

# COUNTY OF CULPEPER, VIRGINIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012



**County of Culpeper, Virginia**

**Comprehensive Annual  
Financial Report**

**Year Ended June 30, 2012**

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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, 2012

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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)**

December 3, 2012

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, 2012. 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, 2012 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.

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

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

## THE REPORTING ENTITY AND ITS SERVICES

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

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

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

The economy continues to be slow both on the state and federal level. The Consumer Price Index in the United States for 2011 did, however, rise by 1.5% from 2010 to 3.0%. On the state level, the unemployment rate for Virginia as of June 2012 was 5.7% compared to 6.3% as of June 2011 and the unemployment rate for Culpeper County as of June 2012 is 6.5% vs. a year ago when the rate was only 6.8%. On a national level, unemployment exceeds both the state and local unemployment level at 8.2%.

## MAJOR INITIATIVES

For fiscal year 2012: 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:

- Continued 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
- Renovation of the Culpeper County High School

### 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 will be an automated Records Management platform to ensure all documents maintained in the EDMS are retained for the period of time specified by the Library of Virginia and then disposed of accordingly.

### 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.

### 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 nearing completion and purchase of the right-of-way for the road is expected to be undertaken in 2013.

### 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 to begin during the summer of 2013.

**Prospects for the Future.** For the fiscal year 2012-2013, the Board of Supervisors has approved a General Fund Operating Budget of \$72,393,718. During fiscal year 2008, the County realized that it would be realizing about a \$4 million shortfall. Therefore, immediate spending cuts were made, including a hiring freeze on all vacant positions. This hiring freeze has continued through FY12. Culpeper's General Fund revenues for fiscal year 2013 are basically flat as compared to fiscal year 2012, other than an increase in the real estate rate for FY13. The County continues to strive to bring business into the County and provide services for those businesses. This is evident in the realization of an agreement with Town for providing water and sewer to businesses within the County and Town. The County's population has begun to level out, but the County maintains its commitment to maintaining a stable tax base fairly split between residential and commercial use, and its cost-effective approach towards service delivery.

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

**Cash Management.** Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The amount of interest received was \$6,292. This is a decrease from interest earned on temporary investments in fiscal year 2010-2011 when the interest on investments totaled \$50,895.

## 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.

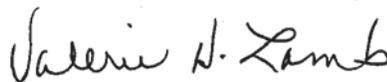
**Certificate of Achievement.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to County of Culpeper, Virginia for its comprehensive annual financial report for the fiscal year which ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

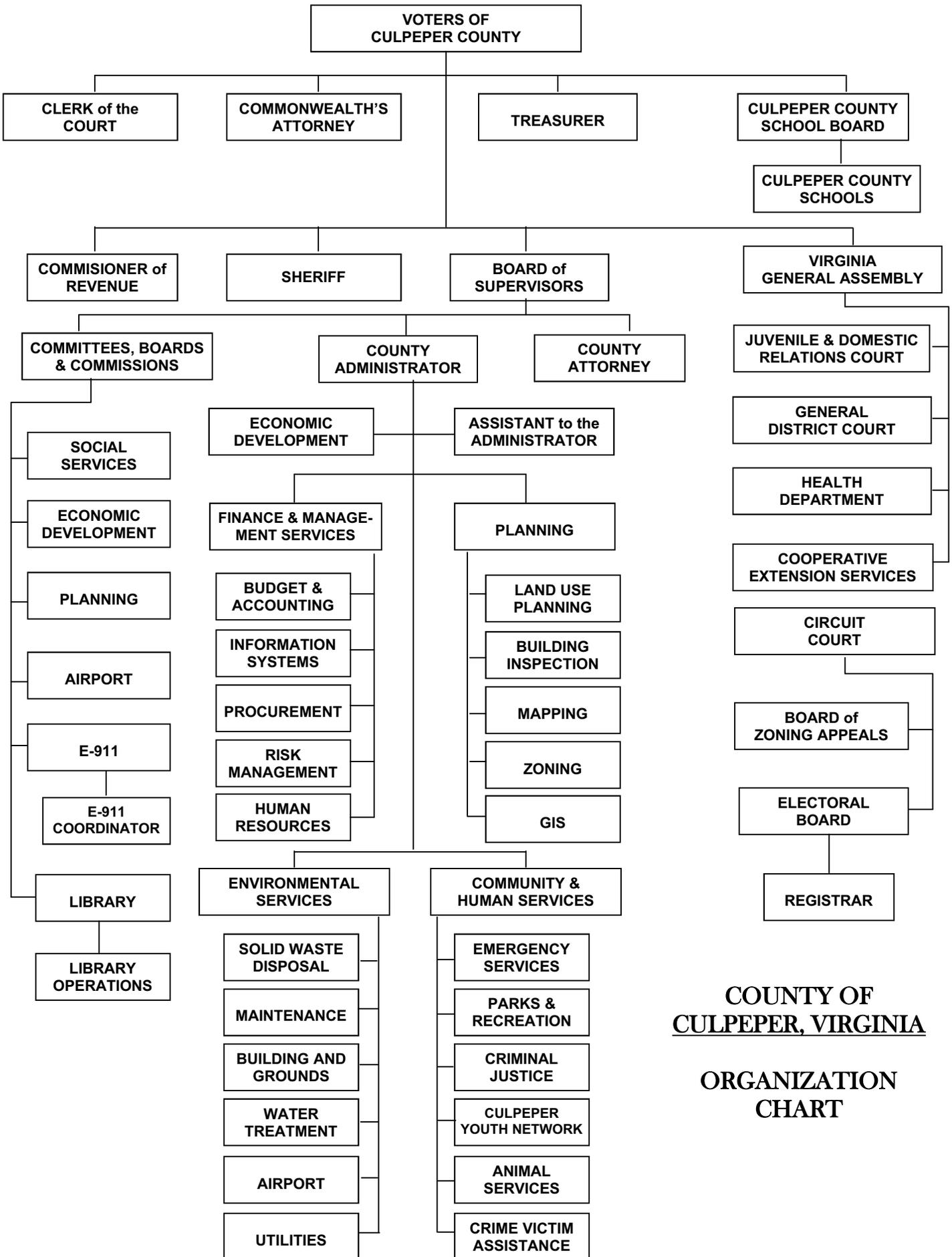
Respectfully submitted,



Frank T. Bossio  
County Administrator



Valerie H. Lamb  
Director of Finance



**COUNTY OF  
CULPEPER, VIRGINIA**  
**ORGANIZATION  
CHART**

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COUNTY OF CULPEPER, VIRGINIA  
Directory of Officials  
June 30, 2012

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PRIMARY GOVERNMENT OFFICIALS

BOARD OF SUPERVISORS

William C. Chase, Jr., Chairman  
Sue D. Hansohn, Vice-Chairman  
Bradley C. Rosenberger  
Larry W. Aylor  
Steven E. Nixon  
John F. Coates  
Steven L. Walker

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

CONSTITUTIONAL OFFICERS

Terry Yowell  
David L. DeJarnette  
Paul R. Walther  
Scott H. Jenkins  
Janice Corbin

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

ADMINISTRATIVE OFFICERS

Frank T. Bossio  
Sandra R. Robinson  
Valerie H. Lamb  
Lisa A. Peacock

County Administrator  
County Attorney  
Director of Finance  
Director of Human Services

SCHOOL BOARD COMPONENT UNIT OFFICIALS

School Board

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

Administrative Officers

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

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Culpeper  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



*Christopher P. Morrell*

President

*Jeffrey R. Emer*

Executive Director

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County of Culpeper, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012, on our consideration of the County of Culpeper, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
December 3, 2012

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, 2012. 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 \$88,508,748 (net assets). Of this amount, \$30,069,665 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$27,907,470 a decrease of \$456,885 in comparison with the prior year. Approximately 86 percent of this amount, \$23,878,983, 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 \$23,878,983, or 28 percent of total general fund expenditures.

#### Overview of the Financial Statements

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

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

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

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

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

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

## Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. Culpeper County's assets exceeded liabilities by \$88,508,748 at year end.

The largest portion of the County's net assets (66 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Schedule of Assets, Liabilities and Net Assets  
For the Years Ended June 30, 2012 and 2011**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 36,338,125	\$ 36,740,092	\$ 3,628,763	\$ 4,266,893	\$ 39,966,888	\$ 41,006,985
Capital assets	<u>109,531,746</u>	<u>114,715,677</u>	<u>41,403,019</u>	<u>42,659,404</u>	<u>150,934,765</u>	<u>157,375,081</u>
Total assets	<u>\$ 145,869,871</u>	<u>\$ 151,455,769</u>	<u>\$ 45,031,782</u>	<u>\$ 46,926,297</u>	<u>\$ 190,901,653</u>	<u>\$ 198,382,066</u>
Long-term liabilities outstanding	\$ 88,844,243	\$ 90,902,468	\$ 1,252,332	\$ 1,531,791	\$ 90,096,575	\$ 92,434,259
Current liabilities	<u>11,775,802</u>	<u>11,708,012</u>	<u>520,528</u>	<u>522,216</u>	<u>12,296,330</u>	<u>12,230,228</u>
Total liabilities	<u>\$ 100,620,045</u>	<u>\$ 102,610,480</u>	<u>\$ 1,772,860</u>	<u>\$ 2,054,007</u>	<u>\$ 102,392,905</u>	<u>\$ 104,664,487</u>
Net assets:						
Invested in capital assets net of related debt	\$ 17,778,776	\$ 21,370,300	\$ 40,660,307	\$ 41,694,088	\$ 58,439,083	\$ 63,064,388
Unrestricted	<u>27,471,050</u>	<u>27,474,989</u>	<u>2,598,615</u>	<u>3,178,202</u>	<u>30,069,665</u>	<u>30,653,191</u>
Total net assets	<u>\$ 45,249,826</u>	<u>\$ 48,845,289</u>	<u>\$ 43,258,922</u>	<u>\$ 44,872,290</u>	<u>\$ 88,508,748</u>	<u>\$ 93,717,579</u>

