145,416	\$ 38,532,234	\$ 38,791,879	\$ 41,694,088
	420,504	1,219,337	(1,011,200)	4,832,584	3,592,573	2,974,397	3,178,202
\$	<u>13,693,060</u>	<u>(4,020,570)</u>	<u>24,332,002</u>	<u>40,978,000</u>	<u>42,124,807</u>	<u>41,766,276</u>	<u>44,872,290</u>
\$	28,258,709	\$ 26,696,497	\$ 40,304,891	\$ 54,614,777	\$ 63,863,458	\$ 60,536,304	\$ 63,064,388
	285,663	291,256	-	-	-	-	-
	25,167,360	(14,997,518)	3,398,952	23,766,268	21,678,983	28,844,234	30,653,191
\$	<u>53,711,732</u>	<u>11,990,235</u>	<u>43,703,843</u>	<u>78,381,045</u>	<u>85,542,441</u>	<u>89,380,538</u>	<u>93,717,579</u>

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Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:										
Governmental activities:										
General government										
administration	\$ 2,021,301	\$ 2,468,960	\$ 2,499,392	\$ 2,953,543	\$ 3,543,334	\$ 3,853,551	\$ 4,081,639	\$ 4,256,847	\$ 3,775,509	\$ 3,633,816
Judicial administration	1,589,341	1,629,071	1,740,818	1,969,364	2,069,759	2,205,424	2,457,649	2,373,026	2,447,227	2,473,186
Public safety	6,248,448	7,633,263	9,103,918	10,081,478	12,172,591	13,041,979	14,246,020	14,047,751	13,702,268	13,562,228
Public works	415,475	864,885	1,283,304	1,479,809	1,352,053	1,189,262	3,575,121	3,130,874	1,568,686	2,583,345
Health & welfare	7,196,456	8,278,682	10,142,768	10,379,264	11,967,563	12,836,396	14,807,178	14,814,505	15,032,809	12,738,839
Education	5,594,190	20,107,328	22,735,578	23,427,804	77,431,819	34,846,547	31,778,033	32,740,398	31,510,041	34,331,434
Parks, recreation, & cultural	1,048,520	1,069,204	1,095,318	1,100,173	1,262,842	1,740,458	1,870,925	1,970,055	1,919,952	1,600,257
Community development	818,280	895,279	956,662	1,120,188	1,329,556	1,268,077	1,486,477	1,962,771	1,452,963	1,610,886
Capital outlays	300,424	485,137	-	-	-	-	-	-	-	-
Nondepartmental	70,825	-	-	-	-	-	-	-	-	-
Interest & other fiscal charges	1,027,750	1,992,258	1,770,141	1,862,068	4,411,072	4,329,496	4,529,751	4,378,949	4,389,711	4,099,392
Total governmental activities expenses	\$ 26,331,010	\$ 45,424,067	\$ 51,327,899	\$ 54,373,691	\$ 115,540,589	\$ 75,311,190	\$ 78,832,793	\$ 79,675,176	\$ 75,799,166	\$ 76,633,383
Business-type activities:										
Landfill	\$ 1,845,751	\$ 1,984,407	\$ 2,646,458	\$ 2,782,599	\$ 3,275,796	\$ 3,363,244	\$ 3,297,771	\$ 2,707,086	\$ 2,222,198	\$ 2,138,539
Water & sewer	151,347	188,694	288,077	429,363	487,099	648,395	606,918	668,330	756,992	1,221,589
Airport	606,666	684,971	698,619	835,945	1,313,602	1,424,084	1,522,674	1,590,711	1,582,110	1,475,240
Water & sewer authority	-	-	-	563	8,157	947	23,117	68,256	16,591	314,927
Total business-type activities expenses	\$ 2,603,764	\$ 2,858,072	\$ 3,633,154	\$ 4,048,470	\$ 5,084,654	\$ 5,436,670	\$ 5,450,480	\$ 5,034,383	\$ 4,577,891	\$ 5,150,295
Total primary government expenses	\$ 28,934,774	\$ 48,282,139	\$ 54,961,053	\$ 58,422,161	\$ 120,625,243	\$ 80,747,860	\$ 84,283,273	\$ 84,709,559	\$ 80,377,057	\$ 81,783,678
Program revenues:										
Governmental activities:										
Charges for services:										
General government										
administration	\$ -	\$ 56,078	\$ 5,314	\$ -	\$ -	\$ -	\$ -	\$ 566,496	\$ -	\$ -
Judicial administration	75,230	167,192	435,977	443,567	402,299	370,614	283,699	298,632	230,856	249,528
Public safety	678,283	793,213	1,328,513	2,184,845	122,835	1,677,223	1,499,059	733,912	1,093,514	1,101,495
Public works	15,166	17,616	18,083	-	-	18,642	-	-	-	-
Health & welfare	659,403	771,698	880,732	1,085,833	1,199,314	1,142,631	1,673,477	1,718,636	1,522,702	1,461,360
Parks, recreation, & cultural	66,474	68,785	111,668	133,158	155,619	144,187	479,094	120,581	162,289	193,087
Community development	71,460	188,124	149,030	2,040	2,153,675	57,060	5,107	1,724	1,643	4,522
Operating grants & contributions:										
General government										
administration	316,878	246,005	241,638	472,252	278,320	327,369	354,849	321,064	309,388	320,640
Judicial administration	610,274	886,897	887,111	566,048	1,357,127	1,390,202	761,272	702,737	666,028	686,096
Public safety	2,972,100	2,649,665	2,795,970	3,551,388	2,951,304	2,962,762	3,730,211	3,852,005	3,511,081	3,506,061
Public works	-	26,494	6,593	-	-	-	30,014	-	183,088	-
Health & welfare	5,046,627	5,463,176	6,235,198	6,963,769	7,761,645	7,266,594	8,658,725	8,865,082	9,418,108	8,719,521
Parks, recreation, & cultural	138,661	125,966	132,616	151,407	-	177,794	183,091	173,625	168,706	148,913
Community development	5,000	5,000	5,000	45,182	-	-	-	500,000	-	194,062
Interest on long-term debt	-	-	-	-	-	-	-	-	20,136	-
Capital grants & contributions	2,630,620	96,202	4,850	-	1,282,500	26,335,715	26,042,891	7,483,680	4,910,289	317,073
Total governmental activities program revenues	\$ 13,286,176	\$ 11,562,111	\$ 13,238,293	\$ 15,599,489	\$ 17,664,638	\$ 41,870,793	\$ 43,701,489	\$ 25,338,174	\$ 22,197,828	\$ 16,902,358

Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program revenues: (Continued)										
Business-type activities:										
Charges for services:										
Landfill	\$ 1,222,639	\$ 1,291,907	\$ 1,672,544	\$ 2,288,332	\$ 2,667,679	\$ 2,650,528	\$ 2,469,848	\$ 1,587,384	\$ 1,186,803	\$ 1,109,940
Water & sewer	43,460	27,967	165,484	99,073	131,796	115,968	193,935	161,933	242,502	951,072
Airport	499,981	454,852	425,059	537,790	618,393	712,810	729,831	783,149	688,225	731,398
Operating grants & contributions:										
Water & sewer	-	-	-	-	-	800	-	-	-	-
Airport	-	-	-	-	-	11,627	-	-	7,560	14,123
Capital grants & contributions	1,933,446	980,844	3,809,913	496,474	3,244,989	5,950,655	12,222,118	1,686,515	381,494	6,831,743
Total business-type activities program revenues	\$ 3,699,526	\$ 2,755,570	\$ 6,073,000	\$ 3,421,669	\$ 6,662,857	\$ 9,442,388	\$ 15,615,732	\$ 4,218,981	\$ 2,506,584	\$ 9,638,276
Total primary government program revenues	\$ 16,985,702	\$ 14,317,681	\$ 19,311,293	\$ 19,021,158	\$ 24,327,495	\$ 51,313,181	\$ 59,317,221	\$ 29,557,155	\$ 24,704,412	\$ 26,540,634
Net (expense) / revenue										
Governmental activities	\$ (13,044,834)	\$ (33,861,956)	\$ (38,089,606)	\$ (38,774,202)	\$ (97,875,951)	\$ (33,440,397)	\$ (35,131,304)	\$ (54,337,002)	\$ (53,601,338)	\$ (59,731,025)
Business-type activities	1,095,762	(102,502)	2,439,846	(626,801)	1,578,203	4,005,718	10,165,252	(815,402)	(2,071,307)	4,487,981
Total primary government net expense	\$ (11,949,072)	\$ (33,964,458)	\$ (35,649,760)	\$ (39,401,003)	\$ (96,297,748)	\$ (29,434,679)	\$ (24,966,052)	\$ (55,152,404)	\$ (55,672,645)	\$ (55,243,044)
General Revenues & Other										
Changes in Net Assets										
Governmental activities:										
General property taxes	\$ 22,684,654	\$ 24,428,142	\$ 29,451,312	\$ 32,650,412	\$ 36,481,179	\$ 44,768,171	\$ 44,724,837	\$ 48,819,205	\$ 45,953,541	\$ 46,440,370
Local sales & use taxes	3,659,581	3,830,741	4,671,523	5,426,631	5,525,376	5,071,523	5,103,979	4,518,626	4,670,002	4,710,612
Consumer utility taxes	1,270,679	1,548,822	1,780,313	1,771,697	2,005,108	2,020,722	2,067,744	2,020,957	1,983,855	810,500
E-911 taxes	453,131	564,149	818,349	807,345	841,571	804,259	888,885	747,563	750,680	-
Taxes on recordation & wills	368,118	504,444	729,478	1,602,899	1,866,077	1,246,208	875,739	760,296	538,548	507,473
Motor vehicle license taxes	503,264	660,875	692,057	710,746	737,060	522,458	61,738	648,490	701,177	715,355
Other local taxes	6,379	82,972	127,444	119,993	125,896	115,545	157,284	148,335	146,960	22,897
Unrestricted revenues from use of money & property	551,748	417,562	342,699	890,239	1,743,951	2,264,532	1,819,900	599,243	449,462	300,580
Miscellaneous	514,260	347,492	493,592	593,142	566,864	256,774	923,303	287,627	677,791	293,577
Grants & contributions not restricted to specific programs	2,803,975	3,385,516	3,454,276	3,493,550	3,979,168	3,841,914	3,712,251	3,690,898	3,626,392	5,768,766
Transfers	(731,622)	(210,667)	(1,229,716)	(1,687,068)	(1,878,878)	(2,859,961)	(6,253,652)	(1,889,649)	(1,700,442)	(1,391,922)
Total governmental activities	\$ 32,084,167	\$ 35,560,048	\$ 41,331,327	\$ 46,379,586	\$ 51,993,372	\$ 58,052,145	\$ 54,082,008	\$ 60,351,591	\$ 57,797,966	\$ 60,962,052
Business-type activities:										
Unrestricted revenues from use of money & property	\$ 101,266	\$ 23,769	\$ 8,565	\$ 21,465	\$ 80,001	\$ 236,184	\$ 227,094	\$ 72,560	\$ 12,334	\$ 9,955
Miscellaneous	-	-	-	84,976	-	-	-	-	-	-
Transfers	731,622	210,667	1,229,716	1,687,068	1,878,878	2,859,961	6,253,652	1,889,649	1,700,442	(1,391,922)
Total business-type activities	\$ 832,888	\$ 234,436	\$ 1,238,281	\$ 1,793,509	\$ 1,958,879	\$ 3,096,145	\$ 6,480,746	\$ 1,962,209	\$ 1,712,776	\$ (1,381,967)
Total primary government	\$ 32,917,055	\$ 35,794,484	\$ 42,569,608	\$ 48,173,095	\$ 53,952,251	\$ 61,148,290	\$ 60,562,754	\$ 62,313,800	\$ 59,510,742	\$ 59,580,085
Change in Net Assets										
Governmental activities	\$ 19,039,333	\$ 1,698,092	\$ 3,241,721	\$ 7,605,384	\$ (45,882,579)	\$ 24,611,748	\$ 18,950,704	\$ 6,014,589	\$ 4,196,628	\$ 1,231,027
Business-type activities	1,928,650	131,934	3,678,127	1,166,708	3,537,082	7,101,863	16,645,998	1,146,807	(358,531)	3,106,014
Total primary government	\$ 20,967,983	\$ 1,830,026	\$ 6,919,848	\$ 8,772,092	\$ (42,345,497)	\$ 31,713,611	\$ 35,596,702	\$ 7,161,396	\$ 3,838,097	\$ 4,337,041

Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes (1)	E-911 Taxes (1)	Taxes on Recordation and Wills	Motor Vehicle License Taxes	Other Local Taxes (1)	Total
2011	\$ 46,440,370	\$ 4,710,612	\$ 810,500	- \$	507,473	\$ 715,355	\$ 22,897	53,207,207
2010	45,953,541	4,670,002	1,983,855	750,680	538,548	701,177	146,960	54,744,763
2009	48,819,205	4,518,626	2,020,957	747,563	760,296	648,490	148,335	57,663,472
2008	44,724,837	5,103,979	2,067,744	888,885	875,739	61,738	157,284	53,880,206
2007	44,768,171	5,071,523	2,020,722	804,259	1,246,208	522,458	115,545	54,548,886
2006	36,481,179	5,525,376	2,005,108	841,571	1,866,077	737,060	125,896	47,582,267
2005	32,650,412	5,426,631	1,771,697	807,345	1,602,899	710,746	119,993	43,089,723
2004	29,451,312	4,671,523	1,780,313	818,349	729,478	692,057	127,444	38,270,476
2003	24,428,142	3,830,741	1,548,822	564,149	504,444	660,875	82,972	31,620,145
2002	22,684,654	3,659,581	1,270,679	453,131	368,118	503,264	6,379	28,945,806

(1) - Starting in fiscal year 2011 communications tax is reported as an intergovernmental revenue.

COUNTY OF CULPEPER, VIRGINIA

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund				
Unreserved, designated for subsequent expenditures	\$ 974,489	\$ 728,048	\$ 384,276	\$ 1,271,174
Unreserved, designated for capital projects	2,000,000	2,000,000	2,500,000	3,515,262
Unreserved, undesignated	16,641,192	19,421,365	22,557,008	28,591,969
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 19,615,681</u>	<u>\$ 22,149,413</u>	<u>\$ 25,441,284</u>	<u>\$ 33,378,405</u>
All other governmental funds				
Unreserved, reported in:				
Capital projects funds (deficit)	\$ 2,129,387	\$ 1,691,736	\$ 2,673,991	\$ 3,209,396
Committed	-	-	-	-
Total all other governmental funds	<u>\$ 2,129,387</u>	<u>\$ 1,691,736</u>	<u>\$ 2,673,991</u>	<u>\$ 3,209,396</u>

The County implemented GASB 54, the new standard for fund balance reporting, in FY2011. Restatement of prior year balances is not feasible. Therefore, ten years of fund balance information in accordance with GASB 54 is not available, but will be accumulated over time.

Table 4

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	1,758,229	\$ 1,618,995	\$ 3,004,067	\$ 2,067,984	\$ 2,130,135	\$ -
	3,592,005	1,892,005	2,392,005	1,606,334	1,606,334	-
	31,589,504	33,394,462	21,012,107	20,630,986	22,342,047	-
	-	-	-	-	-	41,294
	-	-	-	-	-	79,313
	-	-	-	-	-	2,663,269
	-	-	-	-	-	4,175
	-	-	-	-	-	25,424,950
\$	<u>36,939,738</u>	<u>36,905,462</u>	<u>26,408,179</u>	<u>24,305,304</u>	<u>26,078,516</u>	<u>28,213,001</u>
\$	942,798	\$ 3,970,503	\$ 1,730,757	\$ (2,224,539)	\$ 979,708	\$ -
	-	-	-	-	-	151,354
\$	<u>942,798</u>	<u>3,970,503</u>	<u>1,730,757</u>	<u>(2,224,539)</u>	<u>979,708</u>	<u>151,354</u>

