

COUNTY OF MADISON, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

COUNTY OF MADISON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

COUNTY OF MADISON, VIRGINIA

Financial Report
Year Ended June 30, 2013

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COUNTY OF MADISON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2013

BOARD OF SUPERVISORS

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

Jerry J. Butler

Peter J. Elliott

Jonathon Weakley

DEPARTMENT OF SOCIAL SERVICES BOARD

Norris John, Chairman
Janet S. Lohr, Vice-Chair

Margaret Gilley

Joseph Goodall

Jerry J. Butler

MADISON COUNTY SCHOOL BOARD

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

Martin Boone

Tanya Taylor

Doreen G. Jenkins

OTHER OFFICIALS

Daniel R. Bouton.....	Judge of the Circuit Court
Linda Parrish	Clerk of the Circuit Court
Dale Durrer	Judge of the General District Court
Edward DeJ. Berry	Judge of the Juvenile & Domestic Relations Court
(Vacant)	Judge of the Juvenile & Domestic Relations Court
George S. Webb, III	Commonwealth's Attorney
Gale Harris	Commissioner of the Revenue
Stephanie Murray	Treasurer
Erik Weaver	Sheriff
Matthew Eberhardt.....	Superintendent of Schools
Elizabeth Patterson	Clerk of the School Board
Valerie Ward	Director of Social Services
Ernest C. Hoch	County Administrator

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Madison, Virginia, as of and for the year ended Financial June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Madison, Virginia, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule 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 required supplementary information 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Madison, Virginia's basic financial statements. The other supplementary information, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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.

Other Information (continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014, on our consideration of the County of Madison, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Madison, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
February 18, 2014

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
At June 30, 2013

	Primary Government	Component Unit
	Governmental Activities	School Board
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 18,256,413	\$ 2,181,297
Receivables (net of allowance for uncollectibles):		
Property taxes	6,211,993	-
Accounts receivable	223,521	41,759
Inventory	-	21,290
Due from other governments	779,343	558,545
Due from Primary Government	516,250	403,410
Total Current Assets	<u>\$ 25,987,520</u>	<u>\$ 3,206,301</u>
Noncurrent Assets:		
Capital assets:		
Land and construction in progress	\$ 2,425,775	\$ 321,620
Buildings and equipment, net of depreciation	15,479,071	5,456,319
Total Noncurrent Assets	<u>\$ 17,904,846</u>	<u>\$ 5,777,939</u>
Total Assets	<u>\$ 43,892,366</u>	<u>\$ 8,984,240</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 460,271	\$ 534,252
Amounts held for others	49,249	-
Unearned revenue - performance bonds	118,550	-
Accrued liabilities	-	1,803,813
Due to Component Unit	403,410	516,250
Accrued interest payable	145,448	-
Current portion of long-term obligations	1,003,339	88,449
Total Current Liabilities	<u>\$ 2,180,267</u>	<u>\$ 2,942,764</u>
Noncurrent Liabilities:		
Noncurrent portion of long-term obligations	13,647,110	557,206
Total Liabilities	<u>\$ 15,827,377</u>	<u>\$ 3,499,970</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenues - taxes	<u>\$ 5,437,072</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 12,956,683	\$ 5,678,038
Unrestricted	9,671,234	(193,768)
Total Net Position	<u>\$ 22,627,917</u>	<u>\$ 5,484,270</u>
Total Liabilities, Deferred Inflows or Resources and Net Position	<u>\$ 43,892,366</u>	<u>\$ 8,984,240</u>

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

Statement of Activities
Year Ended June 30, 2013

					Net (Expense)	
					Revenue and	
					Changes in	
					Net Position	
		Program Revenues			Primary	Component
		Charges	Operating	Capital	Government	Unit
Functions/Programs	Expenses	for	Grants and	Grants and	Governmental	School
		Services	Contributions	Contributions	Activities	Board
PRIMARY GOVERNMENT:						
Governmental activities:						
General government						
administration	\$ 1,444,310	\$ -	\$ 186,018	\$ -	\$ (1,258,292)	\$ -
Judicial administration	1,259,543	214,472	362,017	-	(683,054)	-
Public safety	5,044,642	487,143	863,849	-	(3,693,650)	-
Public works	1,134,355	129,462	60,252	-	(944,641)	-
Health and welfare	4,639,198	-	2,830,045	-	(1,809,153)	-
Education	7,736,750	-	-	-	(7,736,750)	-
Parks, recreation, and cultural	430,365	117,268	-	-	(313,097)	-
Community development	483,237	-	-	-	(483,237)	-
Interest on long-term debt	226,396	-	-	-	(226,396)	-
Total governmental activities	\$ 22,398,796	\$ 948,345	\$ 4,302,181	\$ -	\$ (17,148,270)	\$ -
COMPONENT UNIT:						
School Board	\$ 18,993,542	\$ 366,103	\$ 10,508,702	\$ -	\$ -	\$ (8,118,737)
General revenues:						
General property taxes				\$ 14,158,939	\$ -	
Local sales and use tax				856,431	-	
Consumers' utility taxes				321,273	-	
Motor vehicle licenses				423,225	-	
Restaurant food taxes				341,365	-	
Other local taxes				418,580	-	
Unrestricted revenues from use of money and property				112,497	34,052	
Miscellaneous				613,492	295,638	
Grants and contributions not restricted to specific programs				1,749,093	-	
County contribution to School Board				-	7,673,746	
Total general revenues				\$ 18,994,895	\$ 8,003,436	
Change in net position				\$ 1,846,625	\$ (115,301)	
Net position - beginning				20,781,292	5,599,571	
Net position - ending				\$ 22,627,917	\$ 5,484,270	

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

Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2013

	General Fund	Capital Improvement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 7,776,872	\$ 10,479,541	\$ 18,256,413
Receivables (Net of allowance for uncollectibles):			
Taxes, including penalties	6,211,993	-	6,211,993
Accounts receivable	223,521	-	223,521
Note receivable	-	-	-
Due from component unit	516,250	-	516,250
Due from other governmental units	779,343	-	779,343
Total assets	<u>\$ 15,507,979</u>	<u>\$ 10,479,541</u>	<u>\$ 25,987,520</u>
LIABILITIES			
Accounts payable	\$ 460,271	\$ -	\$ 460,271
Amounts held for others	49,249	-	49,249
Unearned revenue - performance bonds	118,550	-	118,550
Due to component unit	-	403,410	403,410
Total liabilities	<u>\$ 628,070</u>	<u>\$ 403,410</u>	<u>\$ 1,031,480</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	<u>\$ 6,173,612</u>	<u>\$ -</u>	<u>\$ 6,173,612</u>
FUND BALANCES			
Restricted	\$ -	\$ 8,698,915	\$ 8,698,915
Committed	-	1,377,216	1,377,216
Unassigned	<u>8,706,297</u>	<u>-</u>	<u>8,706,297</u>
Total fund balances	<u>\$ 8,706,297</u>	<u>\$ 10,076,131</u>	<u>\$ 18,782,428</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,507,979</u>	<u>\$ 10,479,541</u>	

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

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 position includes those capital assets among the assets of the County as a whole.

17,904,846

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

(145,448)

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 unavailable revenues in the governmental funds and thus are not included in the fund balance.

736,540

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 position.

(14,650,449)

Net position of general government activities

\$ 22,627,917

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, 2013

	General	Capital Improvement	Total
Revenues:			
General property taxes	\$ 14,250,356	\$ -	\$ 14,250,356
Other local taxes	2,360,874	-	2,360,874
Permits, privilege fees and regulatory licenses	161,826	-	161,826
Fines and forfeitures	164,756	-	164,756
Revenue from use of money and property	112,497	-	112,497
Charges for services	621,763	-	621,763
Miscellaneous	438,975	174,517	613,492
Intergovernmental:			
Commonwealth	5,260,134	-	5,260,134
Federal	791,140	-	791,140
Total revenues	\$ 24,162,321	\$ 174,517	\$ 24,336,838
Expenditures:			
Current:			
General government administration	\$ 1,265,783	\$ -	\$ 1,265,783
Judicial administration	763,682	-	763,682
Public safety	4,869,780	-	4,869,780
Public works	1,146,436	-	1,146,436
Health and welfare	4,454,921	-	4,454,921
Education	7,526,025	890,458	8,416,483
Parks, recreation, and cultural	360,431	-	360,431
Community development	481,924	-	481,924
Nondepartmental	130,309	-	130,309
Capital projects	-	2,910	2,910
Debt service:			
Principal retirement	2,398,213	-	2,398,213
Interest and other fiscal charges	133,710	-	133,710
Total expenditures	\$ 23,531,214	\$ 893,368	\$ 24,424,582
Excess (deficiency) of revenues over (under) expenditures	\$ 631,107	\$ (718,851)	\$ (87,744)
Other Financing Sources (uses):			
Issuance of long-term debt	\$ 1,033,022	\$ 9,729,478	\$ 10,762,500
Transfers in	-	500,000	500,000
Transfers (out)	(500,000)	-	(500,000)
Total other financing sources (uses)	\$ 533,022	\$ 10,229,478	\$ 10,762,500
Net change in fund balances	\$ 1,164,129	\$ 9,510,627	\$ 10,674,756
Fund balances at beginning of year	7,542,168	565,504	8,107,672
Fund balances at end of year	\$ 8,706,297	\$ 10,076,131	\$ 18,782,428

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2013

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	10,674,756
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment:		
Capital outlay	\$ 1,030,707	
Depreciation expense	<u>(856,804)</u>	173,903
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		(174,517)
Transfer of joint tenancy assets from Primary Government to the Component Unit		(217,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes.		(91,417)
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. A summary of items supporting this adjustment is as follows:		
Principal retired on VML/VACO loan	\$ 2,020,000	
Principal retired on capital lease	68,213	
Issuance of public facility lease revenue bond	(10,762,500)	
Principal retired on state literary fund loan	<u>310,000</u>	(8,364,287)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in compensated absences	\$ (62,720)	
Change in net OPEB obligation	(20,000)	
Change in landfill closure liability	20,593	
Change in accrued interest payable	<u>(92,686)</u>	(154,813)
Change in net position of governmental activities	\$	<u><u>1,846,625</u></u>

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

Statement of Fiduciary Net Position --
Fiduciary Funds
At June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 31,434
Accounts receivable	<u>290</u>
Total assets	\$ <u><u>31,724</u></u>
LIABILITIES	
Amounts held for others	\$ <u>31,724</u>
Total liabilities	\$ <u><u>31,724</u></u>

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

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements At June 30, 2013

Note 1 - Summary of Significant Accounting Policies:

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

The financial statements of the County of Madison, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

Government-wide and Fund Financial Statements:

Government-wide Financial Statements:

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position:

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

Statement of Activities:

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements At June 30, 2013 (Continued)

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

Fund Financial Statements:

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

Budgetary Comparison Schedules:

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Madison, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Units: The County has no blended component units to be included for the fiscal year ended June 30, 2013.