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

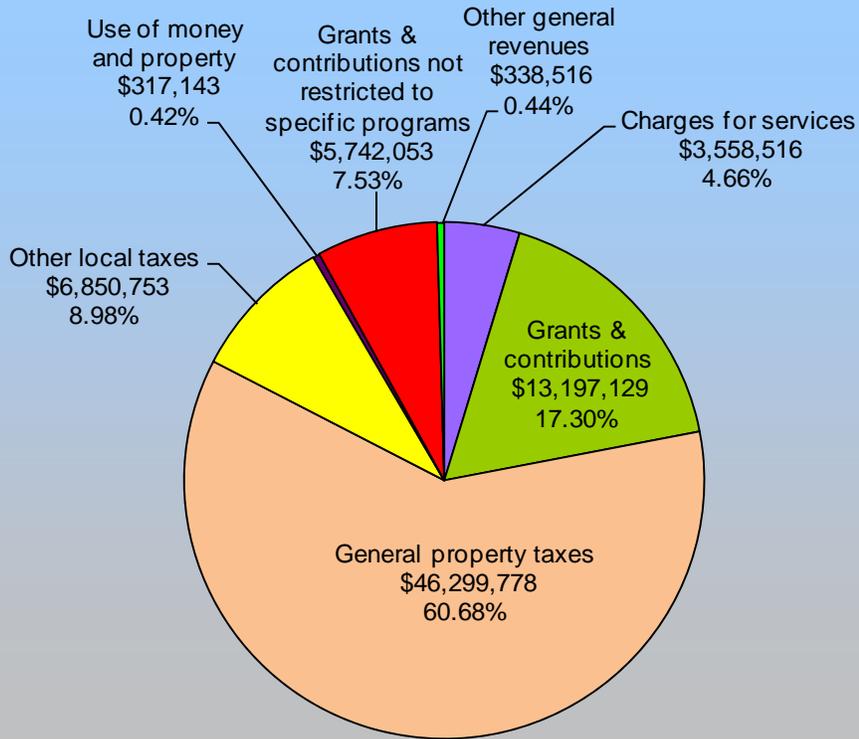
Governmental Activities - Governmental activities decreased the County's net assets by \$3,595,463 and the Business-type activities decreased \$1,613,368. Key elements of the changes in net assets are as follows:

Changes in Net Assets For the Years Ended June 30, 2012 and 2011						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 3,558,516	\$ 3,009,992	\$ 2,683,344	\$ 2,792,410	\$ 6,241,860	\$ 5,802,402
Operating grants and contributions	13,104,035	13,575,293	50,755	14,123	13,154,790	13,589,416
Capital grants and contributions	93,094	317,073	226,084	6,831,743	319,178	7,148,816
General revenues:						
General property taxes	46,299,778	46,440,370	-	-	46,299,778	46,440,370
Other local taxes	6,850,753	6,766,837	-	-	6,850,753	6,766,837
Use of money and property C/VA non-categorical aid	317,143	300,580	7,275	9,955	324,418	310,535
Other general revenues	5,742,053	5,768,766	-	-	5,742,053	5,768,766
	338,516	293,577	-	-	338,516	293,577
Total revenues	<u>\$ 76,303,888</u>	<u>\$ 76,472,488</u>	<u>\$ 2,967,458</u>	<u>\$ 9,648,231</u>	<u>\$ 79,271,346</u>	<u>\$ 86,120,719</u>
Expenses:						
General government administration						
	\$ 3,800,416	\$ 3,633,816	-	-	\$ 3,800,416	\$ 3,633,816
Judicial administration	2,624,197	2,473,186	-	-	2,624,197	2,473,186
Public safety	14,386,558	13,562,228	-	-	14,386,558	13,562,228
Public works	1,618,568	2,583,345	-	-	1,618,568	2,583,345
Health and welfare	14,647,425	12,738,839	-	-	14,647,425	12,738,839
Education	34,440,476	34,331,434	-	-	34,440,476	34,331,434
Parks, recreation, and cultural	1,567,789	1,600,257	-	-	1,567,789	1,600,257
Community development	1,460,773	1,610,886	-	-	1,460,773	1,610,886
Interest and other fiscal charges	4,092,858	4,099,392	-	-	4,092,858	4,099,392
Landfill	-	-	1,886,407	2,138,539	1,886,407	2,138,539
Water and Sewer	-	-	1,221,665	1,221,589	1,221,665	1,221,589
Airport	-	-	1,723,893	1,475,240	1,723,893	1,475,240
Water and Sewer Authority	-	-	1,009,152	314,927	1,009,152	314,927
Total expenses	<u>\$ 78,639,060</u>	<u>\$ 76,633,383</u>	<u>\$ 5,841,117</u>	<u>\$ 5,150,295</u>	<u>\$ 84,480,177</u>	<u>\$ 81,783,678</u>
Increase(decrease) in net assets before transfers	\$ (2,335,172)	\$ (160,895)	\$ (2,873,659)	\$ 4,497,936	\$ (5,208,831)	\$ 4,337,041
Transfers	<u>(1,260,291)</u>	<u>1,391,922</u>	<u>1,260,291</u>	<u>(1,391,922)</u>	<u>-</u>	<u>-</u>
Increase in net assets	\$ (3,595,463)	\$ 1,231,027	\$ (1,613,368)	\$ 3,106,014	\$ (5,208,831)	\$ 4,337,041
Net assets, beginning of year	<u>48,845,289</u>	<u>47,614,262</u>	<u>44,872,290</u>	<u>41,766,276</u>	<u>93,717,579</u>	<u>89,380,538</u>
Net assets, end of year	<u>\$ 45,249,826</u>	<u>\$ 48,845,289</u>	<u>\$ 43,258,922</u>	<u>\$ 44,872,290</u>	<u>\$ 88,508,748</u>	<u>\$ 93,717,579</u>

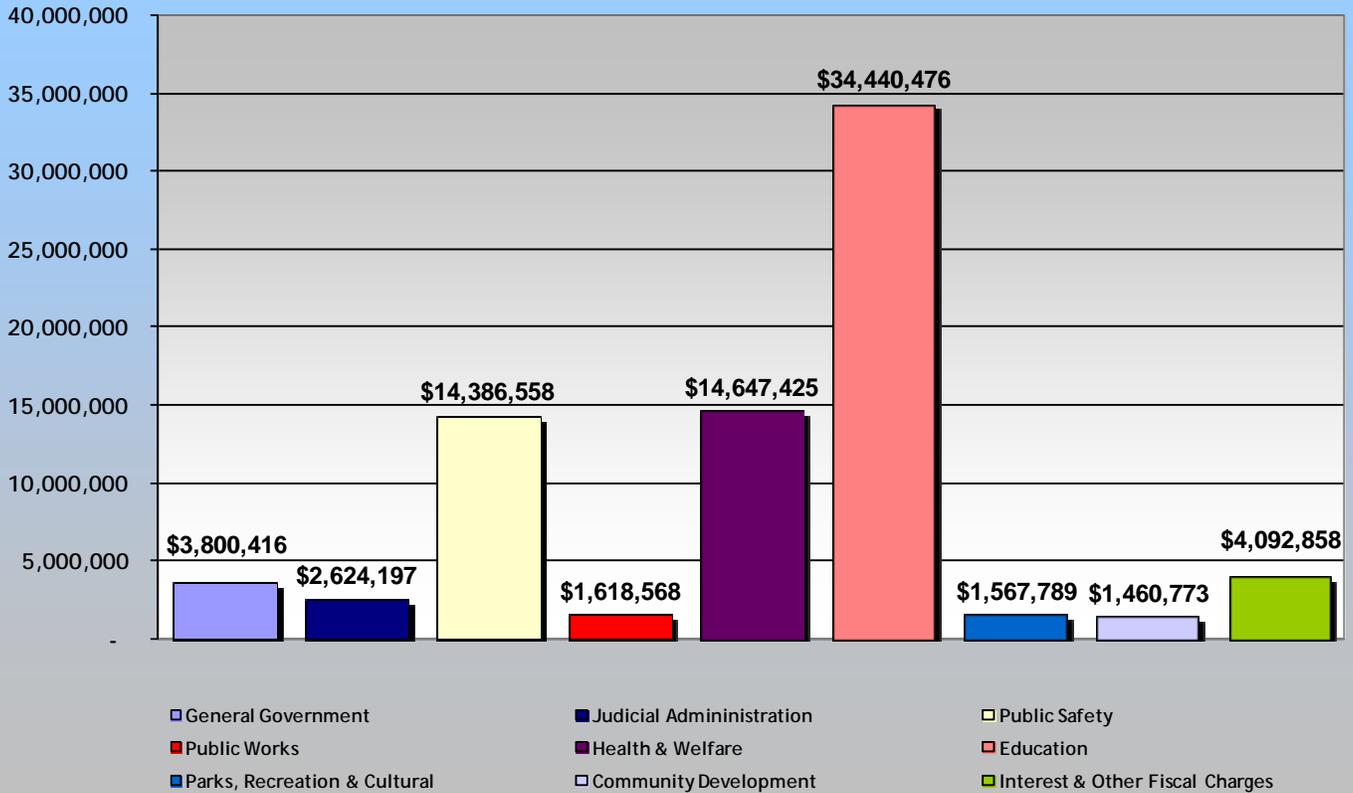
- Revenues for FY12 appear to be fairly stable as compared to FY11.

Overview of the Financial Statements: (Continued)

### Governmental Revenues



### Expenses by Category



## Overview of the Financial Statements: (Continued)

- Total government spending increased in FY12 from FY11 by approximately \$11M. \$9M was due to the refunding of 2 bonds during FY12. The refunding was a current refunding, which increased the current year debt service payments by the payoffs of the old bonds, however, in future years, the actual debt service payments will be reduced due to lower interest rates obtained, while maintaining the same years left on payoff. \$1.6M in increased expenditures was because of bonuses paid out to all county and school employees during FY12. This funding came from the fund balance, rather than raising taxes to cover.

Business-Type Activities - Business-type activities decreased the County's net assets by \$1,613,368. Key elements of this increase are as follows:

- Net assets for business-type activities decreased by \$1,613,368 (3.6 percent) during the year. This decrease was due to an increase in depreciation and other operating expenses in the Water & Sewer Authority.