COUNTY OF CULPEPER, VIRGINIA

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	2002	2003	2004	2005
Revenues:				
General property taxes	\$ 22,575,874	\$ 24,445,197	\$ 29,211,381	\$ 32,807,959
Other local taxes	6,261,152	7,192,003	8,819,164	10,439,311
Permits, privilege fees and regulatory licenses	712,117	941,713	1,365,250	2,114,590
Fines and forfeitures	41,576	79,245	96,481	78,609
Revenue from use of money and property	558,458	417,562	342,699	890,239
Charges for services	812,323	1,041,748	1,467,586	1,656,244
Miscellaneous	614,260	375,177	493,592	593,142
Recovered costs	440,647	268,332	151,654	234,058
Intergovernmental:				
School Board Contribution to Primary Government	492,125	-	-	-
Commonwealth	8,613,011	8,842,861	9,135,443	9,437,555
Federal	4,069,872	4,042,061	4,319,666	5,806,041
Total revenues	\$ 45,191,415	\$ 47,645,899	\$ 55,402,916	\$ 64,057,748
Expenditures:				
General government administration	\$ 2,084,606	\$ 2,517,002	\$ 2,511,990	\$ 2,848,257
Judicial administration	1,542,471	1,592,045	1,715,860	1,939,838
Public safety	8,296,028	8,086,713	10,085,949	15,567,826
Public works	1,637,318	1,408,116	2,619,766	1,594,033
Health and welfare	7,677,139	8,274,809	10,051,059	10,578,388
Education	16,340,189	17,540,633	18,907,168	20,663,339
Parks, recreation, and cultural	910,902	963,445	1,152,737	5,154,782
Community development	881,217	886,467	923,585	1,097,985
Nondepartmental	70,825	-	-	-
Debt service:				
Principal retirement	1,518,820	2,072,871	2,065,422	2,218,067
Interest and other fiscal charges	1,523,903	1,997,050	1,771,917	1,643,638
Total expenditures	\$ 42,483,418	\$ 45,339,151	\$ 51,805,453	\$ 63,306,153
Excess (deficiency) of revenues over expenditures	\$ 2,707,997	\$ 2,306,748	\$ 3,597,463	\$ 751,595
Other financing sources (uses):				
Transfers in	\$ 3,421,923	\$ 900,064	\$ 2,065,500	\$ 878,232
Transfers (out)	(4,153,545)	(1,110,731)	(3,295,216)	(2,565,300)
Issuance of debt	(240,432)	-	2,045,098	9,408,000
Premium on bonds issued	-	-	-	-
Retirement of temporary financing	-	-	-	-
Total other financing sources (uses)	\$ (972,054)	\$ (210,667)	\$ 815,382	\$ 7,720,932
Net changes in fund balances	\$ 1,735,943	\$ 2,096,081	\$ 4,412,845	\$ 8,472,527
Debt service as a percentage of noncapital expenditures	7.16%	9.13%	7.71%	7.30%

Table 5

	2006	2007	2008	2009	2010	2011
\$	36,264,828	\$ 44,232,779	\$ 44,178,683	\$ 48,035,130	\$ 45,440,793	\$ 46,509,646
	11,101,087	9,780,716	9,155,369	8,844,267	8,791,222	6,766,837
	2,161,763	1,488,884	916,830	624,759	563,189	569,944
	60,453	96,752	52,278	90,718	77,962	62,947
	1,743,951	2,264,532	1,819,900	599,243	449,462	300,580
	1,811,526	1,824,721	2,971,328	2,724,504	2,369,853	2,377,101
	566,864	256,774	923,303	287,627	677,791	293,577
	96,416	173,423	219,596	264,157	258,658	270,126
	931,966	26,383,458	26,042,891	4,532,080	4,910,289	317,073
	10,336,751	10,996,233	12,275,773	12,028,450	12,815,210	14,091,483
	5,990,813	4,970,402	5,154,640	6,076,961	5,087,717	5,252,576
\$	<u>71,066,418</u>	<u>102,468,674</u>	<u>103,710,591</u>	<u>84,107,896</u>	<u>81,442,146</u>	<u>76,811,890</u>
\$	3,568,370	\$ 3,849,822	\$ 4,021,814	\$ 4,216,069	\$ 3,736,033	\$ 3,556,229
	2,074,360	2,327,462	2,511,337	2,529,996	2,434,963	2,788,266
	14,426,133	12,604,801	14,676,760	14,924,513	13,684,548	13,708,943
	2,794,585	3,359,350	3,776,003	4,450,069	2,353,642	2,115,634
	12,005,443	12,719,822	14,799,765	14,803,422	15,004,065	13,826,298
	86,810,240	58,987,181	59,897,360	35,121,032	29,906,138	28,611,381
	1,850,341	2,110,261	1,842,207	1,905,922	1,776,126	1,737,378
	1,285,455	1,219,129	1,454,190	1,908,497	1,441,024	1,590,180
	-	-	-	-	-	359,157
	2,340,953	2,584,746	2,652,946	3,944,953	4,369,831	4,415,162
	3,405,806	4,352,710	4,561,586	4,471,945	4,125,385	4,189,053
\$	<u>130,561,686</u>	<u>104,115,284</u>	<u>110,193,968</u>	<u>88,276,418</u>	<u>78,831,755</u>	<u>76,897,681</u>
\$	<u>(59,495,268)</u>	<u>(1,646,610)</u>	<u>(6,483,377)</u>	<u>(4,168,522)</u>	<u>2,610,391</u>	<u>(85,791)</u>
\$	2,102,435	\$ 5,719,630	\$ 4,026,294	\$ 257,500	\$ 288,933	\$ 288,933
	(3,981,313)	(8,579,591)	(10,279,946)	(2,147,149)	(1,989,375)	(1,989,375)
	62,668,881	7,500,000	-	7,500,000	11,425,000	11,425,000
	-	-	-	-	142,513	142,513
	-	-	-	(7,500,000)	(7,500,000)	(7,500,000)
\$	<u>60,790,003</u>	<u>4,640,039</u>	<u>(6,253,652)</u>	<u>(1,889,649)</u>	<u>2,367,071</u>	<u>2,367,071</u>
\$	<u>1,294,735</u>	<u>2,993,429</u>	<u>(12,737,029)</u>	<u>(6,058,171)</u>	<u>4,977,462</u>	<u>2,281,280</u>
	<u>4.99%</u>	<u>9.33%</u>	<u>9.21%</u>	<u>10.83%</u>	<u>11.05%</u>	<u>11.61%</u>

