

COUNTY OF CULPEPER, VIRGINIA



COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014



**County of Culpeper, Virginia**

**Comprehensive Annual  
Financial Report**

**Year Ended June 30, 2014**

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**PREPARED BY:**

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Valerie H. Lamb, Finance Director



COUNTY OF CULPEPER, VIRGINIA

Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2014

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**County of Culpeper**  
**Frank T. Bossio, County Administrator**  
**302 North Main Street, Culpeper, Virginia 22701**  
**Telephone: (540) 727-3427 Fax: (540) 727-3460**  
**Email: [fbossio@culpepercounty.gov](mailto:fbossio@culpepercounty.gov)**

November 25, 2014

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

We are pleased to present the Comprehensive Annual Financial Report of the County of Culpeper, Virginia, (the “County”), for the fiscal year which ended June 30, 2014. This report was prepared by the County’s Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County’s financial affairs have been included.

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

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

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

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2014 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.

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

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

## **THE REPORTING ENTITY AND ITS SERVICES**

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

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

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

Culpeper remains an attractive location for businesses. The County’s population has begun to level out, but the County maintains its commitment to maintaining a stable tax base fairly split between residential and commercial use, and its cost-effective approach towards service delivery.

The Consumer Price Index in the United States for 2013 decreased by 0.2% from 2012. On the state level, the unemployment rate for Virginia as of June 2014 was 5.4% compared to 5.8% as of June 2013 and the unemployment rate for Culpeper County as of June 2014 is 5.8% vs. a year ago when the rate was only 6.3%. On a national level, unemployment exceeds both the state and local unemployment level at 6.1%.

## MAJOR INITIATIVES

**For fiscal year 2014:** Following the goals and objectives established by the County of Culpeper Board of Supervisors, and with the assistance and guidance of the County's Administrator, County staff and agencies implemented and continued a number of specific "*programs*" designed to provide County residents with cost efficient government while enhancing their home and employment environment.

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

- Completed renovation of former VDOT Residency Building for Department of Human Services relocation
- Implementation of electronic document management system
- Design and right-of-way for the Western Outer Loop Road
- Secondary Road Paving Projects
- Lenn Park
- Library Expansion
- Renovation of the Culpeper County High School
- Airport Projects
- New Sheriff's Office Building
- Courthouse Renovations

### **Renovation of former VDOT Residency Building**

The Board of Supervisors purchased the vacated VDOT Residency Building in May 2011 for the relocation of the Department of Human Services. The Department was renting multiple locations in town and with the purchase of this building the entire department was then able to house all departments under one roof. The rent that was paid to the prior landlord is being used to offset the cost of debt service and once paid in full, the County will retain ownership of the building. Further the building provides better parking for staff and clients. During fiscal year 2012, the County began renovation of the building for occupancy in May of 2012. Upgrades on the building have continued into FY13 and were completed in FY14.

### **Implementation of Electronic Document Management System**

The Board of Supervisors authorized as part of the FY08 budget, \$282,000 for the implementation of an Electronic Document Management System (EDMS). The first phase of this implementation was email archiving to ensure compliance with the records retention guidelines for correspondence outlined by the Library of Virginia. The second phase is to improve processes in departments by utilizing workflow, automated forms, and existing software integration, this phase has been completed in the Finance Department for the Accounts Payable process. The next department to utilize the EDMS will be Human Resources beginning with Onboarding of new employees. The third phase, which was completed in FY14, is an automated Records Management platform to ensure all documents maintained in the EDMS are retained for the period of time specified by the Library of Virginia and then disposed of accordingly.

### **Design and right-of-way for the Western Outer Loop Road**

The County, through VDOT's Revenue Sharing Program, has compiled approximately \$15M for the construction of the Western Outer Loop, a connector road from Route 729 to Route 522 West of the Town of Culpeper. The project will be administered by VDOT. It is believed that the full funding is now in place. Currently, the design is essentially complete and purchase of the right-of-way for the road is well underway. An advertisement for bids is expected in April, 2015.

### **Secondary Road Paving Projects**

Due to an ongoing shortage of state funds for secondary road improvements, the County has begun to utilize the VDOT Revenue Sharing Program to fund the hard surfacing of a number of unpaved secondary roads throughout the County. An initial application to VDOT yielded \$1,071,246 which was matched by the County to improve five different secondary roads - Route numbers 681, 751, 716, 626 and 746. These were completed during FY14. A subsequent application was made for FY15 for six additional secondary roads.

### **Lenn Park**

The County received a donation of approximately 84 acres of land in 2006 along with a donation of approximately \$400,000 in 2010. The County named the land Lenn Park. The funding donation paid for the creation of softball fields and other amenities at the park. In 2012 the same donors paid for the construction of a pavilion at the park which was completed in FY13, as well as adding 2 playgrounds complete with equipment for toddlers and youth. In FY14 the Lenn Brothers paid for and built a volleyball court and amphitheater.

### **Library Expansion**

The Board of Supervisors approved a 1,456 square foot addition to the Library in FY13. The project is totally funded with donations and will provide reading and study rooms, a meeting space, and an area for processing books. The County bid the project in 2013 and completed construction in October 2014.

### **Renovation of Culpeper County High School**

The voters of Culpeper County approved a referendum in November 2011 for the issuance of \$21M General Obligation Bonds for the renovation of the Culpeper County High School. Architectural and engineering began during FY12 with construction beginning in the summer of 2013 and continuing through FY14. Renovation will continue throughout the school year, without intruding on student space.

### **Airport Projects**

The County completed hangar design in FY14 at the Culpeper Regional Airport. The County also utilized state and federal funds (2% local) to survey and appraise approximately 60 acres for land acquisition to enhance the airport.

For FY15 the Board of Supervisors approved renovation of the existing FBO building at the Culpeper County Regional Airport. Further, the Board approved for the construction of new hangars at the Airport. The plan is to use a combination of \$1.725M in state funds plus a USDA loan to build this \$4M project. The rental payments from the new hangars will repay the debt service on the USDA loan.

### **New Sheriff's Department**

The Board of Supervisors approved constructing a new 8,800 square foot Sheriff's Department Building to accommodate the Administrative Offices, and Patrol and Criminal Investigation Divisions. This is the first new office space for the Sheriff's Department since 1994. The existing Sheriffs Offices at 132 W Davis Street and 110 W Cameron St will be used for Civil Process, Records, Crime Victims Assistance, Court Security Personnel, and Jail Staff. Bids were received in November 2013, and Construction will be complete in November 2014. Total project cost is \$1,200,000.

### **Courthouse Elevator Improvements**

In April 2014, the Board of Supervisors approved a request from the Circuit Court Judge to install a private elevator to the Circuit Court. The elevator and other minor corridor modifications in the Circuit Court Judges Office Area will significantly reduce unintended contact between the Judge, witnesses and defendants and improve security. The project will be complete in November 2014.

**Prospects for the Future.** For the fiscal year 2014-2015, the Board of Supervisors has approved a General Fund Operating Budget of \$79,283,311. During fiscal year 2008, the County realized that it would be realizing about a \$4 million shortfall. Therefore, immediate spending cuts were made, including a hiring freeze on all vacant positions. Many of the positions that were frozen or furloughed during FY08 and FY09 still remain frozen or not included as part of this FY15 budget. Culpeper's General Fund revenues for fiscal year 2015 are projected to increase somewhat from FY14, particularly in the areas of Personal Property tax and sales tax. The Board of Supervisors approved proration of the personal property tax during FY14 and that helped with an increase in revenue without increasing the rate. Also, retail sales are up in the area, as indicated by an increase in Sales Tax revenue. Culpeper continues to remain an attractive location for businesses. The County's population has begun to level out, but the County maintains its commitment to maintaining a stable tax base fairly split between residential and commercial use, and its cost-effective approach towards service delivery.

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

**Cash Management.** Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The amount of interest received was \$9,635. This is a decrease from interest earned on temporary investments in fiscal year 2012-2013 when the interest on investments totaled \$15,863.

## OTHER INFORMATION

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

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

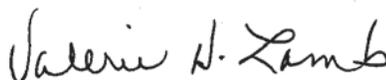
**Certificate of Achievement.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to County of Culpeper, Virginia for its comprehensive annual financial report for the fiscal year which ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,

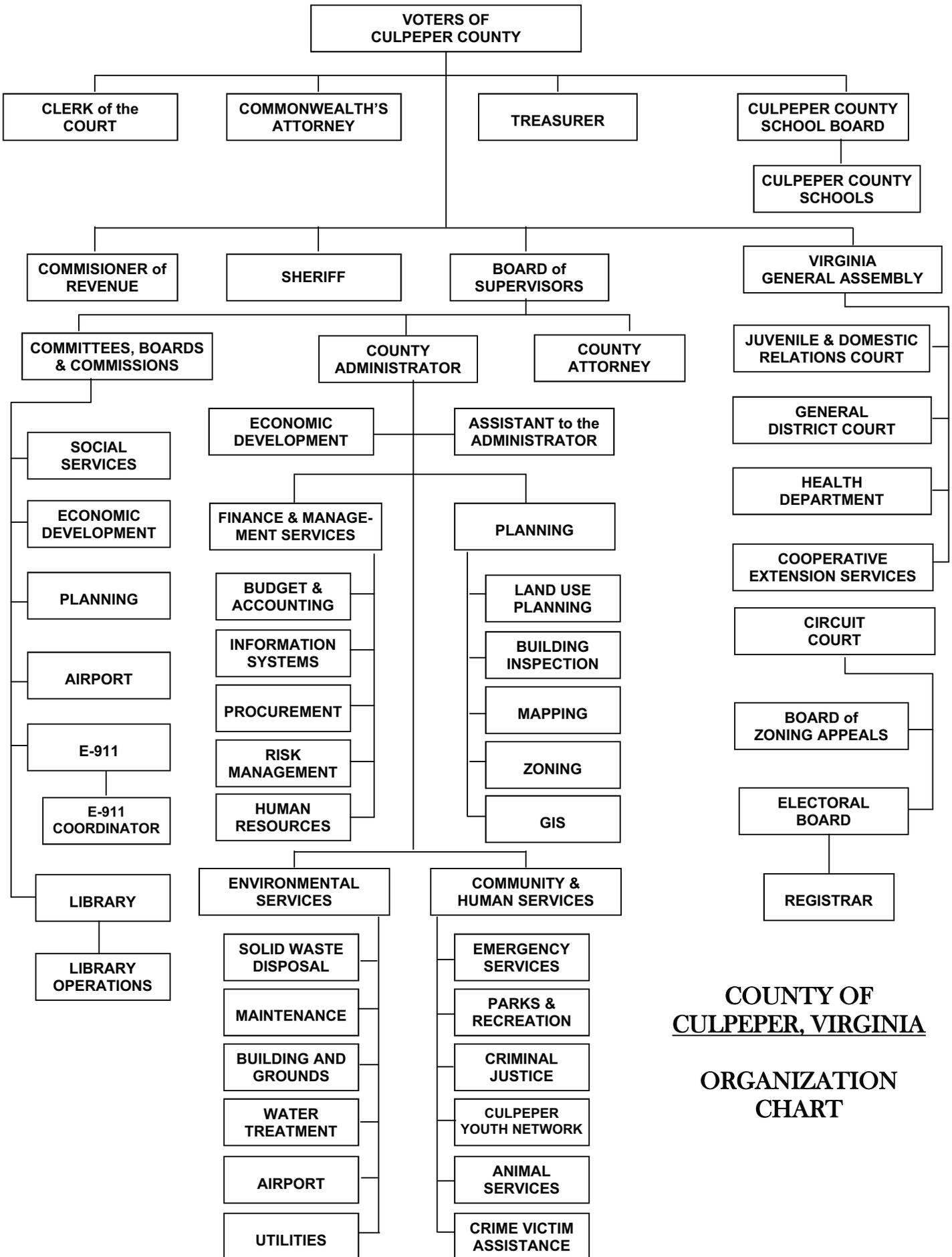


Frank T. Bossio  
County Administrator



Valerie H. Lamb  
Director of Finance

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**COUNTY OF  
CULPEPER, VIRGINIA  
ORGANIZATION  
CHART**

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**COUNTY OF CULPEPER, VIRGINIA  
Directory of Officials  
June 30, 2014**

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**PRIMARY GOVERNMENT OFFICIALS**

**BOARD OF SUPERVISORS**

Steven L. Walker, Chairman	East Fairfax District
Steven E. Nixon, Vice Chairman	West Fairfax District
Sue D. Hansohn	Catalpa District
William C. Chase, Jr.	Stevensburg District
Bradley C. Rosenberger	Jefferson District
Larry W. Aylor	Cedar Mountain District
Alexa V. Fritz	Salem District

**CONSTITUTIONAL OFFICERS**

Terry Yowell	Commissioner of Revenue
David L. DeJarnette	Treasurer
Megan R. Frederick	Commonwealth's Attorney
Scott H. Jenkins	Sheriff
Janice Corbin	Circuit Court Clerk

**ADMINISTRATIVE OFFICERS**

Frank T. Bossio	County Administrator
Sandra R. Robinson	County Attorney
Valerie H. Lamb	Director of Finance
Lisa A. Peacock	Director of Human Services

**SCHOOL BOARD COMPONENT UNIT OFFICIALS**

**School Board**

Robert H. Houck, Chairman .....	West Fairfax District
Elizabeth S. Hutchins, Vice-Chairman .....	Stevensburg District
Betsy Smith .....	Cedar Mountain District
Anne C. Luckinbill .....	Salem District
Robert Beard .....	East Fairfax District
Michelle North.....	Jefferson District
Sean Askew .....	Catalpa District

**Administrative Officers**

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

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Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**County of Culpeper  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Culpeper, Virginia, as of and for the year ended Financial June 30, 2014, 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension and OPEB funding progress on pages 5-12, 83-86 and 87 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Culpeper, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, 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.

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, the 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 introductory and statistical sections have 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 November 25, 2014, on our consideration of the County of Culpeper, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Culpeper, Virginia's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
November 25, 2014

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

As management of the County of Culpeper, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

**Financial Highlights**

**Government-wide Financial Statements**

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$85,914,615 (net position). Of this amount, \$30,190,253 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$34,868,846 an increase of \$2,668,837 in comparison with the prior year. Approximately 84 percent of this amount, \$29,125,041, is available for spending at Culpeper, Virginia's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$29,125,041, or 36 percent of total general fund expenditures.

**Overview of the Financial Statements**

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

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

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

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

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

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

## Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

**Overview of the Financial Statements: (Continued)**

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

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

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

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. Culpeper County's assets exceeded liabilities by \$85,914,615 at year end.

The largest portion of the County's net position (65 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Schedule of Assets, Liabilities and Net Position  
For the Years Ended June 30, 2014 and 2013**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 42,770,815	\$ 40,022,235	\$ 3,041,621	\$ 3,057,473	\$ 45,812,436	\$ 43,079,708
Capital assets	<u>114,575,072</u>	<u>106,911,147</u>	<u>38,888,845</u>	<u>40,314,372</u>	<u>153,463,917</u>	<u>147,225,519</u>
Total assets	<u>\$ 157,345,887</u>	<u>\$ 146,933,382</u>	<u>\$ 41,930,466</u>	<u>\$ 43,371,845</u>	<u>\$ 199,276,353</u>	<u>\$ 190,305,227</u>
Deferred Outflows of Resources:						
Deferred charge on refunding	\$ 172,489	\$ 214,718	\$ -	\$ -	\$ 172,489	\$ 214,718
Long-term liabilities						
outstanding	\$ 98,673,795	\$ 102,986,669	\$ 672,307	\$ 968,440	\$ 99,346,102	\$ 103,955,109
Current liabilities	<u>13,582,994</u>	<u>12,960,872</u>	<u>452,886</u>	<u>413,727</u>	<u>14,035,880</u>	<u>13,374,599</u>
Total liabilities	<u>\$ 112,256,789</u>	<u>\$ 115,947,541</u>	<u>\$ 1,125,193</u>	<u>\$ 1,382,167</u>	<u>\$ 113,381,982</u>	<u>\$ 117,329,708</u>
Deferred Inflows of Resources:						
Unearned revenues - taxes	\$ 152,245	\$ 141,594	\$ -	\$ -	\$ 152,245	\$ 141,594
Net Position:						
Invested in capital assets						
net of related debt	\$ 17,096,240	\$ 16,842,091	\$ 38,628,122	\$ 39,806,307	\$ 55,724,362	\$ 56,648,398
Unrestricted	<u>28,013,102</u>	<u>14,216,874</u>	<u>2,177,151</u>	<u>2,183,371</u>	<u>30,190,253</u>	<u>16,400,245</u>
Total Net Position	<u>\$ 45,109,342</u>	<u>\$ 31,058,965</u>	<u>\$ 40,805,273</u>	<u>\$ 41,989,678</u>	<u>\$ 85,914,615</u>	<u>\$ 73,048,643</u>

**Overview of the Financial Statements: (Continued)**

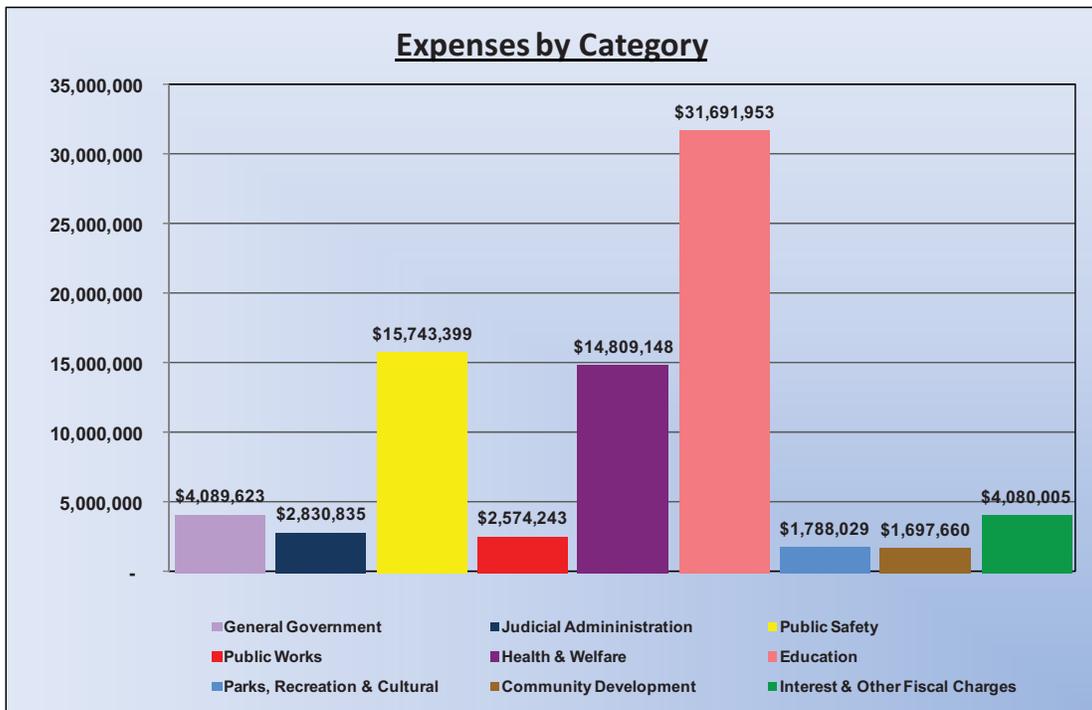
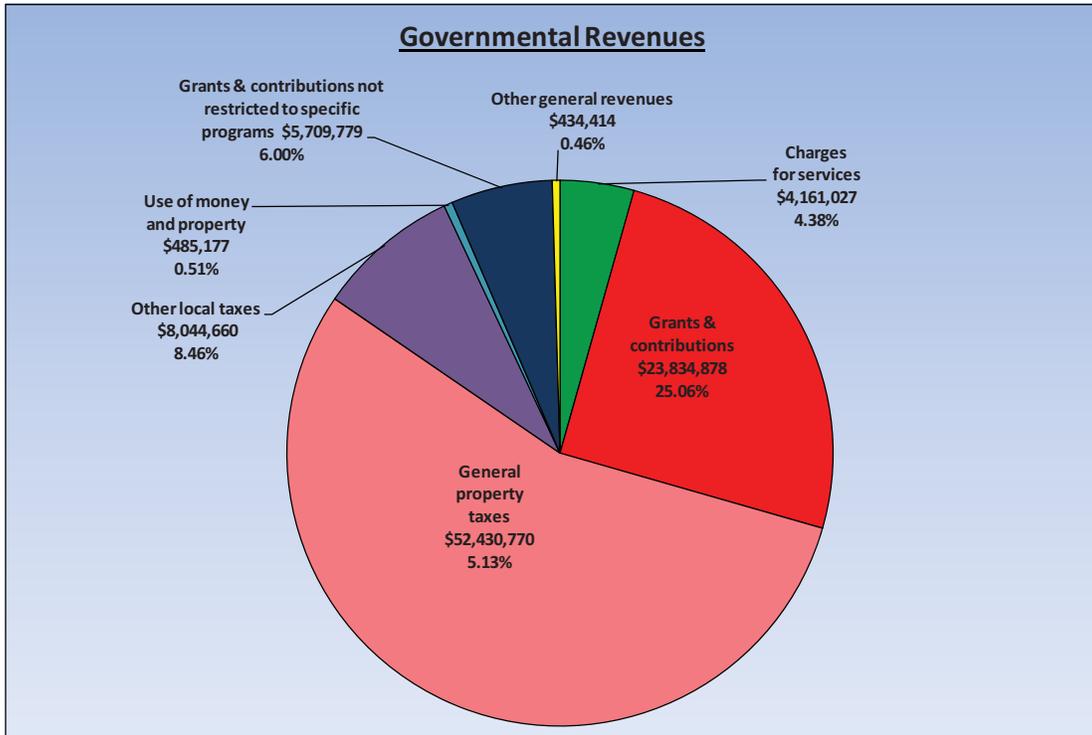
Governmental Activities - Governmental activities increased the County's net position by \$14,050,377 and the Business-type activities decreased \$1,184,405. Key elements of the changes in net position are as follows:

**Changes in Net Position  
For the Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 4,161,027	\$ 4,086,754	\$ 2,815,971	\$ 2,659,628	\$ 6,976,998	\$ 6,746,382
Operating grants and contributions	13,500,964	12,974,302	20,096	6,876	13,521,060	12,981,178
Capital grants and contributions	10,333,914	97,676	55,932	167,021	10,389,846	264,697
General revenues:						
General property taxes	52,430,770	50,615,844	-	-	52,430,770	50,615,844
Other local taxes	8,044,660	7,952,164	-	-	8,044,660	7,952,164
Use of money and property C/VA non-categorical aid	485,177	463,480	1,574	2,666	486,751	466,146
Other general revenues	5,709,779	5,729,055	-	-	5,709,779	5,729,055
	434,414	223,984	-	-	434,414	223,984
Total revenues	<u>\$ 95,100,705</u>	<u>\$ 82,143,259</u>	<u>\$ 2,893,573</u>	<u>\$ 2,836,191</u>	<u>\$ 97,994,278</u>	<u>\$ 84,979,450</u>
Expenses:						
General government administration	\$ 4,089,623	\$ 3,931,161	\$ -	\$ -	\$ 4,089,623	\$ 3,931,161
Judicial administration	2,830,835	2,780,091	-	-	2,830,835	2,780,091
Public safety	15,743,399	15,463,283	-	-	15,743,399	15,463,283
Public works	2,574,243	1,543,378	-	-	2,574,243	1,543,378
Health and welfare	14,809,148	14,203,433	-	-	14,809,148	14,203,433
Education	31,691,953	49,430,292	-	-	31,691,953	49,430,292
Parks, recreation, and cultural	1,788,029	1,664,904	-	-	1,788,029	1,664,904
Community development	1,697,660	1,659,241	-	-	1,697,660	1,659,241
Interest and other fiscal charges	4,080,005	4,401,646	-	-	4,080,005	4,401,646
Landfill	-	-	1,805,472	1,733,255	1,805,472	1,733,255
Water and Sewer	-	-	1,425,469	1,262,463	1,425,469	1,262,463
Airport	-	-	1,637,828	1,769,009	1,637,828	1,769,009
Water and Sewer Authority	-	-	954,642	953,781	954,642	953,781
Total expenses	<u>\$ 79,304,895</u>	<u>\$ 95,077,429</u>	<u>\$ 5,823,411</u>	<u>\$ 5,718,508</u>	<u>\$ 85,128,306</u>	<u>\$ 100,795,937</u>
Increase(decrease) in net position before transfers	\$ 15,795,810	\$ (12,934,170)	\$ (2,929,838)	\$ (2,882,317)	\$ 12,865,972	\$ (15,816,487)
Transfers	(1,745,433)	(1,256,691)	1,745,433	1,256,691	-	-
Increase in net position	<u>\$ 14,050,377</u>	<u>\$ (14,190,861)</u>	<u>\$ (1,184,405)</u>	<u>\$ (1,625,626)</u>	<u>\$ 12,865,972</u>	<u>\$ (15,816,487)</u>
Net position, beginning of year, as restated	<u>31,058,965</u>	<u>45,249,826</u>	<u>41,989,678</u>	<u>43,615,304</u>	<u>73,048,643</u>	<u>88,865,130</u>
Net position, end of year	<u>\$ 45,109,342</u>	<u>\$ 31,058,965</u>	<u>\$ 40,805,273</u>	<u>\$ 41,989,678</u>	<u>\$ 85,914,615</u>	<u>\$ 73,048,643</u>

- Revenues for FY14 appear to be fairly stable as compared to FY13.