## Financial Analysis of the County's Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the County's financing requirements. In particular, 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 \$27,907,470, a decrease of \$456,885 in comparison with the prior year. Approximately 86 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 \$23,878,983, while total fund balance reached \$26,639,813, a decrease from the prior year of \$1,573,188. Key factors in the net increase are as follows:

- \$1.6M in increased expenditures was because of bonuses paid out to all county and school employees during FY12. This funding came from the fund balance, rather than raising taxes to cover.

The County's Capital Projects Fund balance increased \$1,116,303 during the year. The Capital Projects Fund had revenues of \$2,618,476 which included a bond issue of \$2,510,397, while it expended \$1,532,173 in various projects during the year. Expenditures for capital projects were as follows:

1. Courthouse renovation \$25,000
2. VDOT Residency building renovation \$1,130,000
3. Yowell Elementary School \$95,000
4. Culpeper County High School renovations \$372,000
5. Other education projects \$462,000
6. Lenn Park \$143,000
7. Other general government projects \$106,000
8. Bond issuance costs \$128,000

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

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 assets of the Airport Fund at the end of the year were \$10,175,119, a decrease from the prior year of \$442,281. Other charges, mainly fuel expenses, increased from FY11 to FY12.

Net assets of the Landfill Fund totaled \$3,615,007, a decrease from prior year of \$78,240. Expenditures increased from the prior year by \$250,000 primarily for increased contractual expenses.

Water and Sewer Fund net assets decreased \$84,386 for the year ending June 30, 2012 and totaled \$3,905,985. The primary reason for the decrease was a reduction in fees collected.

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, 2012 net assets totaled \$25,562,811.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$10,606,448 and can be briefly summarized as follows:

- \$567,736 in public safety;
- \$355,759 in CSA;
- \$120,446 in buildings & grounds;
- \$8,984,950 as a result of current refunding of 2 bonds;
- \$171,625 in general government administration;
- \$118,896 in parks & recreation and library; and
- \$287,036 in other

Of this increase, \$438,378 was to be funded from intergovernmental revenues; \$8,984,950 was a result of the current refunding of 2 bonds. The remaining \$1,183,120 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, 2012 amounts to \$150,934,765 (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 \$91,871,302. Of this amount \$91,128,590 represents debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e. Revenue bonds).

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

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

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

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

In the FY13 budget, 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 includes three (3) new full time positions in the General Fund portion of the budget. In an effort to increase tax 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.

Locally, the fiscal year 2013 General Fund Budget reflects an increase in general property tax revenues of 6.38% or \$2.9M, compared to the fiscal year 2012 Adopted Budget largely due to a tax increase, raising the Real Estate Tax from \$.67 to \$.72 per \$100 of assessed value, and raising the Fire & Rescue Tax from \$.07 to .08 per \$100 of assessed value. This year's budget submission maintains the current personal property tax rate of \$2.50 per \$100 of assessed value for recreational personal property; \$3.50 per \$100 of assessed value for all other personal property, except for the classification of airplanes which rate is maintained at \$.63 per \$100 of assessed value.

Further, the fiscal year 2013 budget has an increase in revenue for Personal Property Taxes. The increase is 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 increasing by 2.56%.

All of these factors were considered in preparing the County's budget for the 2013 fiscal year.

## Requests for Information

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

**BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
At June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	School Board
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 25,932,004	\$ 6,687,621	\$ 32,619,625	\$ 2,536,864
Receivables (net of allowance for uncollectibles):				
Property taxes	3,651,259	-	3,651,259	-
Accounts receivable	523,464	258,890	782,354	181,006
Prepaid items	7,161	-	7,161	-
Inventory	-	29,051	29,051	-
Due from primary government	-	-	-	4,715,236
Internal balances	3,391,856	(3,391,856)	-	-
Due from other governments	2,832,381	45,057	2,877,438	2,419,160
<b>Total Current Assets</b>	<b>\$ 36,338,125</b>	<b>\$ 3,628,763</b>	<b>\$ 39,966,888</b>	<b>\$ 9,852,266</b>
<b>Noncurrent Assets</b>				
<b>Capital assets (net of depreciation):</b>				
Land and land improvements	\$ 9,762,242	\$ 2,622,322	\$ 12,384,564	\$ 2,140,277
Construction in progress	5,264,326	1,906,695	7,171,021	1,260,710
Buildings and improvements	23,218,931	36,468,640	59,687,571	7,737,625
Equipment	1,778,824	405,362	2,184,186	4,201,217
Jointly owned assets	69,507,423	-	69,507,423	21,537,537
<b>Total Capital Assets</b>	<b>\$ 109,531,746</b>	<b>\$ 41,403,019</b>	<b>\$ 150,934,765</b>	<b>\$ 36,877,366</b>
<b>Total Assets</b>	<b>\$ 145,869,871</b>	<b>\$ 45,031,782</b>	<b>\$ 190,901,653</b>	<b>\$ 46,729,632</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and other current liabilities	\$ 283,320	\$ 224,265	\$ 507,585	\$ 7,569,674
Amounts held for others	44,018	-	44,018	-
Unearned revenue	166,972	-	166,972	-
Due to component unit	4,715,236	-	4,715,236	-
Accrued interest payable	1,822,891	18,416	1,841,307	-
Current portion of long-term obligations	4,743,365	277,847	5,021,212	106,241
<b>Total Current Liabilities</b>	<b>\$ 11,775,802</b>	<b>\$ 520,528</b>	<b>\$ 12,296,330</b>	<b>\$ 7,675,915</b>
<b>Noncurrent Liabilities</b>				
Noncurrent portion of long-term obligations	88,844,243	1,252,332	90,096,575	1,298,220
<b>Total Liabilities</b>	<b>\$ 100,620,045</b>	<b>\$ 1,772,860</b>	<b>\$ 102,392,905</b>	<b>\$ 8,974,135</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 17,778,776	\$ 40,660,307	\$ 58,439,083	\$ 36,866,150
Unrestricted	27,471,050	2,598,615	30,069,665	889,347
<b>Total Net Assets</b>	<b>\$ 45,249,826</b>	<b>\$ 43,258,922</b>	<b>\$ 88,508,748</b>	<b>\$ 37,755,497</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 145,869,871</b>	<b>\$ 45,031,782</b>	<b>\$ 190,901,653</b>	<b>\$ 46,729,632</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, 2012

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	\$ 3,800,416	\$ -	\$ 358,526	\$ -
Judicial administration	2,624,197	199,559	692,587	-
Public safety	14,386,558	1,081,223	3,506,375	-
Public works	1,618,568	-	-	93,094
Health and welfare	14,647,425	2,091,457	8,208,982	-
Education	34,440,476	-	-	-
Parks, recreation, and cultural	1,567,789	183,356	146,531	-
Community development	1,460,773	2,921	191,034	-
Interest on long-term debt	4,092,858	-	-	-
<b>Total governmental activities</b>	<b>\$ 78,639,060</b>	<b>\$ 3,558,516</b>	<b>\$ 13,104,035</b>	<b>\$ 93,094</b>
Business-type activities:				
Landfill	\$ 1,886,407	\$ 1,094,329	\$ -	\$ -
Water and sewer	1,221,665	775,115	-	-
Airport	1,723,893	813,900	50,755	226,084
Water and sewer authority	1,009,152	-	-	-
<b>Total business-type activities</b>	<b>\$ 5,841,117</b>	<b>\$ 2,683,344</b>	<b>\$ 50,755</b>	<b>\$ 226,084</b>
<b>Total primary government</b>	<b>\$ 84,480,177</b>	<b>\$ 6,241,860</b>	<b>\$ 13,154,790</b>	<b>\$ 319,178</b>
<b>COMPONENT UNIT:</b>				
School Board	\$ 74,270,477	\$ 1,740,241	\$ 41,219,528	\$ 3,183,984
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
Taxes on recordation and wills				
Motor vehicle license taxes				
Other local taxes				
County contribution to School Board				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	School Board
\$ (3,441,890)	\$ -	\$ (3,441,890)	\$ -
(1,732,051)	-	(1,732,051)	-
(9,798,960)	-	(9,798,960)	-
(1,525,474)	-	(1,525,474)	-
(4,346,986)	-	(4,346,986)	-
(34,440,476)	-	(34,440,476)	-
(1,237,902)	-	(1,237,902)	-
(1,266,818)	-	(1,266,818)	-
(4,092,858)	-	(4,092,858)	-
<u>\$ (61,883,415)</u>	<u>\$ -</u>	<u>\$ (61,883,415)</u>	<u>\$ -</u>
\$ -	\$ (792,078)	\$ (792,078)	\$ -
-	(446,550)	(446,550)	-
-	(633,154)	(633,154)	-
-	(1,009,152)	(1,009,152)	-
<u>\$ -</u>	<u>\$ (2,880,934)</u>	<u>\$ (2,880,934)</u>	<u>\$ -</u>
<u>\$ (61,883,415)</u>	<u>\$ (2,880,934)</u>	<u>\$ (64,764,349)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,126,724)</u>
\$ 46,299,778	\$ -	\$ 46,299,778	\$ -
4,782,750	-	4,782,750	-
753,893	-	753,893	-
554,087	-	554,087	-
724,866	-	724,866	-
35,157	-	35,157	-
-	-	-	28,674,635
317,143	7,275	324,418	56,236
338,516	-	338,516	1,664,661
5,742,053	-	5,742,053	-
(1,260,291)	1,260,291	-	-
<u>\$ 58,287,952</u>	<u>\$ 1,267,566</u>	<u>\$ 59,555,518</u>	<u>\$ 30,395,532</u>
<u>\$ (3,595,463)</u>	<u>\$ (1,613,368)</u>	<u>\$ (5,208,831)</u>	<u>\$ 2,268,808</u>
<u>48,845,289</u>	<u>44,872,290</u>	<u>93,717,579</u>	<u>35,486,689</u>
<u>\$ 45,249,826</u>	<u>\$ 43,258,922</u>	<u>\$ 88,508,748</u>	<u>\$ 37,755,497</u>

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## **Fund Financial Statements**