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Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes (1)	E-911 Taxes (1)	Taxes on Recordation and Wills	Vehicle License Taxes	Other Local Taxes (1)	Total
2002	\$ 22,575,874	\$ 3,659,581	\$ 1,270,679	\$ 453,131	\$ 368,118	\$ 503,264	\$ 6,379	28,837,026
2003	24,445,197	3,830,741	1,548,822	564,149	504,444	660,875	82,972	31,637,200
2004	29,211,381	4,671,523	1,780,313	818,349	729,478	692,057	127,444	38,030,545
2005	32,807,959	5,426,631	1,771,697	807,345	1,602,899	710,746	119,993	43,247,270
2006	36,264,828	5,525,376	2,005,108	841,571	1,866,077	737,060	125,896	47,365,916
2007	44,232,779	5,071,523	2,020,722	804,259	1,246,208	522,458	115,546	54,013,495
2008	44,178,683	5,103,979	2,067,744	888,885	875,739	61,738	157,284	53,334,052
2009	48,035,130	4,518,626	2,020,957	747,563	760,296	648,490	148,335	56,879,397
2010	45,440,793	4,670,002	1,983,855	750,680	538,548	701,177	146,960	54,232,015
2011	46,509,646	4,710,612	810,500	-	507,473	715,355	22,897	53,276,483

(1) - Starting in fiscal year 2011 communications tax is reported as an intergovernmental revenue.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Direct Tax Rate	Personal Property	Direct Tax Rate	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total
2001-02	\$ 1,911,199,400	\$ 0.88	\$ 281,868,312	\$ 2.50	\$ 3,335,500	\$ 85,457,408	\$ -	\$ 109,358,826	\$ 2,391,219,449
2002-03	1,992,958,160	0.92	349,665,282	2.50	3,586,900	72,912,837	-	106,588,172	2,525,711,354
2003-04	2,921,047,300	0.81	329,442,255	2.50	3,862,000	68,045,868	-	132,231,633	3,454,629,059
2004-05	3,066,157,290	0.89	342,808,625	2.50	3,947,400	63,700,993	-	98,285,489	3,574,899,800
2005-06	3,288,965,945	0.89	413,325,227	2.50	4,198,000	63,833,497	-	82,981,016	3,853,303,688
2006-07	3,569,349,706	0.89	461,389,729	3.50	4,328,700	69,929,639	-	70,651,384	4,175,649,162
2007-08	5,684,632,826	0.56	465,336,481	3.50	3,258,200	78,284,880	-	130,007,368	6,361,519,759
2008-09	5,747,238,496	0.61	482,347,707	3.50	3,129,900	84,569,648	-	145,637,364	6,462,923,119
2009-10	5,169,795,493	0.65	436,200,596	3.50	2,988,600	85,458,768	-	163,102,988	5,857,546,449
2010-11	5,144,951,484	0.65	459,950,654	3.50	2,942,500	80,056,700	-	183,217,885	5,871,119,227

(1) All amounts are at 100% fair market value

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property	Machinery and Tools	Merchants' Capital
2001-02	\$ 0.88	\$ 2.50	\$ 2.00	\$ -
2002-03	0.92	2.50	2.00	-
2003-04	0.81	2.50	2.00	-
2004-05	0.89	2.50	2.00	-
2005-06	0.89	2.50	2.00	-
2006-07 (2)	0.89	3.50	2.00	-
2007-08 (2)	0.56	3.50	2.00	-
2008-09 (2)	0.61	3.50	2.00	-
2009-10 (2)	0.65	3.50	2.00	-
2010-11 (2)	0.65	3.50	2.00	-

(1) Per \$100 of assessed value

(2) In fiscal year 2006-07 the Board of Supervisors split the personal property rate between recreational, aircraft and non-recreational. The recreational PP rate is \$2.50; the aircraft rate is \$.63 and the non-recreational rate is \$3.50.

Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2011			2002		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Terremark	Manufacturing	\$ 46,812,126	1	0.72%	\$ n/a	n/a	n/a
Continental Teves	Manufacturing	42,761,070	2	0.66%	25,289,360	2	1.06%
SWIFT, Inc.	Communications	40,913,338	3	0.63%	34,831,961	1	1.46%
Wal-Mart	Retail	13,049,299	4	0.20%	8,605,000	6	0.36%
Masco Builder Cabinet Group	Manufacturing	9,969,284	5	0.15%	n/a	n/a	n/a
Culpeper Farmer's Co-op	Cooperative	8,927,667	6	0.14%	n/a	n/a	n/a
Rochester Corp	Cable Manufacturer	8,496,301	7	0.13%	13,719,738	3	0.57%
Target	Retail	8,493,718	8	0.13%	n/a	n/a	n/a
Lowes	Retail	7,873,331	9	0.12%	n/a	n/a	n/a
Builders First Source	Retail	6,978,962	10	0.11%	n/a	n/a	n/a
Domion Square	Shopping Center	n/a	n/a	n/a	8,642,400	5	0.36%
Packard Humanities	Manufacturing	n/a	n/a	n/a	12,841,800	4	0.54%
Communications Corp. of America	Consulting/mail services	n/a	n/a	n/a	6,838,818	7	0.29%
Key Corp. Capital	Leasing	n/a	n/a	n/a	6,720,594	8	0.28%
Culpeper Commons, LP	Furniture Mfg.	n/a	n/a	n/a	6,167,900	9	0.26%
PNC Leasing	Leasing	n/a	n/a	n/a	5,976,924	10	0.25%
Totals		\$ 194,275,096		3.01%	\$ 129,634,495		5.42%

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Collected within the Fiscal Year of the Levy		Delinquent (1) Tax (2) Collections	Total Collections to Date	
		Amount (1)(3)	Percent of Levy		Amount (1)	Percent of Levy
2001-02	\$ 25,171,456	\$ 24,210,243	96.18%	892,604	\$ 25,102,847	99.73%
2002-03	27,954,349	26,484,236	94.74%	1,354,462	27,838,698	99.59%
2003-04	31,558,554	31,079,517	98.48%	376,681	31,456,198	99.68%
2004-05	35,078,394	34,416,374	98.11%	562,773	34,979,147	99.72%
2005-06	38,550,624	37,955,740	98.46%	455,349	38,411,089	99.64%
2006-07	47,041,990	45,981,659	97.75%	890,929	46,872,588	99.64%
2007-08	47,790,504	45,702,905	95.63%	1,745,698	47,448,603	99.28%
2008-09	51,559,488	49,120,376	95.27%	1,782,402	50,902,778	98.73%
2009-10	48,609,356	46,285,974	95.22%	1,377,295	47,663,269	98.05%
2010-11	49,411,286	47,149,308	95.42%	-	47,149,308	95.42%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes revenue from the Commonwealth for Personal Property Tax Relief Act.