**Overview of the Financial Statements: (Continued)**



- Total government spending decreased in FY14 from FY13 by approximately \$1.7M. \$4.9M was due to the refunding of a bond during FY13, however public safety expenditures increased approximately \$1M during the year, Education expenditures increased approximately \$1.3M along with smaller increases in other areas.

**Business-Type Activities** - Business-type activities decreased the County’s net position by \$1,184,405. Key elements of this decrease are as follows:

- Transfers in to Business-type activities increased from FY13 by \$488,742, however capital contributions and construction grants decreased by \$111,089. These items along with a continuing loss of approximately \$2.97M vs. \$3.0M in FY2013, continued the decrease in net position.

## Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$34,868,846, an increase of \$2,668,837 in comparison with the prior year. Approximately 84 percent of this total constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is dedicated for construction projects and subsequent expenditures to indicate that is not available for new spending because it has already been committed.

The general fund is the main operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$29,125,041, while total fund balance reached \$32,025,774, an increase from the prior year of \$2,136,337. Key factors in the net increase are as follows:

- \$2.4M in increased in General Fund revenues, due to the adoption of proration on personal property taxes and an increase in local sales tax.
- \$1.7M decrease in General Fund expenditures due to the refinancing of bonds during FY13.

The County's Capital Projects Fund balance increased \$532,500 during the year. The Capital Projects Fund had revenues of \$10,351,004 which included a transfer from the General Fund of \$1,471,250, and a Contribution from the School Board component unit of \$10,333,914 while it expended \$12,743,754, or \$12,028,899 more than FY13 in various projects from the prior year. Expenditures for capital projects were as follows:

1. VDOT Residency building renovation \$31,172
2. New Sheriff's Office \$781,913
3. Community Complex \$117,373
4. Secondary road plan \$1,071,246
5. Other general government projects \$141,830
6. Courthouse renovations \$6,570
7. Contribution to Fire & Rescue Assn for capital needs \$295,141
8. Bond issuance costs \$66,410
9. School CIP - Culpeper County High School Renovation project, \$10,333,914

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

Net position of the Airport Fund at the end of the year was \$9,669,450, a decrease from the prior year of \$349,864. This is an increase of \$162,323 over FY13's decrease in net position.

Net position of the Landfill Fund totaled \$3,820,541, an increase from prior the year of \$259,765. Transfers in from the General Fund were increased over the prior year by \$343,170.

Water and Sewer Fund net position decreased \$140,147 for the year ending June 30, 2014 and totaled \$3,659,870. The primary reason for the decrease was an increase in the area of Other Charges under expenditures, primarily utility costs and repair/maintenance supplies.

During 2005 the Board of Supervisors created the Water and Sewer Authority to account for water and sewer activities in the northern part of the County which we call Clevenger's Corner. At June 30, 2014 net position totaled \$23,655,412.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were \$2,050,853 and can be briefly summarized as follows:

- \$616,000 in public safety;
- \$1,260,804 in CSA;
- \$119,414 Library; and
- \$54,635 in other

Of this increase, \$1,005,228 was to be funded from intergovernmental revenues. The remaining \$1,045,625 was to be budgeted from available fund balance.

## **Capital Asset and Debt Administration**

Capital assets - The County's investment in capital assets for its governmental and business type activities as of June 30, 2014 amounts to \$153,463,917 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$100,702,506. Of this amount \$100,441,783 represents debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e. Revenue bonds).

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

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

## **Economic Factors and Next Year's Budget and Rates**

The fiscal health of Culpeper County has an effect on the levels of service that will be provided to the residents of the County. From FY08 through FY12 numerous cuts and reductions were made in the budget to reduce spending and stay in line with the revenue stream that was available during the economic downturn.

In the FY13 budget, for the 1<sup>st</sup> time in 4 years, the Board of Supervisors approved a 2.4% salary improvement based on a rolling 3 year average of the CPI and indexed on the midpoints of positions under the FY08 classification scale. The classification scale was frozen in FY08 due to the economy. The cost of the salary improvements has been absorbed by further reductions as follows: The County Engineer position was reduced from a full time position to a 25% FTE part time position with no benefits; an appraiser position from the Real Estate Department was not filled when vacated; a planning and zoning technician position was not filled when vacated; and currently 1 IT position although funded is not filled.

The adopted fiscal year 2013 Budget included three (3) new full time positions in the General Fund portion of the budget. In an effort to increase revenue collections, without raising tax rates, the County is implementing the proration of personal property taxes. With this new process it is essential to have a new clerical staff person in both the Commissioner of the Revenue's Office as well as the Treasurer's Office. The third new staff person is in the IT Department to assist with new computer processes the proration will require.

## **Economic Factors and Next Year's Budget and Rates: (Continued)**

The FY14 adopted budget included 3 new positions. 2 are new deputy positions for the Sheriff's Office under his Court Security budget. The 3<sup>rd</sup> position was requested by the Parks & Recreation Department as a Park Maintenance position to assist with field maintenance at the various county parks.

For the FY15 adopted budget, there were no new full time positions added. However, included in the Registrar's budget was the addition of a part time position; this position will assist with clerical work related to the general election. A full time position that had been split between the Building Department and the Planning Department was moved 100% under the Building Department, therefore a part time Comprehensive Planner position was added to the Planning Department budget. A full time position that was split between Criminal Justice Services and Options was moved 100% under Options, therefore a part time position to oversee the road side litter clean-up program administered with parolees under Criminal Justice Services was also added. Lastly, the Library requested additional funding for part time employees to allow the Library to remain open on Sundays.

Culpeper continues to remain an attractive location for businesses. The County's population has begun to level out, but the County maintains its commitment to maintaining a stable tax base fairly split between residential and commercial use, and its cost-effective approach towards service delivery.

For FY15, the adopted tax rates of \$.75 for the General real estate rate and \$0.08 for the Fire/Rescue real estate rate remain unchanged.

Further, the FY15 budget included an increase in revenue for Personal Property Taxes. The increase was due to the intense collection efforts of the County Treasurer to collect all unpaid taxes due to the County as well as increasing values of personal property. Additionally, the Board of Supervisors in FY13 adopted proration of personal property taxes. The first time proration could occur was with the January 1, 2013 assessments, and those collections were recorded in FY14. The Board continued with its policy of proration of personal property and that additional increase in revenue was included in the FY15 budget.

The FY15 budget submission also maintained the current personal property tax rate of \$1.50 per \$100 of assessed value for recreational personal property; \$1.00 per \$100 of assessed value for Passenger Carrier vehicles (30 or more passengers); \$3.50 per \$100 of assessed value for all other personal property, with the exception of aircraft which rate is \$.00004 per \$100 of assessed value; and \$2.00 per \$100 of assessed value for Machinery & tools.

## **Requests for Information**

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

**BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Position  
At June 30, 2014

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	School Board	Culpeper County EDA
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 32,505,232	\$ 6,019,296	\$ 38,524,528	\$ 8,790,951	\$ 4,046
Receivables (net of allowance for uncollectibles):					
Property taxes	2,841,895	-	2,841,895	-	-
Accounts receivable	608,067	391,158	999,225	231,740	-
Prepaid items	-	-	-	-	-
Inventory	-	56,194	56,194	-	-
Due from primary government	-	-	-	4,672,340	-
Internal balances	3,440,146	(3,440,146)	-	-	-
Due from other governments	3,375,475	15,119	3,390,594	2,141,872	-
<b>Total Current Assets</b>	<b>\$ 42,770,815</b>	<b>\$ 3,041,621</b>	<b>\$ 45,812,436</b>	<b>\$ 15,836,903</b>	<b>\$ 4,046</b>
Noncurrent Assets					
Capital assets (net of depreciation):					
Land and land improvements	\$ 10,428,807	\$ 2,622,322	\$ 13,051,129	\$ 2,149,877	\$ -
Construction in progress	18,897,230	1,949,714	20,846,944	1,577,301	-
Buildings and improvements	22,747,942	34,119,627	56,867,569	5,182,247	-
Equipment	2,421,411	197,182	2,618,593	3,646,154	-
Jointly owned assets	60,079,682	-	60,079,682	27,677,076	-
<b>Total Capital Assets</b>	<b>\$ 114,575,072</b>	<b>\$ 38,888,845</b>	<b>\$ 153,463,917</b>	<b>\$ 40,232,655</b>	<b>\$ -</b>
<b>Total Assets</b>	<b>\$ 157,345,887</b>	<b>\$ 41,930,466</b>	<b>\$ 199,276,353</b>	<b>\$ 56,069,558</b>	<b>\$ 4,046</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	\$ 172,489	\$ -	\$ 172,489	\$ -	\$ -
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable and other current liabilities	\$ 452,323	\$ 142,596	\$ 594,919	\$ 7,803,360	\$ -
Amounts held for others	172,167	-	172,167	-	-
Due to component unit	4,672,340	-	4,672,340	-	-
Accrued interest payable	2,014,856	6,465	2,021,321	-	-
Current portion of long-term obligations	6,271,308	303,825	6,575,133	117,145	-
<b>Total Current Liabilities</b>	<b>\$ 13,582,994</b>	<b>\$ 452,886</b>	<b>\$ 14,035,880</b>	<b>\$ 7,920,505</b>	<b>\$ -</b>
Noncurrent Liabilities					
Noncurrent portion of long-term obligations	98,673,795	672,307	99,346,102	1,619,306	-
<b>Total Liabilities</b>	<b>\$ 112,256,789</b>	<b>\$ 1,125,193</b>	<b>\$ 113,381,982</b>	<b>\$ 9,539,811</b>	<b>\$ -</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenues - taxes	\$ 152,245	\$ -	\$ 152,245	\$ -	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ 17,096,240	\$ 38,628,122	\$ 55,724,362	\$ 40,232,655	\$ -
Unrestricted	28,013,102	2,177,151	30,190,253	6,297,092	4,046
<b>Total Net Position</b>	<b>\$ 45,109,342</b>	<b>\$ 40,805,273</b>	<b>\$ 85,914,615</b>	<b>\$ 46,529,747</b>	<b>\$ 4,046</b>

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

COUNTY OF CULPEPER, VIRGINIA

Statement of Activities  
 Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 4,089,623	\$ -	\$ 327,019	\$ -
Judicial administration	2,830,835	213,434	718,726	-
Public safety	15,743,399	1,527,478	3,616,312	-
Public works	2,574,243	-	-	-
Health and welfare	14,809,148	2,210,720	8,588,740	-
Education	31,691,953	-	-	10,333,914
Parks, recreation, and cultural	1,788,029	205,816	150,167	-
Community development	1,697,660	3,579	100,000	-
Interest on long-term debt	4,080,005	-	-	-
<b>Total governmental activities</b>	<b>\$ 79,304,895</b>	<b>\$ 4,161,027</b>	<b>\$ 13,500,964</b>	<b>\$ 10,333,914</b>
Business-type activities:				
Landfill	\$ 1,805,472	\$ 981,934	\$ -	\$ -
Water and sewer	1,425,469	865,799	-	-
Airport	1,637,828	968,238	20,096	55,932
Water and sewer authority	954,642	-	-	-
<b>Total business-type activities</b>	<b>\$ 5,823,411</b>	<b>\$ 2,815,971</b>	<b>\$ 20,096</b>	<b>\$ 55,932</b>
<b>Total primary government</b>	<b>\$ 85,128,306</b>	<b>\$ 6,976,998</b>	<b>\$ 13,521,060</b>	<b>\$ 10,389,846</b>
<b>COMPONENT UNITS:</b>				
School Board	\$ 88,419,136	\$ 1,628,638	\$ 46,069,735	\$ 1,821,768
Culpeper County EDA	429,533	-	-	-
<b>Total component units</b>	<b>\$ 88,848,669</b>	<b>\$ 1,628,638</b>	<b>\$ 46,069,735</b>	<b>\$ 1,821,768</b>
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
Taxes on recordation and wills				
Motor vehicle license taxes				
Other local taxes				
County contribution to School Board				
County contribution to EDA				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	Component Unit
Governmental Activities	Business-type Activities	Total	School Board	Culpeper County EDA
\$ (3,762,604)	\$ -	\$ (3,762,604)	\$ -	\$ -
(1,898,675)	-	(1,898,675)	-	-
(10,599,609)	-	(10,599,609)	-	-
(2,574,243)	-	(2,574,243)	-	-
(4,009,688)	-	(4,009,688)	-	-
(21,358,039)	-	(21,358,039)	-	-
(1,432,046)	-	(1,432,046)	-	-
(1,594,081)	-	(1,594,081)	-	-
(4,080,005)	-	(4,080,005)	-	-
<u>\$ (51,308,990)</u>	<u>\$ -</u>	<u>\$ (51,308,990)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (823,538)	\$ (823,538)	\$ -	\$ -
-	(559,670)	(559,670)	-	-
-	(593,562)	(593,562)	-	-
-	(954,642)	(954,642)	-	-
<u>\$ -</u>	<u>\$ (2,931,412)</u>	<u>\$ (2,931,412)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (51,308,990)</u>	<u>\$ (2,931,412)</u>	<u>\$ (54,240,402)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (38,898,995)	\$ -
-	-	-	-	(429,533)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (38,898,995)</u>	<u>\$ (429,533)</u>
\$ 52,430,770	\$ -	\$ 52,430,770	\$ -	\$ -
5,721,942	-	5,721,942	-	-
793,620	-	793,620	-	-
589,489	-	589,489	-	-
924,867	-	924,867	-	-
14,742	-	14,742	-	-
-	-	-	28,105,855	-
-	-	-	-	431,189
485,177	1,574	486,751	58,034	-
434,414	-	434,414	1,321,374	-
5,709,779	-	5,709,779	-	-
(1,745,433)	1,745,433	-	-	-
<u>\$ 65,359,367</u>	<u>\$ 1,747,007</u>	<u>\$ 67,106,374</u>	<u>\$ 29,485,263</u>	<u>\$ 431,189</u>
\$ 14,050,377	\$ (1,184,405)	\$ 12,865,972	\$ (9,413,732)	\$ 1,656
31,058,965	41,989,678	73,048,643	55,943,479	2,390
<u>\$ 45,109,342</u>	<u>\$ 40,805,273</u>	<u>\$ 85,914,615</u>	<u>\$ 46,529,747</u>	<u>\$ 4,046</u>

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## **Fund Financial Statements**

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Balance Sheet - Governmental Funds  
At June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 29,418,628	\$ 3,026,170	\$ 32,444,798
Receivables (net of allowance for uncollectibles):			
Taxes, including penalties	2,841,895	-	2,841,895
Accounts	608,067	-	608,067
Due from other funds	3,440,146	-	3,440,146
Due from other governmental units	<u>3,375,475</u>	<u>-</u>	<u>3,375,475</u>
Total assets	<u>\$ 39,684,211</u>	<u>\$ 3,026,170</u>	<u>\$ 42,710,381</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 269,225	\$ 183,098	\$ 452,323
Amounts held for others	172,167	-	172,167
Due to component unit	<u>4,672,340</u>	<u>-</u>	<u>4,672,340</u>
Total liabilities	<u>\$ 5,113,732</u>	<u>\$ 183,098</u>	<u>\$ 5,296,830</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	<u>\$ 2,544,705</u>	<u>\$ -</u>	<u>\$ 2,544,705</u>
<b>FUND BALANCES</b>			
Restricted	\$ 51,482	\$ -	\$ 51,482
Committed	2,845,076	2,843,072	5,688,148
Assigned	4,175	-	4,175
Unassigned	<u>29,125,041</u>	<u>-</u>	<u>29,125,041</u>
Total fund balances	<u>\$ 32,025,774</u>	<u>\$ 2,843,072</u>	<u>\$ 34,868,846</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 39,684,211</u>	<u>\$ 3,026,170</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.	114,575,072
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(2,014,856)
Internal service funds are used by the County to charge the cost of dental insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. The internal service funds net position are:	60,434
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.	2,392,460
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.	<u>(104,772,614)</u>
Net position of General Governmental Activities	<u>\$ 45,109,342</u>

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, 2014

	Governmental Fund Types		Total Governmental Funds
	General	Capital Projects	
Revenues:			
General property taxes	\$ 52,737,696	\$ -	\$ 52,737,696
Other local taxes	8,044,660	-	8,044,660
Permits, privilege fees and regulatory licenses	678,813	-	678,813
Fines and forfeitures	57,565	-	57,565
Revenue from use of money and property	469,087	16,090	485,177
Charges for services	3,424,649	-	3,424,649
Miscellaneous	433,414	1,000	434,414
Recovered costs	385,588	-	385,588
Intergovernmental:			
School Board Contribution to Primary Government	-	10,333,914	10,333,914
Commonwealth	14,805,147	-	14,805,147
Federal	4,405,596	-	4,405,596
Total revenues	\$ 85,442,215	\$ 10,351,004	\$ 95,793,219
Expenditures:			
Current:			
General government administration	\$ 3,916,959	\$ 141,830	\$ 4,058,789
Judicial administration	2,835,743	-	2,835,743
Public safety	16,357,265	781,913	17,139,178
Public works	1,024,565	1,108,987	2,133,552
Health and welfare	14,925,935	-	14,925,935
Education	28,663,781	10,333,914	38,997,695
Parks, recreation, and cultural	1,640,529	310,700	1,951,229
Community development	1,698,483	-	1,698,483
Debt service:			
Principal retirement	5,592,400	-	5,592,400
Interest and other fiscal charges	4,191,633	66,410	4,258,043
Total expenditures	\$ 80,847,293	\$ 12,743,754	\$ 93,591,047
Excess (deficiency) of revenues over (under) expenditures	\$ 4,594,922	\$ (2,392,750)	\$ 2,202,172
Other financing sources (uses):			
Transfers in	\$ -	\$ 1,471,250	\$ 1,471,250
Issuance of capital lease	758,098	-	758,098
Issuance of lease revenue bonds	-	1,454,000	1,454,000
Transfers (out)	(3,216,683)	-	(3,216,683)
Total other financing sources (uses)	\$ (2,458,585)	\$ 2,925,250	\$ 466,665
Changes in fund balances	\$ 2,136,337	\$ 532,500	\$ 2,668,837
Fund balances at beginning of year	29,889,437	2,310,572	32,200,009
Fund balances at end of year	\$ 32,025,774	\$ 2,843,072	\$ 34,868,846

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities - Governmental Funds  
Year Ended June 30, 2014

		<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds	\$	2,668,837
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period:		
Capital outlays	\$ 12,266,555	
Depreciation expense	<u>(3,273,182)</u>	8,993,373
The net effect of various transactions involving capital assets (i.e. sales, trades-in, and donations) is to decrease net position.		(7,680)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(1,321,768)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this adjustment consist of the change in unearned revenue - taxes.		(306,926)
Internal service funds are used by the County to charge the costs of dental insurance to individual funds. The net revenue of internal service funds is reported with governmental activities.		20,599
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Details of this adjustment are as follows:		
Principal retired on long-term debt	\$ 5,795,175	
Issuance of lease revenue bonds	(1,454,000)	
Issuance of capital lease	(758,098)	
Amortization of premium on bonds issued	140,063	
Amortization of deferred charge on refunding	<u>(42,229)</u>	3,680,911
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	\$ 312,827	
Change in net OPEB obligation	(70,000)	
Change in accrued interest payable	<u>80,204</u>	<u>323,031</u>
Change in net position of governmental activities	\$	<u>14,050,377</u>