Discretely Presented Component Unit: The School Board operates the County Public School System. Members are currently elected by popular vote. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2013.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

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

B. Individual Component Unit Disclosures (Continued)

The Madison County School Board has the following funds:

Governmental Funds:

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

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

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

School Capital Fund - This fund accounts for and reports for the school capital projects. The school capital fund is considered a major fund for financial reporting purposes.

School Textbook Fund - This fund accounts for and reports for the school textbook funds.

C. Other Related Organizations

Included in the County's Financial Statements: None

D. Other Related Organizations

Excluded from the County's Financial Statements:

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

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

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

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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

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

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

1. Governmental Funds:

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

a. General Fund

The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board.

b. Capital Improvement Fund

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

2. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. The County's only Agency Fund is the Special Welfare Fund.

F. Budgets and Budgetary Accounting

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

1. The County Administrator submits to the Board of Supervisors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

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

F. Budgets and Budgetary Accounting (Continued)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Capital Improvement Fund, School Fund and School Cafeteria Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.
9. Expenditures exceeded appropriation's for CSA by \$762,575 and School Food by \$213,801 for the year ended June 30, 2013.

G. Cash and Cash Equivalents

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

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

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

H. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$265,039 at June 30, 2013 and is comprised solely of property taxes.

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

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements At June 30, 2013 (Continued)

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

I. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. There are no business-type activities reported for Madison County.

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

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

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

K. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

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

K. Long-term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Use of Estimates

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

M. Fund Balances

Financial Policies

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

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

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

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

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

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

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

M. Fund Balances (Continued)

Financial Policies (Continued)

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

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

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

Category	General Fund	Capital Projects Fund	Component Unit School Board
Nonspendable:			
Inventory	\$ -	\$ -	\$ 21,290
Total Nonspendable	\$ -	\$ -	\$ 21,290
Restricted:			
School Lottery Funds	\$ -	\$ -	\$ 1,891
Unspent bond proceeds - school projects		8,698,915	-
School Textbook Funds	-	-	39,007
Total Restricted	\$ -	\$ 8,698,915	\$ 40,898
Committed:			
Capital Projects	\$ -	\$ 1,377,216	\$ -
School Operations	-	-	1,000
Cafeteria	-	-	322,935
Total Committed	\$ -	\$ 1,377,216	\$ 323,935
Unassigned	\$ 8,706,297	\$ -	\$ (34,137)
Total Fund Balance	\$ 8,706,297	\$ 10,076,131	\$ 351,986

N. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

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

O. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred amount on refunding reported in the government-wide statement of net position.

The statement of financial position also reports deferred inflows of resources. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. This also includes uncollected property taxes due prior to June 30. Under the accrual basis, 2nd amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

Q. Adoption of Accounting Principles

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements At June 30, 2013 (Continued)

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

Q. Adoption of Accounting Principles: (Continued)

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Note 2 - Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

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

The County's rated debt investments as of June 30, 2013 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
U.S. Government Securities	\$ 63,077
Local Government Investment Pool	1,006,969
Total	\$ 1,070,046

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

Note 2 - Deposits and Investments: (Continued)

External Investment Pool

The fair values of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	Greater than 10 years
U.S. Government Securities	\$ 63,077	\$ 63,077

Note 3 - Due From Other Governmental Units:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 156,432	\$ -
Public assistance and welfare administration	45,249	-
State sales tax	-	334,046
Comprehensive services	264,540	-
Recordation tax	9,487	-
Communications tax	93,975	-
Shared expenses	140,862	-
Other state funds	15,057	-
Federal Government:		
School funds	-	200,219
School food	-	24,280
Public assistance and welfare administration	53,741	-
Totals	\$ 779,343	\$ 558,545

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

Note 4 - Capital Assets:

The following is a summary of capital assets for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Primary Government:				
Capital assets not being depreciated:				
Land	\$ 1,419,418	\$ -	\$ -	\$ 1,419,418
Construction in progress-Jointly Owned	-	958,733	-	958,733
Construction in progress	22,624	25,000	-	47,624
Total capital assets not being depreciated	\$ 1,442,042	\$ 983,733	\$ -	\$ 2,425,775
Capital assets being depreciated:				
Buildings and improvements	\$ 16,760,617	\$ -	\$ 174,517	\$ 16,586,100
Equipment (including vehicles)	2,861,846	46,974	44,000	2,864,820
Jointly owned assets	2,790,000	-	310,000	2,480,000
Total capital assets being depreciated	\$ 22,412,463	\$ 46,974	\$ 528,517	\$ 21,930,920
Less accumulated depreciation:				
Buildings and improvements	\$ (2,800,088)	\$ (609,442)	\$ -	\$ (3,409,530)
Equipment (including vehicles)	(2,094,958)	(185,362)	(44,000)	(2,236,320)
Jointly owned assets	(836,999)	(62,000)	(93,000)	(805,999)
Total accumulated depreciation	\$ (5,732,045)	\$ (856,804)	\$ (137,000)	\$ (6,451,849)
Net capital assets being depreciated	\$ 16,680,418	\$ (809,830)	\$ 391,517	\$ 15,479,071
Net capital assets	\$ 18,122,460	\$ 173,903	\$ 391,517	\$ 17,904,846
Component Unit - School Board:				
Capital assets not being depreciated:				
Land	\$ 109,803	\$ -	\$ -	\$ 109,803
Construction in progress	-	211,817	-	211,817
Total capital assets not being depreciated	\$ 109,803	\$ 211,817	\$ -	\$ 321,620
Capital assets being depreciated:				
Buildings and improvements	\$ 4,848,695	\$ -	\$ -	\$ 4,848,695
Equipment (including vehicles)	3,252,459	359,477	24,400	3,587,536
Jointly owned assets	5,750,889	310,000	-	6,060,889
Total capital assets being depreciated	\$ 13,852,043	\$ 669,477	\$ 24,400	\$ 14,497,120
Less accumulated depreciation:				
Buildings and improvements	\$ (4,062,163)	\$ (237,179)	\$ -	\$ (4,299,342)
Jointly owned assets	(1,827,404)	(93,000)	-	(1,920,404)
Equipment (including vehicles)	(2,635,335)	(210,120)	(24,400)	(2,821,055)
Total accumulated depreciation	\$ (8,524,902)	\$ (540,299)	\$ (24,400)	\$ (9,040,801)
Net capital assets being depreciated	\$ 5,327,141	\$ 129,178	\$ -	\$ 5,456,319
Net capital assets	\$ 5,436,944	\$ 340,995	\$ -	\$ 5,777,939

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

Note 4 - Capital Assets: (Continued)

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

Primary Government:	
Governmental activities:	
General government administration	\$ 44,694
Judicial administration	319,623
Public safety	160,583
Public works	32,808
Health and welfare	169,581
Education	62,000
Parks, recreation and cultural	67,515
Total	<u>\$ 856,804</u>
Component Unit School Board	<u>\$ 447,299</u>
Depreciation Expense	\$ 447,299
Joint tenancy transfer of accumulated depreciation	<u>93,000</u>
Total additions to accumulated depreciation, previous page	<u>\$ 540,299</u>

Note 5 - Compensated Absences:

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

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

Primary Government	<u>\$ 427,371</u>
Component Unit School Board	<u>\$ 384,994</u>

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

Fund	Due from Component Unit	Due to Primary Government
General	\$ 516,250	\$ -
Capital Improvement	-	403,410
School Board	403,410	516,250
Total	<u>\$ 919,660</u>	<u>\$ 919,660</u>

Note 7 - Defined Benefit Pension Plan:

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service 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 were vested as of January 1, 2013 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 as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements At June 30, 2013 (Continued)

Note 7 - Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or 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 compensation toward their retirement. All or part of this 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School's non-professional employee contribution rates for the fiscal year ended 2013 were 12.74% and 5.44% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,058,291, \$574,294, and \$355,874 to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012 and 2011 respectively and these contributions represented 11.66%, 6.33%, 3.93% of current covered payroll for the fiscal years ended 2013, 2012, and 2011, respectively.

C. Annual Pension Cost

For fiscal year 2013, the annual pension cost of \$504,676 was equal to the County's required and actual contributions.

For fiscal year 2013, the School Board's annual pension cost for the School Board's non-professional employees was \$38,151 which was equal to the Board's required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2013	\$ 504,676	100%	\$ -
June 30, 2012	326,589	100%	-
June 30, 2011	346,452	100%	-

(1) Employer portion only

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

Note 7 - Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
School Board			
Non-Professional:			
June 30, 2013	\$ 38,151	100%	-
June 30, 2012	11,641	100%	-
June 30, 2011	11,931	100%	-

(1) Employer portion only

The FY2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the County's plan was 78.76% funded. The actuarial accrued liability for benefits was \$14,024,817, and the actuarial value of assets was \$11,045,358, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,979,459. The covered payroll (annual payroll of active employees covered by the plan) was \$3,588,907, and ratio of the UAAL to the covered payroll was 83.02%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's plan was 94.92% funded. The actuarial accrued liability for benefits was \$3,186,593, and the actuarial value of assets was \$3,024,836, resulting in an unfunded actuarial accrued liability (UAAL) of \$161,757. The covered payroll (annual payroll of active employees covered by the plan) was \$641,049, and ratio of UAAL to the covered payroll was 25.23%.