COUNTY OF CULPEPER, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					
	County General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Literary Loans	School Lease Revenue Bonds	School General Obligation Bonds
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,047,488
2003	-	-	-	-	-	31,997,685
2004	2,000,000	-	-	-	-	30,615,263
2005	3,437,827	8,385,000	-	-	-	28,459,369
2006	3,320,794	8,121,388	7,500,000	-	54,200,000	26,313,341
2007	3,191,917	7,807,970	15,000,000	-	54,200,000	24,170,890
2008	3,058,050	7,482,945	15,000,000	-	54,200,000	21,976,836
2009	2,918,998	7,145,882	7,500,000	7,500,000	52,955,000	19,752,998
2010	2,774,560	10,721,334	-	14,625,000	51,670,000	17,537,153
2011	2,624,526	10,228,841	-	13,875,000	50,340,000	15,844,518

(1) Weldon Cooper Website

Table 11

<u>Business-Type Activities</u>							
<u>Lease Revenue Bonds</u>	<u>Notes Payable</u>	<u>Total Primary Government</u>	<u>Personal Income (1) (amounts expressed in thousands)</u>	<u>Percentage of Personal Income</u>	<u>Population (1)</u>	<u>Per Capita</u>	
\$ 2,519,056	\$ -	\$ 36,566,544	\$ 1,012,658	3.61%	36,893	\$ 991	
2,380,509	-	34,378,194	1,081,190	3.18%	38,585	891	
2,234,467	-	34,849,730	1,163,567	3.00%	40,151	868	
2,080,524	150,000	42,512,720	1,287,136	3.30%	43,154	985	
1,918,252	120,000	101,493,775	1,397,986	7.26%	45,000	2,255	
1,747,201	90,000	106,207,978	1,453,905	7.31%	48,074	2,209	
1,566,896	60,000	103,344,727	1,512,062	6.83%	46,085	2,242	
1,376,837	30,000	99,179,715	1,491,076	6.65%	47,517	2,087	
1,176,496	-	98,504,543	1,540,742	6.39%	47,938	2,055	
965,316	-	93,878,201	1,553,966	6.04%	47,040	1,996	

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)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2001-02	36,893	\$ 2,391,219,449	\$ 34,047,488	1.42%	\$ 923
2002-03	38,585	2,525,711,354	31,997,685	1.27%	829
2003-04	40,151	3,454,629,059	32,615,263	0.94%	812
2004-05	43,154	3,574,899,800	31,897,196	0.89%	739
2005-06	45,000	3,853,303,688	93,873,775	2.44%	2,086
2006-07	48,074	4,175,649,162	91,117,978	2.18%	1,895
2007-08	46,085	6,361,519,759	88,284,727	1.39%	1,916
2008-09	47,517	6,462,923,119	91,649,715	1.42%	1,929
2009-10	47,938	5,857,546,449	98,504,543	1.68%	2,055
2010-11	47,040	5,871,119,227	93,878,201	1.60%	1,996

(1) Bureau of the Census.

(2) From Table 7

(3) Includes all long-term General Obligation Bonded Debt, Bond Anticipation Notes, and Literary Fund loans. Excludes revenue bonds, capital leases, and compensated absences.

Computation of Direct and Overlapping Bonded Debt
 At June 30, 2011

Direct:(1)

County of Culpeper, Virginia	\$	98,504,543	100%	\$	98,504,543
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The County of Culpeper has no overlapping debt.

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (2)</u>	<u>Personal Income (3) (amounts expressed in thousands)</u>	<u>Per Capita Personal Income (2)</u>
2001-02	36,893	5,777	2.10%	1,012,658	27,449
2002-03	38,585	6,002	3.50%	1,081,190	28,146
2003-04	40,151	6,260	2.60%	1,163,567	29,996
2004-05	43,154	6,408	3.20%	1,287,136	30,689
2005-06	45,000	6,893	3.20%	1,287,136	31,649
2006-07	48,074	7,194	3.20%	1,453,905	32,915
2007-08	46,085	7,232	5.10%	1,512,062	34,232
2008-09	47,517	7,223	8.30%	1,491,076	32,703
2009-10	47,938	7,416	8.00%	1,540,742	33,303
2010-11	47,040	7,474	6.40%	1,553,866	33,035

(1) U. S. Census Bureau

(2) Virginia Employment Commission

(3) Weldon Cooper Website

Principal Employers
Current Year and Five Years Ago

Employer	Fiscal Year 2011			Fiscal Year 2006		
	Employees	% of Total County Employment	Rank	Employees	% of Total County Employment	Rank
Culpeper County Public Schools	1,490	10.32%	1	1,183	6.33%	1
Culpeper Regional Hospital	600	4.16%	2	600	3.21%	2
Wal Mart	598	4.14%	3	438	2.34%	3
S.W.F.T	n/a	n/a	n/a	400	2.14%	5
County of Culpeper	400	2.77%	4	350	1.87%	4
Builder's First Source	370	2.56%	5	300	1.61%	8
Coffeewood Correctional Center	350	2.42%	6	350	1.87%	6
Merillat Industries, Inc.	340	2.36%	7	340	1.82%	7
Continental Automotive	316	2.19%	8	n/a	n/a	n/a
Contintental Teves	316	2.19%	8	n/a	n/a	n/a
Va. Dept. of Transportation	284	1.97%	9	284	1.52%	9
Cintas	265	1.84%	10	265	1.42%	10
Total	<u>5,329</u>			<u>4,510</u>		
Total County	<u>14,436</u>			<u>18,689</u>		