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

Statement of Net Position  
 Proprietary Funds  
 At June 30, 2014

	Business-type Activities-Enterprise Funds				Totals	Governmental
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority		Internal Service Fund
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 3,973,167	\$ -	\$ -	\$ 2,046,129	\$ 6,019,296	\$ 60,434
Receivables (net of allowance for uncollectibles):						
Accounts receivable	88,496	159,108	143,554	-	391,158	-
Due from other governments	-	-	15,119	-	15,119	-
Inventory	-	-	56,194	-	56,194	-
<b>Total Current Assets</b>	<b>\$ 4,061,663</b>	<b>\$ 159,108</b>	<b>\$ 214,867</b>	<b>\$ 2,046,129</b>	<b>\$ 6,481,767</b>	<b>\$ 60,434</b>
<b>Noncurrent Assets</b>						
<b>Capital assets (net of depreciation):</b>						
Land	\$ 401,073	\$ 235,200	\$ 516,929	\$ 1,469,120	\$ 2,622,322	\$ -
Construction in progress	-	1,497,594	452,120	-	1,949,714	-
Buildings and improvements	6,832	1,817,880	9,460,146	22,834,769	34,119,627	-
Equipment	36,120	84,897	70,771	5,394	197,182	-
<b>Total Capital Assets</b>	<b>\$ 444,025</b>	<b>\$ 3,635,571</b>	<b>\$ 10,499,966</b>	<b>\$ 24,309,283</b>	<b>\$ 38,888,845</b>	<b>\$ -</b>
<b>Total Assets</b>	<b>\$ 4,505,688</b>	<b>\$ 3,794,679</b>	<b>\$ 10,714,833</b>	<b>\$ 26,355,412</b>	<b>\$ 45,370,612</b>	<b>\$ 60,434</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable and accrued expenses	\$ 2,591	\$ 112,305	\$ 27,700	\$ -	\$ 142,596	\$ -
Accrued Interest payable	-	-	6,465	-	6,465	-
Due to other funds	-	-	740,146	2,700,000	3,440,146	-
Current portion of long-term obligations	39,817	2,250	261,758	-	303,825	-
<b>Total Current Liabilities</b>	<b>\$ 42,408</b>	<b>\$ 114,555</b>	<b>\$ 1,036,069</b>	<b>\$ 2,700,000</b>	<b>\$ 3,893,032</b>	<b>\$ -</b>
<b>Noncurrent Liabilities</b>						
Noncurrent portion of long-term obligations	642,739	20,254	9,314	-	672,307	-
<b>Total Liabilities</b>	<b>\$ 685,147</b>	<b>\$ 134,809</b>	<b>\$ 1,045,383</b>	<b>\$ 2,700,000</b>	<b>\$ 4,565,339</b>	<b>\$ -</b>
<b>NET POSITION</b>						
Net investment in capital assets	\$ 444,025	\$ 3,635,571	\$ 10,239,243	\$ 24,309,283	\$ 38,628,122	\$ -
Unrestricted (deficit)	3,376,516	24,299	(569,793)	(653,871)	2,177,151	60,434
<b>Total Net Position</b>	<b>\$ 3,820,541</b>	<b>\$ 3,659,870</b>	<b>\$ 9,669,450</b>	<b>\$ 23,655,412</b>	<b>\$ 40,805,273</b>	<b>\$ 60,434</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 4,505,688</b>	<b>\$ 3,794,679</b>	<b>\$ 10,714,833</b>	<b>\$ 26,355,412</b>	<b>\$ 45,370,612</b>	<b>\$ 60,434</b>

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

Statement of Revenues, Expenses and Changes in Net Position --  
 Proprietary Funds  
 Year Ended June 30, 2014

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority		Internal Service Fund
						Dental Insurance Fund
Operating revenues:						
Charges for services	\$ 981,934	\$ 865,799	\$ 968,238	\$ -	\$ 2,815,971	\$ 129,668
Maintenance grants	-	-	20,096	-	20,096	-
Total operating revenues	\$ 981,934	\$ 865,799	\$ 988,334	\$ -	\$ 2,836,067	\$ 129,668
Operating expenses:						
Personal services	\$ 193,192	\$ 320,075	\$ 174,863	\$ -	\$ 688,130	\$ -
Fringe benefits	56,240	99,109	43,207	-	198,556	109,069
Contractual services	1,491,780	274,352	167,621	-	1,933,753	-
Other charges	24,652	602,914	559,807	324,942	1,512,315	-
Depreciation	39,608	129,019	677,667	629,700	1,475,994	-
Total operating expenses	\$ 1,805,472	\$ 1,425,469	\$ 1,623,165	\$ 954,642	\$ 5,808,748	\$ 109,069
Operating income (loss)	\$ (823,538)	\$ (559,670)	\$ (634,831)	\$ (954,642)	\$ (2,972,681)	\$ 20,599
Nonoperating revenues (expenses):						
Interest income	\$ 1,091	\$ -	\$ -	\$ 483	\$ 1,574	\$ -
Interest expense	-	-	(14,663)	-	(14,663)	-
Total nonoperating revenues (expenses)	\$ 1,091	\$ -	\$ (14,663)	\$ 483	\$ (13,089)	\$ -
Income (loss) before contributions and transfers	\$ (822,447)	\$ (559,670)	\$ (649,494)	\$ (954,159)	\$ (2,985,770)	\$ 20,599
Capital contributions and construction grants	\$ -	\$ -	\$ 55,932	\$ -	\$ 55,932	\$ -
Transfers:						
Transfers in	\$ 1,082,212	\$ 419,523	\$ 243,698	\$ -	\$ 1,745,433	\$ -
Total transfers	\$ 1,082,212	\$ 419,523	\$ 243,698	\$ -	\$ 1,745,433	\$ -
Change in net position	\$ 259,765	\$ (140,147)	\$ (349,864)	\$ (954,159)	\$ (1,184,405)	\$ 20,599
Net position at beginning of year, as restated	3,560,776	3,800,017	10,019,314	24,609,571	41,989,678	39,835
Net position at end of year	\$ 3,820,541	\$ 3,659,870	\$ 9,669,450	\$ 23,655,412	\$ 40,805,273	\$ 60,434

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

Statement of Cash Flows --  
 Proprietary Funds  
 Year Ended June 30, 2014

	Business-type Activities-Enterprise Funds					Governmental Activities
	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals	Internal Service Fund
						Dental Insurance Fund
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ 979,193	\$ 851,251	\$ 935,777	\$ -	\$ 2,766,221	\$ -
Receipts from insured	-	-	-	-	-	129,668
Payments to suppliers	(1,553,445)	(836,290)	(706,345)	(324,942)	(3,421,022)	(109,069)
Payments to employees	(253,763)	(417,871)	(214,908)	-	(886,542)	-
Net cash provided by (used for) operating activities	\$ (828,015)	\$ (402,910)	\$ 14,524	\$ (324,942)	\$ (1,541,343)	\$ 20,599
<b>Cash flows from capital and related financing activities:</b>						
Purchases of capital assets	\$ -	\$ (16,613)	\$ (33,854)	\$ -	\$ (50,467)	\$ -
Capital grants and contributions	-	-	42,733	-	42,733	-
Interest expense	-	-	(20,796)	-	(20,796)	-
Retirement of indebtedness	-	-	(247,342)	-	(247,342)	-
Net cash provided by (used for) capital and related financing activities	\$ -	\$ (16,613)	\$ (259,259)	\$ -	\$ (275,872)	\$ -
<b>Cash flows from noncapital financing activities:</b>						
Transfers in	\$ 1,082,212	\$ 419,523	\$ 243,698	\$ -	\$ 1,745,433	\$ -
Increase(decrease) in due to other funds	-	-	1,037	(96,220)	(95,183)	-
Net cash provided by (used for) noncapital financing activities	\$ 1,082,212	\$ 419,523	\$ 244,735	\$ (96,220)	\$ 1,650,250	\$ -
<b>Cash flows from investing activities:</b>						
Interest income	\$ 1,091	\$ -	\$ -	\$ 483	\$ 1,574	\$ -
Increase (decrease) in cash and cash equivalents	\$ 255,288	\$ -	\$ -	\$ (420,679)	\$ (165,391)	\$ 20,599
Cash and cash equivalents at beginning of year	3,717,879	-	-	2,466,808	6,184,687	39,835
Cash and cash equivalents at end of year	\$ 3,973,167	\$ -	\$ -	\$ 2,046,129	\$ 6,019,296	\$ 60,434
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (823,538)	\$ (559,670)	\$ (634,831)	\$ (954,642)	\$ (2,972,681)	\$ 20,599
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:						
Depreciation	\$ 39,608	\$ 129,019	\$ 677,667	\$ 629,700	\$ 1,475,994	\$ -
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	(2,741)	(14,548)	(52,557)	-	(69,846)	-
(Increase) decrease in inventory	-	-	28,689	-	28,689	-
Increase (decrease) in accounts payable	(1,473)	40,976	(7,606)	-	31,897	-
Increase (decrease) in compensated absences	(4,331)	1,313	3,162	-	144	-
Increase (decrease) in landfill closure	(35,540)	-	-	-	(35,540)	-
Total adjustments	\$ (4,477)	\$ 156,760	\$ 649,355	\$ 629,700	\$ 1,431,338	\$ -
Net cash provided by (used for) operating activities	\$ (828,015)	\$ (402,910)	\$ 14,524	\$ (324,942)	\$ (1,541,343)	\$ 20,599

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

Statement of Fiduciary Net Position --  
 Agency Funds  
 At June 30, 2014

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 418,480
Accounts receivable	<u>1,390</u>
Total assets	<u>\$ 419,870</u>
<b>LIABILITIES</b>	
Amounts held for others	\$ 251,133
Amounts held for inmates	48,918
Amounts held for social services clients	<u>119,819</u>
Total liabilities	<u>\$ 419,870</u>

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

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# COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014

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## Note 1—Summary of Significant Accounting Policies:

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The County of Culpeper, Virginia was formed in 1749 and it is governed by an elected seven member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection, sanitation services, recreational activities, cultural events, education, and social services.

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

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

### Government-wide and Fund Financial Statements

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

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

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net 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 segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

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

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

#### A. Financial Reporting Entity

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

#### B. Individual Component Unit Disclosures

*Blended Component Units - Culpeper County Water and Sewer Authority* - The Culpeper County Water and Sewer Authority serves all the citizens of the government and is governed by a board comprised of the government's elected supervisors. The rates for user charges and bond issuance authorizations are approved by the government's board. The Authority operates on a fiscal year which ends June 30. The Authority is presented as an enterprise fund in the County's financial statements for the fiscal year ended June 30, 2014.

*Discretely Presented Component Units* - The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2014.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

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#### B. Individual Component Unit Disclosures (Continued)

*Discretely Presented Component Units* - The Culpeper County Economic Development Authority was created by the Board of Supervisors to administer the issuance of economic development revenue bonds. The County appoints all members of Authority's Board of Directors. The primary funding is from the General Fund of the County. The Economic Development Authority does not issue a separate financial report. The financial statements of the Authority are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2014.

##### Other Related Organizations

###### Included in the County's Comprehensive Annual Financial Report

None

###### Excluded from the County's Comprehensive Annual Financial Report

###### Rappahannock-Rapidan Planning District Commission

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

###### Rappahannock-Rapidan Community Services Board

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

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

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

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

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

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

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

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.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

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#### C. 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 Projects Fund

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

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

##### Enterprise Funds

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

The County reports the following major enterprise funds:

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

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

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

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

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

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

##### 2. Proprietary Funds: (Continued)

###### Internal Service Funds

The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government. The Internal Service Funds consist of the following fund:

Dental Insurance Fund - This fund accounts for the dental insurance program activities of the County.

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

#### D. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Capital Projects Fund, School Operating Fund, School Cafeteria Fund, and School Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

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#### **E. Cash and Cash Equivalents**

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

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

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

#### **F. Receivables and payables**

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,621,308 at June 30, 2014, and is comprised solely of property taxes.

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

#### **G. Inventory and Prepaid Items**

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

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

#### **H. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental, business-type activities, or component unit 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 asset's life are not capitalized.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

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**H. Capital Assets (Continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2014 was immaterial.

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

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

**I. Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**J. Long-term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

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#### K. Fund Balances

##### Financial Policies

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

Under GASB 54, fund balances are required to be reported according to the following classifications:

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

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

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

Assigned fund balance - Amounts that are constrained by the County's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. In accordance with the County's financial policies, the Board of Supervisors may assign fund balance as it does through the adoption or amendment of the budget as intended for specific purpose. The County Administrator also has authority, as delegated by the Board of Supervisors, to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

K. Fund Balances (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County’s highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the County that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

The following is detail of County’s Fund Balances:

Category	General Fund	Capital Project Fund	Total Primary Government	Component Unit School Board
<b>Restricted:</b>				
School Athletic Programs	\$ 3,052	\$ -	\$ 3,052	\$ -
Social Services Children's Program	3,388	-	3,388	-
Historic markers	521	-	521	-
High School Renovations	-	-	-	5,333,230
School Capital Projects	2,006	-	2,006	-
Community Pool	1,131	-	1,131	-
Senior Citizen Programs	3,124	-	3,124	-
4th of July	346	-	346	-
Animal shelter	5,193	-	5,193	-
Drug forfeitures	32,721	-	32,721	-
Total Restricted	\$ 51,482	\$ -	\$ 51,482	\$ 5,333,230
<b>Committed:</b>				
School Capital Projects	\$ 1,606,334	\$ -	\$ 1,606,334	\$ -
Library	653,019	-	653,019	-
Proffers	585,723	-	585,723	-
Capital Projects	-	2,843,072	2,843,072	869,700
Total Committed	\$ 2,845,076	\$ 2,843,072	\$ 5,688,148	\$ 869,700
<b>Assigned:</b>				
Animal Services	\$ 1,175	\$ -	\$ 1,175	\$ -
E911 Tower Deposit	3,000	-	3,000	-
Cafeteria	-	-	-	1,719,528
Total Assigned	\$ 4,175	\$ -	\$ 4,175	\$ 1,719,528
<b>Unassigned</b>	\$ 29,125,041	\$ -	\$ 29,125,041	\$ -
<b>Total Fund Balance</b>	\$ 32,025,774	\$ 2,843,072	\$ 34,868,846	\$ 7,922,458

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

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#### L. Retirement Plan

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

#### M. Use of Estimates

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

#### N. Net 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.

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

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

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

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

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

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#### P. 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.

#### Q. 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 charge on refunding reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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 2<sup>nd</sup> 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, 2<sup>nd</sup> amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources.

### Note 2—Deposits and Investments:

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#### Deposits

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

**Note 2—Deposits and Investments: (Continued)**

**Investments**

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

**Credit Risk of Debt Securities**

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

The County’s rated debt investments as of June 30, 2014 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

<b>Rated Debt Investments' Values</b>		
<b>Rated Debt Investments</b>	<b>Fair Quality Ratings</b>	
	<b>AAAm</b>	<b>AA</b>
Local Government Investment Pool	\$ 6,985,760	\$ -
Money Market Funds	7,557,824	-
Total	\$ <u>14,543,584</u>	\$ <u>-</u>
<b>Investment maturities in years:</b>		
<b>Investment Type</b>	<b>Fair Value</b>	<b>Less Than 1 Year</b>
Local Government Investment Pool	\$ 6,985,760	\$ 6,985,760
Money Market Funds	\$ 7,557,824	\$ 7,557,824
Total	\$ <u>14,543,584</u>	\$ <u>14,543,584</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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**Note 2—Deposits and Investments: (Continued)**

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**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.

**Note 3—Due from Other Governments:**

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At June 30, 2014 the County and School Board have receivables from other governments as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
Commonwealth of Virginia:		
Shared expenses	\$ 319,944	\$ -
State sales taxes	-	1,415,290
Local sales taxes	1,295,294	-
Communication taxes	344,876	-
Public assistance	176,003	-
Comprehensive services	644,478	-
Miscellaneous	27,797	-
Federal Government:		
School funds	-	639,958
Public assistance	237,553	-
Headstart	279,415	-
Cafeteria	-	86,624
Miscellaneous	65,234	-
Total	<u>\$ 3,390,594</u>	<u>\$ 2,141,872</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

Individual fund and interfund receivable and payable balances relating to working capital loans at June 30, 2014 are summarized below:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 3,440,146	\$ -
Water and Sewer Authority	-	2,700,000
Airport	-	740,146
Total	<u>\$ 3,440,146</u>	<u>\$ 3,440,146</u>

<u>Fund</u>	<u>Due from Primary Government</u>	<u>Due to Component Unit</u>
General	\$ -	\$ 4,672,340
School	4,672,340	-
Total	<u>\$ 4,672,340</u>	<u>\$ 4,672,340</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 3,216,683
Landfill Fund	1,082,212	-
Water & Sewer Fund	419,523	-
Capital Projects Fund	1,471,250	-
Airport Fund	243,698	-
Total	<u>\$ 3,216,683</u>	<u>\$ 3,216,683</u>

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

**Note 5—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 10,428,807	\$ -	\$ -	\$ 10,428,807
Construction in Progress	4,709,532	717,840	1,197,770	4,229,602
Construction in Progress-jointly owned assets	<u>3,576,941</u>	<u>11,090,687</u>	<u>-</u>	<u>14,667,628</u>
Total capital assets not being depreciated	<u>\$ 18,715,280</u>	<u>\$ 11,808,527</u>	<u>\$ 1,197,770</u>	<u>\$ 29,326,037</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 30,859,489	\$ 1,212,770	\$ -	\$ 32,072,259
Equipment	8,414,896	1,173,763	199,843	9,388,816
Jointly owned assets	<u>72,077,048</u>	<u>-</u>	<u>2,689,118</u>	<u>69,387,930</u>
Total capital assets being depreciated	<u>\$ 111,351,433</u>	<u>\$ 2,386,533</u>	<u>\$ 2,888,961</u>	<u>\$ 110,849,005</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 8,443,259	\$ 881,058	\$ -	\$ 9,324,317
Equipment	6,353,469	806,099	192,163	6,967,405
Jointly owned assets	<u>8,358,838</u>	<u>1,586,025</u>	<u>636,615</u>	<u>9,308,248</u>
Total accumulated depreciation	<u>\$ 23,155,566</u>	<u>\$ 3,273,182</u>	<u>\$ 828,778</u>	<u>\$ 25,599,970</u>
Total capital assets being depreciated, net	<u>\$ 88,195,867</u>	<u>\$ (886,649)</u>	<u>\$ 2,060,183</u>	<u>\$ 85,249,035</u>
Governmental activities capital assets, net	<u>\$ 106,911,147</u>	<u>\$ 10,921,878</u>	<u>\$ 3,257,953</u>	<u>\$ 114,575,072</u>

The following is a summary of changes in construction in progress for the fiscal year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<b>Governmental Activities:</b>				
Courthouse/courtyard renovations	\$ 502,093	\$ 6,569	\$ -	\$ 508,662
Laurel Valley bike trail project	4,605	-	-	4,605
Wachovia Bank renovation	1,512,550	-	-	1,512,550
Courthouse renovations	1,523,686	-	-	1,523,686
VDOT replacement building	1,166,598	31,172	1,197,770	-
New sheriff's office building	-	486,772	-	486,772
Library renovation	<u>-</u>	<u>193,327</u>	<u>-</u>	<u>193,327</u>
Total	<u>\$ 4,709,532</u>	<u>\$ 717,840</u>	<u>\$ 1,197,770</u>	<u>\$ 4,229,602</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

Note 5—Capital Assets: (Continued)

Enterprise Fund Capital Assets:

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Water and Sewer Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 235,200	\$ -	\$ -	\$ 235,200
Construction in Progress	<u>1,489,065</u>	<u>8,529</u>	<u>-</u>	<u>1,497,594</u>
Total capital assets not being depreciated	<u>\$ 1,724,265</u>	<u>\$ 8,529</u>	<u>\$ -</u>	<u>\$ 1,732,794</u>
Capital assets, being depreciated:				
Sewer Plant	\$ 3,049,796	\$ -	\$ -	\$ 3,049,796
Equipment	<u>397,101</u>	<u>8,084</u>	<u>-</u>	<u>405,185</u>
Total capital assets being depreciated	<u>\$ 3,446,897</u>	<u>\$ 8,084</u>	<u>\$ -</u>	<u>\$ 3,454,981</u>
Less accumulated depreciation for:				
Sewer Plant	\$ 1,153,931	\$ 77,985	\$ -	\$ 1,231,916
Equipment	<u>269,254</u>	<u>51,034</u>	<u>-</u>	<u>320,288</u>
Total accumulated depreciation	<u>\$ 1,423,185</u>	<u>\$ 129,019</u>	<u>\$ -</u>	<u>\$ 1,552,204</u>
Total capital assets being depreciated, net	<u>\$ 2,023,712</u>	<u>\$ (120,935)</u>	<u>\$ -</u>	<u>\$ 1,902,777</u>
Net capital assets	<u>\$ 3,747,977</u>	<u>\$ (112,406)</u>	<u>\$ -</u>	<u>\$ 3,635,571</u>
<b>Landfill Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 401,073	\$ -	\$ -	\$ 401,073
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,539	\$ -	\$ -	\$ 8,539
Equipment	<u>289,058</u>	<u>-</u>	<u>-</u>	<u>289,058</u>
Total capital assets being depreciated	<u>\$ 297,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,597</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,494	\$ 213	\$ -	\$ 1,707
Equipment	<u>213,543</u>	<u>39,395</u>	<u>-</u>	<u>252,938</u>
Total accumulated depreciation	<u>\$ 215,037</u>	<u>\$ 39,608</u>	<u>\$ -</u>	<u>\$ 254,645</u>
Total capital assets being depreciated, net	<u>\$ 82,560</u>	<u>\$ (39,608)</u>	<u>\$ -</u>	<u>\$ 42,952</u>
Net capital assets	<u>\$ 483,633</u>	<u>\$ (39,608)</u>	<u>\$ -</u>	<u>\$ 444,025</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

Note 5—Capital Assets: (Continued)

Enterprise Fund Capital Assets: (Continued)

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<b>Airport Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 516,929	\$ -	\$ -	\$ 516,929
Construction in Progress	<u>782,304</u>	<u>33,854</u>	<u>364,038</u>	<u>452,120</u>
Total capital assets, not being depreciated	<u>\$ 1,299,233</u>	<u>\$ 33,854</u>	<u>\$ 364,038</u>	<u>\$ 969,049</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,733,246	\$ 364,038	\$ -	\$ 16,097,284
Equipment	<u>271,624</u>	<u>-</u>	<u>-</u>	<u>271,624</u>
Total capital assets being depreciated	<u>\$ 16,004,870</u>	<u>\$ 364,038</u>	<u>\$ -</u>	<u>\$ 16,368,908</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 5,975,813	\$ 661,325	\$ -	\$ 6,637,138
Equipment	<u>184,511</u>	<u>16,342</u>	<u>-</u>	<u>200,853</u>
Total accumulated depreciation	<u>\$ 6,160,324</u>	<u>\$ 677,667</u>	<u>\$ -</u>	<u>\$ 6,837,991</u>
Total capital assets being depreciated, net	<u>\$ 9,844,546</u>	<u>\$ (313,629)</u>	<u>\$ -</u>	<u>\$ 9,530,917</u>
Net capital assets	<u>\$ 11,143,779</u>	<u>\$ (279,775)</u>	<u>\$ 364,038</u>	<u>\$ 10,499,966</u>
<b>Water and Sewer Authority:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,469,120	\$ -	\$ -	\$ 1,469,120
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,026,130	\$ -	\$ -	\$ 25,026,130
Equipment	<u>17,983</u>	<u>-</u>	<u>-</u>	<u>17,983</u>
Total capital assets being depreciated	<u>\$ 25,044,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,044,113</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,565,258	\$ 626,103	\$ -	\$ 2,191,361
Equipment	<u>8,992</u>	<u>3,597</u>	<u>-</u>	<u>12,589</u>
Total accumulated depreciation	<u>\$ 1,574,250</u>	<u>\$ 629,700</u>	<u>\$ -</u>	<u>\$ 2,203,950</u>
Total capital assets being depreciated, net	<u>\$ 23,469,863</u>	<u>\$ (629,700)</u>	<u>\$ -</u>	<u>\$ 22,840,163</u>
Net capital assets	<u>\$ 24,938,983</u>	<u>\$ (629,700)</u>	<u>\$ -</u>	<u>\$ 24,309,283</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