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

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

Note 8 - Long-Term Obligations:

Primary Government-Long-term Obligations:

Changes in Long-Term Obligations:

The following is a summary of long-term obligation transactions for the year ended June 30, 2013:

	Balance at July 1, 2012	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2013	Amounts Due Within One Year
Governmental Funds:					
Public Facility Lease Revenue Bond	\$ -	\$ 10,762,500	\$ -	\$ 10,762,500	\$ 551,000
Landfill closure liability	521,350	8,863	29,456	500,757	29,456
State literary fund loan	2,790,000	-	310,000	2,480,000	310,000
VACO/VML loan	2,020,000	-	2,020,000	-	-
Capital lease	472,794	-	68,213	404,581	70,146
Net OPEB obligation	55,240	44,000	24,000	75,240	-
Compensated absences	364,651	62,720	-	427,371	42,737
Total governmental funds	\$ 6,224,035	\$ 10,878,083	\$ 2,451,669	\$ 14,650,449	\$ 1,003,339

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

Year Ending June 30,	VACO/VML					
	State Literary Fund Loan		Public Facility Lease Revenue Bond		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 310,000	\$ 74,400	\$ 551,000	\$ 177,402	\$ 70,146	\$ 11,086
2015	310,000	65,100	632,500	219,547	72,134	9,098
2016	310,000	55,800	646,000	205,949	74,179	7,053
2017	310,000	46,500	660,000	192,060	76,282	4,950
2018	310,000	37,200	674,500	177,870	78,444	2,787
2019	310,000	27,900	690,000	163,368	33,396	564
2020	310,000	18,600	703,500	148,533	-	-
2021	310,000	9,300	719,000	133,408	-	-
2022	-	-	734,500	117,949	-	-
2023	-	-	750,500	102,157	-	-
2024	-	-	766,500	86,022	-	-
2025	-	-	783,000	69,542	-	-
2026	-	-	800,000	52,707	-	-
2027	-	-	817,000	35,507	-	-
2028	-	-	834,500	17,942	-	-
Total	\$ 2,480,000	\$ 334,800	\$ 10,762,500	\$ 1,899,963	\$ 404,581	\$ 35,538

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

Note 8 - Long-Term Obligations: (Continued)

Details of Long-Term Obligations:

	<u>Amount Outstanding</u>	<u>Amounts Due Within One Year</u>
<i>State Literary Fund Loan:</i>		
\$6,200,000, issued December 1, 2000 due in varying installments through December 1, 2020, interest at 3%	\$ <u>2,480,000</u>	\$ <u>310,000</u>
<i>VACO/VML Public Facility Lease Revenue Bond:</i>		
\$10,762,500 loan issued January 25, 2013 due in varying installments through November 2027. Interest is payable annually at 2.15%.	\$ <u>10,762,500</u>	\$ <u>551,000</u>
<i>Capital Lease:</i>		
\$472,794 lease issued October 21, 2011 due in annual installments of principal and interest of \$81,232 through October 2018. Interest is payable at 2.185%. The assets acquired through the capital lease are \$472,794 for emergency operations equipment and had \$94,558 of accumulated depreciation as of June 30, 2013.	\$ <u>404,581</u>	\$ <u>70,146</u>
Landfill closure liability	\$ <u>500,757</u>	\$ <u>29,456</u>
Net OPEB obligation	\$ <u>75,240</u>	\$ <u>-</u>
Compensated absences	\$ <u>427,371</u>	\$ <u>42,737</u>
Total	\$ <u><u>14,650,449</u></u>	\$ <u><u>1,003,339</u></u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

Note 8 - Long-Term Obligations: (Continued)

Discretely Presented Component Unit-School Board Obligations:

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2013:

	Balance at July 1, 2012	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2013	Amounts Due Within One Year
Compensated absences	\$ 358,338	\$ 26,656	\$ -	\$ 384,994	\$ 38,499
Capital lease	149,851	-	49,950	99,901	49,950
Net OPEB obligation	118,760	102,000	60,000	160,760	-
Total Component Unit	<u>\$ 626,949</u>	<u>\$ 128,656</u>	<u>\$ 109,950</u>	<u>\$ 645,655</u>	<u>\$ 88,449</u>

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

Year Ending June 30,	Capital Lease	
	Principal	Interest
2014	\$ 49,950	\$ -
2015	49,951	-
Total	<u>\$ 99,901</u>	<u>\$ -</u>

Details of long-term obligations are as follows:

	Amount Outstanding
<u>Capital Lease:</u>	
\$199,802 capital lease for computers payable in annual principal installments of \$49,950 through August 15, 2014, interest payable at 0.00%. The assets acquired through the capital lease are \$199,802 for computers and had \$79,920 of accumulated depreciation as of June 30, 2013.	\$ <u>99,901</u>
Compensated absences	\$ <u>384,994</u>
Net OPEB obligation	\$ <u>160,760</u>
Total long-term obligations	<u>\$ 645,655</u>

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

Note 9 - Unavailable/Unearned Revenue:

Unavailable 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.

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
Unavailable property tax revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ 5,313,875	\$ 6,050,415
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	123,197	123,197
Total governmental activities	\$ 5,437,072	\$ 6,173,612

Note 10 - Contingent Liabilities:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements At June 30, 2013 (Continued)

Note 11 - Surety Bonds:

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

Note 12 - Risk Management:

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

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

Note 13 - Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste, which occurred in fiscal year 2005, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$500,757 reported as landfill closure and postclosure care liability at June 30, 2013, represents the cumulative amount reported based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from any funds accumulated for this purpose in the General Fund.

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

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

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

Note 14 - Other Postemployment Benefits - Health Insurance:

County:

A. Plan Description:

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

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 44,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	(2,000)
Annual OPEB cost (expense)	\$ 44,000
Contribution made	24,000
Increase in net OPEB obligation	\$ 20,000
Net OPEB obligation-beginning of year	55,240
Net OPEB obligation-end of year	\$ 75,240

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 44,000	54%	\$ 40,000
June 30, 2012	39,050	61%	55,240
June 30, 2013	44,000	55%	75,240

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements At June 30, 2013 (Continued)

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

County: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 481,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 481,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	\$ 3,361,337
UAAL as a percentage of covered payroll	14%

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

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

County: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012, was thirty years.

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

School Board:

A. Plan Description

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

B. Funding Policy

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

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements
At June 30, 2013 (Continued)

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

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 102,000
Interest on net OPEB obligation	5,000
Adjustment to annual required contribution	(5,000)
Annual OPEB cost (expense)	\$ 102,000
Contribution made	60,000
Increase in net OPEB obligation	\$ 42,000
Net OPEB obligation-beginning of year	118,760
Net OPEB obligation-end of year	<u>\$ 160,760</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 74,000	41%	\$ 86,000
June 30, 2012	83,950	61%	118,760
June 30, 2013	102,000	59%	160,760

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 1,129,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	\$ 1,129,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	\$ 11,572,663
UAAL as a percentage of covered payroll	9.76%

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

School Board: (Continued)

D. Funded Status and Funding Progress: (Continued)

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.00 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012, was thirty years.

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

COUNTY OF MADISON, VIRGINIA

Notes to Financial Statements At June 30, 2013 (Continued)

Note 15 - Other Postemployment Benefits-VRS Health Insurance Credit:

A. Plan Description

The County participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the County who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 7.

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2012 was .05% of annual covered payroll.

C. OPEB Cost and Net OPEB Obligation

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

For 2013, the County's contribution of \$1,328 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2011	\$ 1,839	100%	\$ -
June 30, 2012	1,733	100%	-
June 30, 2013	1,328	100%	-

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

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 44,926
Actuarial value of plan assets	46,151
Unfunded actuarial accrued liability	(1,225)
Funded ratio (actuarial value of plan assets / AAL)	102.73%
Covered payroll (active plan members)	1,439,270
UAAL as a percentage of covered payroll	0.09%

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 payrolls on an open basis. The remaining open amortization period at June 30, 2011 was 30 years.

Note 15 - Other Postemployment Benefits-VRS Health Insurance Credit: (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 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$106,321, \$54,434, and \$54,332, respectively and equaled the required contributions for each year.

Note 16 - Litigation:

At June 30, 2013 there were no matters of litigation involving the County or its component unit that would have an adverse material effect on the financial position of the reporting entity.

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual -- General Fund
 Year Ended June 30, 2013

	Original Budget	Budget As Amended	Actual	Variance With Amended Budget Positive (Negative)
Revenues:				
General property taxes	\$ 14,301,309	\$ 14,301,309	\$ 14,250,356	\$ (50,953)
Other local taxes	2,134,647	2,197,647	2,360,874	163,227
Permits, privilege fees and regulatory licenses	191,360	191,360	161,826	(29,534)
Fines and forfeitures	160,700	160,700	164,756	4,056
Revenue from use of money and property	88,190	88,190	112,497	24,307
Charges for services	488,692	624,043	621,763	(2,280)
Miscellaneous	33,000	256,864	438,975	182,111
Intergovernmental:				
Commonwealth	4,671,736	4,785,818	5,260,134	474,316
Federal	775,248	775,248	791,140	15,892
Total revenues	<u>\$ 22,844,882</u>	<u>\$ 23,381,179</u>	<u>\$ 24,162,321</u>	<u>\$ 781,142</u>
Expenditures:				
Current:				
General government administration	\$ 1,308,609	\$ 1,346,107	\$ 1,265,783	\$ 80,324
Judicial administration	792,288	805,888	763,682	42,206
Public safety	4,880,025	5,129,436	4,869,780	259,656
Public works	1,427,389	1,440,686	1,146,436	294,250
Health and welfare	3,775,280	3,775,280	4,454,921	(679,641)
Education	7,887,428	7,887,428	7,526,025	361,403
Parks, recreation, and cultural	183,122	404,561	360,431	44,130
Community development	428,740	543,619	481,924	61,695
Nondepartmental	876,967	153,132	130,309	22,823
Debt service:				
Principal retirement	1,388,212	2,398,213	2,398,213	-
Interest and other fiscal charges	121,822	144,843	133,710	11,133
Total expenditures	<u>\$ 23,069,882</u>	<u>\$ 24,029,193</u>	<u>\$ 23,531,214</u>	<u>\$ 497,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (225,000)</u>	<u>\$ (648,014)</u>	<u>\$ 631,107</u>	<u>\$ 1,279,121</u>
Other Financing Sources (uses):				
Issuance of long-term debt	\$ -	\$ -	\$ 1,033,022	\$ 1,033,022
Transfers (out)	-	(500,000)	(500,000)	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (500,000)</u>	<u>\$ 533,022</u>	<u>\$ 1,033,022</u>
Net change in fund balances	<u>\$ (225,000)</u>	<u>\$ (1,148,014)</u>	<u>\$ 1,164,129</u>	<u>\$ 2,312,143</u>
Fund balances at beginning of year	<u>225,000</u>	<u>1,148,014</u>	<u>7,542,168</u>	<u>6,394,154</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,706,297</u>	<u>\$ 8,706,297</u>

Schedule of Pension and OPEB Funding Progress
Last Three Fiscal Years

Virginia Retirement System						
County:						
Actuarial Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3)-(2)	Funded Ratio Assets at % of AAL (2) (3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 11,045,358	\$ 14,024,817	\$ 2,979,459	78.76%	\$ 3,588,907	83.02%
6/30/2011	10,922,889	13,419,028	2,496,139	81.40%	3,524,966	70.81%
6/30/2010	10,640,322	12,754,586	2,114,264	83.42%	3,668,934	57.63%

School Board Non-Professional:

Actuarial Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3)-(2)	Funded Ratio Assets at % of AAL (2) (3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 3,024,836	\$ 3,186,593	\$ 161,757	94.92%	\$ 641,049	25.23%
6/30/2011	3,063,799	3,126,624	62,825	97.99%	666,654	9.42%
6/30/2010	3,035,325	3,001,621	(33,704)	101.12%	677,552	-4.97%

County VRS Health Insurance Credit:						
Actuarial Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3)-(2)	Funded Ratio Assets at % of AAL (2) (3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/12	\$ 46,151	\$ 44,926	(1,225)	102.73%	\$ 1,439,270	-0.09%
6/30/11	47,334	40,580	(6,754)	116.64%	1,454,745	-0.46%
6/30/10	39,936	37,549	(2,387)	106.36%	3,668,934	-0.07%

Other Post Employment Benefits						
County						
Actuarial 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)
7/1/12	\$ -	\$ 481,000	481,000	0.00%	\$ 3,361,337	14.31%
7/1/10	-	461,000	461,000	0.00%	3,836,000	12.02%

Discretely Presented Component Unit - School Board

Actuarial 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)
7/1/2012	\$ -	\$ 1,129,000	1,129,000	0.00%	\$ 11,572,663	9.76%
7/1/2010	-	794,000	794,000	0.00%	7,176,000	11.06%

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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Capital Improvement Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 174,517	\$ 174,517
Total revenues	\$ -	\$ -	\$ 174,517	\$ 174,517
EXPENDITURES				
Education	\$ -	\$ 1,163,149	\$ 890,458	\$ 272,691
Capital projects	\$ -	\$ 289,799	\$ 2,910	\$ 286,889
Total expenditures	\$ -	\$ 1,452,948	\$ 893,368	\$ 559,580
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,452,948)	\$ (718,851)	\$ 734,097
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Issuance of long-term debt	-	-	9,729,478	9,729,478
Total other financing sources (uses)	\$ 500,000	\$ 500,000	\$ 10,229,478	\$ 9,729,478
Net change in fund balances	\$ 500,000	\$ (952,948)	\$ 9,510,627	\$ 10,463,575
Fund balances at beginning of year	(500,000)	952,948	565,504	(387,444)
Fund balances at end of year	\$ -	\$ -	\$ 10,076,131	\$ 10,076,131

Agency Funds
Schedule of Changes in Assets and Liabilities
Year Ended June 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 36,463	\$ 31,113	\$ 36,142	\$ 31,434
Accounts receivable	-	290	-	290
Total assets	<u>\$ 36,463</u>	<u>\$ 31,403</u>	<u>\$ 36,142</u>	<u>\$ 31,724</u>
Liabilities:				
Amounts held for others	<u>\$ 36,463</u>	<u>\$ 31,403</u>	<u>\$ 36,142</u>	<u>\$ 31,724</u>
Total liabilities	<u>\$ 36,463</u>	<u>\$ 31,403</u>	<u>\$ 36,142</u>	<u>\$ 31,724</u>

Combining Balance Sheet - Discretely Presented Component Unit - School Board
At June 30, 2013

	School Operating Fund	School Cafeteria Fund	School Capital Fund	Nonmajor Funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,758,858	\$ 344,610	\$ 34,138	\$ 43,691	\$ 2,181,297
Accounts receivable	41,759	-	-	-	41,759
Due from other governmental units	534,265	24,280	-	-	558,545
Due from Primary Government	-	-	403,410	-	403,410
Inventory	-	21,290	-	-	21,290
Total assets	<u>\$ 2,334,882</u>	<u>\$ 390,180</u>	<u>\$ 437,548</u>	<u>\$ 43,691</u>	<u>\$ 3,206,301</u>
LIABILITIES					
Accounts payable	\$ 59,774	\$ -	\$ 471,685	\$ 2,793	\$ 534,252
Accrued liabilities	1,757,858	45,955	-	-	1,803,813
Due to Primary Government	516,250	-	-	-	516,250
Total liabilities	<u>\$ 2,333,882</u>	<u>\$ 45,955</u>	<u>\$ 471,685</u>	<u>\$ 2,793</u>	<u>\$ 2,854,315</u>
FUND BALANCES					
Nonspendable	\$ -	\$ 21,290	\$ -	\$ -	\$ 21,290
Restricted	-	-	-	40,898	40,898
Committed	1,000	322,935	-	-	323,935
Unassigned	-	-	(34,137)	-	(34,137)
Total fund balances	<u>\$ 1,000</u>	<u>\$ 344,225</u>	<u>\$ (34,137)</u>	<u>\$ 40,898</u>	<u>\$ 351,986</u>
Total liabilities and fund balances	<u>\$ 2,334,882</u>	<u>\$ 390,180</u>	<u>\$ 437,548</u>	<u>\$ 43,691</u>	

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

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 position includes those capital assets among the assets of the School Board as a whole.

5,777,939

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 position.

(645,655)

Net position of General Government Activities

\$ 5,484,270

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds - Discretely Presented Component Unit - School Board
Year Ended June 30, 2013

	School Operating Fund	School Cafeteria Fund	School Capital Fund	Nonmajor Funds	Total
Revenues:					
Revenue from use of money and property	\$ 33,913	\$ -	\$ 45	\$ 94	\$ 34,052
Charges for services	4,200	361,903	-	-	366,103
Miscellaneous	295,638	-	-	-	295,638
Intergovernmental:					
County contribution to School Board	7,525,021	-	890,458	-	8,415,479
Commonwealth	8,697,407	24,689	-	-	8,722,096
Federal	1,326,697	459,909	-	-	1,786,606
Total revenues	\$ 17,882,876	\$ 846,501	\$ 890,503	\$ 94	\$ 19,619,974
Expenditures:					
Current:					
Education	\$ 17,832,926	\$ 933,512	\$ -	\$ 205,230	\$ 18,971,668
Capital projects	-	-	1,035,946	-	1,035,946
Debt service:					
Principal	49,950	-	-	-	49,950
Total expenditures	\$ 17,882,876	\$ 933,512	\$ 1,035,946	\$ 205,230	\$ 20,057,564
Changes in fund balances	\$ -	\$ (87,011)	\$ (145,443)	\$ (205,136)	\$ (437,590)
Fund balances at beginning of year	1,000	431,236	111,306	246,034	789,576
Fund balances at end of year	\$ 1,000	\$ 344,225	\$ (34,137)	\$ 40,898	\$ 351,986

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
Year Ended June 30, 2013

Component Unit
<u>School Board</u>

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

Net change in fund balances - total governmental funds	\$	(437,590)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period computed as follows:

Capital additions	\$	571,294	
Depreciation expense		<u>(447,299)</u>	123,995

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. A summary of items supporting this adjustment is as follows:

Principal retired on capital lease		49,950
------------------------------------	--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences	(26,656)	
Change in net OPEB obligation	<u>(42,000)</u>	(68,656)

Transfer of joint tenancy assets from Primary Government to the Component Unit		<u>217,000</u>
--	--	----------------

Change in net position of governmental activities	\$	<u><u>(115,301)</u></u>
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COUNTY OF MADISON, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Discretely Presented Component Unit - School Board

Year Ended June 30, 2013

	School Operating Fund			Variance From Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Revenue from use of money and property	\$ -	\$ 21,000	\$ 33,913	\$ 12,913
Charges for services	-	6,300	4,200	(2,100)
Miscellaneous	239,600	324,531	295,638	(28,893)
Intergovernmental:				
County contribution to School Board	7,886,424	7,886,424	7,525,021	(361,403)
Commonwealth	8,653,521	8,672,432	8,697,407	24,975
Federal	1,063,053	1,169,901	1,326,697	156,796
Total revenues	\$ 17,842,598	\$ 18,080,588	\$ 17,882,876	\$ (197,712)
Expenditures:				
Current:				
Education	\$ 17,842,598	\$ 18,080,588	\$ 17,832,926	\$ 247,662
Capital projects	-	-	-	-
Debt service:				
Principal	-	-	49,950	(49,950)
Total expenditures	\$ 17,842,598	\$ 18,080,588	\$ 17,882,876	\$ 197,712
Changes in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	-	1,000	1,000
Fund balances at end of year	\$ -	\$ -	\$ 1,000	\$ 1,000

School Cafeteria Fund				School Capital Fund			
Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45	\$ 45
331,711	331,711	361,903	30,192	-	-	-	-
10,000	10,000	-	(10,000)	-	-	-	-
-	-	-	-	-	-	890,458	890,458
28,000	28,000	24,689	(3,311)	-	-	-	-
350,000	350,000	459,909	109,909	-	-	-	-
<u>\$ 719,711</u>	<u>\$ 719,711</u>	<u>\$ 846,501</u>	<u>\$ 126,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 890,503</u>	<u>\$ 890,503</u>
\$ 719,711	\$ 719,711	\$ 933,512	\$ (213,801)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,332,985	1,332,985	1,035,946	297,039
-	-	-	-	-	-	-	-
<u>\$ 719,711</u>	<u>\$ 719,711</u>	<u>\$ 933,512</u>	<u>\$ (213,801)</u>	<u>\$ 1,332,985</u>	<u>\$ 1,332,985</u>	<u>\$ 1,035,946</u>	<u>\$ 297,039</u>
\$ -	\$ -	\$ (87,011)	\$ (87,011)	\$ (1,332,985)	\$ (1,332,985)	\$ (145,443)	\$ 1,187,542
-	-	431,236	431,236	111,306	111,306	111,306	111,306
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,225</u>	<u>\$ 344,225</u>	<u>\$ (1,221,679)</u>	<u>\$ (1,221,679)</u>	<u>\$ (34,137)</u>	<u>\$ 1,298,848</u>

Combining Balance Sheet

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

As of June 30, 2013

	School Lottery Fund	School Textbook Fund	Total
ASSETS			
Cash and cash equivalents	\$ 1,891	\$ 41,800	\$ 43,691
Total assets	<u>\$ 1,891</u>	<u>\$ 41,800</u>	<u>\$ 43,691</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 2,793	\$ 2,793
Total liabilities	<u>\$ -</u>	<u>\$ 2,793</u>	<u>\$ 2,793</u>
Fund balances:			
Restricted	\$ 1,891	\$ 39,007	\$ 40,898
Total fund balances	<u>\$ 1,891</u>	<u>\$ 39,007</u>	<u>\$ 40,898</u>
Total liabilities and fund balances	<u>\$ 1,891</u>	<u>\$ 41,800</u>	<u>\$ 43,691</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2013