Balance Sheet - Governmental Funds  
At June 30, 2012

	General	Capital Projects	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 24,744,382	\$ 1,187,622	\$ 25,932,004
Receivables (net of allowance for uncollectibles):			
Taxes, including penalties	3,651,259	-	3,651,259
Accounts	523,464	-	523,464
Prepaid items	7,161	-	7,161
Due from other funds	3,391,856	-	3,391,856
Due from other governmental units	2,739,287	93,094	2,832,381
<b>Total assets</b>	<b>\$ 35,057,409</b>	<b>\$ 1,280,716</b>	<b>\$ 36,338,125</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 270,261	\$ 13,059	\$ 283,320
Amounts held for others	44,018	-	44,018
Due to component unit	4,715,236	-	4,715,236
Deferred revenue	3,388,081	-	3,388,081
<b>Total liabilities</b>	<b>\$ 8,417,596</b>	<b>\$ 13,059</b>	<b>\$ 8,430,655</b>
<b>FUND BALANCES</b>			
Nonspendable	\$ 7,161	\$ -	\$ 7,161
Restricted	69,173	-	69,173
Committed	2,680,321	1,267,657	3,947,978
Assigned	4,175	-	4,175
Unassigned	23,878,983	-	23,878,983
<b>Total fund balances</b>	<b>\$ 26,639,813</b>	<b>\$ 1,267,657</b>	<b>\$ 27,907,470</b>
<b>Total liabilities and fund balances</b>	<b>\$ 35,057,409</b>	<b>\$ 1,280,716</b>	

Detailed explanation of adjustments from fund statements to government-wide Statement of Net Assets:

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

109,531,746

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

(1,822,891)

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

3,221,109

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

(93,587,608)

Net assets of General Governmental Activities

\$ 45,249,826

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

Statement of Revenues, Expenditures and Changes in Fund Balances --  
 Governmental Funds  
 Year Ended June 30, 2012

	Governmental Fund Types		Total Governmental Funds
	General	Capital Projects	
<b>Revenues:</b>			
General property taxes	\$ 46,323,781	\$ -	\$ 46,323,781
Other local taxes	6,850,753	-	6,850,753
Permits, privilege fees and regulatory licenses	428,957	-	428,957
Fines and forfeitures	89,089	-	89,089
Revenue from use of money and property	303,158	13,985	317,143
Charges for services	3,040,470	-	3,040,470
Miscellaneous	337,516	1,000	338,516
Recovered costs	368,617	-	368,617
<b>Intergovernmental:</b>			
Commonwealth	13,993,851	93,094	14,086,945
Federal	4,852,237	-	4,852,237
<b>Total revenues</b>	<b>\$ 76,588,429</b>	<b>\$ 108,079</b>	<b>\$ 76,696,508</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government administration	\$ 3,718,186	\$ 30,323	\$ 3,748,509
Judicial administration	2,618,326	-	2,618,326
Public safety	14,695,407	-	14,695,407
Public works	1,030,318	1,202,565	2,232,883
Health and welfare	14,448,935	-	14,448,935
Education	28,699,942	-	28,699,942
Parks, recreation, and cultural	1,457,790	171,767	1,629,557
Community development	1,444,933	-	1,444,933
Nondepartmental	378,310	-	378,310
<b>Debt service:</b>			
Principal retirement	13,329,095	-	13,329,095
Interest and other fiscal charges	4,084,487	127,518	4,212,005
<b>Total expenditures</b>	<b>\$ 85,905,729</b>	<b>\$ 1,532,173</b>	<b>\$ 87,437,902</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (9,317,300)</b>	<b>\$ (1,424,094)</b>	<b>\$ (10,741,394)</b>
<b>Other financing sources (uses):</b>			
Transfers in	\$ -	\$ 30,000	\$ 30,000
Issuance of long-term debt	9,034,403	2,510,397	11,544,800
Transfers (out)	(1,290,291)	-	(1,290,291)
<b>Total other financing sources (uses)</b>	<b>\$ 7,744,112</b>	<b>\$ 2,540,397</b>	<b>\$ 10,284,509</b>
<b>Changes in fund balances</b>	<b>\$ (1,573,188)</b>	<b>\$ 1,116,303</b>	<b>\$ (456,885)</b>
<b>Fund balances at beginning of year</b>	<b>28,213,001</b>	<b>151,354</b>	<b>28,364,355</b>
<b>Fund balances at end of year</b>	<b>\$ 26,639,813</b>	<b>\$ 1,267,657</b>	<b>\$ 27,907,470</b>

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, 2012

	<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ (456,885)
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	\$ 1,838,234
Depreciation expense	<u>(3,818,652)</u> (1,980,418)
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.	(19,529)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board	(3,183,984)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this adjustment consist of the change in deferred revenue - taxes.	(24,003)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Details of this adjustment are as follows:	
Principal retired on long-term debt	\$ 13,329,095
Amortization of premium on bonds issued	43,009
Amortization of deferred amount on refunding	<u>(43,314)</u> 1,783,990
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 accrued leave	\$ 262,914
Change in other post employment benefits	(97,000)
Change in interest payable	<u>119,452</u> <u>285,366</u>
Change in net assets of governmental activities	\$ <u><u>(3,595,463)</u></u>

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

Statement of Net Assets  
Proprietary Funds  
At June 30, 2012

	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 3,930,060	\$ -	\$ -	\$ 2,757,561	\$ 6,687,621
Receivables (net of allowance for uncollectibles):					
Accounts receivable	64,108	102,062	92,720	-	258,890
Due from other governments	-	-	45,057	-	45,057
Inventory	-	-	29,051	-	29,051
Total Current Assets	<u>\$ 3,994,168</u>	<u>\$ 102,062</u>	<u>\$ 166,828</u>	<u>\$ 2,757,561</u>	<u>\$ 7,020,619</u>
<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	-	1,480,773	425,922	-	1,906,695
Buildings and improvements	7,258	1,973,851	10,400,556	24,086,975	36,468,640
Equipment	109,401	179,200	104,173	12,588	405,362
Total Capital Assets	<u>\$ 517,732</u>	<u>\$ 3,869,024</u>	<u>\$ 11,447,580</u>	<u>\$ 25,568,683</u>	<u>\$ 41,403,019</u>
<b>Total Assets</b>	<u><u>\$ 4,511,900</u></u>	<u><u>\$ 3,971,086</u></u>	<u><u>\$ 11,614,408</u></u>	<u><u>\$ 28,326,244</u></u>	<u><u>\$ 48,423,638</u></u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued expenses	\$ 137,807	\$ 48,736	\$ 37,722	\$ -	\$ 224,265
Interest payable	-	-	18,416	-	18,416
Due to other funds	-	-	628,423	2,763,433	3,391,856
Current portion of long-term obligations	40,362	1,636	235,849	-	277,847
Total Current Liabilities	<u>\$ 178,169</u>	<u>\$ 50,372</u>	<u>\$ 920,410</u>	<u>\$ 2,763,433</u>	<u>\$ 3,912,384</u>
<b>Noncurrent Liabilities</b>					
Noncurrent portion of long-term obligations	718,724	14,729	518,879	-	1,252,332
Total Liabilities	<u>\$ 896,893</u>	<u>\$ 65,101</u>	<u>\$ 1,439,289</u>	<u>\$ 2,763,433</u>	<u>\$ 5,164,716</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 517,732	\$ 3,869,024	\$ 10,704,868	\$ 25,568,683	\$ 40,660,307
Unrestricted (deficit)	3,097,275	36,961	(529,749)	(5,872)	2,598,615
Total Net Assets	<u>\$ 3,615,007</u>	<u>\$ 3,905,985</u>	<u>\$ 10,175,119</u>	<u>\$ 25,562,811</u>	<u>\$ 43,258,922</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,511,900</u></u>	<u><u>\$ 3,971,086</u></u>	<u><u>\$ 11,614,408</u></u>	<u><u>\$ 28,326,244</u></u>	<u><u>\$ 48,423,638</u></u>

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

Statement of Revenues, Expenses and Changes in Fund Net Assets --  
 Proprietary Funds  
 Year Ended June 30, 2012

	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals
Operating revenues:					
Charges for services	\$ 1,094,329	\$ 775,115	\$ 813,900	\$ -	\$ 2,683,344
Maintenance grants	-	-	50,755	-	50,755
Total operating revenues	<u>\$ 1,094,329</u>	<u>\$ 775,115</u>	<u>\$ 864,655</u>	<u>\$ -</u>	<u>\$ 2,734,099</u>
Operating expenses:					
Personal services	\$ 189,850	\$ 303,988	\$ 161,021	\$ -	\$ 654,859
Fringe benefits	52,030	81,257	37,914	-	171,201
Contractual services	1,470,059	184,541	184,875	-	1,839,475
Other charges	133,757	517,335	639,217	379,452	1,669,761
Depreciation	40,711	134,544	660,183	629,700	1,465,138
Total operating expenses	<u>\$ 1,886,407</u>	<u>\$ 1,221,665</u>	<u>\$ 1,683,210</u>	<u>\$ 1,009,152</u>	<u>\$ 5,800,434</u>
Operating income (loss)	<u>\$ (792,078)</u>	<u>\$ (446,550)</u>	<u>\$ (818,555)</u>	<u>\$ (1,009,152)</u>	<u>\$ (3,066,335)</u>
Nonoperating revenues (expenses):					
Interest income	\$ 6,584	\$ -	\$ -	\$ 691	\$ 7,275
Interest expense	-	-	(40,683)	-	(40,683)
Total nonoperating revenues (expenses)	<u>\$ 6,584</u>	<u>\$ -</u>	<u>\$ (40,683)</u>	<u>\$ 691</u>	<u>\$ (33,408)</u>
Income (loss) before contributions and transfers	<u>\$ (785,494)</u>	<u>\$ (446,550)</u>	<u>\$ (859,238)</u>	<u>\$ (1,008,461)</u>	<u>\$ (3,099,743)</u>
Capital contributions and construction grants	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,084</u>	<u>\$ -</u>	<u>\$ 226,084</u>
Transfers:					
Transfers in	<u>\$ 707,254</u>	<u>\$ 362,164</u>	<u>\$ 190,873</u>	<u>\$ -</u>	<u>\$ 1,260,291</u>
Total transfers	<u>\$ 707,254</u>	<u>\$ 362,164</u>	<u>\$ 190,873</u>	<u>\$ -</u>	<u>\$ 1,260,291</u>
Change in net assets	\$ (78,240)	\$ (84,386)	\$ (442,281)	\$ (1,008,461)	\$ (1,613,368)
Net assets at beginning of year	<u>3,693,247</u>	<u>3,990,371</u>	<u>10,617,400</u>	<u>26,571,272</u>	<u>44,872,290</u>
Net assets at end of year	<u>\$ 3,615,007</u>	<u>\$ 3,905,985</u>	<u>\$ 10,175,119</u>	<u>\$ 25,562,811</u>	<u>\$ 43,258,922</u>