**Note 5—Capital Assets: (Continued)**

**Enterprise Fund Capital Assets: (Continued)**

The following is a summary of construction in progress changes for the fiscal year ended June 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Airport Fund:</b>				
Hangar Sewer Line Extension	\$ 5,820	\$ -	\$ -	\$ 5,820
Hangar Design	59,684	26,198	-	85,882
Environmental assessment	356,382	7,656	364,038	-
Airport terminal facility - design	360,418	-	-	360,418
Total	<u>\$ 782,304</u>	<u>\$ 33,854</u>	<u>\$ 364,038</u>	<u>\$ 452,120</u>
<b>Water and Sewer Fund:</b>				
Mountain Run Wastewater Treatment Plant	\$ 1,410,699	\$ 8,529	\$ -	\$ 1,419,228
Automated Meter Reading System	78,366	-	-	78,366
Total	<u>\$ 1,489,065</u>	<u>\$ 8,529</u>	<u>\$ -</u>	<u>\$ 1,497,594</u>

**Component Unit-School Board**

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 200,151	\$ -	\$ -	\$ 200,151
Land improvements	1,949,726	-	-	1,949,726
Construction in progress	<u>1,361,555</u>	<u>946,481</u>	<u>730,735</u>	<u>1,577,301</u>
Total capital assets, not being depreciated	<u>\$ 3,511,432</u>	<u>\$ 946,481</u>	<u>\$ 730,735</u>	<u>\$ 3,727,178</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 27,275,238	\$ 286,605	\$ -	\$ 27,561,843
Equipment	19,712,463	1,117,751	172,637	20,657,577
Jointly owned assets	<u>31,305,665</u>	<u>2,689,118</u>	<u>-</u>	<u>33,994,783</u>
Total capital assets being depreciated	<u>\$ 78,293,366</u>	<u>\$ 4,093,474</u>	<u>\$ 172,637</u>	<u>\$ 82,214,203</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 20,576,463	\$ 1,803,133	\$ -	\$ 22,379,596
Equipment	16,084,284	1,095,645	168,506	17,011,423
Jointly owned assets	<u>5,681,092</u>	<u>636,615</u>	<u>-</u>	<u>6,317,707</u>
Total accumulated depreciation	<u>\$ 42,341,839</u>	<u>\$ 3,535,393</u>	<u>\$ 168,506</u>	<u>\$ 45,708,726</u>
Total capital assets being depreciated, net	<u>\$ 35,951,527</u>	<u>\$ 558,081</u>	<u>\$ 4,131</u>	<u>\$ 36,505,477</u>
School Board capital assets, net	<u>\$ 39,462,959</u>	<u>\$ 1,504,562</u>	<u>\$ 734,866</u>	<u>\$ 40,232,655</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

**Note 5—Capital Assets: (Continued)**

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

Governmental activities:	
General government administration	\$ 56,652
Judicial administration	1,129
Public safety	792,636
Public works	482,819
Health and welfare	63,728
Education	1,732,442
Parks, recreation and cultural	143,535
Community development	<u>241</u>
Total governmental activities	<u>\$ 3,273,182</u>
Enterprise Funds:	
Landfill	\$ 39,608
Water & sewer	129,019
Airport	677,667
Water & sewer authority	<u>629,700</u>
Total enterprise funds	<u>\$ 1,475,994</u>
Component Unit-School Board	<u>\$ 3,535,393 (1)</u>
(1) Depreciation Expense	\$ 2,898,778
Joint tenancy transfer of accumulated depreciation	<u>636,615</u>
Total additions to accumulated depreciation, previous page	<u>\$ 3,535,393</u>

**Note 6—Deferred/Unavailable/Unearned Revenue:**

The following is a summary of unavailable/unearned revenue at June 30, 2014:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
<b>Primary Government:</b>		
Deferred/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.	\$ -	\$ 2,392,460
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>152,245</u>	<u>152,245</u>
Total primary government	<u>\$ 152,245</u>	<u>\$ 2,544,705</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

**Note 7—Long-Term Obligations:**

**Primary Government:**

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
School lease revenue bonds	\$ 47,525,000	\$ -	\$ 1,490,000	\$ 46,035,000	\$ 1,550,000
Premium on school bonds	717,691	-	35,884	681,807	35,884
Total school lease revenue bonds	<u>\$ 48,242,691</u>	<u>\$ -</u>	<u>\$ 1,525,884</u>	<u>\$ 46,716,807</u>	<u>\$ 1,585,884</u>
School general obligation bonds	\$ 30,121,360	-	\$ 2,481,700	\$ 27,639,660	\$ 2,517,716
Premium on general obligation bonds	1,844,004	-	97,053	1,746,951	97,053
Total school general obligation bonds	<u>\$ 31,965,364</u>	<u>\$ -</u>	<u>\$ 2,578,753</u>	<u>\$ 29,386,611</u>	<u>\$ 2,614,769</u>
Compensated absences	1,919,379	221,512	534,339	1,606,552	160,655
Net OPEB obligation	284,000	178,000	108,000	354,000	-
Literary fund loans	12,375,000	-	750,000	11,625,000	750,000
General obligation bonds	2,363,500	-	186,700	2,176,800	191,200
Capital lease	-	758,098	202,775	555,323	176,674
Lease revenue bonds	11,640,000	1,454,000	684,000	12,410,000	785,000
Premium on lease revenue bonds	121,136	-	7,126	114,010	7,126
Total lease revenue bonds	<u>\$ 11,761,136</u>	<u>\$ 1,454,000</u>	<u>\$ 691,126</u>	<u>\$ 12,524,010</u>	<u>\$ 792,126</u>
Total Governmental Activities	<u>\$ 108,911,070</u>	<u>\$ 2,611,610</u>	<u>\$ 6,577,577</u>	<u>\$ 104,945,103</u>	<u>\$ 6,271,308</u>
<b>Enterprise Funds:</b>					
Compensated absences	\$ 75,480	\$ 7,692	\$ 7,548	\$ 75,624	\$ 7,562
Lease revenue bonds	508,065	-	247,342	260,723	260,723
Landfill closure and postclosure costs	675,325	-	35,540	639,785	35,540
Total Enterprise Funds	<u>\$ 1,258,870</u>	<u>\$ 7,692</u>	<u>\$ 290,430</u>	<u>\$ 976,132</u>	<u>\$ 303,825</u>
Total Primary Government	<u>\$ 110,169,940</u>	<u>\$ 2,619,302</u>	<u>\$ 6,868,007</u>	<u>\$ 105,921,235</u>	<u>\$ 6,575,133</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	Lease Revenue Bonds		School Lease Revenue Bonds		School General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 785,000	\$ 388,039	\$ 1,550,000	\$ 2,110,894	\$ 2,517,716	\$ 1,067,521
2016	812,000	363,421	1,615,000	2,048,894	2,549,310	953,122
2017	836,000	340,900	1,695,000	1,968,144	2,581,512	837,316
2018	866,000	316,987	1,780,000	1,883,394	2,184,352	731,824
2019	895,000	293,054	1,870,000	1,794,394	2,212,862	636,412
2020	922,000	268,033	1,960,000	1,700,894	2,252,082	539,694
2021	953,000	241,163	2,060,000	1,602,894	2,284,506	448,768
2022	980,000	213,077	2,160,000	1,499,894	1,682,320	356,454
2023	974,000	184,101	2,270,000	1,391,894	940,000	309,325
2024	998,000	155,082	2,365,000	1,298,256	940,000	281,125
2025	721,000	125,472	2,460,000	1,200,700	940,000	252,925
2026	468,000	103,703	2,585,000	1,077,700	940,000	224,725
2027	484,000	83,418	2,715,000	948,450	940,000	196,525
2028	501,000	62,377	2,830,000	833,063	935,000	163,625
2029	517,000	40,559	2,950,000	712,787	935,000	130,900
2030	413,000	17,993	3,080,000	580,038	935,000	98,175
2031	141,000	6,641	3,220,000	441,437	935,000	65,450
2032	144,000	3,355	3,360,000	300,563	935,000	32,725
2033	-	-	3,510,000	153,562	-	-
Total	\$ <u>12,410,000</u>	\$ <u>3,207,375</u>	\$ <u>46,035,000</u>	\$ <u>23,547,852</u>	\$ <u>27,639,660</u>	\$ <u>7,326,611</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	General Obligation Bonds		Literary Fund Loan	
	Principal	Interest	Principal	Interest
2015	\$ 191,200	\$ 49,818	\$ 750,000	\$ 408,750
2016	195,600	45,319	750,000	382,500
2017	200,200	40,716	750,000	356,250
2018	204,900	36,004	750,000	330,000
2019	209,800	31,179	750,000	303,750
2020	214,800	26,240	750,000	277,500
2021	219,800	21,186	750,000	251,250
2022	224,900	16,013	750,000	225,000
2023	230,200	10,720	750,000	198,750
2024	235,700	5,299	750,000	172,500
2025	49,700	581	750,000	146,250
2026	-	-	750,000	120,000
2027	-	-	750,000	93,750
2028	-	-	750,000	67,500
2029	-	-	750,000	41,250
2030	-	-	375,000	15,000
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
Total	\$ <u>2,176,800</u>	\$ <u>283,075</u>	\$ <u>11,625,000</u>	\$ <u>3,390,000</u>

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

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

**Enterprise Funds:**

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2015	\$ 260,723	\$ 7,053
Total	\$ 260,723	\$ 7,053

**Details of Long-Term Obligations:**

	Amount Outstanding	Due Within One Year
<b>Governmental Activities:</b>		
<u>Lease Revenue Bonds:</u>		
\$1,454,000 Lease Revenue Bonds Series 2013 issued December 19, 2013 payable in various semi-annual payments through January 15, 2029, interest payable semi-annually at 2.940%	\$ 1,454,000	\$ 76,000
\$2,457,000 IDA Lease Revenue Bonds Series 2011 issued October 26, 2011 payable in various semi-annual payments through January 15, 2032, interest payable semi-annually at 2.330%	2,277,000	99,000
\$6,433,000 IDA Lease Refunding Revenue Bonds Series 2011 issued October 26, 2011 payable in various semi-annual payments through July 15, 2024, interest payable semi-annually at 2.220%	5,304,000	455,000
\$3,925,000 VRA Lease Revenue Bonds Series 2009 issued November 1, 2009 payable in various semi-annual payments through October 1, 2029, interest payable semi-annually at rates from 4.97% to 5.70%	3,375,000	155,000
Premium on bonds	114,010	7,126
Total County lease revenue bonds	\$ 12,524,010	\$ 792,126

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<b>Governmental Activities: (Continued)</b>		
<u>County General Obligation Bonds:</u>		
\$2,654,000 General Obligation Refunding Bonds Series 2011 issued November 17, 2011 payable in various semi-annual payments through July 15, 2024, interest payable semi-annually at 2.34%	\$ <u>2,176,800</u>	\$ <u>191,200</u>
Total County general obligation bonds	\$ <u>2,176,800</u>	\$ <u>191,200</u>
<u>School Lease Revenue Bonds:</u>		
\$54,200,000 Public Facility Lease Revenue Bonds, Series 2005, issued September 28, 2005 payable in various annual installments through January 1, 2033, interest at 4.35%	\$ 46,035,000	\$ 1,550,000
Premium on bonds	<u>681,807</u>	<u>35,884</u>
Total school lease revenue bonds	\$ <u>46,716,807</u>	\$ <u>1,585,884</u>
<u>School General Obligation Bonds:</u>		
\$13,025,026 Virginia Public School Authority Bonds Series 2001B, issued November 15, 2001, payable in various annual payments through July 15, 2021, interest payable semi-annually at 4.57%	\$ 5,639,660	\$ 662,716
\$2,675,000 Virginia Public School Authority Bonds 1996A, issued May 1, 1996, payable in various annual payments through January 15, 2017, interest payable semi-annually at rates ranging from 4.6% to 6.1%	405,000	135,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<b>Governmental Activities: (Continued)</b>		
<u>School General Obligation Bonds: (Continued)</u>		
\$6,000,000 Virginia Public School Authority Bonds 1996B, issued November 14, 1996, payable in various annual payments through July 15, 2016, interest payable semi-annually at rates ranging from 5.1% to 5.255%	\$ 900,000	\$ 300,000
\$23,520,000 General Obligation School and Refunding Bond, Series 2012 dated October 18, 2012, principal payable annually in various incremental amounts through January 15, 2032, interest payable semi-annually at rates ranging from 3.00% to 4.00%	20,695,000	1,420,000
Premium on general obligation bonds	1,746,951	97,053
Total school general obligation bonds	<u>\$ 29,386,611</u>	<u>\$ 2,614,769</u>
<u>Literary Fund Loans:</u>		
\$7,500,000 literary fund loan, issued January 15, 2009, principal payable annually in various incremental amounts through January 15, 2029, interest payable annually at 3.00%	\$ 5,625,000	\$ 375,000
\$7,500,000 literary fund loan, issued August 1, 2009, principal payable annually in various incremental amounts through August 1, 2029, interest payable annually at 4.00%	6,000,000	375,000
Total literary fund loans	<u>\$ 11,625,000</u>	<u>\$ 750,000</u>
<u>Capital lease:</u>		
\$758,098 captial lease, issued November 22, 2013, payable annual installments of \$202,775 through November 22, 2016, interest payable annually at 4.70%. The Lease was for the acquisition of vehicles with a total cost of \$758,098.07. Accumulated depreciation on these vehicles at June 30, 2014 was \$151,535.	\$ 555,323	\$ 176,674
<u>Compensated absences</u>	<u>\$ 1,606,552</u>	<u>\$ 160,655</u>
<u>Net OPEB obligation</u>	<u>\$ 354,000</u>	<u>\$ -</u>
Total governmental activities	<u><u>\$ 104,945,103</u></u>	<u><u>\$ 6,271,308</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<b>Enterprise Funds:</b>		
<u>Airport Revenue Bond:</u>		
\$2,835,000 revenue bonds series 1999 issued December 15, 1999, payable in various annual principal installments ranging from \$131,436 to \$260,723 through July 15, 2014, interest payable semi-annually at 5.41%	\$ 260,723	\$ 260,723
<u>Compensated absences</u>	75,624	7,562
<u>Landfill closure and postclosure costs</u>	639,785	35,540
Total enterprise fund obligations	<u>\$ 976,132</u>	<u>\$ 303,825</u>
Total Primary Government	<u>\$ 105,921,235</u>	<u>\$ 6,575,133</u>

Component Unit School Board:

The following is summary of changes in long-term obligation transactions for fiscal year ended June 30, 2014.

	<u>Balance July 1, 2013</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 1,123,855	\$ 159,982	\$ 112,386	\$ 1,171,451	\$ 117,145
Net OPEB obligation	505,000	230,000	170,000	565,000	-
Total	<u>\$ 1,628,855</u>	<u>\$ 389,982</u>	<u>\$ 282,386</u>	<u>\$ 1,736,451</u>	<u>\$ 117,145</u>

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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### Note 8—Landfill Closure and Postclosure Care Cost:

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$639,785 reported as landfill closure and postclosure care liability at June 30, 2014, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues and from any funds accumulated for this purpose in the County Landfill Fund.

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

### Note 9—Commitments and Contingencies:

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

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

### Note 10—Pension Plan:

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#### A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

**Note 10—Pension Plan: (Continued)**

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**A. Plan Description**

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

<b>VRS – PLAN 1</b>
---------------------

- 1. Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

- 4. Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- 5. Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**Note 10—Pension Plan: (Continued)**

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**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

**Note 10—Pension Plan: (Continued)**

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**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

**Note 10—Pension Plan: (Continued)**

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**A. Plan Description (Continued)**

**VRS – PLAN 2**

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

**Note 10—Pension Plan: (Continued)**

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**A. Plan Description (Continued)**

**VRS – PLAN 2 (CONTINUED)**

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1—Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.  
  
Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.  
  
VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

**HYBRID RETIREMENT PLAN**

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
  - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

**Note 10—Pension Plan: (Continued)**

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**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (CONTINUED)**

**2. Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees\*
- School division employees
- Political subdivision employees\*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**3. \*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

**4. Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 10—Pension Plan: (Continued)

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A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

5. **Creditable Service**

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. **Vesting**

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. **Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

**Note 10—Pension Plan: (Continued)**

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**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (Continued)**

**7. Calculating the Benefit (Continued)**

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

**8. Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

**9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**10. Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**11. Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**12. Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**13. Cost-of-Living Adjustment (COLA) in Retirement**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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Note 10—Pension Plan: (Continued)

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A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

14. **Eligibility** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.
16. **Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

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/2013-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 the 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 Board's contribution rates for the fiscal year ended 2014 were 12.22% and 7.62% of annual covered payroll, respectively.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

Note 10—Pension Plan: (Continued)

B. Funding Policy (Continued)

The School Board’s contributions for professional employees were \$4,646,223, \$5,138,898, and \$2,306,555, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, County’s annual pension cost of \$1,854,912 was equal to the County’s required and actual contributions.

Three-Year Trend Information for the County:

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2014	\$ 1,854,912	100%	\$ -
June 30, 2013	1,788,623	100%	-
June 30, 2012	1,293,926	100%	-

(1) Employer portion only

For fiscal year 2014, School Board’s annual pension cost of \$290,680 was equal to the School Board’s required and actual contributions.

Three-Year Trend Information for the School Board:

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
School Board:			
Non-professional:			
June 30, 2014	\$ 290,680	100%	\$ -
June 30, 2013	317,612	100%	-
June 30, 2012	274,190	100%	-

(1) Employer portion only

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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### Note 10—Pension Plan: (Continued)

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#### C. Annual Pension Cost (Continued)

The FY 2014 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 payrolls 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, 2013, the most recent actuarial valuation date, the County's plan was 76.76% funded. The actuarial accrued liability for benefits was \$47,975,114, and the actuarial value of assets was \$36,824,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,151,114. The covered payroll (annual payroll of active employees covered by the plan) was \$14,751,198 and ratio of the UAAL to the covered payroll was 75.59%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 94.50% funded. The actuarial accrued liability for benefits was \$10,372,746, and the actuarial value of assets was \$9,801,823, resulting in an unfunded actuarial accrued liability (UAAL) of \$570,923. The covered payroll (annual payroll of active employees covered by the plan) was \$3,738,948 and ratio of the UAAL to the covered payroll was 15.27%.

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.

### Note 11—Risk Management:

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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.

#### Employee Dental Insurance:

Culpeper County and Culpeper County School Board established a public entity risk pool to provide consolidated Dental Care benefits for their employees. The plan is based on a service contract with a private carrier in which bills are derived from actual expenses incurred or claims filed.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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### Note 11—Risk Management: (Continued)

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

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

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

### Note 12—Litigation:

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At June 30, 2014, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

### Note 13—Surety Bonds:

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	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Janice Corbin, Clerk of the Circuit Court	\$ 25,000
David L. DeJarnette, Treasurer	400,000
Terry Yowell, Commissioner of the Revenue	3,000
Scott H. Jenkins, Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Aetna Casualty and Surety Company - Surety	
Lisa A. Peacock, Director of Human Services	100,000
William C. Chase, Jr., Supervisor	1,000
Steven L. Walker, Supervisor	1,000
Steven E. Nixon, Supervisor	1,000
Sue D. Hansohn, Supervisor	1,000
Bradley C. Rosenberger, Supervisor	1,000
Larry W. Aylor, Supervisor	1,000
Alexa V. Fritz, Supervisor	1,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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**Note 14—Other Postemployment Benefits—Health Insurance:**

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**County:**

**A. Plan Description**

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

**B. Funding Policy**

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

**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	\$ 185,000
Interest on net OPEB obligation	11,000
Adjustment to annual required contribution	(18,000)
Annual OPEB cost (expense)	\$ 178,000
Contribution made	108,000
Increase in net OPEB obligation	\$ 70,000
Net OPEB obligation-beginning of year	284,000
Net OPEB obligation-end of year	\$ 354,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

County: (Continued)

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 178,000	61%	\$ 354,000
June 30, 2013	172,000	58%	284,000
June 30, 2012	175,000	45%	211,000

**D. Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 1,499,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,499,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	15,178,389
UAAL as a percentage of covered payroll	9.88%

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

**E. Actuarial Methods and Assumptions**

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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**Note 14—Other Postemployment Benefits—Health Insurance: (Continued)**

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**County: (Continued)**

**E. Actuarial Methods and Assumptions (Continued)**

Cost Method

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

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a 2.9% inflation rate and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2013, was thirty years.

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

**School Board:**

**A. Plan Description**

The School Board Extended Service Program is a single employer defined benefit healthcare plan that offers health insurance for retirees. Employees who receive an unreduced retirement benefit from VRS, has reached Level M (or equivalent years) or the top of the administrative schedule, is a full time, salaried employee of the school division at the time of applying for the program, and is not eligible for disability retirement benefits under VRS are eligible for the program. The School Board Extended Service Program does not issue a separate GAAP basis report.

**B. Funding Policy**

The School Board establishes employer contribution rates for plan participants as part of the budgetary process. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees the School Board pays \$256 per month towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. Coverage ceases after seven years and there is no benefit provided after age 65. Surviving spouses are not allowed access to the plan.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (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	\$ 242,000
Interest on net OPEB obligation	20,000
Adjustment to annual required contribution	<u>(32,000)</u>
Annual OPEB cost (expense)	\$ 230,000
Contribution made	<u>170,000</u>
Increase in net OPEB obligation	\$ 60,000
Net OPEB obligation-beginning of year	<u>505,000</u>
Net OPEB obligation-end of year	<u><u>\$ 565,000</u></u>

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 230,000	74%	\$ 565,000
June 30, 2013	221,000	72%	505,000
June 30, 2012	309,000	63%	443,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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**Note 14—Other Postemployment Benefits—Health Insurance: (Continued)**

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**School Board: (Continued)**

**D. Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 1,917,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,917,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	43,662,241
UAAL as a percentage of covered payroll	4%

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

**E. Actuarial Methods and Assumptions**

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

**Cost Method**

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

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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**Note 14—Other Postemployment Benefits—Health Insurance: (Continued)**

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**School Board: (Continued)**

**E. Actuarial Methods and Assumptions (Continued)**

Interest Assumptions

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a 2.9% inflation rate and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2013, was thirty years.

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

**Note 15—VRS Health Insurance Credit—Other Postemployment Benefits Program:**

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**A. Plan Description**

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 10.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

**B. Funding Policy**

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2014 was .29% of annual covered payroll.