	School Lottery Fund	School Textbook Fund	Total
REVENUES			
Revenue from the use of money and property	\$ 39	\$ 55	\$ 94
Total revenues	<u>\$ 39</u>	<u>\$ 55</u>	<u>\$ 94</u>
EXPENDITURES			
Current:			
Education	\$ 134,603	\$ 70,627	\$ 205,230
Total expenditures	<u>\$ 134,603</u>	<u>\$ 70,627</u>	<u>\$ 205,230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (134,564)</u>	<u>\$ (70,572)</u>	<u>\$ (205,136)</u>
Net change in fund balances	\$ (134,564)	\$ (70,572)	\$ (205,136)
Fund balances - beginning	136,455	109,579	246,034
Fund balances - ending	<u>\$ 1,891</u>	<u>\$ 39,007</u>	<u>\$ 40,898</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

	School Lottery Fund				School Textbook Fund			
	Budgeted		Actual	Variance with Final Budget Positive (Negative)	Budgeted		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money								
and property	\$ -	\$ -	\$ 39	\$ 39	\$ -	\$ -	\$ 55	\$ 55
Total revenues	\$ -	\$ -	\$ 39	\$ 39	\$ -	\$ -	\$ 55	\$ 55
EXPENDITURES								
Current:								
Education	\$ 136,455	\$ 136,455	\$ 134,603	\$ 1,852	\$ -	\$ -	\$ 70,627	\$ (70,627)
Total expenditures	\$ 136,455	\$ 136,455	\$ 134,603	\$ 1,852	\$ -	\$ -	\$ 70,627	\$ (70,627)
Excess (deficiency) of revenues								
over (under) expenditures	\$ (136,455)	\$ (136,455)	\$ (134,564)	\$ 1,891	\$ -	\$ -	\$ (70,572)	\$ (70,572)
Net change in fund balances	\$ (136,455)	\$ (136,455)	\$ (134,564)	\$ 1,891	\$ -	\$ -	\$ (70,572)	\$ (70,572)
Fund balances - beginning	136,455	136,455	136,455	-	-	-	109,579	109,579
Fund balances - ending	\$ -	\$ -	\$ 1,891	\$ 1,891	\$ -	\$ -	\$ 39,007	\$ 39,007

Statement of Fiduciary Net Position
Discretely Presented Component Unit - School Board
At June 30, 2013

	Scholarship Private- Purpose Trust Fund
	<hr/>
ASSETS	
Cash and cash equivalents	\$ <u>95,127</u>
Total assets	\$ <u><u>95,127</u></u>
NET POSITION	
Held in trust for scholarships	\$ <u>95,127</u>
Total net position	\$ <u><u>95,127</u></u>
Total liabilities and net position	\$ <u><u>95,127</u></u>

Statement of Changes in Fiduciary Net Position
Discretely Presented Component Unit - School Board
Year Ended June 30, 2013

	Scholarship Private- Purpose Trust Fund
Additions:	
Interest income	\$ (5,531)
Total additions	\$ (5,531)
Deductions:	
Scholarships awarded	\$ 3,787
Total deductions	\$ 3,787
Change in net position	\$ (9,318)
Net position - beginning of year	104,445
Net position - end of year	\$ 95,127

Supporting Schedules

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Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,568,707	\$ 10,568,707	\$ 10,530,754	\$ (37,953)
Real and personal public service corporation property taxes	250,247	250,247	244,516	(5,731)
Personal property taxes	2,959,206	2,959,206	2,855,585	(103,621)
Mobile home taxes	7,105	7,105	6,935	(170)
Machinery and tools taxes	58,603	58,603	61,607	3,004
Merchants capital taxes	203,536	203,536	198,172	(5,364)
Penalties	150,590	150,590	196,264	45,674
Interest	73,315	73,315	103,350	30,035
Tax collection fee	30,000	30,000	53,173	23,173
Total general property taxes	\$ 14,301,309	\$ 14,301,309	\$ 14,250,356	\$ (50,953)
Other local taxes:				
Local sales and use taxes	\$ 763,844	\$ 763,844	\$ 856,431	\$ 92,587
Consumers' utility taxes	320,000	320,000	321,273	1,273
Local consumption tax	40,000	40,000	40,532	532
Restaurant food taxes	318,250	318,250	341,365	23,115
Transient occupancy taxes	40,000	103,000	120,869	17,869
Gross receipts taxes	22,600	22,600	19,186	(3,414)
Bank stock taxes	89,500	89,500	79,480	(10,020)
Motor vehicle licenses	418,400	418,400	423,225	4,825
Taxes on recordation and wills	122,053	122,053	158,513	36,460
Total other local taxes	\$ 2,134,647	\$ 2,197,647	\$ 2,360,874	\$ 163,227
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 10,485	\$ 10,485	\$ 12,004	\$ 1,519
Building and related permits	156,325	156,325	126,053	(30,272)
Land transfer fees	400	400	419	19
Land use application fees	24,150	24,150	23,350	(800)
Total permits, privilege fees and regulatory licenses	\$ 191,360	\$ 191,360	\$ 161,826	\$ (29,534)
Fines and Forfeitures:				
Court fines and forfeitures	\$ 160,700	\$ 160,700	\$ 164,756	\$ 4,056
Total fines and forfeitures	\$ 160,700	\$ 160,700	\$ 164,756	\$ 4,056
Revenue from use of money and property:				
Revenue from use of money	\$ 21,200	\$ 21,200	\$ 39,505	\$ 18,305
Revenue from use of property	66,990	66,990	72,992	6,002
Total revenue from use of money and property	\$ 88,190	\$ 88,190	\$ 112,497	\$ 24,307

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2013 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (continued)				
Charges for services:				
Sheriff's fees	\$ 343	\$ 343	\$ 344	\$ 1
Commonwealth attorney fees	600	600	1,257	657
Courthouse maintenance fees	7,575	7,575	8,437	862
Courtroom security fees	36,974	36,974	39,678	2,704
Other charges for services	13,900	13,900	14,388	488
Ambulance transportation fees	280,000	280,000	310,929	30,929
Waste collection and disposal charges	149,300	149,300	129,462	(19,838)
Recreation fees	-	135,351	117,268	(18,083)
Total charges for services	\$ 488,692	\$ 624,043	\$ 621,763	\$ (2,280)
Miscellaneous revenue:				
Expenditure refunds	\$ 32,500	\$ 183,412	\$ 267,034	\$ 83,622
CSA	-	-	74,778	74,778
Miscellaneous	500	73,452	97,163	23,711
Total miscellaneous revenue	\$ 33,000	\$ 256,864	\$ 438,975	\$ 182,111
Total revenue from local sources	\$ 17,397,898	\$ 17,820,113	\$ 18,111,047	\$ 290,934
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rental tax - DMV	\$ 500	\$ 500	\$ 1,227	\$ 727
Mobile home titling taxes	1,500	1,500	885	(615)
PPTRA	1,029,052	1,029,052	1,029,053	1
Communication taxes	590,000	590,000	594,384	4,384
Motor vehicle carrier's tax	600	600	-	(600)
Recordation tax	37,650	37,650	43,813	6,163
Total noncategorical aid	\$ 1,659,302	\$ 1,659,302	\$ 1,669,362	\$ 10,060
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 150,840	\$ 150,840	\$ 158,887	\$ 8,047
Sheriff	607,050	607,050	677,510	70,460
Commissioner of the Revenue	61,173	61,173	71,528	10,355
Treasurer	64,556	64,556	75,508	10,952
Registrar/electoral board	37,560	37,560	35,192	(2,368)
Clerk of the Circuit Court	181,525	187,081	197,545	10,464
Total shared expenses	\$ 1,102,704	\$ 1,108,260	\$ 1,216,170	\$ 107,910

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2013 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (continued)				
Revenue from the Commonwealth: (continued)				
Other categorical aid:				
Fire programs	\$ 33,000	\$ 33,000	\$ 37,302	\$ 4,302
Litter Control	7,875	7,875	8,419	544
Four for life	15,000	15,000	14,016	(984)
Domestic Violence	39,991	39,991	19,916	(20,075)
LOD Insurance	14,475	16,738	16,977	239
Victim witness	20,040	20,040	5,585	(14,455)
Department of Juvenile Justice	4,940	4,940	6,585	1,645
E-911	35,000	35,000	41,343	6,343
Comprehensive Services Act	1,300,000	1,300,000	1,653,868	353,868
Sanitation improvement	-	51,833	51,833	-
Sheriff -asset forfeiture	-	-	2,915	2,915
Public assistance and welfare	439,409	439,409	488,672	49,263
Other state grants	-	54,430	27,171	(27,259)
Total other categorical aid	\$ 1,909,730	\$ 2,018,256	\$ 2,374,602	\$ 356,346
Total categorical aid	\$ 3,012,434	\$ 3,126,516	\$ 3,590,772	\$ 464,256
Total revenue from the Commonwealth	\$ 4,671,736	\$ 4,785,818	\$ 5,260,134	\$ 474,316
Revenue from the Federal Government:				
Payments in lieu of taxes	\$ 80,000	\$ 80,000	\$ 79,731	\$ (269)
Categorical aid:				
Public assistance and welfare	\$ 695,248	\$ 695,248	\$ 687,505	\$ (7,743)
Law enforcement block grant	-	-	17,856	17,856
VEC federal grant	-	-	3,790	3,790
Ground Safety Transportation	-	-	2,258	2,258
Total categorical aid	\$ 695,248	\$ 695,248	\$ 711,409	\$ 16,161
Total revenue from the Federal Government	\$ 775,248	\$ 775,248	\$ 791,140	\$ 15,892
Total General Fund	\$ 22,844,882	\$ 23,381,179	\$ 24,162,321	\$ 781,142
Capital Improvement Fund:				
Revenue from local sources:				
Miscellaneous	\$ -	\$ -	\$ 174,517	\$ 174,517
Total Capital Improvement Fund	\$ -	\$ -	\$ 174,517	\$ 174,517