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

Statement of Cash Flows --  
Proprietary Funds  
Year Ended June 30, 2012

	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 1,140,758	\$ 763,941	\$ 811,568	\$ -	\$ 2,716,267
Payments to suppliers	(1,675,479)	(674,738)	(768,561)	(379,452)	(3,498,230)
Payments to employees	(240,098)	(399,181)	(197,084)	-	(836,363)
Net cash provided by (used for) operating activities	<u>\$ (774,819)</u>	<u>\$ (309,978)</u>	<u>\$ (154,077)</u>	<u>\$ (379,452)</u>	<u>\$ (1,618,326)</u>
<b>Cash flows from capital and related financing activities:</b>					
Purchases of capital assets	\$ (31,362)	\$ (52,186)	\$ (125,205)	\$ -	\$ (208,753)
Capital grants and contributions	-	-	214,417	-	214,417
Interest expense	-	-	(46,204)	-	(46,204)
Retirement of indebtedness	-	-	(222,604)	-	(222,604)
Net cash provided by (used for) capital and related financing activities	<u>\$ (31,362)</u>	<u>\$ (52,186)</u>	<u>\$ (179,596)</u>	<u>\$ -</u>	<u>\$ (263,144)</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers in	\$ 707,254	\$ 362,164	\$ 190,873	\$ -	\$ 1,260,291
Increase(decrease) in due to other funds	-	-	142,800	(543,886)	(401,086)
Net cash provided by (used for) noncapital and related financing activities	<u>\$ 707,254</u>	<u>\$ 362,164</u>	<u>\$ 333,673</u>	<u>\$ (543,886)</u>	<u>\$ 859,205</u>
<b>Cash flows from investing activities:</b>					
Interest income	\$ 6,584	\$ -	\$ -	\$ 691	\$ 7,275
Increase (decrease) in cash and cash equivalents	\$ (92,343)	\$ -	\$ -	\$ (922,647)	\$ (1,014,990)
Cash and cash equivalents at beginning of year	4,022,403	-	-	3,680,208	7,702,611
Cash and cash equivalents at end of year	<u>\$ 3,930,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,757,561</u>	<u>\$ 6,687,621</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	<u>\$ (792,078)</u>	<u>\$ (446,550)</u>	<u>\$ (818,555)</u>	<u>\$ (1,009,152)</u>	<u>\$ (3,066,335)</u>
<b>Adjustments to reconcile operating loss to net cash provided by (used for) operations:</b>					
Depreciation	\$ 40,711	\$ 134,544	\$ 660,183	\$ 629,700	\$ 1,465,138
<b>Changes in operating assets and liabilities:</b>					
(Increase) decrease in accounts receivable	46,429	(11,174)	(53,087)	-	(17,832)
(Increase) decrease in prepaid expenses	1,019	6,838	5,206	-	13,063
(Increase) decrease in inventory	-	-	40,662	-	40,662
Increase (decrease) in accounts payable	(37,142)	20,300	9,663	-	(7,179)
Increase (decrease) in accrued leave	1,782	(13,936)	1,851	-	(10,303)
Increase (decrease) in landfill closure	(35,540)	-	-	-	(35,540)
Total adjustments	<u>\$ 17,259</u>	<u>\$ 136,572</u>	<u>\$ 664,478</u>	<u>\$ 629,700</u>	<u>\$ 1,448,009</u>
Net cash provided by (used for) operating activities	<u>\$ (774,819)</u>	<u>\$ (309,978)</u>	<u>\$ (154,077)</u>	<u>\$ (379,452)</u>	<u>\$ (1,618,326)</u>

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

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

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>449,238</u>
Total assets	\$ <u><u>449,238</u></u>
<b>LIABILITIES</b>	
Amounts held for others	\$ 250,358
Amounts held for inmates	23,052
Amounts held for social services clients	<u>175,828</u>
Total liabilities	\$ <u><u>449,238</u></u>

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

# COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2012

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

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

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

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

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (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, 2012.

*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, 2012.

## COUNTY OF CULPEPER, VIRGINIA

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

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

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

##### Other Related Organizations

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

None

##### Rappahannock-Rapidan Planning District Commission

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

##### Rappahannock-Rapidan Community Services Board

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

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

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

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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

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

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (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)

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

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

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

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

#### 1. Governmental Funds

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

##### a. General Fund

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

## COUNTY OF CULPEPER, VIRGINIA

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

###### 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 Funds.

##### 3. Enterprise Funds

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

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

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.

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.

## COUNTY OF CULPEPER, VIRGINIA

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

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

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#### 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.

#### E. Deposits and Investments

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

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

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

## COUNTY OF CULPEPER, VIRGINIA

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

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

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#### 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 \$936,144 at June 30, 2012, and is comprised solely of property taxes.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. 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 or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2012 was immaterial.

COUNTY OF CULPEPER, VIRGINIA

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

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

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**H. Capital Assets: (Continued)**

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

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

**I. Compensated Absences**

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

**J. Long-term Obligations:**

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

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

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (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. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

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

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance/resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives).

COUNTY OF CULPEPER, VIRGINIA

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

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

K. Fund Balances: (Continued)

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

Category	General Fund	Capital Project Fund	Total Primary Government	Component Unit School Board
<b>Nonspendable:</b>				
Prepaid items	\$ 7,161	\$ -	\$ 7,161	\$ -
Total Nonspendable	\$ 7,161	\$ -	\$ 7,161	\$ -
<b>Restricted:</b>				
Library	\$ 22,597	\$ -	\$ 22,597	\$ -
School Athletic Programs	3,052	-	3,052	-
Social Services Children's Program	1,009	-	1,009	-
Historic markers	282	-	282	-
Community Pool	1,131	-	1,131	-
Parks and Recreation Multi Use Trails	4,432	-	4,432	-
Senior Citizen Programs	878	-	878	-
4th of July	346	-	346	-
Animal shelter	5,229	-	5,229	-
Drug forfeitures	30,217	-	30,217	-
Total Restricted	\$ 69,173	\$ -	\$ 69,173	\$ -
<b>Committed:</b>				
School Capital Projects	\$ 1,606,334	\$ -	\$ 1,606,334	\$ 763,197
Library	574,264	-	574,264	-
Proffers	499,723	-	499,723	-
Capital Projects	-	1,267,657	1,267,657	-
Total Committed	\$ 2,680,321	\$ 1,267,657	\$ 3,947,978	\$ 763,197
<b>Assigned:</b>				
Animal Services	\$ 1,175	\$ -	\$ 1,175	\$ -
E911 Tower Deposit	3,000	-	3,000	-
Cafeteria	-	-	-	1,519,395
Total Assigned	\$ 4,175	\$ -	\$ 4,175	\$ 1,519,395

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (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 Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

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

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

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

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

### Note 2—Deposits and Investments:

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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, 2012 (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, 2012 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>AAA</b>	<b>AA</b>
Local Government Investment Pool	\$ 11,867,375	\$ -
Money Market Funds	97,676	-
Total	<u>\$ 11,965,051</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	\$ 11,867,375	\$ 11,867,375
Money Market Funds	\$ 97,676	\$ 97,676
Total	<u>\$ 11,965,051</u>	<u>\$ 11,965,051</u>

**External Investment Pool:**

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

COUNTY OF CULPEPER, VIRGINIA

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

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

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At June 30, 2012 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	\$ 306,135	\$ -
State sales taxes	-	1,311,019
Local sales taxes	1,034,373	-
Communication taxes	354,645	-
Public assistance	134,253	-
Comprehensive services	312,541	-
Miscellaneous	181,121	-
Federal Government:		
School funds	-	1,108,141
Public assistance	234,950	-
Headstart	251,101	-
Miscellaneous	68,319	-
Total	<u>\$ 2,877,438</u>	<u>\$ 2,419,160</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (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, 2012 are summarized below:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 3,391,856	\$ -
Water and Sewer Authority	-	2,763,433
Airport	-	628,423
Total	<u>\$ 3,391,856</u>	<u>\$ 3,391,856</u>

<u>Fund</u>	<u>Due from Primary Government</u>	<u>Due to Component Unit</u>
General	\$ -	\$ 4,715,236
School	4,715,236	-
Total	<u>\$ 4,715,236</u>	<u>\$ 4,715,236</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 1,290,291
Landfill Fund	707,254	-
Water & Sewer Fund	362,164	-
Capital Projects Fund	30,000	-
Airport Fund	190,873	-
Total	<u>\$ 1,290,291</u>	<u>\$ 1,290,291</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, 2012 (Continued)