**C. Annual OPEB Cost and Net OPEB Obligation**

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

For 2014, the School Board's contribution of \$11,063 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 11,063	100%	\$ -
June 30, 2013	12,088	100%	-
June 30, 2012	12,687	100%	-

**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 203,826
Actuarial value of plan assets	187,909
Unfunded actuarial accrued liability	15,917
Funded ratio (actuarial value of plan assets / AAL)	92.19%
Covered payroll (active plan members)	3,738,948
UAAL as a percentage of covered payroll	0.43%

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

**Note 15—VRS Health Insurance Credit—Other Postemployment Benefits Program: (Continued)**

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**D. Funded Status and Funding Progress (Continued)**

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

**E. Actuarial Methods and Assumptions**

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2013 was 29 years.

**F. Professional Employees - Discretely Presented Component Unit School Board**

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were \$442,308, \$489,209, and \$219,641, respectively and equaled the required contributions for each year.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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**Note 16—Restatement of Net Position:**

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Net position at July 1, 2013 was restated as follows:

	<u>Airport Fund</u>	<u>Business - Type Activities</u>
Net Postion, beginning of year, as previously reported	\$ 9,662,932	\$ 41,633,296
Construction in progress	<u>356,382</u>	<u>356,382</u>
Net Postion, beginning of year, as restated	<u>\$ 10,019,314</u>	<u>\$ 41,989,678</u>

**Note 17—Upcoming Pronouncements:**

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The GASB has issued Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.” This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The County has not determined the impact of this pronouncement on its financial statements.

**NOTE 18—SUBSEQUENT EVENT:**

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On August 19, 2014, the County issued \$49,745,000 Lease Revenue Refunding Bonds, Series 2014 to refund its Public Facility Lease Revenue Bonds, Series 2005 and a Literary Fund Loan.

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**REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

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

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Schedule of Revenues, Expenditures and Changes in Fund Balances --  
Budget and Actual -- General Fund  
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Revenues:</b>				
General property taxes	\$ 52,133,216	\$ 52,133,216	\$ 52,737,696	\$ 604,480
Other local taxes	6,898,500	6,898,500	8,044,660	1,146,160
Permits, privilege fees and regulatory licenses	500,600	501,220	678,813	177,593
Fines and forfeitures	75,000	75,000	57,565	(17,435)
Revenue from use of money and property	423,627	423,627	469,087	45,460
Charges for services	2,676,878	2,806,403	3,424,649	618,246
Miscellaneous	160,500	187,879	433,414	245,535
Recovered costs	377,993	377,993	385,588	7,595
<b>Intergovernmental:</b>				
Commonwealth	15,584,475	16,608,252	14,805,147	(1,803,105)
Federal	3,050,583	3,155,090	4,405,596	1,250,506
<b>Total revenues</b>	<b>\$ 81,881,372</b>	<b>\$ 83,167,180</b>	<b>\$ 85,442,215</b>	<b>\$ 2,275,035</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government administration:</b>				
<b>Legislative:</b>				
Board of supervisors	\$ 262,097	\$ 253,429	\$ 234,222	\$ 19,207
<b>General and financial administration:</b>				
County administration	\$ 347,947	\$ 344,968	\$ 329,312	\$ 15,656
County attorney	235,416	236,041	223,413	12,628
Human resources	191,417	239,806	195,707	44,099
Procurement	254,596	269,061	261,054	8,007
Auditor	56,000	56,000	53,500	2,500
Commissioner of the Revenue	633,979	639,518	521,976	117,542
Reassessment	469,502	472,516	387,559	84,957
Board of equalization	14,763	14,763	248	14,515
Treasurer	544,737	545,758	481,543	64,215
Department of finance and budget	443,147	441,891	423,351	18,540
Information systems	461,506	462,811	380,110	82,701
Records management	202,101	233,863	189,219	44,644
Other general and financial administration	17,000	17,000	(5,633)	22,633
<b>Total general and financial administration</b>	<b>\$ 3,872,111</b>	<b>\$ 3,973,996</b>	<b>\$ 3,441,359</b>	<b>\$ 532,637</b>
<b>Board of Elections:</b>				
Electoral board and officials	\$ 115,800	\$ 110,200	\$ 100,091	\$ 10,109
Registrar	142,895	148,995	141,287	7,708
<b>Total board of elections</b>	<b>\$ 258,695</b>	<b>\$ 259,195</b>	<b>\$ 241,378</b>	<b>\$ 17,817</b>
<b>Total general government administration</b>	<b>\$ 4,392,903</b>	<b>\$ 4,486,620</b>	<b>\$ 3,916,959</b>	<b>\$ 569,661</b>

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
Budget and Actual -- General Fund  
Year Ended June 30, 2014 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 89,332	\$ 89,582	\$ 77,948	\$ 11,634
Clerk of the circuit court	653,916	682,096	654,307	27,789
Victim assistance program	112,234	116,294	114,583	1,711
Sheriff	973,919	793,969	793,953	16
Other courts	54,473	54,473	44,156	10,317
<b>Total courts</b>	<b>\$ 1,883,874</b>	<b>\$ 1,736,414</b>	<b>\$ 1,684,947</b>	<b>\$ 51,467</b>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 756,164	\$ 768,049	\$ 745,629	\$ 22,420
Criminal justice services	432,565	434,315	405,167	29,148
<b>Total commonwealth attorney</b>	<b>\$ 1,188,729</b>	<b>\$ 1,202,364</b>	<b>\$ 1,150,796</b>	<b>\$ 51,568</b>
<b>Total judicial administration</b>	<b>\$ 3,072,603</b>	<b>\$ 2,938,778</b>	<b>\$ 2,835,743</b>	<b>\$ 103,035</b>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 5,157,095	\$ 5,535,882	\$ 6,274,621	\$ (738,739)
Other law enforcement and traffic control	88,893	176,777	161,906	14,871
E-911	2,008,502	2,004,093	1,877,496	126,597
<b>Total law enforcement and traffic control</b>	<b>\$ 7,254,490</b>	<b>\$ 7,716,752</b>	<b>\$ 8,314,023</b>	<b>\$ (597,271)</b>
Fire and rescue services:				
Fire and rescue	\$ 1,883,447	\$ 1,883,447	\$ 1,814,742	\$ 68,705
EMS council	13,822	13,822	13,822	-
State forest fire extinction	9,085	9,085	9,085	-
<b>Total fire and rescue services</b>	<b>\$ 1,906,354</b>	<b>\$ 1,906,354</b>	<b>\$ 1,837,649</b>	<b>\$ 68,705</b>
Correction and detention:				
Jail	\$ 2,507,106	\$ 2,358,002	\$ 2,355,938	\$ 2,064
Outside jail services	250,000	579,646	579,645	1
Supervision plan services	49,288	49,288	32,084	17,204
Probation office	471,800	291,800	286,363	5,437
<b>Total correction and detention</b>	<b>\$ 3,278,194</b>	<b>\$ 3,278,736</b>	<b>\$ 3,254,030</b>	<b>\$ 24,706</b>
Inspections:				
Building	\$ 491,944	\$ 494,131	\$ 460,469	\$ 33,662

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
Budget and Actual -- General Fund  
Year Ended June 30, 2014 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 646,980	\$ 701,928	\$ 631,476	\$ 70,452
Medical examiner	700	700	700	-
Emergency services	<u>2,154,885</u>	<u>2,250,942</u>	<u>1,858,918</u>	<u>392,024</u>
Total other protection	<u>\$ 2,802,565</u>	<u>\$ 2,953,570</u>	<u>\$ 2,491,094</u>	<u>\$ 462,476</u>
Total public safety	<u>\$ 15,733,547</u>	<u>\$ 16,349,543</u>	<u>\$ 16,357,265</u>	<u>\$ (7,722)</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	<u>\$ 1,142,956</u>	<u>\$ 1,191,100</u>	<u>\$ 1,024,565</u>	<u>\$ 166,535</u>
Total public works	<u>\$ 1,142,956</u>	<u>\$ 1,191,100</u>	<u>\$ 1,024,565</u>	<u>\$ 166,535</u>
Health and welfare:				
Health:				
Local health department	<u>\$ 346,520</u>	<u>\$ 346,520</u>	<u>\$ 346,520</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services	<u>\$ 427,393</u>	<u>\$ 427,393</u>	<u>\$ 427,393</u>	<u>\$ -</u>
Welfare:				
Community youth services	\$ 3,417,757	\$ 4,678,561	\$ 4,657,855	\$ 20,706
Culpeper cable commission	107,503	107,503	107,503	-
Options	196,361	200,361	196,059	4,302
Social services administration	5,489,278	5,489,278	5,627,511	(138,233)
Full circle thrift	256,800	256,800	234,766	22,034
Wheels for work	10,000	10,000	2,482	7,518
Workforce investment board	371,120	371,120	284,907	86,213
Cosmetology center	237,930	237,930	297,181	(59,251)
Daycare	1,281,926	1,281,926	1,502,459	(220,533)
Families first	161,969	161,969	186,100	(24,131)
Headstart	<u>1,395,771</u>	<u>1,395,771</u>	<u>1,055,199</u>	<u>340,572</u>
Total welfare	<u>\$ 12,926,415</u>	<u>\$ 14,191,219</u>	<u>\$ 14,152,022</u>	<u>\$ 39,197</u>
Total health and welfare	<u>\$ 13,700,328</u>	<u>\$ 14,965,132</u>	<u>\$ 14,925,935</u>	<u>\$ 39,197</u>
Education:				
Contributions to community colleges	\$ 1,000	\$ 1,000	\$ 1,000	-
Contributions to Piedmont Tech	70,360	70,360	56,926	13,434
Contributions to Component Unit School Board	<u>29,614,718</u>	<u>29,614,718</u>	<u>28,605,855</u>	<u>1,008,863</u>
Total education	<u>\$ 29,686,078</u>	<u>\$ 29,686,078</u>	<u>\$ 28,663,781</u>	<u>\$ 1,022,297</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
Budget and Actual -- General Fund  
Year Ended June 30, 2014 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 364,961	\$ 403,813	\$ 371,450	\$ 32,363
Community complex	<u>324,042</u>	<u>327,032</u>	<u>317,635</u>	<u>9,397</u>
Total parks and recreation	\$ <u>689,003</u>	\$ <u>730,845</u>	\$ <u>689,085</u>	\$ <u>41,760</u>
Library:				
Library	\$ 900,402	\$ 1,019,816	\$ 951,444	\$ 68,372
Total parks, recreation and cultural	\$ <u>1,589,405</u>	\$ <u>1,750,661</u>	\$ <u>1,640,529</u>	\$ <u>110,132</u>
Community development:				
Planning and community development:				
Planning	\$ 601,284	\$ 605,492	\$ 578,735	\$ 26,757
Zoning board	4,500	4,500	1,667	2,833
Economic development	<u>875,387</u>	<u>976,859</u>	<u>894,969</u>	<u>81,890</u>
Total planning and community development	\$ <u>1,481,171</u>	\$ <u>1,586,851</u>	\$ <u>1,475,371</u>	\$ <u>111,480</u>
Environmental management:				
Soil and water conservation district	\$ 55,009	\$ 55,009	\$ 55,009	\$ -
Cooperative extension program:				
VPI extension	\$ 185,428	\$ 186,928	\$ 168,103	\$ 18,825
Total community development	\$ <u>1,721,608</u>	\$ <u>1,828,788</u>	\$ <u>1,698,483</u>	\$ <u>130,305</u>
Nondepartmental:				
Employee benefits	\$ 82,000	\$ 25,833	\$ -	\$ 25,833
Total nondepartmental	\$ <u>82,000</u>	\$ <u>25,833</u>	\$ <u>-</u>	\$ <u>25,833</u>
Debt service:				
Principal retirement	\$ 5,647,400	\$ 5,592,400	\$ 5,592,400	\$ -
Interest and fiscal charges	<u>4,191,585</u>	<u>4,196,333</u>	<u>4,191,633</u>	<u>4,700</u>
Total debt service	\$ <u>9,838,985</u>	\$ <u>9,788,733</u>	\$ <u>9,784,033</u>	\$ <u>4,700</u>
Total expenditures	\$ <u>80,960,413</u>	<u>83,011,266</u>	<u>80,847,293</u>	<u>2,163,973</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>920,959</u>	<u>155,914</u>	<u>4,594,922</u>	<u>4,439,008</u>
Other financing sources (uses):				
Issuance of capital lease	\$ -	\$ -	\$ 758,098	\$ 758,098
Transfers (out)	<u>(3,728,798)</u>	<u>(3,728,798)</u>	<u>(3,216,683)</u>	<u>512,115</u>
Total other financing sources (uses)	\$ <u>(3,728,798)</u>	\$ <u>(3,728,798)</u>	\$ <u>(2,458,585)</u>	\$ <u>1,270,213</u>
Changes in fund balances	\$ (2,807,839)	\$ (3,572,884)	2,136,337	\$ 5,709,221
Fund balances at beginning of year	<u>2,807,839</u>	<u>3,572,884</u>	<u>29,889,437</u>	<u>26,316,553</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,025,774</u>	<u>\$ 32,025,774</u>

Schedule of Pension and OPEB Funding Progress for the Virginia Retirement System and Other Post Employment Benefits  
For the Year Ended June 30, 2014

Virginia Retirement System							
County	Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	6/30/2013	\$ 36,824,000	\$ 47,975,114	\$ 11,151,114	76.76%	\$ 14,751,198	75.59%
	6/30/2012	34,601,874	47,191,078	12,589,204	73.32%	13,807,321	91.18%
	6/30/2011	34,001,919	44,536,659	10,534,740	76.35%	13,937,019	75.59%

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

County	Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	6/30/2013	\$ 9,801,823	\$ 10,372,746	570,923	94.50%	\$ 3,738,948	15.27%
	6/30/2012	9,272,865	10,222,781	949,916	90.71%	3,857,150	24.63%
	6/30/2011	9,146,654	9,969,339	822,685	91.75%	4,038,431	20.37%

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)	Covered Payroll	UAAL as % of Payroll (4) / (6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	7/1/2013	\$ -	\$ 1,499,000	1,499,000	0.00%	\$ 15,178,389	9.88%
	7/1/2012	-	1,456,000	1,456,000	0.00%	14,636,851	9.95%
	7/1/2011	-	1,457,000	1,457,000	0.00%	13,937,019	10.45%

Discretely Presented Component Unit - School Board

County	Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	7/1/2013	\$ -	\$ 1,917,000	1,917,000	0.00%	\$ 43,662,241	4.39%
	7/1/2012	-	1,890,000	1,890,000	0.00%	48,241,019	3.92%
	7/1/2011	-	2,432,000	2,432,000	0.00%	40,395,037	6.02%

Virginia Retirement System - Health Insurance Credit

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

County	Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	6/30/2013	\$ 187,909	\$ 203,826	15,917	92.19%	\$ 3,738,948	0.43%
	6/30/2012	166,912	200,450	33,538	83.27%	3,857,150	0.87%
	6/30/2011	162,967	192,547	29,580	84.64%	4,038,431	0.73%

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**OTHER SUPPLEMENTARY INFORMATION**

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## **Combining and Individual Fund Statements and Schedules**

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Schedule of Revenues, Expenditures and Changes in Fund Balances --  
 Budget and Actual -- Capital Projects Fund  
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 16,090	\$ 16,090
Miscellaneous	-	1,000	1,000	-
<b>Intergovernmental:</b>				
School Board Contribution to Primary Government	-	16,480,752	10,333,914	(6,146,838)
<b>Total revenues</b>	<u>\$ -</u>	<u>\$ 16,481,752</u>	<u>\$ 10,351,004</u>	<u>\$ (6,130,748)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government administration	\$ -	\$ 670,282	\$ 141,830	\$ 528,452
Judicial administration	-	-	-	-
Public safety	1,800,000	1,786,908	781,913	1,004,995
Public works	1,071,250	4,464,394	1,108,987	3,355,407
<b>Education:</b>				
School construction	-	16,480,752	10,333,914	6,146,838
Parks, recreation, and cultural	-	603,746	310,700	293,046
<b>Debt service:</b>				
Interest and other fiscal charges	-	67,092	66,410	682
<b>Total expenditures</b>	<u>\$ 2,871,250</u>	<u>\$ 24,073,174</u>	<u>\$ 12,743,754</u>	<u>\$ 11,329,420</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (2,871,250)</u>	<u>\$ (7,591,422)</u>	<u>\$ (2,392,750)</u>	<u>\$ 5,198,672</u>
<b>Other financing sources (uses):</b>				
Issuance of lease revenue bonds	\$ 1,400,000	\$ 1,454,000	\$ 1,454,000	\$ -
Transfers in	1,471,250	1,471,250	1,471,250	-
<b>Total other financing sources (uses)</b>	<u>\$ 2,871,250</u>	<u>\$ 2,925,250</u>	<u>\$ 2,925,250</u>	<u>\$ -</u>
<b>Changes in fund balances</b>	<u>\$ -</u>	<u>\$ (4,666,172)</u>	<u>\$ 532,500</u>	<u>\$ 5,198,672</u>
<b>Fund balances at beginning of year</b>	<u>-</u>	<u>4,666,172</u>	<u>2,310,572</u>	<u>(2,355,600)</u>
<b>Fund balances at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,843,072</u></u>	<u><u>\$ 2,843,072</u></u>

Combining Statement of Fiduciary Net Position -  
 Agency Funds  
 At June 30, 2014

	Special Welfare Fund	Sheriff Commissary Fund	Piedmont Tech Fund	Healthy Culpeper Fund	Thrift Store	Totals
<b>Assets:</b>						
Cash and cash equivalents	\$ 119,819	\$ 48,918	\$ -	\$ 22,492	\$ 227,251	\$ 418,480
Accounts receivable	-	-	1,390	-	-	1,390
 Total assets	 <u>\$ 119,819</u>	 <u>\$ 48,918</u>	 <u>\$ 1,390</u>	 <u>\$ 22,492</u>	 <u>\$ 227,251</u>	 <u>\$ 419,870</u>
 <b>Liabilities:</b>						
Amounts held for others	\$ -	\$ -	\$ 1,390	\$ 22,492	\$ 227,251	\$ 251,133
Amounts held for inmates	-	48,918	-	-	-	48,918
Amounts held for social services clients	119,819	-	-	-	-	119,819
 Total liabilities	 <u>\$ 119,819</u>	 <u>\$ 48,918</u>	 <u>\$ 1,390</u>	 <u>\$ 22,492</u>	 <u>\$ 227,251</u>	 <u>\$ 419,870</u>

Agency Funds  
 Combining Statement of Changes in Assets and Liabilities  
 Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Special Welfare Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 144,176	\$ 113,170	\$ 137,527	\$ 119,819
<b>Liabilities:</b>				
Amounts held for social services clients	\$ 144,176	\$ 113,170	\$ 137,527	\$ 119,819
<b>Sheriff Commissary Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 20,228	\$ 230,852	\$ 202,162	\$ 48,918
<b>Liabilities:</b>				
Amounts held for inmates	\$ 20,228	\$ 230,852	\$ 202,162	\$ 48,918
<b>Piedmont Tech Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 76,976	\$ 76,976	\$ -
Accounts receivable	565	1,390	565	1,390
<b>Total assets</b>	<b>\$ 565</b>	<b>\$ 78,366</b>	<b>\$ 77,541</b>	<b>\$ 1,390</b>
<b>Liabilities:</b>				
Amounts held for others	\$ 565	\$ 78,366	\$ 77,541	\$ 1,390
<b>Healthy Culpeper Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 18,613	\$ 17,717	\$ 13,838	\$ 22,492
<b>Liabilities:</b>				
Amounts held for others	\$ 18,613	\$ 17,717	\$ 13,838	\$ 22,492
<b>Thrift Store:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 246,103	\$ 415,533	\$ 434,385	\$ 227,251
<b>Liabilities:</b>				
Amounts held for others	\$ 246,103	\$ 415,533	\$ 434,385	\$ 227,251
<b>Totals -- All agency funds</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 429,120	\$ 854,248	\$ 864,888	\$ 418,480
Accounts receivable	565	1,390	565	1,390
<b>Total assets</b>	<b>\$ 429,685</b>	<b>\$ 855,638</b>	<b>\$ 865,453</b>	<b>\$ 419,870</b>
<b>Liabilities:</b>				
Amounts held for social services clients	\$ 144,176	\$ 113,170	\$ 137,527	\$ 119,819
Amounts held for inmates	20,228	230,852	202,162	48,918
Amounts held for others	265,281	511,616	525,764	251,133
<b>Total liabilities</b>	<b>\$ 429,685</b>	<b>\$ 855,638</b>	<b>\$ 865,453</b>	<b>\$ 419,870</b>

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## **Discretely Presented Component Unit-School Board**

Combining Balance Sheet  
 Governmental Funds - Discretely Presented Component Unit -- School Board  
 At June 30, 2014

	Governmental Funds			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
<b>Assets:</b>				
Cash and cash equivalents	\$ 176,169	\$ 1,819,211	\$ 6,684,486	\$ 8,679,866
Receivables (net of allowances for uncollectibles):				
Accounts receivable	-	-	231,740	231,740
Due from other governmental units	2,055,248	86,624	-	2,141,872
Due from primary government	4,672,340	-	-	4,672,340
<b>Total assets</b>	<b>\$ 6,903,757</b>	<b>\$ 1,905,835</b>	<b>\$ 6,916,226</b>	<b>\$ 15,725,818</b>
<b>Liabilities:</b>				
Accounts payable	\$ 569,642	\$ -	\$ 713,296	\$ 1,282,938
Accrued liabilities	6,334,115	186,307	-	6,520,422
<b>Total liabilities</b>	<b>\$ 6,903,757</b>	<b>\$ 186,307</b>	<b>\$ 713,296</b>	<b>\$ 7,803,360</b>
<b>Fund Balances:</b>				
Restricted	\$ -	\$ -	\$ 5,333,230	\$ 5,333,230
Committed	-	-	869,700	869,700
Assigned	-	1,719,528	-	1,719,528
<b>Total fund balances</b>	<b>\$ -</b>	<b>\$ 1,719,528</b>	<b>\$ 6,202,930</b>	<b>\$ 7,922,458</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,903,757</b>	<b>\$ 1,905,835</b>	<b>\$ 6,916,226</b>	

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. \$ 40,232,655

Internal service funds are used by the School Board to charge the cost of dental insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. The internal service funds net position are: 111,085

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. (1,736,451)

Net position of Government Activities \$ 46,529,747

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances --  
 Governmental Funds - Discretely Presented Component Unit -- School Board  
 Year Ended June 30, 2014

	Governmental Fund Types			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
Revenues:				
Revenue from use of money and property	\$ 29,594	\$ 10,274	\$ 18,166	\$ 58,034
Charges for services	151,845	1,476,793	-	1,628,638
Miscellaneous	824,384	21,647	475,343	1,321,374
Intergovernmental:				
County contribution to School Board	28,105,855	-	500,000	28,605,855
Commonwealth	40,643,660	44,582	75,422	40,763,664
Federal	3,199,298	2,097,583	9,190	5,306,071
Total revenues	<u>\$ 72,954,636</u>	<u>\$ 3,650,879</u>	<u>\$ 1,078,121</u>	<u>\$ 77,683,636</u>
Expenditures:				
Current:				
Education	\$ 72,954,636	\$ 3,523,859	\$ -	\$ 76,478,495
Capital projects	-	-	960,879	960,879
Contribution to primary government	-	-	10,333,914	10,333,914
Total expenditures	<u>\$ 72,954,636</u>	<u>\$ 3,523,859</u>	<u>\$ 11,294,793</u>	<u>\$ 87,773,288</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 127,020	\$ (10,216,672)	\$ (10,089,652)
Changes in fund balances	\$ -	\$ 127,020	\$ (10,216,672)	\$ (10,089,652)
Fund balances at beginning of year	-	1,592,508	16,419,602	18,012,110
Fund balances at end of year	<u>\$ -</u>	<u>\$ 1,719,528</u>	<u>\$ 6,202,930</u>	<u>\$ 7,922,458</u>