Governmental Funds -
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2013 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ 21,000	\$ 33,913	\$ 12,913
Charges for services:				
Charges for education	\$ -	\$ 6,300	\$ 4,200	\$ (2,100)
Total charges for services	\$ -	\$ 6,300	\$ 4,200	\$ (2,100)
Miscellaneous revenue:				
Rebates and refunds	\$ 239,600	\$ 228,031	\$ 193,335	\$ (34,696)
Miscellaneous	-	96,500	102,303	5,803
Total miscellaneous revenue	239,600	324,531	295,638	(28,893)
Total revenue from local sources	\$ 239,600	\$ 351,831	\$ 333,751	\$ (18,080)
Intergovernmental:				
County contribution to School Board	\$ 7,886,424	\$ 7,886,424	\$ 7,525,021	\$ (361,403)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,987,878	\$ 1,987,878	\$ 1,982,448	\$ (5,430)
Basic school aid	4,318,243	4,318,243	4,339,074	20,831
Special ed SOQ	620,581	620,581	624,205	3,624
Vocational SOQ	144,505	144,505	145,349	844
Technology	172,911	172,911	154,000	(18,911)
Fringe benefits	740,343	740,343	814,483	74,140
Other state funds	669,060	687,971	637,848	(50,123)
Total categorical aid	\$ 8,653,521	\$ 8,672,432	\$ 8,697,407	\$ 24,975
Total revenue from the Commonwealth	\$ 8,653,521	\$ 8,672,432	\$ 8,697,407	\$ 24,975
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 328,326	\$ 435,174	\$ 450,450	\$ 15,276
Title III	1,565	1,565	1,576	11
Title VI - B Special Education	417,020	417,020	501,551	84,531
Education technology	3,369	3,369	463	(2,906)
American History Grant	-	-	100	100
Vocational education	30,086	30,086	29,621	(465)
Preschool	-	-	10,982	10,982
Education jobs fund	200,000	200,000	220,307	20,307
Title II	82,687	82,687	111,647	28,960
Total categorical aid	\$ 1,063,053	\$ 1,169,901	\$ 1,326,697	\$ 156,796
Total revenue from the federal government	\$ 1,063,053	\$ 1,169,901	\$ 1,326,697	\$ 156,796
Total School Operating Fund	\$ 17,842,598	\$ 18,080,588	\$ 17,882,876	\$ (197,712)

Governmental Funds -
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2013 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Discretely Presented Component Unit -- School Board: (Continued)				
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 331,711	\$ 331,711	\$ 361,903	\$ 30,192
Total charges for services	\$ 331,711	\$ 331,711	\$ 361,903	\$ 30,192
Miscellaneous revenue:				
Miscellaneous	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Total revenue from local sources	\$ 341,711	\$ 341,711	\$ 361,903	\$ 20,192
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food grant	\$ 28,000	\$ 28,000	\$ 24,689	\$ (3,311)
Revenue from the federal government:				
Categorical aid:				
School food grant	\$ 350,000	\$ 350,000	\$ 459,909	\$ 109,909
Total School Cafeteria Fund	\$ 719,711	\$ 719,711	\$ 846,501	\$ 126,790
School Lottery Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 39	\$ 39
Total revenue from use of money and property	\$ -	\$ -	\$ 39	\$ 39
Total School Lottery Fund	\$ -	\$ -	\$ 39	\$ 39
School Capital Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 45	\$ 45
Total revenue from use of money and property	\$ -	\$ -	\$ 45	\$ 45
Intergovernmental:				
County contribution to School Board	\$ -	\$ -	\$ 890,458	\$ 890,458
Total School Capital Fund	\$ -	\$ -	\$ 890,503	\$ 890,503
School Textbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 55	\$ 55
Total revenue from use of money and property	\$ -	\$ -	\$ 55	\$ 55
Total School Textbook Fund	\$ -	\$ -	\$ 55	\$ 55
Total Revenues --Discretely Presented Component Unit -- School Board	\$ 18,562,309	\$ 18,800,299	\$ 19,619,974	\$ 819,675

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2013

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 58,819	\$ 58,819	\$ 57,089	\$ 1,730
General and financial administration:				
County administrator	\$ 215,724	\$ 237,701	\$ 228,821	\$ 8,880
Legal services	55,463	55,463	48,743	6,720
Independent Auditor	52,595	53,345	47,299	6,046
Commissioner of the revenue	194,195	194,311	183,515	10,796
Personal property	8,063	8,063	8,051	12
Data Processing	78,733	84,733	71,370	13,363
Land use	1,475	1,475	1,452	23
Assessor	94,450	99,174	98,829	345
Board of Equalization	13,918	13,918	8,783	5,135
Finance Department	176,099	176,124	171,194	4,930
Treasurer	237,660	237,776	229,478	8,298
Total general and financial administration	\$ 1,128,375	\$ 1,162,083	\$ 1,097,535	\$ 64,548
Board of Elections:				
Electoral board and officials	\$ 39,739	\$ 43,529	\$ 37,358	\$ 6,171
Registrar	81,676	81,676	73,801	7,875
Total board of elections	\$ 121,415	\$ 125,205	\$ 111,159	\$ 14,046
Total general government administration	\$ 1,308,609	\$ 1,346,107	\$ 1,265,783	\$ 80,324
Judicial administration:				
Courts:				
Circuit court	\$ 22,185	\$ 22,185	\$ 7,921	\$ 14,264
Combined court	13,150	13,150	9,643	3,507
Clerk of the circuit court	283,389	288,945	270,891	18,054
Sheriff - court security	155,838	155,838	152,577	3,261
Magistrates	500	500	-	500
Rappahannock legal services	2,000	2,000	2,000	-
Victim witness program	22,987	22,987	22,560	427
Commissioner of accounts	920	920	720	200
Total courts	\$ 500,969	\$ 506,525	\$ 466,312	\$ 40,213
Commonwealth's attorney:				
Commonwealth's attorney	\$ 291,319	\$ 299,363	\$ 297,370	\$ 1,993
Total judicial administration	\$ 792,288	\$ 805,888	\$ 763,682	\$ 42,206

Governmental Funds -
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2013 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,778,160	\$ 1,860,961	\$ 1,765,509	\$ 95,452
Public safety	61,805	62,017	55,142	6,875
Asset forfeiture	-	-	8,726	(8,726)
E-911 system	560,717	561,099	511,287	49,812
Total law enforcement and traffic control	\$ 2,400,682	\$ 2,484,077	\$ 2,340,664	\$ 143,413
Fire and rescue services:				
Volunteer fire department	\$ 120,000	\$ 120,000	\$ 118,467	\$ 1,533
Ambulance and rescue service	115,000	115,000	100,000	15,000
Emergency medical services	1,029,073	1,055,370	1,042,411	12,959
EMS Council	7,743	7,743	7,734	9
Total fire and rescue services	\$ 1,271,816	\$ 1,298,113	\$ 1,268,612	\$ 29,501
Correction and detention:				
Confinement of prisoners	\$ 2,300	\$ 2,300	\$ 284	\$ 2,016
Regional jail	585,807	625,625	625,086	539
Jefferson area community corrections	6,234	6,234	6,234	-
Juvenile detention	57,522	76,324	75,764	560
Probation office	19,929	17,360	15,717	1,643
Total correction and detention	\$ 671,792	\$ 727,843	\$ 723,085	\$ 4,758
Inspections:				
Building	\$ 240,518	\$ 240,704	\$ 237,655	\$ 3,049
Total inspections	\$ 240,518	\$ 240,704	\$ 237,655	\$ 3,049
Other protection:				
Animal control and shelter facility	\$ 237,600	\$ 318,818	\$ 244,238	\$ 74,580
Line of Duty Act	53,645	55,909	51,954	3,955
Services to abused families	3,372	3,372	3,372	-
Medical examiner (coroner)	600	600	200	400
Total other protection	\$ 295,217	\$ 378,699	\$ 299,764	\$ 78,935
Total public safety	\$ 4,880,025	\$ 5,129,436	\$ 4,869,780	\$ 259,656
Public works:				
Maintenance of highways, streets, bridges				
Road construction	\$ -	\$ 153,411	\$ 27,770	\$ 125,641
Total Maintenance of highways, streets, bridges	\$ -	\$ 153,411	\$ 27,770	\$ 125,641
Sanitation and waste removal:				
County landfill	\$ 807,987	\$ 670,882	\$ 590,457	\$ 80,425
Total sanitation and waste removal	\$ 807,987	\$ 670,882	\$ 590,457	\$ 80,425
Maintenance of general buildings and grounds:				
General properties	\$ 619,402	\$ 616,393	\$ 528,209	\$ 88,184
Total maintenance of general buildings and grounds	\$ 619,402	\$ 616,393	\$ 528,209	\$ 88,184
Total public works	\$ 1,427,389	\$ 1,440,686	\$ 1,146,436	\$ 294,250

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2013 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 146,617	\$ 146,617	\$ 146,617	\$ -
Total health	\$ 146,617	\$ 146,617	\$ 146,617	\$ -
Mental health and mental retardation:				
Chapter X board	\$ 74,259	\$ 74,259	\$ 74,258	\$ 1
Total mental health and mental retardation	\$ 74,259	\$ 74,259	\$ 74,258	\$ 1
Welfare:				
Administration	\$ 1,546,904	\$ 1,546,904	\$ 1,463,971	\$ 82,933
Hospice of the Rapidan	4,000	4,000	4,000	-
Madison free clinic	2,000	2,000	2,000	-
Rapp-Rapidan medical reserve corporation	500	500	500	-
Piedmont regional dental clinic	1,000	1,000	1,000	-
CSA - at risk youth	2,000,000	2,000,000	2,762,575	(762,575)
Total welfare	\$ 3,554,404	\$ 3,554,404	\$ 4,234,046	\$ (679,642)
Total health and welfare	\$ 3,775,280	\$ 3,775,280	\$ 4,454,921	\$ (679,641)
Education:				
Contributions to community colleges	\$ 1,004	\$ 1,004	\$ 1,004	\$ -
Contributions to component unit school board	7,886,424	7,886,424	7,525,021	361,403
Total education	\$ 7,887,428	\$ 7,887,428	\$ 7,526,025	\$ 361,403
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 84,819	\$ 306,258	\$ 262,128	\$ 44,130
Total parks and recreation	\$ 84,819	\$ 306,258	\$ 262,128	\$ 44,130
Cultural enrichment:				
Public TV	\$ 550	\$ 550	\$ 550	\$ -
Boys and girls club	500	500	500	-
Senior center	525	525	525	-
Madison county fair	1,500	1,500	1,500	-
Total cultural enrichment	\$ 3,075	\$ 3,075	\$ 3,075	\$ -
Library:				
County library	\$ 95,228	\$ 95,228	\$ 95,228	\$ -
Total parks, recreation and cultural	\$ 183,122	\$ 404,561	\$ 360,431	\$ 44,130