**Note 5—Capital Assets:**

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,698,060	\$ 75,622	\$ 11,440	\$ 9,762,242
Construction in Progress	<u>3,979,362</u>	<u>1,284,964</u>	<u>-</u>	<u>5,264,326</u>
Total capital assets not being depreciated	<u>\$ 13,677,422</u>	<u>\$ 1,360,586</u>	<u>\$ 11,440</u>	<u>\$ 15,026,568</u>
Capital assets, being depreciated:				
Buildings	\$ 30,812,076	\$ -	\$ -	\$ 30,812,076
Equipment	7,516,179	477,648	65,742	7,928,085
Jointly owned assets	<u>80,548,206</u>	<u>-</u>	<u>3,779,928</u>	<u>76,768,278</u>
Total capital assets being depreciated	<u>\$ 118,876,461</u>	<u>\$ 477,648</u>	<u>\$ 3,845,670</u>	<u>\$ 115,508,439</u>
Less accumulated depreciation for:				
Buildings	\$ 6,745,402	\$ 847,743	\$ -	\$ 7,593,145
Equipment	5,646,138	560,776	57,653	6,149,261
Jointly owned assets	<u>5,446,666</u>	<u>2,410,133</u>	<u>595,944</u>	<u>7,260,855</u>
Total accumulated depreciation	<u>\$ 17,838,206</u>	<u>\$ 3,818,652</u>	<u>\$ 653,597</u>	<u>\$ 21,003,261</u>
Total capital assets being depreciated, net	<u>\$ 101,038,255</u>	<u>\$ (3,341,004)</u>	<u>\$ 3,192,073</u>	<u>\$ 94,505,178</u>
Governmental activities capital assets, net	<u>\$ 114,715,677</u>	<u>\$ (1,980,418)</u>	<u>\$ 3,203,513</u>	<u>\$ 109,531,746</u>

COUNTY OF CULPEPER, VIRGINIA

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

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

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The following is a summary of changes in construction in progress for the fiscal year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<b>Governmental Activities:</b>				
Courthouse/courtyard renovations	\$ 475,640	\$ 24,883	\$ -	\$ 500,523
Laurel Valley bike trail project	4,605	-	-	4,605
Spillman park	73,314	-	-	73,314
Lenn Brothers property	49,340	-	-	49,340
Wachovia Bank renovation	1,512,550	-	-	1,512,550
Courthouse renovations	1,523,686	-	-	1,523,686
VDOT replacement building	11,093	1,117,209	-	1,128,302
Lenn Brothers park	329,134	142,872	-	472,006
	<u>3,979,362</u>	<u>1,284,964</u>	<u>-</u>	<u>5,264,326</u>
Total	<u>\$ 3,979,362</u>	<u>\$ 1,284,964</u>	<u>\$ -</u>	<u>\$ 5,264,326</u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 5—Capital Assets: (Continued)

Enterprise Capital Assets:

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Water and Sewer Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 235,200	\$ -	\$ -	\$ 235,200
Construction in Progress	<u>1,464,201</u>	<u>16,572</u>	<u>-</u>	<u>1,480,773</u>
Total capital assets not being depreciated	<u>\$ 1,699,401</u>	<u>\$ 16,572</u>	<u>\$ -</u>	<u>\$ 1,715,973</u>
Capital assets, being depreciated:				
Sewer Plant	\$ 3,049,796	\$ -	\$ -	\$ 3,049,796
Equipment	<u>356,098</u>	<u>35,614</u>	<u>-</u>	<u>391,712</u>
Total capital assets being depreciated	<u>\$ 3,405,894</u>	<u>\$ 35,614</u>	<u>\$ -</u>	<u>\$ 3,441,508</u>
Less accumulated depreciation for:				
Sewer Plant	\$ 997,960	\$ 77,985	\$ -	\$ 1,075,945
Equipment	<u>155,953</u>	<u>56,559</u>	<u>-</u>	<u>212,512</u>
Total accumulated depreciation	<u>\$ 1,153,913</u>	<u>\$ 134,544</u>	<u>\$ -</u>	<u>\$ 1,288,457</u>
Total capital assets being depreciated, net	<u>\$ 2,251,981</u>	<u>\$ (98,930)</u>	<u>\$ -</u>	<u>\$ 2,153,051</u>
Net capital assets	<u>\$ 3,951,382</u>	<u>\$ (82,358)</u>	<u>\$ -</u>	<u>\$ 3,869,024</u>
<b>Landfill Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 401,073	\$ -	\$ -	\$ 401,073
Capital assets, being depreciated:				
Buildings	\$ 8,539	\$ -	\$ -	\$ 8,539
Equipment	<u>251,526</u>	<u>31,362</u>	<u>-</u>	<u>282,888</u>
Total capital assets being depreciated	<u>\$ 260,065</u>	<u>\$ 31,362</u>	<u>\$ -</u>	<u>\$ 291,427</u>
Less accumulated depreciation for:				
Buildings	\$ 1,067	\$ 214	\$ -	\$ 1,281
Equipment	<u>132,990</u>	<u>40,497</u>	<u>-</u>	<u>173,487</u>
Total accumulated depreciation	<u>\$ 134,057</u>	<u>\$ 40,711</u>	<u>\$ -</u>	<u>\$ 174,768</u>
Total capital assets being depreciated, net	<u>\$ 126,008</u>	<u>\$ (9,349)</u>	<u>\$ -</u>	<u>\$ 116,659</u>
Net capital assets	<u>\$ 527,081</u>	<u>\$ (9,349)</u>	<u>\$ -</u>	<u>\$ 517,732</u>

COUNTY OF CULPEPER, VIRGINIA

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

Note 5—Capital Assets: (Continued)

Enterprise Capital Assets: (Continued)

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Airport Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 516,929	\$ -	\$ -	\$ 516,929
Construction in Progress	375,505	50,417	-	425,922
Total capital assets, not being depreciated	\$ 892,434	\$ 50,417	\$ -	\$ 942,851
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,733,246	\$ -	\$ -	\$ 15,733,246
Equipment	196,836	74,788	-	271,624
Total capital assets being depreciated	\$ 15,930,082	\$ 74,788	\$ -	\$ 16,004,870
Less accumulated depreciation for:				
Buildings and improvements	\$ 4,689,567	\$ 643,123	\$ -	\$ 5,332,690
Equipment	150,391	17,060	-	167,451
Total accumulated depreciation	\$ 4,839,958	\$ 660,183	\$ -	\$ 5,500,141
Total capital assets being depreciated, net	\$ 11,090,124	\$ (585,395)	\$ -	\$ 10,504,729
Net capital assets	\$ 11,982,558	\$ (534,978)	\$ -	\$ 11,447,580
<b>Water and Sewer Authority:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,469,120	\$ -	\$ -	\$ 1,469,120
Total capital assets, not being depreciated	\$ 1,469,120	\$ -	\$ -	\$ 1,469,120
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,026,130	\$ -	\$ -	\$ 25,026,130
Equipment	17,983	-	-	17,983
Total capital assets being depreciated	\$ 25,044,113	\$ -	\$ -	\$ 25,044,113
Less accumulated depreciation for:				
Buildings and improvements	\$ 313,052	\$ 626,103	\$ -	\$ 939,155
Equipment	1,798	3,597	-	5,395
Total accumulated depreciation	\$ 314,850	\$ 629,700	\$ -	\$ 944,550
Total capital assets being depreciated, net	\$ 24,729,263	\$ (629,700)	\$ -	\$ 24,099,563
Net capital assets	\$ 26,198,383	\$ (629,700)	\$ -	\$ 25,568,683

COUNTY OF CULPEPER, VIRGINIA

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

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

**Enterprise Capital Assets: (Continued)**

The following is a summary of construction in progress changes for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Airport Fund:</b>				
Hangar Sewer Line Extension	\$ 5,820	\$ -	\$ -	\$ 5,820
Hangar Design	59,684	-	-	59,684
Airport terminal facility - design	310,001	50,417	-	360,418
Total	<u>\$ 375,505</u>	<u>\$ 50,417</u>	<u>\$ -</u>	<u>\$ 425,922</u>
<b>Water and Sewer Fund:</b>				
Mountain Run Wastewater Treatment Plant	\$ 1,394,235	\$ 8,172	\$ -	\$ 1,402,407
Automated Meter Reading System	69,966	8,400	-	78,366
Total	<u>\$ 1,464,201</u>	<u>\$ 16,572</u>	<u>\$ -</u>	<u>\$ 1,480,773</u>

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Capital assets, not being depreciated:</b>				
Land	\$ 200,151	\$ -	\$ -	\$ 200,151
Land improvements	1,940,126	-	-	1,940,126
Construction in progress	821,741	438,969	-	1,260,710
Total capital assets, not being depreciated	<u>\$ 2,962,018</u>	<u>\$ 438,969</u>	<u>\$ -</u>	<u>\$ 3,400,987</u>
<b>Capital assets, being depreciated:</b>				
Buildings	\$ 26,112,145	\$ 510,784	\$ -	\$ 26,622,929
Equipment	18,686,673	791,427	196,152	19,281,948
Jointly owned assets	22,834,507	3,779,928	-	26,614,435
Total capital assets being depreciated	<u>\$ 67,633,325</u>	<u>\$ 5,082,139</u>	<u>\$ 196,152</u>	<u>\$ 72,519,312</u>
<b>Less accumulated depreciation for:</b>				
Buildings	\$ 17,953,235	\$ 932,069	\$ -	\$ 18,885,304
Equipment	13,835,761	1,441,122	196,152	15,080,731
Jointly owned assets	4,480,954	595,944	-	5,076,898
Total accumulated depreciation	<u>\$ 36,269,950</u>	<u>\$ 2,969,135</u>	<u>\$ 196,152</u>	<u>\$ 39,042,933</u>
Total capital assets being depreciated, net	<u>\$ 31,363,375</u>	<u>\$ 2,113,004</u>	<u>\$ -</u>	<u>\$ 33,476,379</u>
School Board capital assets, net	<u>\$ 34,325,393</u>	<u>\$ 2,551,973</u>	<u>\$ -</u>	<u>\$ 36,877,366</u>

COUNTY OF CULPEPER, VIRGINIA

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

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

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

Governmental activities:		
General government administration	\$	62,134
Judicial administration		3,901
Public safety		532,988
Public works		488,135
Health and welfare		33,784
Education		2,556,550
Parks, recreation and cultural		137,522
Community development		3,638
Total governmental activities	\$	<u>3,818,652</u>
Enterprise Funds:		
Landfill	\$	40,711
Water & sewer		134,544
Airport		660,183
Water & sewer authority		629,700
Total enterprise funds	\$	<u>1,465,138</u>
Component Unit-School Board	\$	<u>2,373,191 (1)</u>
(1) Depreciation Expense	\$	2,373,191
Joint tenancy transfer of accumulated depreciation		595,944
Total additions to accumulated depreciation, previous page	\$	<u>2,969,135</u>

**Note 6—Deferred/Unearned Revenue:**

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Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue in the general fund totaling \$3,388,081 is comprised of the following:

**A. Deferred Property Tax Revenue**

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,221,109 at June 30, 2012.