COUNTY OF CULPEPER, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
 Governmental Funds - Budget and Actual -- Discretely Presented Component Unit -- School Board  
 Year Ended June 30, 2014

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 29,594	\$ (25,406)
Charges for services	423,611	423,611	151,845	(271,766)
Miscellaneous	1,123,296	1,123,296	824,384	(298,912)
Intergovernmental:				
County contribution to School Board	29,114,718	29,114,718	28,105,855	(1,008,863)
Commonwealth	40,456,737	40,984,737	40,643,660	(341,077)
Federal	3,689,763	3,689,763	3,199,298	(490,465)
<b>Total revenues</b>	<b>\$ 74,863,125</b>	<b>\$ 75,391,125</b>	<b>\$ 72,954,636</b>	<b>\$ (2,436,489)</b>
Expenditures:				
Current:				
Education:				
Instruction	\$ 57,165,749	\$ 57,031,940	\$ 55,660,566	\$ 1,371,374
Administration, attendance and health	3,257,110	3,257,110	2,978,152	278,958
Pupil transportation	4,194,399	4,596,208	4,588,335	7,873
Operation and maintenance of school plant	7,801,455	7,876,455	7,281,215	595,240
Facilities	138,924	138,924	138,158	766
Technology instruction	2,305,488	2,490,488	2,308,210	182,278
School food service	-	-	-	-
<b>Total education</b>	<b>\$ 74,863,125</b>	<b>\$ 75,391,125</b>	<b>\$ 72,954,636</b>	<b>\$ 2,436,489</b>
Capital Projects	-	-	-	-
Contribution to primary government	-	-	-	-
<b>Total expenditures</b>	<b>\$ 74,863,125</b>	<b>\$ 75,391,125</b>	<b>\$ 72,954,636</b>	<b>\$ 2,436,489</b>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

School Cafeteria Fund				School Capital Projects Fund			
Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)	Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ 1,500	\$ 1,500	\$ 10,274	\$ 8,774	\$ -	\$ -	\$ 18,166	\$ 18,166
1,804,157	1,804,157	1,476,793	(327,364)	-	-	-	-
51,819	51,819	21,647	(30,172)	-	254,753	475,343	220,590
-	-	-	-	500,000	500,000	500,000	-
52,229	52,229	44,582	(7,647)	-	73,462	75,422	1,960
1,839,239	1,839,239	2,097,583	258,344	-	-	9,190	9,190
<u>\$ 3,748,944</u>	<u>\$ 3,748,944</u>	<u>\$ 3,650,879</u>	<u>\$ (98,065)</u>	<u>\$ 500,000</u>	<u>\$ 828,215</u>	<u>\$ 1,078,121</u>	<u>\$ 249,906</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,748,944</u>	<u>3,748,944</u>	<u>3,523,859</u>	<u>225,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 3,748,944	\$ 3,748,944	\$ 3,523,859	\$ 225,085	\$ -	\$ -	\$ -	\$ -
-	-	-	-	500,000	1,654,414	960,879	693,535
-	-	-	-	-	16,480,752	10,333,914	6,146,838
<u>\$ 3,748,944</u>	<u>\$ 3,748,944</u>	<u>\$ 3,523,859</u>	<u>\$ 225,085</u>	<u>\$ 500,000</u>	<u>\$ 18,135,166</u>	<u>\$ 11,294,793</u>	<u>\$ 6,840,373</u>
\$ -	\$ -	\$ 127,020	\$ 127,020	\$ -	\$ (17,306,951)	\$ (10,216,672)	\$ 7,090,279
\$ -	\$ -	\$ 127,020	\$ 127,020	\$ -	\$ (17,306,951)	\$ (10,216,672)	\$ 7,090,279
-	-	1,592,508	1,592,508	-	17,306,951	16,419,602	(887,349)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,719,528</u>	<u>\$ 1,719,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,202,930</u>	<u>\$ 6,202,930</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2014

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

Net changes in fund balances - total governmental funds \$ (10,089,652)

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 depreciation expense exceeded capital outlays in the current period:

Capital asset additions	\$	2,346,706	
Depreciation expense		<u>(2,898,778)</u>	(552,072)

Internal service funds are used by the School Board to charge the costs of dental insurance to individual funds. The net revenue of internal service funds is reported with governmental activities. 13,820

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. This amount reflects the change in accrued leave and other post employment benefits:

Compensated absences	\$	(47,596)	
Net OPEB obligation		<u>(60,000)</u>	(107,596)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board 1,321,768

Change in net position of governmental activities \$ (9,413,732)

Statement of Net Position  
 Internal Service Fund -- Discretely Presented Component Unit -- School Board  
 At June 30, 2014

---

	<u>Dental Insurance Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ <u>111,085</u>
Total Assets	\$ <u><u>111,085</u></u>
NET Position	
Unrestricted	\$ <u>111,085</u>
Total Net Position	\$ <u><u>111,085</u></u>
Total Liabilities and Net Position	\$ <u><u>111,085</u></u>

Statement of Revenues, Expenses and Changes in Net Position --  
 Internal Service Fund -- Discretely Presented Component Unit -- School Board  
 Year Ended June 30, 2014

---

	<u>Dental Insurance Fund</u>
Operating revenues:	
Charges for services	\$ <u>359,232</u>
Operating expenses:	
Fringe benefits	\$ <u>345,412</u>
Change in net position	\$ 13,820
Net position at beginning of year	<u>97,265</u>
Net position at end of year	<u><u>\$ 111,085</u></u>

Statement of Cash Flows  
 Internal Service Fund -- Discretely Presented Component Unit -- School Board  
 Year Ended June 30, 2014

---

	<u>Dental Insurance Fund</u>
<b>Cash flows from operating activities:</b>	
Receipts from insured	\$ 359,232
Payments to suppliers	<u>(345,412)</u>
Net cash provided by (used for) operating activities	<u>\$ 13,820</u>
Increase (decrease) in cash and cash equivalents	\$ 13,820
Cash and cash equivalents at beginning of year	<u>97,265</u>
Cash and cash equivalents at end of year	<u>\$ 111,085</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 13,820</u>
Net cash provided by (used for) operating activities	<u>\$ 13,820</u>

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## **Discretely Presented Component Unit-EDA**

Discretely Presented Component Unit - Culpeper County EDA  
 Statement of Net Position  
 At June 30, 2014

---

**Assets**

Current assets:

Cash and cash equivalents	\$ <u>4,046</u>
---------------------------	-----------------

Total assets	\$ <u><u>4,046</u></u>
--------------	------------------------

**Net Position**

Unrestricted	\$ <u>4,046</u>
--------------	-----------------

Total net position	\$ <u><u>4,046</u></u>
--------------------	------------------------

Discretely Presented Component Unit - Culpeper County EDA  
 Statement of Revenues, Expenses, and Changes in Net Position  
 Year Ended June 30, 2014

---

<b>Operating Expenses</b>	
Economic development grants	\$ <u>429,533</u>
Operating income (loss)	\$ <u>(429,533)</u>
<b>Nonoperating revenues</b>	
Contribution from Culpeper County	\$ <u>431,189</u>
Total nonoperating revenues	\$ <u>431,189</u>
Change in net position	\$ 1,656
<b>Net position, beginning of year</b>	<u>2,390</u>
<b>Net position, end of year</b>	<u><u>\$ 4,046</u></u>

Discretely Presented Component Unit - Culpeper County EDA  
Statement of Cash Flows  
Year Ended June 30, 2014

---

<b>Cash flows from operating activities</b>	
Payments to suppliers	\$ <u>(429,533)</u>
Net cash provided by (used for) by operating activities	\$ <u>(429,533)</u>
<b>Cash flows from noncapital financing activities</b>	
Contribution from Culpeper County	\$ <u>431,189</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,656
Cash and cash equivalents, beginning of year	<u>2,390</u>
Cash and cash equivalents, end of year	\$ <u><u>4,046</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (429,533)
Change in assets and liabilities:	<u>-</u>
Net cash provided by (used for) by operating activities	\$ <u><u>(429,533)</u></u>

## Supporting Schedule

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Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 32,840,627	\$ 32,840,627	\$ 32,588,722	\$ (251,905)
Real and personal public service corporation property taxes	1,773,784	1,773,784	1,735,847	(37,937)
Personal property taxes	15,189,637	15,189,637	15,929,885	740,248
Mobile home taxes	21,260	21,260	19,062	(2,198)
Machinery and tools taxes	1,342,108	1,342,108	1,456,422	114,314
Aircraft taxes	-	-	1,082	1,082
Recreational property taxes	140,800	140,800	163,281	22,481
Penalties	475,000	475,000	465,789	(9,211)
Interest	350,000	350,000	377,606	27,606
<b>Total general property taxes</b>	<b>\$ 52,133,216</b>	<b>\$ 52,133,216</b>	<b>\$ 52,737,696</b>	<b>\$ 604,480</b>
Other local taxes:				
Local sales and use taxes	\$ 5,000,000	\$ 5,000,000	\$ 5,721,942	\$ 721,942
Transient occupancy tax	15,000	15,000	14,742	(258)
Consumer utility taxes	651,000	651,000	793,620	142,620
Motor vehicle licenses tax	650,000	650,000	924,867	274,867
Taxes on recordation and wills	582,500	582,500	589,489	6,989
<b>Total other local taxes</b>	<b>\$ 6,898,500</b>	<b>\$ 6,898,500</b>	<b>\$ 8,044,660</b>	<b>\$ 1,146,160</b>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 20,200	\$ 20,200	\$ 18,231	\$ (1,969)
Building and related permits	400,000	400,000	472,429	72,429
Other permits and licenses	80,400	81,020	188,153	107,133
<b>Total permits, privilege fees and regulatory licenses</b>	<b>\$ 500,600</b>	<b>\$ 501,220</b>	<b>\$ 678,813</b>	<b>\$ 177,593</b>
Fines and Forfeitures:				
Court fines and forfeitures	\$ 75,000	\$ 75,000	\$ 57,565	\$ (17,435)
Revenue from use of money and property:				
Revenue from use of money	\$ 12,500	\$ 12,500	\$ 9,635	\$ (2,865)
Revenue from use of property	411,127	411,127	459,452	48,325
<b>Total revenue from use of money and property</b>	<b>\$ 423,627</b>	<b>\$ 423,627</b>	<b>\$ 469,087</b>	<b>\$ 45,460</b>

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 20,000	\$ 20,000	\$ 39,749	\$ 19,749
Charges for Commonwealth's attorney	2,000	2,000	3,845	1,845
Charges for parks and recreation	99,918	130,758	97,457	(33,301)
Charges for law enforcement and traffic control	17,500	17,500	9,088	(8,412)
Charges for courthouse maintenance fees	15,000	15,000	15,711	711
Charges for courthouse and courtroom security fees	87,500	87,500	68,824	(18,676)
Charges for other court costs	1,000	1,000	15,691	14,691
Charges for other protection	55,000	92,385	105,478	13,093
Charges for library	45,500	106,800	108,359	1,559
Charges for fire and rescue services	500,000	500,000	734,099	234,099
Charges for planning and community development	8,000	8,000	3,579	(4,421)
Full circle thrift fees	256,800	256,800	229,944	(26,856)
Charges for law library	12,000	12,000	12,049	49
Cosmetology fees	237,930	237,930	392,250	154,320
Charges for daycare	1,318,730	1,318,730	1,588,526	269,796
Total charges for services	<u>\$ 2,676,878</u>	<u>\$ 2,806,403</u>	<u>\$ 3,424,649</u>	<u>\$ 618,246</u>
Miscellaneous revenue:				
Miscellaneous	\$ 160,500	\$ 187,879	\$ 433,414	\$ 245,535
Total miscellaneous revenue	<u>\$ 160,500</u>	<u>\$ 187,879</u>	<u>\$ 433,414</u>	<u>\$ 245,535</u>
Recovered costs:				
Wheels for work	\$ 10,000	\$ 10,000	\$ 16,004	\$ 6,004
Town of Culpeper E-911	334,708	334,708	334,708	-
Payments from localities	33,285	33,285	34,876	1,591
Total recovered costs	<u>\$ 377,993</u>	<u>\$ 377,993</u>	<u>\$ 385,588</u>	<u>\$ 7,595</u>
Total revenue from local sources	<u>\$ 63,246,314</u>	<u>\$ 63,403,838</u>	<u>\$ 66,231,472</u>	<u>\$ 2,827,634</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 40,000	\$ 40,000	\$ 46,759	\$ 6,759
Recordation tax	165,000	165,000	179,759	14,759
Mobile home titling taxes	3,000	3,000	4,249	1,249
Communications tax	2,080,000	2,080,000	2,046,655	(33,345)
PPTRA	3,367,808	3,367,808	3,367,808	-
Auto rental tax	55,000	55,000	64,549	9,549
Total noncategorical aid	<u>\$ 5,710,808</u>	<u>\$ 5,710,808</u>	<u>\$ 5,709,779</u>	<u>\$ (1,029)</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental : (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 373,096	\$ 373,096	\$ 392,806	\$ 19,710
Sheriff	2,721,181	2,721,181	2,694,185	(26,996)
Commissioner of the Revenue	121,465	121,465	120,791	(674)
Treasurer	124,510	124,510	123,323	(1,187)
Registrar/electoral board	42,698	42,698	41,380	(1,318)
Clerk of the Circuit Court	300,565	325,687	314,583	(11,104)
Combined Court	13,500	13,500	11,337	(2,163)
<b>Total shared expenses</b>	<b>\$ 3,697,015</b>	<b>\$ 3,722,137</b>	<b>\$ 3,698,405</b>	<b>\$ (23,732)</b>
Other categorical aid:				
Welfare administration and assistance	\$ 2,941,506	\$ 2,941,506	\$ 1,628,483	\$ (1,313,023)
Local jail	135,000	135,000	144,109	9,109
Governor's opportunity fund	-	100,000	100,000	-
Fire service program	70,000	70,000	91,030	21,030
Families first grant	114,625	114,625	135,703	21,078
Options	15,855	19,355	16,024	(3,331)
Library aid	146,548	150,167	150,167	-
E-911 wireless	75,000	75,000	76,055	1,055
Two for life funds	40,000	40,000	45,712	5,712
Community youth services grant	2,299,812	3,189,801	2,617,632	(572,169)
Juvenile and domestic relations	48,169	48,169	50,427	2,258
Criminal justice services	237,021	237,021	257,840	20,819
Crime victim assistance	17,126	17,126	35,904	18,778
Other categorical aid	35,990	37,537	47,877	10,340
<b>Total other categorical aid</b>	<b>\$ 6,176,652</b>	<b>\$ 7,175,307</b>	<b>\$ 5,396,963</b>	<b>\$ (1,778,344)</b>
<b>Total categorical aid</b>	<b>\$ 9,873,667</b>	<b>\$ 10,897,444</b>	<b>\$ 9,095,368</b>	<b>\$ (1,802,076)</b>
<b>Total revenue from the Commonwealth</b>	<b>\$ 15,584,475</b>	<b>\$ 16,608,252</b>	<b>\$ 14,805,147</b>	<b>\$ (1,803,105)</b>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental : (Continued)				
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 1,150,170	\$ 1,150,170	\$ 2,709,638	\$ 1,559,468
Adult services grant	371,120	371,120	253,629	(117,491)
Department of justice grants	36,638	50,706	33,585	(17,121)
Emergency services	-	4,000	72,323	68,323
Victim witness grant	51,378	51,378	35,904	(15,474)
Electoral board	-	-	-	-
USDA grant funds	330,000	330,000	228,608	(101,392)
Headstart	1,111,277	1,111,277	984,738	(126,539)
Drug forfeitures	-	3,440	14,285	10,845
2nd chance grant	-	-	-	-
Federal interest subsidy	-	44,748	41,525	(3,223)
Law enforcement grant	-	13,951	13,951	-
DMV selective enforcement grant	-	24,300	17,410	(6,890)
Total revenue from the federal government	<u>\$ 3,050,583</u>	<u>\$ 3,155,090</u>	<u>\$ 4,405,596</u>	<u>\$ 1,250,506</u>
Total General Fund	<u>\$ 81,881,372</u>	<u>\$ 83,167,180</u>	<u>\$ 85,442,215</u>	<u>\$ 2,275,035</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 16,090	\$ 16,090
Total revenue from use of money and property	\$ -	\$ -	\$ 16,090	\$ 16,090
Miscellaneous:				
Miscellaneous	\$ -	\$ 1,000	\$ 1,000	\$ -
Total revenue from local sources	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 17,090</u>	<u>\$ 16,090</u>
Intergovernmental:				
School Board Contribution to Primary Government	\$ -	\$ 16,480,752	\$ 10,333,914	\$ (6,146,838)
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 16,481,752</u>	<u>\$ 10,351,004</u>	<u>\$ (6,130,748)</u>
Total Revenues -- Primary Government	<u>\$ 81,881,372</u>	<u>\$ 99,648,932</u>	<u>\$ 95,793,219</u>	<u>\$ (3,855,713)</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 16	\$ 16
Revenue from use of property	55,000	55,000	29,578	(25,422)
Total revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 29,594	\$ (25,406)
Charges for services:				
Textbook sales	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Transportation and field trips	45,000	45,000	63,615	18,615
Tuition and fees	372,611	372,611	88,230	(284,381)
Total charges for services	\$ 423,611	\$ 423,611	\$ 151,845	\$ (271,766)
Miscellaneous revenue:				
Miscellaneous	\$ 1,123,296	\$ 1,123,296	\$ 824,384	\$ (298,912)
Total miscellaneous revenue	\$ 1,123,296	\$ 1,123,296	\$ 824,384	\$ (298,912)
Total revenue from local sources	\$ 1,601,907	\$ 1,601,907	\$ 1,005,823	\$ (596,084)
Intergovernmental:				
County contribution to School Board	\$ 29,114,718	\$ 29,114,718	\$ 28,105,855	\$ (1,008,863)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 8,065,968	\$ 8,065,968	\$ 7,839,056	\$ (226,912)
Basic school aid	20,590,039	21,118,039	20,893,196	(224,843)
Special education-SOQ	2,128,692	2,128,692	2,142,264	13,572
Primary class size	791,070	791,070	815,310	24,240
Gifted and talented	232,131	232,131	233,611	1,480
Remedial education	587,736	587,736	591,483	3,747
Preschool initiative	764,470	764,470	764,470	-
Vocational education-SOQ	612,431	612,431	616,336	3,905
Educational technology	310,000	310,000	310,000	-
At - risk	456,112	456,112	459,004	2,892
Compensation supplements	496,303	496,303	499,546	3,243
Textbook	443,173	443,173	445,998	2,825
Fringe benefits	3,506,662	3,506,662	3,529,019	22,357
ESL	296,637	296,637	302,817	6,180
Special education-Tuition	703,819	703,819	698,548	(5,271)
Early reading intervention	127,633	127,633	135,737	8,104
Other categorical aid	343,861	343,861	367,265	23,404
Total categorical aid	\$ 40,456,737	\$ 40,984,737	\$ 40,643,660	\$ (341,077)
Total revenue from the Commonwealth	\$ 40,456,737	\$ 40,984,737	\$ 40,643,660	\$ (341,077)

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,342,553	\$ 1,342,553	\$ 1,340,568	\$ (1,985)
Title I school improvement	358,334	358,334	16,695	(341,639)
Title II -- Part A	339,565	339,565	215,639	(123,926)
Title VI - B	1,449,228	1,449,228	1,433,765	(15,463)
Preschool incentive	41,494	41,494	38,659	(2,835)
Advance placement grant	-	-	3,060	3,060
Technology grant	8,786	8,786	-	(8,786)
Title III	42,803	42,803	38,808	(3,995)
Vocational education	92,000	92,000	112,104	20,104
Miscellaneous federal grants	15,000	15,000	-	(15,000)
Total revenue from the federal government	<u>\$ 3,689,763</u>	<u>\$ 3,689,763</u>	<u>\$ 3,199,298</u>	<u>\$ (490,465)</u>
Total School Operating Fund	<u>\$ 74,863,125</u>	<u>\$ 75,391,125</u>	<u>\$ 72,954,636</u>	<u>\$ (2,436,489)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 10,274	\$ 8,774
Charges for services:				
Cafeteria sales	1,804,157	1,804,157	1,476,793	(327,364)
Miscellaneous revenue:				
Miscellaneous	51,819	51,819	21,647	(30,172)
Total revenue from local sources	<u>\$ 1,857,476</u>	<u>\$ 1,857,476</u>	<u>\$ 1,508,714</u>	<u>\$ (348,762)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 52,229	\$ 52,229	\$ 44,582	\$ (7,647)
Total revenue from the Commonwealth	<u>\$ 52,229</u>	<u>\$ 52,229</u>	<u>\$ 44,582</u>	<u>\$ (7,647)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,839,239	\$ 1,839,239	\$ 2,097,583	\$ 258,344
Total revenue from the federal government	<u>\$ 1,839,239</u>	<u>\$ 1,839,239</u>	<u>\$ 2,097,583</u>	<u>\$ 258,344</u>
Total School Cafeteria Fund	<u>\$ 3,748,944</u>	<u>\$ 3,748,944</u>	<u>\$ 3,650,879</u>	<u>\$ (98,065)</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 18,166	\$ 18,166
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 254,753	\$ 475,343	\$ 220,590
Intergovernmental revenue:				
County contribution to School Board	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
Emergency services grant	\$ -	\$ -	\$ 1,960	\$ 1,960
School security grant	-	73,462	73,462	-
Total revenue from the Commonwealth	\$ -	\$ 73,462	\$ 75,422	\$ 1,960
Revenue from the federal government:				
Categorical aid:				
Emergency services	\$ -	\$ -	\$ 9,190	\$ 9,190
Total School Capital Projects Fund	\$ 500,000	\$ 828,215	\$ 1,078,121	\$ 249,906
Total Revenues--Component Unit--School Board	\$ 79,112,069	\$ 79,968,284	\$ 77,683,636	\$ (2,284,648)

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Description	Table #
<b>Financial Trends</b>	
These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Net Position by Component	1
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Governmental Activities Tax Revenues by Source (Accrual Basis of Accounting)	3
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**Sources:**