Governmental Funds -
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2013 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning commission	\$ 17,645	\$ 17,645	\$ 9,053	\$ 8,592
Zoning and planning	132,531	132,647	128,932	3,715
Rapidan Better Housing Corp.	7,000	7,000	7,000	-
Aging together	9,250	9,250	9,250	-
Board of zoning appeals	5,440	5,440	1,176	4,264
Board of building code appeals	700	700	150	550
Tourism		63,000	53,094	9,906
Planning district commission	11,210	11,210	11,209	1
Chamber of commerce	63,909	63,909	63,909	-
Geographic information system	21,963	21,893	15,735	6,158
Piedmont workforce network	500	500	500	-
Madison habitat for humanity	500	500	500	-
Skyline CAP	28,000	28,000	28,000	-
Total planning and community development	\$ 298,648	\$ 361,694	\$ 328,508	\$ 33,186
Environmental management:				
Soil and water conservation district	\$ 33,944	\$ 33,944	\$ 33,764	\$ 180
Forestry service	6,000	6,000	5,979	21
Water quality management	1,000	52,833	39,613	13,220
Total environmental management	\$ 40,944	\$ 92,777	\$ 79,356	\$ 13,421
Cooperative extension program:				
VPI extension	\$ 88,648	\$ 88,648	\$ 73,560	\$ 15,088
Northern VA 4-H center	500	500	500	-
Total cooperative extension program	\$ 89,148	\$ 89,148	\$ 74,060	\$ 15,088
Total community development	\$ 428,740	\$ 543,619	\$ 481,924	\$ 61,695
Nondepartmental:				
Miscellaneous	\$ 876,967	\$ 153,132	\$ 130,309	\$ 22,823
Total nondepartmental	\$ 876,967	\$ 153,132	\$ 130,309	\$ 22,823
Debt service:				
Principal retirement	\$ 1,388,212	\$ 2,398,213	\$ 2,398,213	\$ -
Interest and fiscal charges	121,822	144,843	133,710	11,133
Total debt service	\$ 1,510,034	\$ 2,543,056	\$ 2,531,923	\$ 11,133
Total General Fund	\$ 23,069,882	\$ 24,029,193	\$ 23,531,214	\$ 497,979

Governmental Funds -
 Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2013 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
Capital Improvement Fund:				
Education:				
Contributions to component unit school board	\$ -	\$ 1,163,149	\$ 890,458	\$ 272,691
Capital Projects:				
Miscellaneous projects	\$ -	\$ 93,560	\$ 2,400	\$ 91,160
Courthouse renovation project	-	196,239	510	195,729
Total capital projects	\$ -	\$ 289,799	\$ 2,910	\$ 286,889
Total Capital Improvements Fund	\$ -	\$ 1,452,948	\$ 893,368	\$ 559,580
Total Expenditures--Primary Government	\$ 23,069,882	\$ 25,482,141	\$ 24,424,582	\$ 1,057,559
Discretely Presented Component Unit -- School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 12,977,686	\$ 13,196,372	\$ 13,179,989	\$ 16,383
Administration, attendance and health	847,335	847,729	849,064	(1,335)
Pupil transportation services	1,506,124	1,506,124	1,489,082	17,042
Operation and maintenance services	2,013,071	2,013,070	1,884,080	128,990
Technology	498,382	517,293	430,711	86,582
Total education	\$ 17,842,598	\$ 18,080,588	\$ 17,832,926	\$ 247,662
Debt service:				
Principal retirement	\$ -	\$ -	\$ 49,950	\$ (49,950)
Total debt service	\$ -	\$ -	\$ 49,950	\$ (49,950)
Total School Operating Fund	\$ 17,842,598	\$ 18,080,588	\$ 17,882,876	\$ 197,712
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food program	\$ 719,711	\$ 719,711	\$ 933,512	\$ (213,801)
School Lottery Fund:				
Education:				
Facilities	\$ 136,455	\$ 136,455	\$ 134,603	\$ 1,852
School Textbook Fund:				
Education:				
Instruction	\$ -	\$ -	\$ 70,627	\$ (70,627)
School Capital Fund:				
Capital Projects:				
Miscellaneous projects	\$ 111,306	\$ 111,306	\$ 77,213	\$ 34,093
Wetzel Middle School projects	184,854	184,854	206,093	(21,239)
Madison County High School projects	730,002	730,002	431,439	298,563
Primary School projects	304,716	304,716	319,094	(14,378)
Waverly Yowell Elementary School projects	2,107	2,107	2,107	-
Total capital projects	\$ 1,332,985	\$ 1,332,985	\$ 1,035,946	\$ 297,039
Total School Capital Fund	\$ 1,332,985	\$ 1,332,985	\$ 1,035,946	\$ 297,039
Total Expenditures--Discretely Presented Component Unit-- School Board	\$ 20,031,749	\$ 20,269,739	\$ 20,057,564	\$ 212,175

STATISTICAL INFORMATION

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COUNTY OF MADISON, VIRGINIA

Table 1

Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government		Judicial Adminis- tration	Public		Health and Welfare	Parks Recreation and		Community Development	Interest on Debt	Total
	Adminis- tration	Adminis- tration		Safety	Works		Education	Cultural			
2003-04	\$ 981,547	\$ 437,319	\$ 2,531,628	\$ 1,133,108	\$ 1,365,171	\$ 6,099,078	\$ 376,214	\$ 524,605	\$ 288,931	\$ 13,737,601	
2004-05	885,213	480,576	3,130,935	1,316,008	1,392,766	6,218,856	370,662	986,286	293,510	15,074,812	
2005-06	949,045	543,889	3,628,091	1,183,355	1,680,276	6,908,934	425,737	410,815	258,137	15,988,279	
2006-07	1,167,738	581,515	4,014,589	1,382,984	2,290,794	7,206,592	307,191	1,172,189	234,594	18,358,186	
2007-08	1,159,581	611,026	4,311,119	1,553,922	2,513,784	7,656,901	283,031	732,319	205,686	19,027,369	
2008-09	1,274,260	816,078	4,279,844	1,432,619	2,652,806	7,455,744	354,226	435,164	206,551	18,907,292	
2009-10	1,236,352	784,033	4,266,320	1,235,080	2,580,466	8,259,183	371,752	411,120	199,776	19,344,082	
2010-11	1,208,692	772,906	4,487,980	1,275,161	2,880,632	8,285,417	364,838	654,796	179,355	20,109,777	
2011-12	1,227,155	1,060,673	4,744,000	932,928	3,804,200	7,967,091	382,268	484,057	132,026	20,734,398	
2012-13	1,444,310	1,259,543	5,044,642	1,134,355	4,639,198	7,736,750	430,365	483,237	226,396	22,398,796	

COUNTY OF MADISON, VIRGINIA

Table 2

Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	Program Revenues				General Revenues										Grants and Contributions			Revenues from the Use of Money & Property			Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Local Sales and Use Tax	Communication Tax (1)	Consumers' Utility Tax	Motor Vehicle Licenses	Restaurant Food Taxes	Other Local Taxes	Not Restricted to Specific Programs (1)										
2003-04	\$ 627,902	\$ 2,274,968	\$ 55,609	\$ 8,311,566	\$ 840,938	\$ -	\$ 662,424	\$ 341,070	\$ 297,518	\$ 457,849	\$ 1,014,432	\$ 77,112	\$ 129,626	\$ 15,091,014							
2004-05	687,502	2,359,662	240,601	8,368,873	858,730	-	684,033	352,139	322,589	569,621	1,002,356	134,758	214,742	15,795,606							
2005-06	814,418	2,581,085	-	10,108,547	898,085	-	658,496	359,950	318,422	639,408	1,091,326	300,719	265,542	18,035,998							
2006-07	844,410	2,970,282	775,166	10,575,070	945,452	285,814	533,146	352,763	329,270	440,733	1,160,745	434,989	277,296	19,925,136							
2007-08	802,944	3,000,591	30,000	10,796,759	885,111	666,524	321,026	346,983	337,062	298,080	1,132,739	299,916	151,095	19,068,830							
2008-09	700,279	3,471,398	95,724	16,597,542	871,669	605,598	323,111	11,395	328,782	274,476	1,089,378	150,953	249,562	24,769,867							
2009-10	683,771	3,192,291	-	11,966,643	776,952	608,119	304,321	1,410	320,479	265,345	1,082,024	174,695	133,961	19,510,011							
2010-11	914,025	3,433,918	-	12,513,243	763,844	-	347,299	418,414	318,251	282,431	1,763,040	125,474	185,893	21,065,832							
2011-12	1,237,560	4,168,508	6,250	13,623,003	839,405	-	317,594	420,975	335,143	401,744	1,756,719	99,377	268,350	23,474,628							
2012-13	948,345	4,302,181	-	14,158,939	856,431	-	321,273	423,225	341,365	418,580	1,749,093	112,497	613,492	24,245,421							

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

COUNTY OF MADISON, VIRGINIA

Table 3

General Government Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General Property Taxes (3)	Other Local Taxes	Permits, Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2003-04	\$ 8,254,263	\$ 2,599,799	\$ 161,657	\$ 296,648	\$ 77,112	\$ 594,301	\$ 208,126	\$ 33,502	\$ 12,014,383	\$ 24,239,791
2004-05	8,406,422	2,787,112	173,077	344,611	134,901	507,413	290,110	33,502	12,961,011	25,638,159
2005-06	10,121,086	2,874,361	177,143	304,777	301,718	781,335	330,417	-	13,477,950	28,368,787
2006-07	10,479,228	2,887,178	243,660	159,163	436,563	938,793	340,875	-	15,448,144	30,933,604
2007-08	10,641,562	2,854,786	285,298	68,780	300,560	962,013	226,991	-	14,733,412	30,073,402
2008-09	16,255,821	2,415,031	213,156	127,581	180,985	844,561	416,134	-	14,926,950	35,380,219
2009-10	11,881,329	2,276,626	193,601	160,201	213,718	818,527	214,365	-	14,020,795	29,779,162
2010-11	12,527,310	2,130,239	228,572	162,755	168,030	957,404	336,102	-	14,368,576	30,878,988
2011-12	13,638,769	2,314,861	164,269	152,815	129,874	1,304,487	741,178	-	15,606,531	34,052,784
2012-13	14,250,356	2,360,874	161,826	164,756	146,549	987,866	909,130	-	16,559,976	35,541,333