**B. Prepaid Property Taxes**

Property taxes due subsequent to June 30, 2012 but paid in advance by the taxpayers totaled \$166,972 at June 30, 2012.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (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, 2012:

	<u>Balance July 1, 2011</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Funds:</b>					
School lease revenue bonds	\$ 50,340,000	\$ -	\$ 1,380,000	\$ 48,960,000	\$ 1,435,000
Premium on school bonds	789,459	-	35,884	753,575	35,884
Total school lease revenue bonds	<u>\$ 51,129,459</u>	<u>\$ -</u>	<u>\$ 1,415,884</u>	<u>\$ 49,713,575</u>	<u>\$ 1,470,884</u>
School general obligation bonds	\$ 15,844,518	-	\$ 1,649,928	\$ 14,194,590	\$ 1,550,230
Less deferred amount on refunding	(300,771)	-	(43,314)	(257,457)	(42,739)
Total school general obligation bonds	<u>\$ 15,543,747</u>	<u>\$ -</u>	<u>\$ 1,606,614</u>	<u>\$ 13,937,133</u>	<u>\$ 1,507,491</u>
Compensated absences payable	1,886,552	147,544	410,458	1,623,638	162,364
Other post employment benefits	114,000	175,000	78,000	211,000	-
Literary fund loans	13,875,000	-	750,000	13,125,000	750,000
General obligation bonds	2,624,526	2,654,800	2,733,326	2,546,000	182,500
Lease revenue bonds	\$ 10,228,841	\$ 8,890,000	\$ 6,815,841	\$ 12,303,000	\$ 663,000
Premium on lease revenue bonds	135,387	-	7,125	128,262	7,126
Total lease revenue bonds	<u>\$ 10,364,228</u>	<u>\$ 8,890,000</u>	<u>\$ 6,822,966</u>	<u>\$ 12,431,262</u>	<u>\$ 670,126</u>
Total Governmental Funds	<u>\$ 95,537,512</u>	<u>\$ 11,867,344</u>	<u>\$ 13,817,248</u>	<u>\$ 93,587,608</u>	<u>\$ 4,743,365</u>
<b>Enterprise Funds:</b>					
Compensated absences payable	\$ 86,905	\$ 12,324	\$ 22,627	\$ 76,602	\$ 7,660
Lease revenue bonds	965,316	-	222,604	742,712	234,647
Landfill closure and postclosure costs	746,405	-	35,540	710,865	35,540
Total Enterprise Funds	<u>\$ 1,798,626</u>	<u>\$ 12,324</u>	<u>\$ 280,771</u>	<u>\$ 1,530,179</u>	<u>\$ 277,847</u>
Total Primary Government	<u>\$ 97,336,138</u>	<u>\$ 11,879,668</u>	<u>\$ 14,098,019</u>	<u>\$ 95,117,787</u>	<u>\$ 5,021,212</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (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
2013	\$ 663,000	\$ 377,644	\$ 1,435,000	\$ 2,227,894	\$ 1,550,230	\$ 626,808
2014	684,000	360,279	1,490,000	2,170,494	1,587,700	546,651
2015	709,000	342,204	1,550,000	2,110,894	1,625,716	464,061
2016	731,000	322,908	1,615,000	2,048,894	1,653,310	387,295
2017	752,000	302,769	1,695,000	1,968,144	1,686,512	309,342
2018	780,000	281,325	1,780,000	1,883,394	1,287,352	241,741
2019	807,000	259,920	1,870,000	1,794,394	1,318,862	184,385
2020	831,000	237,487	1,960,000	1,700,894	1,355,082	125,669
2021	859,000	213,292	2,060,000	1,602,894	1,387,506	72,947
2022	884,000	187,969	2,160,000	1,499,894	742,320	18,929
2023	875,000	161,816	2,270,000	1,391,894	-	-
2024	896,000	135,707	2,365,000	1,298,256	-	-
2025	616,000	109,096	2,460,000	1,200,700	-	-
2026	360,000	90,415	2,585,000	1,077,700	-	-
2027	373,000	73,305	2,715,000	948,450	-	-
2028	386,000	55,527	2,830,000	833,063	-	-
2029	399,000	37,090	2,950,000	712,787	-	-
2030	413,000	17,993	3,080,000	580,038	-	-
2031	141,000	6,641	3,220,000	441,437	-	-
2032	144,000	3,355	3,360,000	300,563	-	-
2033	-	-	3,510,000	153,562	-	-
<b>Total</b>	<b>\$ 12,303,000</b>	<b>\$ 3,576,742</b>	<b>\$ 48,960,000</b>	<b>\$ 27,946,240</b>	<b>\$ 14,194,590</b>	<b>\$ 2,977,828</b>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (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
2013	\$ 182,500	\$ 58,508	\$ 750,000	\$ 461,250
2014	186,700	54,214	750,000	435,000
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>2,546,000</u>	\$ <u>395,797</u>	\$ <u>13,125,000</u>	\$ <u>4,286,250</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, 2012 (Continued)

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

**Primary Government: (Continued)**

**Enterprise:**

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2013	\$ 234,647	\$ 33,833
2014	247,342	20,796
2015	260,723	7,053
Total	\$ <u>742,712</u>	\$ <u>61,682</u>

**Details of Long-Term Obligations:**

	Amount Outstanding	Due Within One Year
<b>General Fund:</b>		
<u>Lease Revenue Bonds:</u>		
\$2,457,000 IDA Lease Revenue Bonds Series 2011 issued October 26, 2011 maturing semi-annually through January 15, 2032, interest payable semi-annually at 2.330%	\$ 2,457,000	\$ 87,000
\$6,433,000 IDA Lease Refunding Revenue Bonds Series 2011 issued October 26, 2011 maturing semi-annually through July 15, 2024, interest payable semi-annually at 2.220%	6,186,000	436,000
\$3,925,000 VRA Lease Revenue Bonds Series 2009 issued November 1, 2009 maturing semi-annually through October 1, 2029, interest payable semi-annually at rates from 4.97% to 5.70%	3,660,000	140,000
Premium on bonds	128,262	7,126
Total County lease revenue bonds	\$ <u>12,431,262</u>	\$ <u>670,126</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (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>General Fund: (Continued)</b>		
<u>County General Obligation Bonds:</u>		
\$2,654,000 General Obligation Refunding Bonds Series 2011 issued November 17, 2011 maturing semi-annually through July 15, 2024, interest payable semi-annually at 2.34%	\$ 2,546,000	\$ 182,500
Total County general obligation bonds	<u>\$ 2,546,000</u>	<u>\$ 182,500</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%	\$ 48,960,000	\$ 1,435,000
Premium on bonds	<u>753,575</u>	<u>35,884</u>
Total school lease revenue bonds	<u>\$ 49,713,575</u>	<u>\$ 1,470,884</u>
<u>School General Obligation Bonds:</u>		
\$13,025,026 Virginia Public School Authority Bonds Series 2001B, issued November 15, 2001, maturing annually through July 15, 2021, interest payable semi-annually at 4.57%	\$ 6,932,590	\$ 641,230
\$2,675,000 Virginia Public School Authority Bonds 1996A, issued May 1, 1996, maturing annually through January 15, 2017, interest payable semi-annually at rates ranging from 4.6% to 6.1%	675,000	135,000

COUNTY OF CULPEPER, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

General Fund: (Continued)	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>School General Obligation Bonds: (Continued)</u>		
\$6,000,000 Virginia Public School Authority Bonds 1996B, issued November 14, 1996, maturing annually through July 15, 2016, interest payable semi-annually at rates ranging from 5.1% to 5.255%	\$ 1,500,000	\$ 300,000
\$8,325,000 Series 2000, issued August 10, 2000, maturing annually in various annual installments through January 15, 2014, interest payable semi-annually at 5.33%	865,000	420,000
\$4,613,000 General Obligation Refunding Bond, Series 2003 dated August 6, 2003, principal payable annually in various incremental amounts through January 15, 2021, interest payable semi-annually at 7.35%	4,222,000	54,000
Less deferred amount on refunding bonds	(257,457)	(42,739)
Total school general obligation bonds	<u>\$ 13,937,133</u>	<u>\$ 1,507,491</u>
<u>Literary Fund Loans:</u>		
\$7,500,000 literary fund loan, issued January 15, 2009, principal payable annually in various incremental amounts through January 15, 2029, interest payable annually at 3.00%	\$ 6,375,000	\$ 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%	6,750,000	375,000
Total literary fund loans	<u>\$ 13,125,000</u>	<u>\$ 750,000</u>
<u>Compensated absences</u>	<u>\$ 1,623,638</u>	<u>\$ 162,364</u>
<u>Other post employment benefits</u>	<u>\$ 211,000</u>	<u>\$ -</u>
Total governmental activities	<u><u>\$ 93,587,608</u></u>	<u><u>\$ 4,743,365</u></u>

Current Refunding of Debt:

On October 26, 2011 the county issued lease revenue refunding bonds to currently refund its 2004 lease revenue bonds. This refunding was undertaken to reduce the total debt service over the next fourteen years by \$518,413 and resulted in an economic gain of \$449,242.

On November 17, 2011 the county issued general obligation refunding bonds to currently refund its 2003 and 2004 general obligation bonds. This refunding was undertaken to reduce the total debt service over the next fourteen years by \$181,972 and resulted in an economic gain of \$157,937.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
At June 30, 2012 (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 annual principal installments ranging from \$131,436 to \$260,723 through July 15, 2014, interest payable semi-annually at 5.41%	\$ 742,712	\$ 234,647
<u>Compensated absences</u>	76,602	7,660
<u>Landfill closure and postclosure costs</u>	710,865	35,540
Total enterprise obligations	<u>\$ 1,530,179</u>	<u>\$ 277,847</u>
Total Primary Government	<u>\$ 95,117,787</u>	<u>\$ 5,021,212</u>

Component Unit School Board:

The following is summary of changes in long-term obligation transactions for fiscal year ended June 30, 2012.