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

COUNTY OF CULPEPER, VIRGINIA

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 14,986,153	\$ 10,685,692	\$ 14,961,689	\$ 18,469,361
Restricted	285,663	291,256	-	-
Unrestricted	24,746,856	(16,216,855)	4,410,152	18,933,684
Total governmental activities net position	<u>\$ 40,018,672</u>	<u>\$ (5,239,907)</u>	<u>\$ 19,371,841</u>	<u>\$ 37,403,045</u>
<b>Business-type activities:</b>				
Net investment in capital assets	\$ 13,272,556	\$ 16,010,805	\$ 25,343,202	\$ 36,145,416
Unrestricted	420,504	1,219,337	(1,011,200)	4,832,584
Total primary government expenses	<u>\$ 13,693,060</u>	<u>\$ (4,020,570)</u>	<u>\$ 24,332,002</u>	<u>\$ 40,978,000</u>
<b>Primary government</b>				
Net investment in capital assets	\$ 28,258,709	\$ 26,696,497	\$ 40,304,891	\$ 54,614,777
Restricted	285,663	291,256	-	-
Unrestricted	25,167,360	(14,997,518)	3,398,952	23,766,268
Total primary government	<u>\$ 53,711,732</u>	<u>\$ 11,990,235</u>	<u>\$ 43,703,843</u>	<u>\$ 78,381,045</u>

Table 1

2009	2010	2011	2012	2013	2014
\$ 25,331,224	\$ 21,744,425	\$ 21,370,300	\$ 17,778,776	\$ 16,842,091	\$ 17,096,240
-	-	-	-	-	-
18,086,410	25,869,837	27,474,989	27,471,050	14,216,874	28,013,102
<u>\$ 43,417,634</u>	<u>\$ 47,614,262</u>	<u>\$ 48,845,289</u>	<u>\$ 45,249,826</u>	<u>\$ 31,058,965</u>	<u>\$ 45,109,342</u>
\$ 38,532,234	\$ 38,791,879	\$ 41,694,088	\$ 40,660,307	\$ 39,449,925	\$ 38,628,122
3,592,573	2,974,397	3,178,202	2,598,615	2,183,371	2,177,151
<u>\$ 42,124,807</u>	<u>\$ 41,766,276</u>	<u>\$ 44,872,290</u>	<u>\$ 43,258,922</u>	<u>\$ 41,633,296</u>	<u>\$ 40,805,273</u>
\$ 63,863,458	\$ 60,536,304	\$ 63,064,388	\$ 58,439,083	\$ 56,292,016	\$ 55,724,362
-	-	-	-	-	-
21,678,983	28,844,234	30,653,191	30,069,665	16,400,245	30,190,253
<u>\$ 85,542,441</u>	<u>\$ 89,380,538</u>	<u>\$ 93,717,579</u>	<u>\$ 88,508,748</u>	<u>\$ 72,692,261</u>	<u>\$ 85,914,615</u>

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses:</b>										
Governmental activities:										
General government										
administration	\$ 2,953,543	\$ 3,543,334	\$ 3,853,551	\$ 4,081,639	\$ 4,256,847	\$ 3,775,509	\$ 3,633,816	\$ 3,800,416	\$ 3,931,161	\$ 4,089,623
Judicial administration	1,969,364	2,069,759	2,205,424	2,457,649	2,373,026	2,447,227	2,473,186	2,624,197	2,780,091	2,830,835
Public safety	10,081,478	12,172,591	13,041,979	14,246,020	14,047,751	13,702,268	13,562,228	14,386,558	15,463,283	15,743,399
Public works	1,479,809	1,352,053	1,189,262	3,575,121	3,130,874	1,568,686	2,583,345	1,618,568	1,543,378	2,574,243
Health & welfare	10,379,264	11,967,563	12,836,396	14,807,178	14,814,505	15,032,809	12,738,839	14,647,425	14,203,433	14,809,148
Education	23,427,804	77,431,819	34,846,547	31,778,033	32,740,398	31,510,041	34,331,434	34,440,476	49,430,292	31,691,953
Parks, recreation, & cultural	1,100,173	1,262,842	1,740,458	1,870,925	1,970,055	1,919,952	1,600,257	1,567,789	1,664,904	1,788,029
Community development	1,120,188	1,329,556	1,268,077	1,486,477	1,962,771	1,452,963	1,610,886	1,460,773	1,659,241	1,697,660
Interest & other fiscal charges	1,862,068	4,411,072	4,329,496	4,529,751	4,378,949	4,389,711	4,099,392	4,092,858	4,401,646	4,080,005
Total governmental activities expenses	\$ 54,373,691	\$ 115,540,589	\$ 75,311,190	\$ 78,832,793	\$ 79,675,176	\$ 75,799,166	\$ 76,633,383	\$ 78,639,060	\$ 95,077,429	\$ 79,304,895
Business-type activities:										
Landfill	\$ 2,782,599	\$ 3,275,796	\$ 3,363,244	\$ 3,297,771	\$ 2,707,086	\$ 2,222,198	\$ 2,138,539	\$ 1,886,407	\$ 1,733,255	\$ 1,805,472
Water & sewer	429,363	487,099	648,395	606,918	668,330	756,992	1,221,589	1,221,665	1,262,463	1,425,469
Airport	835,945	1,313,602	1,424,084	1,522,674	1,590,711	1,582,110	1,475,240	1,723,893	1,769,009	1,637,828
Water & sewer authority	563	8,157	947	23,117	68,256	16,591	314,927	1,009,152	953,781	954,642
Total business-type activities expenses	\$ 4,048,470	\$ 5,084,654	\$ 5,436,670	\$ 5,450,480	\$ 5,034,383	\$ 4,577,891	\$ 5,150,295	\$ 5,841,117	\$ 5,718,508	\$ 5,823,411
Total primary government expenses	\$ 58,422,161	\$ 120,625,243	\$ 80,747,860	\$ 84,283,273	\$ 84,709,559	\$ 80,377,057	\$ 81,783,678	\$ 84,480,177	\$ 100,795,937	\$ 85,128,306
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
General government										
administration	\$ -	\$ -	\$ -	\$ -	\$ 566,496	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	443,567	402,299	370,614	283,699	298,632	230,856	249,528	199,559	328,873	213,434
Public safety	2,184,845	122,835	1,677,223	1,499,059	733,912	1,093,514	1,101,495	1,081,223	1,506,250	1,527,478
Public works	-	-	18,642	-	-	-	-	-	-	-
Health & welfare	1,085,833	1,199,314	1,142,631	1,673,477	1,718,636	1,522,702	1,461,360	2,091,457	2,083,400	2,210,720
Parks, recreation, & cultural	133,158	155,619	144,187	479,094	120,581	162,289	193,087	183,356	163,125	205,816
Community development	2,040	2,153,675	57,060	5,107	1,724	1,643	4,522	2,921	5,106	3,579
Operating grants & contributions:										
General government										
administration	472,252	278,320	327,369	354,849	321,064	309,388	320,640	358,526	323,391	327,019
Judicial administration	566,048	1,357,127	1,390,202	761,272	702,737	666,028	686,096	692,587	695,860	718,726
Public safety	3,551,388	2,951,304	2,962,762	3,730,211	3,852,005	3,511,081	3,506,061	3,506,375	3,437,623	3,616,312
Public works	-	-	-	30,014	-	183,088	-	-	-	-
Health & welfare	6,963,769	7,761,645	7,266,594	8,658,725	8,865,082	9,418,108	8,719,521	8,208,982	8,220,881	8,588,740
Parks, recreation, & cultural	151,407	-	177,794	183,091	173,625	168,706	148,913	146,531	146,547	150,167
Community development	45,182	-	-	-	500,000	-	194,062	191,034	150,000	100,000
Interest on long-term debt	-	-	-	-	-	20,136	-	-	-	-
Capital grants & contributions	-	1,282,500	26,335,715	26,042,891	7,483,680	4,910,289	317,073	93,094	97,676	10,333,914
Total governmental activities program revenues	\$ 15,599,489	\$ 17,664,638	\$ 41,870,793	\$ 43,701,489	\$ 25,338,174	\$ 22,197,828	\$ 16,902,358	\$ 16,755,645	\$ 17,158,732	\$ 27,995,905

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Program revenues: (Continued)</b>										
Business-type activities:										
Charges for services:										
Landfill	\$ 2,288,332	\$ 2,667,679	\$ 2,650,528	\$ 2,469,848	\$ 1,587,384	\$ 1,186,803	\$ 1,109,940	\$ 1,094,329	\$ 937,857	\$ 981,934
Water & sewer	99,073	131,796	115,968	193,935	161,933	242,502	951,072	775,115	850,439	865,799
Airport	537,790	618,393	712,810	729,831	783,149	688,225	731,398	813,900	871,332	968,238
Operating grants & contributions:										
Water & sewer	-	-	800	-	-	-	-	-	-	-
Airport	-	-	11,627	-	-	7,560	14,123	50,755	6,876	20,096
Capital grants & contributions	496,474	3,244,989	5,950,655	12,222,118	1,686,515	381,494	6,831,743	226,084	167,021	55,932
<b>Total business-type activities program revenues</b>	<b>\$ 3,421,669</b>	<b>\$ 6,662,857</b>	<b>\$ 9,442,388</b>	<b>\$ 15,615,732</b>	<b>\$ 4,218,981</b>	<b>\$ 2,506,584</b>	<b>\$ 9,638,276</b>	<b>\$ 2,960,183</b>	<b>\$ 2,833,525</b>	<b>\$ 2,891,999</b>
<b>Total primary government program revenues</b>	<b>\$ 19,021,158</b>	<b>\$ 24,327,495</b>	<b>\$ 51,313,181</b>	<b>\$ 59,317,221</b>	<b>\$ 29,557,155</b>	<b>\$ 24,704,412</b>	<b>\$ 26,540,634</b>	<b>\$ 19,715,828</b>	<b>\$ 19,992,257</b>	<b>\$ 30,887,904</b>
Net (expense) / revenue										
Governmental activities	\$ (38,774,202)	\$ (97,875,951)	\$ (33,440,397)	\$ (35,131,304)	\$ (54,337,002)	\$ (53,601,338)	\$ (59,731,025)	\$ (61,883,415)	\$ (77,918,697)	\$ (51,308,990)
Business-type activities	(626,801)	1,578,203)	4,005,718	10,165,252	(815,402)	(2,071,307)	4,487,981	(2,880,934)	(2,884,983)	(2,931,412)
<b>Total primary government net expense</b>	<b>\$ (39,401,003)</b>	<b>\$ (96,297,748)</b>	<b>\$ (29,434,679)</b>	<b>\$ (24,966,052)</b>	<b>\$ (55,152,404)</b>	<b>\$ (55,672,645)</b>	<b>\$ (55,243,044)</b>	<b>\$ (64,764,349)</b>	<b>\$ (80,803,680)</b>	<b>\$ (54,240,402)</b>
<b>General Revenues &amp; Other</b>										
<b>Changes in Net Position</b>										
Governmental activities:										
General property taxes	\$ 32,650,412	\$ 36,481,179	\$ 44,768,171	\$ 44,724,837	\$ 48,819,205	\$ 45,953,541	\$ 46,440,370	\$ 46,299,778	\$ 50,615,844	\$ 52,430,770
Local sales & use taxes	5,426,631	5,525,376	5,071,523	5,103,979	4,518,626	4,670,002	4,710,612	4,782,750	5,675,646	5,721,942
Consumer utility taxes	1,771,697	2,005,108	2,020,722	2,067,744	2,020,957	1,983,855	810,500	753,893	776,370	793,620
E-911 taxes	807,345	841,571	804,259	888,885	747,563	750,680	-	-	-	-
Taxes on recordation & wills	1,602,899	1,866,077	1,246,208	875,739	760,296	538,548	507,473	554,087	669,957	589,489
Motor vehicle license taxes	710,746	737,060	522,458	61,738	648,490	701,177	715,355	724,866	791,114	924,867
Other local taxes	119,993	125,896	115,545	157,284	148,335	146,960	22,897	35,157	39,077	14,742
Unrestricted revenues from use										
of money & property	890,239	1,743,951	2,264,532	1,819,900	599,243	449,462	300,580	317,143	463,480	485,177
Miscellaneous	593,142	566,864	256,774	923,303	287,627	677,791	293,577	338,516	223,984	434,414
Grants & contributions not										
restricted to specific programs	3,493,550	3,979,168	3,841,914	3,712,251	3,690,898	3,626,392	5,768,766	5,742,053	5,729,055	5,709,779
Transfers	(1,687,068)	(1,878,878)	(2,859,961)	(6,253,652)	(1,889,649)	(1,700,442)	1,391,922	(1,260,291)	(1,256,691)	(1,745,433)
<b>Total governmental activities</b>	<b>\$ 46,379,586</b>	<b>\$ 51,993,372</b>	<b>\$ 58,052,145</b>	<b>\$ 54,082,008</b>	<b>\$ 60,351,591</b>	<b>\$ 57,797,966</b>	<b>\$ 60,962,052</b>	<b>\$ 58,287,952</b>	<b>\$ 63,727,836</b>	<b>\$ 65,359,367</b>
Business-type activities:										
Unrestricted revenues from use										
of money & property	\$ 21,465	\$ 80,001	\$ 236,184	\$ 227,094	\$ 72,560	\$ 12,334	\$ 9,955	\$ 7,275	\$ 2,666	\$ 1,574
Miscellaneous	84,976	-	-	-	-	-	-	-	-	-
Transfers	1,687,068	1,878,878	2,859,961	6,253,652	1,889,649	1,700,442	(1,391,922)	1,260,291	1,256,691	1,745,433
<b>Total business-type activities</b>	<b>\$ 1,793,509</b>	<b>\$ 1,958,879</b>	<b>\$ 3,096,145</b>	<b>\$ 6,480,746</b>	<b>\$ 1,962,209</b>	<b>\$ 1,712,776</b>	<b>\$ (1,381,967)</b>	<b>\$ 1,267,566</b>	<b>\$ 1,259,357</b>	<b>\$ 1,747,007</b>
<b>Total primary government</b>	<b>\$ 48,173,095</b>	<b>\$ 53,952,251</b>	<b>\$ 61,148,290</b>	<b>\$ 60,562,754</b>	<b>\$ 62,313,800</b>	<b>\$ 59,510,742</b>	<b>\$ 59,580,085</b>	<b>\$ 59,555,518</b>	<b>\$ 64,987,193</b>	<b>\$ 67,106,374</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 7,605,384	\$ (45,882,579)	\$ 24,611,748	\$ 18,950,704	\$ 6,014,589	\$ 4,196,628	\$ 1,231,027	\$ (3,595,463)	\$ (14,190,861)	\$ 14,050,377
Business-type activities	1,166,708	3,537,082	7,101,863	16,645,998	1,146,807	(358,531)	3,106,014	(1,613,368)	(1,625,626)	(1,184,405)
<b>Total primary government</b>	<b>\$ 8,772,092</b>	<b>\$ (42,345,497)</b>	<b>\$ 31,713,611</b>	<b>\$ 35,596,702</b>	<b>\$ 7,161,396</b>	<b>\$ 3,838,097</b>	<b>\$ 4,337,041</b>	<b>\$ (5,208,831)</b>	<b>\$ (15,816,487)</b>	<b>\$ 12,865,972</b>

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes (1)	E-911 Taxes (1)	Taxes on Recordation and Wills	Motor Vehicle License Taxes	Other Local Taxes (1)	Total
2014	\$ 52,430,770	\$ 5,721,942	\$ 793,620	\$ -	\$ 589,489	\$ 924,867	\$ 14,742	60,475,430
2013	50,615,844	5,675,646	776,370	-	669,957	791,114	39,077	58,568,008
2012	46,299,778	4,782,750	753,893	-	554,087	724,866	35,157	53,150,531
2011	46,440,370	4,710,612	810,500	-	507,473	715,355	22,897	53,207,207
2010	45,953,541	4,670,002	1,983,855	750,680	538,548	701,177	146,960	54,744,763
2009	48,819,205	4,518,626	2,020,957	747,563	760,296	648,490	148,335	57,663,472
2008	44,724,837	5,103,979	2,067,744	888,885	875,739	61,738	157,284	53,880,206
2007	44,768,171	5,071,523	2,020,722	804,259	1,246,208	522,458	115,545	54,548,886
2006	36,481,179	5,525,376	2,005,108	841,571	1,866,077	737,060	125,896	47,582,267
2005	32,650,412	5,426,631	1,771,697	807,345	1,602,899	710,746	119,993	43,089,723

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

COUNTY OF CULPEPER, VIRGINIA

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund				
Unreserved, designated for subsequent expenditures	\$ 1,271,174	\$ 1,758,229	\$ 1,618,995	\$ 3,004,067
Unreserved, designated for capital projects	3,515,262	3,592,005	1,892,005	2,392,005
Unreserved, undesignated	28,591,969	31,589,504	33,394,462	21,012,107
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 33,378,405</u>	<u>\$ 36,939,738</u>	<u>\$ 36,905,462</u>	<u>\$ 26,408,179</u>
All other governmental funds				
Unreserved, reported in:				
Capital projects funds (deficit)	\$ 3,209,396	\$ 942,798	\$ 3,970,503	\$ 1,730,757
Committed	-	-	-	-
Total all other governmental funds	<u>\$ 3,209,396</u>	<u>\$ 942,798</u>	<u>\$ 3,970,503</u>	<u>\$ 1,730,757</u>

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

Table 4

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	2,067,984	\$ 2,130,135	\$ -	\$ -	\$ -	-
	1,606,334	1,606,334	-	-	-	-
	20,630,986	22,342,047	-	-	-	-
	-	-	41,294	7,161	-	-
	-	-	79,313	69,173	40,961	51,482
	-	-	2,663,269	2,680,321	2,728,933	2,845,076
	-	-	4,175	4,175	4,175	4,175
	-	-	25,424,950	23,878,983	27,115,368	29,125,041
\$	<u>24,305,304</u>	<u>\$ 26,078,516</u>	<u>\$ 28,213,001</u>	<u>\$ 26,639,813</u>	<u>\$ 29,889,437</u>	<u>\$ 32,025,774</u>
\$	(2,224,539)	\$ 979,708	\$ -	\$ -	\$ -	-
	-	-	151,354	1,267,657	2,310,572	2,843,072
\$	<u>(2,224,539)</u>	<u>\$ 979,708</u>	<u>\$ 151,354</u>	<u>\$ 1,267,657</u>	<u>\$ 2,310,572</u>	<u>\$ 2,843,072</u>

COUNTY OF CULPEPER, VIRGINIA

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

	2005	2006	2007	2008
<b>Revenues:</b>				
General property taxes	\$ 32,807,959	\$ 36,264,828	\$ 44,232,779	\$ 44,178,683
Other local taxes	10,439,311	11,101,087	9,780,716	9,155,369
Permits, privilege fees and regulatory licenses	2,114,590	2,161,763	1,488,884	916,830
Fines and forfeitures	78,609	60,453	96,752	52,278
Revenue from use of money and property	890,239	1,743,951	2,264,532	1,819,900
Charges for services	1,656,244	1,811,526	1,824,721	2,971,328
Miscellaneous	593,142	566,864	256,774	923,303
Recovered costs	234,058	96,416	173,423	219,596
<b>Intergovernmental:</b>				
School Board Contribution to Primary Government	-	931,966	26,383,458	26,042,891
Commonwealth	9,437,555	10,336,751	10,996,233	12,275,773
Federal	5,806,041	5,990,813	4,970,402	5,154,640
<b>Total revenues</b>	<b>\$ 64,057,748</b>	<b>\$ 71,066,418</b>	<b>\$ 102,468,674</b>	<b>\$ 103,710,591</b>
<b>Expenditures:</b>				
General government administration	\$ 2,848,257	\$ 3,568,370	\$ 3,849,822	\$ 4,021,814
Judicial administration	1,939,838	2,074,360	2,327,462	2,511,337
Public safety	15,567,826	14,426,133	12,604,801	14,676,760
Public works	1,594,033	2,794,585	3,359,350	3,776,003
Health and welfare	10,578,388	12,005,443	12,719,822	14,799,765
Education	20,663,339	86,810,240	58,987,181	59,897,360
Parks, recreation, and cultural	5,154,782	1,850,341	2,110,261	1,842,207
Community development	1,097,985	1,285,455	1,219,129	1,454,190
Nondepartmental	-	-	-	-
<b>Debt service:</b>				
Principal retirement	2,218,067	2,340,953	2,584,746	2,652,946
Interest and other fiscal charges	1,643,638	3,405,806	4,352,710	4,561,586
<b>Total expenditures</b>	<b>\$ 63,306,153</b>	<b>\$ 130,561,686</b>	<b>\$ 104,115,284</b>	<b>\$ 110,193,968</b>
Excess (deficiency) of revenues over (under) expenditures	\$ 751,595	\$ (59,495,268)	\$ (1,646,610)	\$ (6,483,377)
<b>Other financing sources (uses):</b>				
Transfers in	\$ 878,232	\$ 2,102,435	\$ 5,719,630	\$ 4,026,294
Transfers (out)	(2,565,300)	(3,981,313)	(8,579,591)	(10,279,946)
Issuance of debt	9,408,000	62,668,881	7,500,000	-
Premium on bonds issued	-	-	-	-
Retirement of temporary financing	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ 7,720,932</b>	<b>\$ 60,790,003</b>	<b>\$ 4,640,039</b>	<b>\$ (6,253,652)</b>
<b>Net changes in fund balances</b>	<b>\$ 8,472,527</b>	<b>\$ 1,294,735</b>	<b>\$ 2,993,429</b>	<b>\$ (12,737,029)</b>
Debt service as a percentage of noncapital expenditures	7.30%	4.99%	9.33%	9.21%