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

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

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

COUNTY OF MADISON, VIRGINIA

Table 4

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

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education(2)	Recreation and Cultural	Community Development	Non-departmental	Capital Projects	Debt Service	Total
2003-04	\$ 775,092	\$ 414,646	\$ 2,389,695	\$ 1,098,344	\$ 1,358,058	\$ 14,642,915	\$ 371,492	\$ 523,692	\$ 3,855	\$ 715,043	\$ 884,574	\$ 23,177,406
2004-05	810,857	448,712	2,917,334	1,258,591	1,409,053	15,368,690	354,490	964,387	7,628	375,856	860,329	24,775,927
2005-06	842,860	501,572	3,321,342	1,100,196	1,629,216	16,627,783	400,619	410,965	2,444	1,095,866	831,109	26,763,972
2006-07	1,076,421	547,999	4,001,064	1,366,803	2,266,613	17,735,628	300,210	1,156,839	6,886	519,851	811,873	29,790,187
2007-08	1,069,986	580,475	4,103,144	1,503,808	2,492,297	18,274,023	278,166	727,606	2,969	2,487,444	791,972	32,311,890
2008-09	1,066,321	779,987	4,095,111	1,384,744	2,637,754	17,766,916	283,468	434,648	141,418	3,580,242	800,187	32,970,796
2009-10	1,032,617	751,801	4,285,339	1,213,242	2,549,199	17,619,776	302,702	382,894	84,874	4,634,042	1,648,163	34,504,649
2010-11	1,079,799	752,503	4,423,250	1,203,558	2,899,404	17,506,718	304,055	653,101	111,112	239,673	1,585,967	30,759,140
2011-12	1,063,875	730,518	4,915,378	1,184,056	3,795,114	18,111,745	314,751	481,807	90,040	52,249	1,892,410	32,631,943
2012-13	1,265,783	763,682	4,869,780	1,146,436	4,454,921	18,972,672	360,431	481,924	130,309	1,038,856	2,581,873	36,066,667

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

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

COUNTY OF MADISON, VIRGINIA

Table 5

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1) (3) Collections	Percent of Levy Collected	Delinquent (1)		Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
				Tax (2) Collections					
2003-04	\$ 9,039,498	\$ 8,937,525	98.87%	\$ 138,928	\$ 9,076,453	100.41%	\$ 266,806	2.95%	
2004-05	9,217,268	9,051,634	98.20%	165,343	9,216,977	100.00%	308,811	3.35%	
2005-06	11,045,017	10,867,441	98.39%	141,373	11,008,814	99.67%	402,371	3.64%	
2006-07	11,500,532	11,177,781	97.19%	184,236	11,362,017	98.80%	449,996	3.91%	
2007-08	11,652,043	11,254,150	96.59%	212,406	11,466,556	98.41%	626,000	5.37%	
2008-09	17,587,904	16,116,635	91.63%	977,283	17,093,918	97.19%	1,067,952	6.07%	
2009-10	12,769,838	11,763,290	92.12%	863,163	12,626,453	98.88%	1,103,966	8.65%	
2010-11	13,253,517	12,332,708	93.05%	993,265	13,325,973	100.55%	1,226,886	9.26%	
2011-12	13,851,173	13,351,165	96.39%	949,858	14,301,023	103.25%	1,137,175	8.21%	
2012-13	14,532,857	14,074,180	96.84%	902,588	14,976,768	103.05%	1,163,158	8.00%	

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

COUNTY OF MADISON, VIRGINIA

Table 6

Assessed Value of Taxable Property (1)

Last Ten Fiscal Years

Fiscal Year	Real Estate (2)	Personal Property	Mobile Homes	Machinery and Tools		Merchants' Capital	Public Service	Total
2003-04	\$ 796,312,600	\$ 27,714,533	\$ 1,529,900	\$ 1,451,303	\$ 3,879,555	\$ 35,671,761	\$ 866,559,652	
2004-05	820,600,600	28,843,923	1,606,340	1,204,030	3,719,957	30,628,417	886,603,267	
2005-06	1,226,556,700	153,743,395	1,367,200	5,706,345	26,010,545	37,909,513	1,451,293,698	
2006-07	1,264,715,300	163,607,309	1,417,940	6,190,939	23,301,149	33,151,419	1,492,384,056	
2007-08	1,298,909,100	162,442,134	1,509,889	5,871,140	26,275,770	24,477,476	1,519,485,509	
2008-09	2,931,263,050	147,441,726	1,323,762	6,014,590	27,220,872	37,295,445	3,150,559,445	
2009-10	1,962,094,200	122,898,091	1,331,600	4,930,033	26,865,146	41,188,982	2,159,308,052	
2010-11	1,968,205,900	119,915,146	1,356,400	4,490,180	20,612,489	42,548,911	2,157,129,026	
2011-12	1,978,255,150	115,602,303	1,351,300	4,386,450	24,618,756	47,248,097	2,171,462,056	
2012-13	1,785,742,800	116,902,835	1,367,700	3,801,840	22,921,593	46,116,154	1,976,852,922	

(1) 100% fair market value.

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

COUNTY OF MADISON, VIRGINIA

Table 7

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property (2)	Mobile Homes	Machinery and Tools (2)		Merchants' Capital (2)
2003-04	\$ 0.76	\$ 8.70	\$ 0.76	\$ 5.50	\$ 4.30	
2004-05	0.76	8.70	0.76	5.50	4.30	
2005-06	0.59	2.14	0.59	1.10	0.86	
2006-07	0.59	2.14	0.59	1.10	0.86	
2007-08	0.59	2.14	0.59	1.10	0.86	
2008-09	0.44	2.14	0.44	1.47	0.86	
2009-10	0.44	2.95/2.80	0.44	1.47	0.86	
2010-11	0.44/0.50	2.95/2.80	0.44	1.47	0.86	
2011-12	0.50/0.53	2.95/2.80	0.50	1.62	0.86	
2012-13	0.53/0.67	3.45/2.80	0.53	1.67	0.86	

(1) Per \$100 of assessed value.

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

COUNTY OF MADISON, VIRGINIA

Table 8

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value		Net Bonded Debt per Capita
2003-04	12,520	\$ 866,559,652	\$ 7,442,122	7,442,122	0.0086		594
2004-05	12,520	886,603,267	6,884,519	6,884,519	0.0078		550
2005-06	12,520	1,451,293,698	6,320,857	6,320,857	0.0044		505
2006-07	12,520	1,492,384,056	5,750,840	5,750,840	0.0039		459
2007-08	12,520	1,519,485,509	5,174,039	5,174,039	0.0034		413
2008-09	12,520	3,150,559,445	7,599,998	7,599,998	0.0024		607
2009-10	12,520	2,159,308,052	7,743,068	7,743,068	0.0036		618
2010-11	12,520	2,157,129,026	6,428,248	6,428,248	0.0030		513
2011-12	12,520	2,171,462,056	4,810,000	4,810,000	0.0022		384
2012-13	12,520	1,976,852,922	13,242,500	13,242,500	0.0067		1,058

(1) Bureau of the Census.

(2) From Table 6.

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

COUNTY OF MADISON, VIRGINIA

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2003-04	\$ 551,834	\$ 332,740	\$ 884,574	\$ 23,177,406	3.82%
2004-05	557,603	302,726	860,329	24,775,927	3.47%
2005-06	563,662	267,447	831,109	26,763,972	3.11%
2006-07	570,017	241,856	811,873	29,790,187	2.73%
2007-08	576,801	215,171	791,972	32,311,890	2.45%
2008-09	584,041	216,146	800,187	32,970,796	2.43%
2009-10	1,451,006	197,157	1,648,163	34,504,649	4.78%
2010-11	1,390,719	195,248	1,585,967	30,759,140	5.16%
2011-12	1,698,131	144,328	1,842,459	32,631,943	5.65%
2012-13	2,448,163	133,710	2,581,873	36,066,667	7.16%

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

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Madison, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Madison, Virginia's basic financial statements, and have issued our report thereon dated February 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Madison, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Madison, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Madison, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Madison, Virginia's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

February 18, 2014

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited County of Madison, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Madison Virginia's major federal programs for the year ended June 30, 2013. County of Madison, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Madison, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 County of Madison, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Madison, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Madison, Virginia complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of County of Madison, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Madison, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 County of Madison, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farnell, Cox Associates
Charlottesville, Virginia
February 18, 2014

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government:			
Department of Transportation:			
Pass Through Payments:			
Virginia Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grants 1	20.601	K81252274	\$ 2,258
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 12,154
Temporary Assistance for Needy Families	93.558	0400109/0400110	112,974
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	456
Low-Income Home Energy Assistance	93.568	0600409/0600410	9,351
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	20,172
Chafee Education and Training Vouchers Program	93.599	9160110	1,601
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	654
Foster Care - Title IV-E	93.658	1100109/1100110	133,677
Adoption Assistance	93.659	1120109/1120110	18,211
Social Services Block Grant	93.667	1000109/1000110	140,955
Chafee Foster Care Independence Program	93.674	9150108/9150109/91501110	5,071
Children's Health Insurance Program	93.767	0540109/0540110	3,435
Medical Assistance Program	93.778	1200109/1200110	85,917
Total Department of Health and Human Services			\$ 544,628
U.S. Election Assistance Commission:			
Pass through Payments:			
Virginia Election Commission:			
Help America Vote Act Requirements Payments	90.401	N/A	\$ 3,790
Department of Homeland Security:			
Pass Through Payments:			
Virginia Department of Emergency Management:			
State Homeland Security Program	97.073	N/A	\$ 17,856

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013 (continued)

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government: (continued)			
Department of Agriculture:			
Pass Through Payments:			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010111/0010112/0040111/0040112	\$ 142,877
Total Expenditures of Federal Awards-Primary Government			\$ 711,409
Component Unit School Board:			
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	10.555/2011/2012	\$ 52,711
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	10.555/2011/2012	302,976
			355,687
School Breakfast Program (Child Nutrition Cluster)	10.553	10.553/2011/2012	104,222
Total Department of Agriculture			\$ 459,909
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	S010A080046/S010090046	\$ 450,450
Improving Teacher Quality - State Grants	84.367	S367A070044/S367A08044/S367A090044	111,647
Fund for the Improvement for Education	84.215	N/A	100
English Language Acquisition Grants	84.365	N/A	1,576
Special Education - Grants to States (Special Education Cluster)	84.027	H027A080107/H027A090107	501,551
Special Education - Preschool Grants (Special Education Cluster)	84.173	H173A080112/H173A090112	10,982
Education Technology State Grants	84.318	S318X100046	463
ARRA-Education Jobs Fund	84.410	S410A100047	220,307
Career and Technical Education -- Basic Grants to States	84.048	V048A080046/V048A090046	29,621
Total Department of Education			\$ 1,326,697
Total Expenditures of Federal Awards-Component Unit School Board			\$ 1,786,606
Total Expenditures of Federal Awards-Reporting Entity			\$ 2,498,015

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

COUNTY OF MADISON, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Madison, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Madison, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Madison, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 791,140
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Total primary government	\$ 791,140
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Component Unit School Board:

School Operating Fund	\$ 1,326,697
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School Cafeteria Fund	459,909
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Total component unit school board	\$ 1,786,606
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Total federal expenditures per basic financial statements	\$ 2,577,746
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Payments in lieu of taxes	\$ (79,731)
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,498,015
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COUNTY OF MADISON, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
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 auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.410	ARRA-Education Jobs Fund
84.027/84.173	Special Education Cluster

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings and Questioned Costs

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