Source: Virginia Employment Commission

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	29	28	31	38	39	40	45	44	40	39
Judicial administration	28	28	28	28	29	33	33	33	34	33
Public safety										
Sheriffs department	70	73	76	77	76	90	90	90	83	84
E911	15	15	15	17	17	20	20	18	19	19
Fire & rescue/emergency services	6	7	9	11	11	24	24	24	24	24
Building inspections	8	8	11	13	13	17	17	14	14	3
Animal control	5	8	9	10	10	10	10	10	10	8
Public works										
General maintenance	6	5	2	3	3	5	5	3	3	3
Landfill	4	4	4	4	5	6	6	6	6	6
Water & Sewer	1	1	1	1	1	1	2	5	7	3
Health and welfare (Options/CSA)										
Department of social services	2	2	2	3	3	3	4	3	4	4
	52	84	80	86	86	98	100	100	94	89
Culture and recreation										
Parks and recreation	3	4	4	4	5	5	5	5	5	3
Library	5	5	5	5	5	7	7	7	7	7
Community development										
Planning	6	6	6	7	7	7	7	7	6	6
Economic Development	2	2	2	2	2	2	2	2	2	2
Airport	2	2	2	2	2	2	2	1	1	1
Totals	<u>244</u>	<u>282</u>	<u>287</u>	<u>311</u>	<u>314</u>	<u>370</u>	<u>379</u>	<u>372</u>	<u>359</u>	<u>334</u>

Source: FY adopted budgets

Operating Indicators by Function
Last Ten Fiscal Years

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Sheriff	Physical arrests	2,223	2,558	2,416	2,644	2,658	2,908	1,273	1,612	730	922
	Traffic violations	1,935	1,984	1,468	1,306	2,733	2,011	1,248	2,651	1,914	1,287
Fire Protection	Number of stations	7	7	7	7	7	7	7	7	7	7
Community Development	Residential building permits	513	530	829	1,091	757	1,440	167	163	66	117
Parks & Recreation	Number of parks & recreation facilities	3	3	3	3	3	3	3	7	7	7
	Number of libraries	1	1	1	1	1	1	1	1	1	1

Source: Individual county departments

Capital Asset Statistics by Function
Last Nine Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government									
Administration buildings	1	1	1	1	1	1	1	1	1
Public safety									
Sheriffs department:									
Stations	1	1	1	1	1	1	1	1	1
Vehicles	17	32	38	42	42	51	50	65	84
Animal control:									
Buildings	1	1	1	1	1	1	1	1	1
Public works									
General maintenance:									
Trucks/vehicles	2	3	3	3	3	4	4	3	5
Landfill:									
Vehicles	1	1	1	1	1	1	1	2	1
Equipment	4	4	4	4	5	5	5	7	12
Sites	1	1	1	1	1	1	1	1	1
Health and welfare									
Department of Social Services:									
Vehicles	3	3	3	3	3	3	3	3	4
Culture and recreation									
Parks and recreation:									
Vehicles	4	4	4	4	4	4	2	2	2
Parks acreage (or playing fields)	1	1	1	1	3	3	3	3	3
Community development									
Planning:									
Vehicles	0	0	0	0	0	0	0	0	0
Component Unit - School Board									
Education:									
Schools	8	8	8	8	8	8	8	10	10
School buses	NA	129	136						

NA - Not available

Source: Individual county departments

Note: Information not available prior to 2003

**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 Culpeper, Virginia**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Culpeper, Virginia's basic financial statements and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Culpeper, 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 Culpeper, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Culpeper, 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 Culpeper, 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
December 19, 2011

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's 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 Culpeper, Virginia

Compliance

We have audited County of Culpeper, 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, 2011. The County of Culpeper, 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 Culpeper, Virginia's management. Our responsibility is to express an opinion on County of Culpeper, 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 Culpeper, 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 Culpeper, Virginia's compliance with those requirements.

In our opinion, the County of Culpeper, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of County of Culpeper, 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 County of Culpeper, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of 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
December 19, 2011

COUNTY OF CULPEPER, VIRGINIA

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

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government:			
Department of Agriculture:			
Pass through payments:			
Department of Social Services:			
SNAP Cluster:			
State administration matching grants for supplemental nutrition assistance programs	10.561	0010109/0010110/0040109/0040110	\$ 521,641
ARRA-State administration matching grants for supplemental nutrition assistance programs	10.561	0010109/0010110/0040109/0040110	22,800
			<u>\$ 544,441</u>
Food distribution	10.559	N/A	2,114
Child and adult care food program	10.558	N/A	<u>262,762</u>
Total Department of Agriculture			<u>\$ 809,317</u>
Department of Energy:			
Direct Payments:			
ARRA-Energy efficiency and conservation block grant program	81.128	N/A	<u>\$ 194,062</u>
Department of Health and Human Services:			
Direct Payments:			
Head Start Cluster:			
Head start	93.600	N/A	\$ 1,031,278
ARRA-Head start	93.708	N/A	52,309
Pass Through Payments:			
Department of Social Services:			
Promoting safe and stable families	93.556	0950109/0950110	4,638
Temporary assistance for needy families	93.558	0400109/0400110	444,736
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	1,011
Low income home energy assistance	93.568	0600409/0600410	14,226
Child Care and Development Cluster:			
Child care and development block grant	93.575	0770109/0770110	527,010
Child care mandatory and matching funds of the child care and development fund	93.596	0760109/0760110	253,585
ARRA-Child care and development block grant	93.713	0740109/0780109	32,272
Chafee education and training vouchers program	93.599	9160108/9160109	2,102
Child welfare services - state grants	93.645	0900109	1,301
Foster care - Title IV-E	93.658	1100109/1100110	582,167
ARRA-Foster care - Title IV-E	93.658	1100109/1100110	35,598
			<u>617,765</u>
Adoption assistance	93.659	1120109/1120110	179,868
ARRA-Adoption assistance	93.659	1120109/1120110	11,769
			<u>191,637</u>
Social services block grant	93.667	1000109/1000110	198,060
Chafee foster care independence program	93.674	915108/9150109/9150110	11,659
Children's health insurance program	93.767	0540109/0540110	14,829
Medical assistance program	93.778	1200109/1200110	<u>317,277</u>
Total pass through payments			<u>\$ 2,632,108</u>
Total Department of Health and Human Services			<u>\$ 3,715,695</u>