Table 5

	2009	2010	2011	2012	2013	2014
\$	48,035,130	\$ 45,440,793	\$ 46,509,646	\$ 46,323,781	\$ 51,137,567	\$ 52,737,696
	8,844,267	8,791,222	6,766,837	6,850,753	7,952,164	8,044,660
	624,759	563,189	569,944	428,957	735,097	678,813
	90,718	77,962	62,947	89,089	170,555	57,565
	599,243	449,462	300,580	317,143	463,480	485,177
	2,724,504	2,369,853	2,377,101	3,040,470	3,181,102	3,424,649
	287,627	677,791	293,577	338,516	223,984	434,414
	264,157	258,658	270,126	368,617	417,539	385,588
	4,532,080	4,910,289	317,073	-	97,676	10,333,914
	12,028,450	12,815,210	14,091,483	14,086,945	14,355,605	14,805,147
	6,076,961	5,087,717	5,252,576	4,852,237	4,347,752	4,405,596
\$	<u>84,107,896</u>	<u>81,442,146</u>	<u>76,811,890</u>	<u>76,696,508</u>	<u>83,082,521</u>	<u>95,793,219</u>
\$	4,216,069	\$ 3,736,033	\$ 3,556,229	\$ 3,748,509	\$ 3,882,047	\$ 4,058,789
	2,529,996	2,434,963	2,788,266	2,618,326	2,758,190	2,835,743
	14,924,513	13,684,548	13,708,943	14,695,407	15,635,912	17,139,178
	4,450,069	2,353,642	2,115,634	2,232,883	1,078,434	2,133,552
	14,803,422	15,004,065	13,826,298	14,448,935	14,198,860	14,925,935
	35,121,032	29,906,138	28,611,381	28,699,942	27,313,953	38,997,695
	1,905,922	1,776,126	1,737,378	1,629,557	1,576,636	1,951,229
	1,908,497	1,441,024	1,590,180	1,444,933	1,642,414	1,698,483
	-	-	359,157	378,310	299,721	-
	3,944,953	4,369,831	4,415,162	13,329,095	10,623,730	5,592,400
	4,471,945	4,125,385	4,189,053	4,212,005	4,226,801	4,258,043
\$	<u>88,276,418</u>	<u>78,831,755</u>	<u>76,897,681</u>	<u>87,437,902</u>	<u>83,236,698</u>	<u>93,591,047</u>
\$	<u>(4,168,522)</u>	<u>2,610,391</u>	<u>(85,791)</u>	<u>(10,741,394)</u>	<u>(154,177)</u>	<u>2,202,172</u>
\$	257,500	\$ 288,933	\$ 288,933	\$ 30,000	\$ 1,300,000	\$ 1,471,250
	(2,147,149)	(1,989,375)	(1,989,375)	(1,290,291)	(2,556,691)	(3,216,683)
	7,500,000	11,425,000	11,425,000	11,544,800	3,762,350	2,212,098
	-	142,513	142,513	-	1,941,057	-
	<u>(7,500,000)</u>	<u>(7,500,000)</u>	<u>(7,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>(1,889,649)</u>	<u>2,367,071</u>	<u>2,367,071</u>	<u>10,284,509</u>	<u>4,446,716</u>	<u>466,665</u>
\$	<u>(6,058,171)</u>	<u>4,977,462</u>	<u>2,281,280</u>	<u>(456,885)</u>	<u>4,292,539</u>	<u>2,668,837</u>
	<u>10.83%</u>	<u>11.05%</u>	<u>11.61%</u>	<u>20.49%</u>	<u>18.91%</u>	<u>12.11%</u>

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

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes (1)	E-911 Taxes (1)	Taxes on Recordation and Wills	Vehicle License Taxes	Other Local Taxes (1)	Total
2005	\$ 32,807,959	\$ 5,426,631	\$ 1,771,697	\$ 807,345	\$ 1,602,899	\$ 710,746	\$ 119,993	\$ 43,247,270
2006	36,264,828	5,525,376	2,005,108	841,571	1,866,077	737,060	125,896	47,365,916
2007	44,232,779	5,071,523	2,020,722	804,259	1,246,208	522,458	115,546	54,013,495
2008	44,178,683	5,103,979	2,067,744	888,885	875,739	61,738	157,284	53,334,052
2009	48,035,130	4,518,626	2,020,957	747,563	760,296	648,490	148,335	56,879,397
2010	45,440,793	4,670,002	1,983,855	750,680	538,548	701,177	146,960	54,232,015
2011	46,509,646	4,710,612	810,500	-	507,473	715,355	22,897	53,276,483
2012	46,323,781	4,782,750	753,893	-	554,087	724,866	35,157	53,174,534
2013	51,137,567	5,675,646	776,370	-	669,957	791,114	39,077	59,089,731
2014	52,737,696	5,721,942	793,620	-	589,489	924,867	14,742	60,782,356

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

Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service	Total	Direct Tax Rate
2004-05	\$ 3,066,157,290	\$ 342,808,625	\$ 3,947,400	\$ 63,700,993	\$ 98,285,489	\$ 3,574,899,797	5.39
2005-06	3,288,965,945	413,325,227	4,198,000	63,833,497	82,981,016	3,853,303,685	5.39
2006-07	3,569,349,706	461,389,729	4,328,700	69,929,639	70,651,384	4,175,649,158	6.39
2007-08	5,684,632,826	465,336,481	3,258,200	78,284,880	130,007,368	6,361,519,755	6.06
2008-09	5,747,238,496	482,347,707	3,129,900	84,569,648	145,637,364	6,462,923,115	6.11
2009-10	5,169,795,493	436,200,596	2,988,600	85,458,768	163,102,988	5,857,546,445	6.15
2010-11	5,144,951,484	459,950,654	2,942,500	80,056,700	183,217,885	5,871,119,223	6.15
2011-12	4,400,186,016	487,572,092	2,817,700	66,468,588	190,638,752	5,147,683,148	6.24
2012-13	4,425,676,576	521,285,475	2,789,500	70,437,097	211,146,356	5,231,335,004	6.30
2013-14	4,467,220,827	545,845,762	2,415,300	72,671,619	258,417,645	5,346,571,153	6.33

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

Property Tax Rates (1)  
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property	Machinery and Tools	Total Direct Tax Rate
2004-05	\$ 0.89	\$ 2.50	\$ 2.00	\$ 5.39
2005-06	0.89	2.50	2.00	5.39
2006-07 (2)	0.89	3.50	2.00	6.39
2007-08 (2)	0.56	3.50	2.00	6.06
2008-09 (2)	0.61	3.50	2.00	6.11
2009-10 (2)	0.65	3.50	2.00	6.15
2010-11 (2)	0.65	3.50	2.00	6.15
2011-12 (2)	0.74	3.50	2.00	6.24
2012-13 (2)	0.80	3.50	2.00	6.30
2013-14 (2)	0.83	3.50	2.00	6.33

(1) Per \$100 of assessed value.

(2) In fiscal year 2006-07 the Board of Supervisors split the personal property rate between recreational, aircraft and non-recreational. The recreational PP rate is \$1.50; the aircraft rate is \$.63 and the non-recreational rate is \$3.50.

Principal Taxpayers  
Current Year and Nine Years Ago

Taxpayer	Type of Business	2014			2005		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
NAP of the Capital Region, LLC	Managed Data Services	\$ 31,271,100	1	0.60%	\$ n/a	n/a	n/a
SWIFT, Inc.	Communications	19,463,500	2	0.37%	25,558,450	1	0.74%
Dominion Square	Retail	14,683,600	3	0.28%	n/a	n/a	n/a
Culpeper Regency LLC	Retail	12,512,400	4	0.24%	n/a	n/a	n/a
Continental Teves	Manufacturing	11,827,500	5	0.23%	14,316,331	2	0.41%
Wal-Mart	Retail	10,905,600	6	0.21%	n/a	n/a	n/a
Friendship Heights, LLC	Developer	10,097,500	7	0.19%	n/a	n/a	n/a
Culpeper Marketplace Assoc, LLC	Retail	9,776,400	8	0.19%	n/a	n/a	n/a
Centex Homes	Developer	9,752,800	9	0.19%	n/a	n/a	n/a
Culpeper Storage LLC	Services	9,709,500	10	0.19%	n/a	n/a	n/a
Rochester Corp	Cable Manufacturer	n/a	n/a	n/a	12,991,878	3	0.38%
Communications Corp of America	Consulting/Mail Services	n/a	n/a	n/a	5,804,838	4	0.18%
Cargill, Inc.	Flower Mill	n/a	n/a	n/a	3,646,789	5	0.17%
Commercial Erectors, Inc.	General Contractor	n/a	n/a	n/a	2,589,313	6	0.07%
Cedar Mountain Stone Corp	Stone Corporation	n/a	n/a	n/a	2,165,671	7	0.17%
Luck Stone Corp	Stone Corporation	n/a	n/a	n/a	2,041,237	8	0.07%
First Union Commercial Corp	Bank	n/a	n/a	n/a	1,886,334	9	0.06%
Cintas Corp No. 2	Retail	n/a	n/a	n/a	1,744,513	10	0.06%
Totals		\$ 139,999,900		2.68%	\$ 72,745,354		2.31%

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Collected within the Fiscal Year of the Levy		Delinquent (1) Tax (2) Collections	Total Collections to Date	
		Amount (1)(3)	Percent of Levy		Amount (1)	Percent of Levy
2004-05	\$ 35,078,394	\$ 34,416,374	98.11%	562,773	\$ 34,979,147	99.72%
2005-06	38,550,624	37,955,740	98.46%	455,349	38,411,089	99.64%
2006-07	47,041,990	45,981,659	97.75%	901,958	46,883,617	99.66%
2007-08	47,790,504	45,702,905	95.63%	1,808,184	47,511,089	99.42%
2008-09	51,559,488	49,120,376	95.27%	1,987,542	51,107,918	99.12%
2009-10	48,609,356	46,285,974	95.22%	1,932,126	48,218,100	99.20%
2010-11	49,411,286	47,149,308	95.42%	1,800,688	48,949,996	99.07%
2011-12	49,497,125	47,041,042	95.04%	1,624,092	48,665,134	98.32%
2012-13	53,633,638	51,788,087	96.56%	1,229,259	53,017,346	98.85%
2013-14	53,749,811	53,389,369	99.33%	-	53,389,369	99.33%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

COUNTY OF CULPEPER, VIRGINIA

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						
	County General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Literary Loans	Capital Leases	School Lease Revenue Bonds	School General Obligation Bonds
2005	\$ 3,437,827	\$ 8,385,000	\$ -	\$ -	\$ -	\$ -	\$ 28,459,369
2006	3,320,794	8,121,388	7,500,000	-	-	54,200,000	26,313,341
2007	3,191,917	7,807,970	15,000,000	-	-	54,200,000	24,170,890
2008	3,058,050	7,482,945	15,000,000	-	-	54,200,000	21,976,836
2009	2,918,998	7,145,882	7,500,000	7,500,000	-	52,955,000	19,752,998
2010	2,774,560	10,721,334	-	14,625,000	-	51,670,000	17,537,153
2011	2,624,526	10,228,841	-	13,875,000	-	50,340,000	15,844,518
2012	2,546,000	12,431,262	-	13,125,000	-	49,713,575	14,194,590
2013	2,363,500	11,761,136	-	12,375,000	-	48,242,691	31,965,364
2014	2,176,800	12,524,010	-	11,625,000	555,323	46,716,807	29,386,611

(1) Weldon Cooper Website

Table 11

<u>Business-Type Activities</u>			Personal			
Lease	Notes	Total	Income (1)	Percentage	Population (1)	Per
Revenue	Payable	Primary	(amounts	of Personal		Capita
Bonds		Government	expressed	Income		
			in thousands)			
\$ 2,080,524	\$ 150,000	\$ 42,512,720	\$ 1,287,136	3.30%	43,154	\$ 985
1,918,252	120,000	101,493,775	1,397,986	7.26%	45,000	2,255
1,747,201	90,000	106,207,978	1,453,905	7.31%	48,074	2,209
1,566,896	60,000	103,344,727	1,512,062	6.83%	46,085	2,242
1,376,837	30,000	99,179,715	1,491,076	6.65%	47,517	2,087
1,176,496	-	98,504,543	1,540,742	6.39%	47,938	2,055
965,316	-	93,878,201	1,553,966	6.04%	47,040	1,996
742,712	-	92,753,139	1,762,003	5.26%	47,114	1,969
508,065	-	107,215,756	1,814,249	5.91%	47,732	2,246
260,723	-	103,245,274	1,840,445	5.61%	48,506	2,129

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)(1)</u>	<u>Gross Bonded Debt</u>	<u>Less Business Type Activities Lease Revenue Bonds</u>	<u>Net Bonded Debt (3)</u>	<u>Ratio of Net General Obligation Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
2004-05	43,154	\$ 3,574,899,797	\$ 42,362,720	\$ 2,080,524	\$ 40,282,196	1.13%	\$ 933
2005-06	45,000	3,853,303,685	101,373,775	1,918,252	99,455,523	2.58%	2,210
2006-07	48,074	4,175,649,158	106,117,978	1,747,201	104,370,777	2.50%	2,171
2007-08	46,085	6,361,519,755	103,284,727	1,566,896	101,717,831	1.60%	2,207
2008-09	47,517	6,462,923,115	99,149,715	1,376,837	97,772,878	1.51%	2,058
2009-10	47,938	5,857,546,445	98,504,543	1,176,496	97,328,047	1.66%	2,030
2010-11	47,040	5,871,119,223	93,878,201	965,316	92,912,885	1.58%	1,975
2011-12	47,114	5,147,683,148	92,753,139	742,712	92,010,427	1.79%	1,953
2012-13	47,732	5,231,335,004	107,215,756	508,065	106,707,691	2.04%	2,236
2013-14	48,506	5,346,571,153	103,245,274	260,723	102,984,551	1.93%	2,123

(1) Bureau of the Census.

(2) From Table 7

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

Computation of Direct and Overlapping Bonded Debt  
At June 30, 2014

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Direct:(1)

County of Culpeper, Virginia	\$	102,984,551	100% \$	102,984,551
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(1) The County of Culpeper has no overlapping debt.

Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (2)</u>	<u>Personal Income (3) (amounts expressed in thousands)</u>	<u>Per Capita Personal Income (2)</u>
2004-05	43,154	6,408	3.20%	1,287,136	30,689
2005-06	45,000	6,893	3.20%	1,287,136	31,649
2006-07	48,074	7,194	3.20%	1,453,905	32,915
2007-08	46,085	7,232	5.10%	1,512,062	34,232
2008-09	47,517	7,223	8.30%	1,491,076	32,703
2009-10	47,938	7,416	8.00%	1,540,742	33,303
2010-11	47,040	7,474	6.40%	1,553,866	33,035
2011-12	47,114	7,612	6.50%	1,762,003	35,850
2012-13	47,732	7,731	5.50%	1,814,249	37,867
2013-14	48,506	7,841	5.80%	1,840,445	37,943

(1) U. S. Census Bureau

(2) Virginia Employment Commission

(3) Weldon Cooper Website

Principal Employers  
Current Year and Five Years Ago

Employer	Fiscal Year 2014			Fiscal Year 2009		
	Employees	% of Total County Employment	Rank	Employees	% of Total County Employment	Rank
Culpeper County Public Schools	1,237	8.11%	1	1,490	9.74%	1
Culpeper Regional Hospital	575	3.77%	2	600	3.92%	2
County of Culpeper	518	3.40%	3	400	2.61%	4
Walmart	506	3.32%	4	598	3.91%	3
Va. Dept. of Transportation	442	2.90%	5	284	1.86%	9
Merillat Industries, Inc.	340	2.23%	6	340	2.22%	7
Coffeewood Correctional Center	267	1.75%	7	350	2.29%	6
Builder's First Source	257	1.69%	8	370	2.42%	5
Continental Automotive	236	1.55%	9	316	2.07%	8
Cintas	216	1.42%	10	265	1.73%	10
Total	<u>4,594</u>			<u>5,353</u>		
Total County	<u>15,247</u>			<u>15,298</u>		

Source: Virginia Employment Commission

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	38	39	40	45	44	40	39	42	43	43
Judicial administration	28	29	33	33	33	34	33	34	35	37
Public safety										
Sheriffs department	77	76	90	90	90	83	84	83	85	85
E911	17	17	20	20	18	19	19	22	22	22
Fire & rescue/emergency services	11	11	24	24	24	24	24	24	24	24
Building inspections	13	13	17	17	14	14	3	6	6	6
Animal control	10	10	10	10	10	10	8	8	8	8
Public works										
General maintenance	3	3	5	5	3	3	3	3	3	3
Landfill	4	5	6	6	6	6	6	6	5	5
Water & Sewer	1	1	1	2	5	7	3	2	3	3
Health and welfare (Options/CSA)										
Department of social services	3	3	3	4	3	4	4	3	4	4
	86	86	98	100	100	94	89	87	84	84
Culture and recreation										
Parks and recreation	4	5	5	5	5	5	3	3	3	4
Library	5	5	7	7	7	7	7	7	7	7
Community development										
Planning	7	7	7	7	7	6	6	5	5	5
Economic Development	2	2	2	2	2	2	2	2	2	2
Airport	2	2	2	2	1	1	1	2	2	2
Totals	<u>311</u>	<u>314</u>	<u>370</u>	<u>379</u>	<u>372</u>	<u>359</u>	<u>334</u>	<u>339</u>	<u>341</u>	<u>344</u>

Source: FY adopted budgets

Operating Indicators by Function  
Last Ten Fiscal Years

		<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Sheriff	Physical arrests	2,644	2,658	2,908	1,273	1,612	730	922	1,254	1,814	1,184
	Traffic violations	1,306	2,733	2,011	1,248	2,651	1,914	1,287	2,240	2,788	2,342
Fire Protection	Number of stations - Fire	7	7	7	7	7	7	7	7	7	7
	Number of stations - EMS	1	1	1	1	1	1	1	1	1	1
Community Development	Residential building permits	1,091	757	1,440	167	163	66	117	288	370	451
Parks & Recreation	Number of parks & recreation facilities	3	3	3	3	7	7	7	8	8	8
	Number of libraries	1	1	1	1	1	1	1	1	1	1

Source: Individual county departments

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public safety										
Sheriffs department:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	38	42	42	51	50	65	84	88	91	107
Animal control:										
Buildings	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	4	4	3	5	5	5	5
Landfill:										
Vehicles	1	1	1	1	1	2	1	2	2	2
Equipment	4	4	5	5	5	7	12	13	13	13
Sites	1	1	1	1	1	1	1	1	1	1
Health and welfare										
Department of Social Services:										
Vehicles	3	3	3	3	3	3	4	4	4	4
Culture and recreation										
Parks and recreation:										
Vehicles	4	4	4	4	2	2	2	5	5	5
Parks acreage (or playing fields)	1	1	3	3	3	3	3	8	8	8
Community development										
Planning:										
Vehicles	0	0	0	0	0	0	0	1	1	1
Component Unit - School Board										
Education:										
Schools	8	8	8	8	8	10	10	10	10	10
School buses	NA	NA	NA	NA	NA	129	136	131	131	135

NA - Not available

Source: Individual county departments

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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To the Board of Supervisors  
County of Culpeper, Virginia  
Culpeper, 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Culpeper, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of Culpeper, Virginia's basic financial statements, and have issued our report thereon dated November 25, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Culpeper, 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 Culpeper, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Culpeper, 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 Culpeper, 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, Farned, Cox Associates*

Charlottesville, Virginia  
November 25, 2014

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

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

### Report on Compliance for Each Major Federal Program

We have audited County of Culpeper, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Culpeper Virginia's major federal programs for the year ended June 30, 2014. County of Culpeper, 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 Culpeper, 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 Culpeper, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### *Opinion on Each Major Federal Program*

In our opinion, County of Culpeper, 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, 2014.

## Report on Internal Control over Compliance

Management of County of Culpeper, 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 Culpeper, 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 Culpeper, 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, Fournel, Cox Associates*

Charlottesville, Virginia  
November 25, 2014

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Primary Government:</b>			
Department of Agriculture:			
Pass through payments:			
Department of Social Services:			
State Administration Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010109/0010110/0040109/0040110	\$ 540,575
Summer Food Service for Children (Child Nutrition Cluster)	10.559	N/A	115,822
Child and Adult Care Food Program	10.558	N/A	<u>112,786</u>
Total Department of Agriculture			\$ <u>769,183</u>
Department of Health and Human Services:			
Direct Payments:			
Head Start	93.600	N/A	\$ 984,738
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	2,293
Temporary Assistance for Needy Families	93.558	0400109/0400110	349,758
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	3,293
Low Income Home Energy Assistance	93.568	0600409/0600410	28,324
Child Care and Development Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	(3,029)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	51,512
Chafee Education and Training Vouchers Program	93.599	9160108/9160109	1,766
Stephanie Tubbs Jones Child Welfare Services Programs	93.645	0900109	2,406
Foster Care - Title IV-E	93.658	1100109/1100110	543,484
Adoption Assistance	93.659	1120109/1120110	338,842
Social Services Block Grant	93.667	1000109/1000110	367,982
Chafee Foster Care Independence Program	93.674	915108/9150109/9150110	5,946
Children's Health Insurance Program	93.767	0540109/0540110	14,692
Medical Assistance Program	93.778	1200109/1200110	<u>461,792</u>
Total pass through payments			\$ <u>2,169,061</u>
Total Department of Health and Human Services			\$ <u>3,153,799</u>
Department of Labor:			
Pass Through Payments:			
Central Virginia Partnership for Economic Development:			
WIA Adult Program	17.258	N/A	\$ 99,091
WIA Dislocated Worker Formula Grants	17.278	N/A	<u>154,538</u>
Total Department of Labor			\$ <u>253,629</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 13,951
Crime Victim Assistance	16.575	11VAGX0001	35,904
Asset Forfeiture	16.000	N/A	14,285
Violence Against Women Formula Grants	16.588	10WFAX0041	<u>33,585</u>
Total Department of Justice			\$ <u>97,725</u>

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2014 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Primary Government: (Continued)</b>			
Department of Transportation:			
Direct Payments:			
Airport Improvement Program	20.106	N/A	\$ 21,785
Pass through payments:			
Virginia Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL1151137	17,410
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	N/A	<u>2,030</u>
Total Department of Transportation			\$ <u>41,225</u>
Department of Homeland Security:			
Pass through payments:			
Department of Emergency Management:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	N/A	\$ 70,762
Emergency Management Performance Grants	97.042	N/A	<u>10,751</u>
Total Department of Homeland Security			\$ <u>81,513</u>
Total Expenditures of Federal Awards-Primary Government			\$ <u><u>4,397,074</u></u>
<b>Component Unit School Board:</b>			
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution -- Schools	10.555	N/A	\$ 209,253
Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	2013IN109941/2014IN109941	1,516,514
			<u>1,725,767</u>
School Breakfast Program	10.553	2013IN109941/2014IN109941	<u>371,816</u>
Total Department of Agriculture			\$ <u>2,097,583</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	S010A120046/S010A130046	\$ 1,340,568
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A120107/H027A130107	1,433,767
Special Education - Preschool Grants	84.173	H173A120112/H173A130112	38,659
Career and Technical Education -- Basic Grants to States	84.048	V048A120046/VA048A130046	112,104
English Language Acquisition Grants	84.365	S365A130046	38,808
Advance placement	84.330	S330B130008	3,060
Improving Teacher Quality State Grants	84.367	S367A120044/S367A130044	215,639
School Improvement Grants	84.377	S377A090047	<u>16,695</u>
Total Department of Education			\$ <u>3,199,300</u>
Total Expenditures of Federal Awards-Component Unit School Board			\$ <u>5,296,883</u>
Total Expenditures of Federal Awards-Reporting Entity			\$ <u><u>9,693,957</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Culpeper, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Culpeper, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Culpeper, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 4,405,596
Airport Fund	23,815
Total primary government	<u>\$ 4,429,411</u>

Component Unit School Board:

School Operating Fund	\$ 3,199,298
School Cafeteria Fund	2,097,583
School Capital Projects Fund	9,190
Total component unit school board	<u>\$ 5,306,071</u>

Total federal expenditures per basic financial statements	<u>\$ 9,735,482</u>
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Less federal subsidy	<u>\$ 41,525</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 9,693,957</u></u>
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COUNTY OF CULPEPER, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

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**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 Section 510 (a) of OMB Circular A-133? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
93.558	Temporary Assistance for Needy Families
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant
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 Audit Findings**

None