COUNTY OF CULPEPER, VIRGINIA

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

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government: (Continued)			
Department of Labor:			
Pass Through Payments:			
Virginia Employment Commission:			
Welfare investment act--adult program	17.258		\$ <u>301,442</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Crime victim assistance	16.575	09VAGX0007	\$ 52,800
ARRA-Internet crimes against children task force program	16.800	N/A	4,803
State criminal alien assistance program	16.606	N/A	9,562
Bulletproof vest partnership program	16.607	N/A	6,523
Second chance act prisoner reentry initiative	16.812	N/A	17,866
Violence against women formula grants	16.588	08WFAX0050	<u>34,921</u>
Total Department of Justice			\$ <u>126,475</u>
Department of Transportation:			
Direct Payments:			
Airport improvement program	20.106	N/A	\$ 29,998
Pass through payments:			
Virginia Department of Transportation:			
Alcohol open container requirements	20.607	154AL1151137	16,530
Highway planning and construction	20.205	N/A	33,390
Alcohol traffic safety and drunk driving prevention	20.601	K81050157	<u>3,657</u>
Total Department of Transportation			\$ <u>83,575</u>
Election Assistance Commission:			
Pass through payments:			
Virginia Election Commission:			
Help America vote act	90.401	n/a	\$ <u>6,600</u>
Department of Homeland Security:			
Pass through payments:			
Department of Emergency Management:			
Emergency management performance grant	97.042	N/A	\$ <u>34,050</u>
Total Department of Homeland Security			\$ <u>34,050</u>
Total Expenditures of Federal Awards-Primary Government			\$ <u><u>5,271,216</u></u>
Component Unit School Board:			
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution -- Schools	10.555	N/A	\$ 170,949
Department of Education:			
Child Nutrition Cluster:			
National school lunch program	10.555	10.555/2009/2010	<u>1,229,152</u>
			\$ 1,400,101
National school breakfast program	10.553	10.553/2009/2010	<u>372,645</u>
Total Department of Agriculture			\$ <u>1,772,746</u>

COUNTY OF CULPEPER, VIRGINIA

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

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Component Unit School Board: (Continued)			
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title 1 Cluster:			
Title 1 grants to local educational agencies	84.010	S010A080046/S010A070046/S010A090046	\$ 1,578,697
ARRA-Title 1 grants to local educational agencies	84.389	S389A090046	94,036
Special Education Cluster:			
Special education - grants to states	84.027	H027A090107/H027A080107	1,608,920
ARRA- Special education - grants to states	84.391	H391A090107	1,208,540
Special education - preschool grants	84.173	H173A080112/H173A090112	41,494
ARRA-Special education - preschool grants	84.392	H392A090112	31,997
Vocational education program improvement --			
Career and technical education -- basic grants to states	84.048	V048A090046/VA048A070046	93,849
Special Projects:			
English language acquisition grants	84.365	T365A080046/S365A090046	46,744
Education Technology Cluster:			
Education technology state grants	84.318	S318X080046/S318X090046	8,718
ARRA-Education technology state grants	84.386	S386A090046	2,113
Improving teacher quality state grants	84.367	S367A090044/S367A080044	172,913
ARRA-School improvement grants	84.388	na	25,775
ARRA-State fiscal stabilization funds-education state grants	84.394	S394A090047	826,713
ARRA-Education Jobs Fund	84.410	S410A100047	<u>194,261</u>
Total Department of Education			\$ <u>5,934,770</u>
Total Expenditures of Federal Awards-Component Unit School Board			\$ <u>7,707,516</u>
Total Expenditures of Federal Awards-Reporting Entity			\$ <u><u>12,978,732</u></u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Culpeper, Virginia under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Culpeper, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Culpeper, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 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	\$ 5,252,576
Airport Fund	<u>63,387</u>

Total primary government	\$ <u>5,315,963</u>
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Component Unit Public Schools:

School Operating Fund	\$ 5,934,770
School Cafeteria Fund	<u>1,772,746</u>
Total component unit public schools	\$ <u>7,707,516</u>

Total federal expenditures per basic financial statements	\$ <u>13,023,479</u>
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Less federal subsidy	\$ <u>44,747</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>12,978,732</u></u>
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COUNTY OF CULPEPER, VIRGINIA

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

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173/84.391/84.392	Special Education Cluster
84.394	ARRA-State Fiscal Stabilization Fund - education state grants
10.553/10.555	Child Nutrition Cluster
81.128	ARRA-Energy Efficiency and Conservation Block Grant Program
84.410	ARRA-Education Jobs Fund
93.558	Temporary Assistance for Needy Families
93.575/93.596/93.713	Child Care and Development Cluster
93.658	Foster Care

Dollar threshold used to distinguish between Type A and Type B programs	\$389,362
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Audit Findings

None

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