	Balance		Balance		Amounts
	July 1, 2011	Issuances/ Increases	Retirements/ Decreases	June 30, 2012	Due Within One Year
Compensated absences payable	\$ 930,094	\$ 113,160	\$ 93,009	\$ 950,245	\$ 95,025
Other post employment benefits	330,000	309,000	196,000	443,000	-
Capital lease	275,332	-	264,116	11,216	11,216
Total	<u>\$ 1,535,426</u>	<u>\$ 422,160</u>	<u>\$ 553,125</u>	<u>\$ 1,404,461</u>	<u>\$ 106,241</u>

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

Year Ending June 30,	Capital Lease	
	Principal	Interest
2013	\$ 11,216	\$ 58
Total	<u>\$ 11,216</u>	<u>\$ 58</u>

COUNTY OF CULPEPER, VIRGINIA

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

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

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**Component Unit School Board: (Continued)**

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>
<u>Capital Leases:</u>	
The School Board has entered into various lease obligations for financing the acquisition of buses. These buses were acquired with lease financing in the amount of \$2,840,696 and a total cost of \$2,840,696. Accumulated depreciation of these buses as of June 30, 2012 was \$1,032,564. Annual requirements to amortize School Board long-term obligations are disclosed above.	
\$305,029 capital lease for school buses payable in monthly installments of \$5,637 through September 1, 2012, interest payable at 4.14%.	\$ <u>11,216</u>
Total Capital Leases	\$ <u>11,216</u>
Compensated absences	\$ <u>950,245</u>
Other post employment benefits	\$ <u>443,000</u>
Total component unit obligations	\$ <u><u>1,404,461</u></u>

**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 \$710,865 reported as landfill closure and postclosure care liability at June 30, 2012, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues and from any funds accumulated for this purpose in the County Landfill Fund.

## COUNTY OF CULPEPER, VIRGINIA

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

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

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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—Defined Benefit 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 Defined Benefit Pension Plan  
Administering Entity: Virginia Retirement System (System)

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

## COUNTY OF CULPEPER, VIRGINIA

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

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### Note 10—Defined Benefit Pension Plan: (Continued)

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#### A. Plan Description: (Continued)

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

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional employee contribution rates for the fiscal year ended 2012 were 9.42% and 6.93% of annual covered payroll, respectively.

The School Board's contribution for professional employees were \$2,306,555, \$1,436,269, and \$2,496,414, to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011 and 2010, respectively and these contributions represented 6.33%, 3.93%, 8.81% for July 2009 through March 2010 and (0.00%) for April through June 2010, respectively, of current covered payroll.

COUNTY OF CULPEPER, VIRGINIA

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

**Note 10—Defined Benefit Pension Plan: (Continued)**

**C. Annual Pension Cost:**

For fiscal year 2012, the County’s annual pension cost of \$1,293,926 (does not include the employee share assumed by the County which was \$618,286) was equal to the County’s required and actual contributions.

For fiscal year 2012, the County School Board’s annual pension cost for the Board’s non-professional employees was \$274,190 (does not include the employee share assumed by the Board which was \$197,828) which was equal to the Board’s required and actual contributions.

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2012	\$ 1,293,926	100%	\$ -
June 30, 2011	1,314,180	100%	-
June 30, 2010	1,147,658	100%	-
School Board:			
Non-professional:			
June 30, 2012	\$ 274,190	100%	\$ -
June 30, 2011	273,765	100%	-
June 30, 2010	315,579	100%	-

(1) Employer portion only

The FY2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County’s and the County and School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County’s and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

## COUNTY OF CULPEPER, VIRGINIA

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

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### Note 10—Defined Benefit Pension Plan: (Continued)

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#### D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the County's plan was 76.35% funded. The actuarial accrued liability for benefits was \$44,536,659, and the actuarial value of assets was \$34,001,919, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,534,740. The covered payroll (annual payroll of active employees covered by the plan) was \$13,937,019, and ratio of the UAAL to the covered payroll was 75.59%.

As of June 30, 2011, the most recent actuarial valuation date, the County School Board's plan was 91.75% funded. The actuarial accrued liability for benefits was \$9,969,339, and the actuarial value of assets was \$9,146,654, resulting in an unfunded actuarial accrued liability (UAAL) of \$822,685. The covered payroll (annual payroll of active employees covered by the plan) was \$4,038,431, and ratio of the UAAL to the covered payroll was 20.37%.

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.

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, 2012, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

COUNTY OF CULPEPER, VIRGINIA

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

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**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
John F. Coates, Supervisor	1,000

**Note 14—Other Post-Employment Benefits Program:**

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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.

COUNTY OF CULPEPER, VIRGINIA

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

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

**County: (Continued)**

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

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

Annual required contribution	\$ 177,000
Interest on net OPEB obligation	5,000
Adjustment to annual required contribution	<u>(7,000)</u>
Annual OPEB cost (expense)	\$ 175,000
Contribution made	<u>78,000</u>
Increase in net OPEB obligation	\$ 97,000
Net OPEB obligation-beginning of year	<u>114,000</u>
Net OPEB obligation-end of year	<u><u>\$ 211,000</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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, 2012	\$ 175,000	45%	\$ 211,000
June 30, 2011	167,000	40%	114,000
June 30, 2010	57,000	93%	14,000

**D. Funded Status and Funding Progress**

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

Actuarial accrued liability (AAL)	\$ 1,457,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,457,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	13,937,019
UAAL as a percentage of covered payroll	10.45%

COUNTY OF CULPEPER, VIRGINIA

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

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

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**County: (Continued)**

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

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

**E. Actuarial Methods and Assumptions**

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

**Cost Method**

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

**Interest Assumptions**

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, 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, 2011, was thirty years.

**Unfunded**

Discount rate	4.0%
Payroll growth	3.5%

COUNTY OF CULPEPER, VIRGINIA

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

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

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**School Board:**

A. Plan Description:

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

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 316,000
Interest on net OPEB obligation	13,000
Adjustment to annual required contribution	(20,000)
Annual OPEB cost (expense)	\$ 309,000
Contribution made	196,000
Increase in net OPEB obligation	\$ 113,000
Net OPEB obligation-beginning of year	330,000
Net OPEB obligation-end of year	\$ 443,000

COUNTY OF CULPEPER, VIRGINIA

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

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

**School Board: (Continued)**

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

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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, 2012	\$ 309,000	63%	\$ 443,000
June 30, 2011	297,000	59%	330,000
June 30, 2010	133,000	61%	209,000

**D. Funded Status and Funding Progress:**

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

Actuarial accrued liability (AAL)	\$ 2,432,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	2,432,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	40,395,037
UAAL as a percentage of covered payroll	6%

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

COUNTY OF CULPEPER, VIRGINIA

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

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

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**School Board: (Continued)**

**E. Actuarial Methods and Assumptions:**

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

**Cost Method**

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

**Interest Assumptions**

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, 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 March 29, 2010, was thirty years.

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

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

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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.

COUNTY OF CULPEPER, VIRGINIA

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

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

A. Plan Description: (Continued)

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

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

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2012 was .32% 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 2012, the School Board's contribution of \$12,687 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 2012 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, 2012	\$ 12,687	100%	\$ -
June 30, 2011	12,641	100%	\$ -
June 30, 2010	21,678	100%	-

COUNTY OF CULPEPER, VIRGINIA

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

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

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**D. Funded Status and Funding Progress**

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

Actuarial accrued liability (AAL)	\$ 192,547
Actuarial value of plan assets	162,967
Unfunded actuarial accrued liability	29,580
Funded ratio (actuarial value of plan assets / AAL)	84.64%
Covered payroll (active plan members)	4,038,431
UAAL as a percentage of covered payroll	0.73%

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

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

**E. Actuarial Methods and Assumptions**

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2011 was 26 years.

COUNTY OF CULPEPER, VIRGINIA

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

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

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

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 0.60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$219,641, \$219,278, and \$294,224, respectively and equaled the required contributions for each year.

**Note 16—Subsequent Event:**

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On October 15, 2012 the County issued \$23,520,000 General Obligation School and Refunding Bonds, Series 2012 to finance renovations and improvements to Culpeper County High School and to refund certain outstanding general obligation bonds.

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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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Revenues:</b>				
General property taxes	\$ 45,181,052	\$ 45,181,052	\$ 46,323,781	\$ 1,142,729
Other local taxes	6,557,295	6,557,295	6,850,753	293,458
Permits, privilege fees and regulatory licenses	510,600	510,600	428,957	(81,643)
Fines and forfeitures	65,000	65,000	89,089	24,089
Revenue from use of money and property	311,747	311,747	303,158	(8,589)
Charges for services	2,285,271	2,426,587	3,040,470	613,883
Miscellaneous	598,648	643,773	337,516	(306,257)
Recovered costs	351,170	351,170	368,617	17,447
<b>Intergovernmental:</b>				
Commonwealth	16,245,984	16,464,666	13,993,851	(2,470,815)
Federal	3,297,356	3,517,052	4,852,237	1,335,185
<b>Total revenues</b>	<b>\$ 75,404,123</b>	<b>\$ 76,028,942</b>	<b>\$ 76,588,429</b>	<b>\$ 559,487</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government administration:</b>				
<b>Legislative:</b>				
Board of supervisors	\$ 262,967	\$ 260,855	\$ 232,786	\$ 28,069
<b>General and financial administration:</b>				
County administration	\$ 324,231	\$ 328,261	\$ 311,179	\$ 17,082
County attorney	229,724	234,932	229,003	5,929
Human resources	161,357	281,223	242,068	39,155
Procurement	212,005	233,943	222,590	11,353
Auditor	56,000	56,000	48,500	7,500
Commissioner of the Revenue	542,003	543,128	471,328	71,800
Reassessment	417,368	394,418	379,717	14,701
Board of equalization	14,763	14,763	1,426	13,337
Treasurer	461,414	460,556	410,070	50,486
Department of finance and budget	413,823	415,323	396,622	18,701
Information systems	396,908	402,779	317,418	85,361
Records management	196,666	200,418	149,980	50,438
Other general and financial administration	17,000	18,496	18,488	8
<b>Total general and financial administration</b>	<b>\$ 3,443,262</b>	<b>\$ 3,584,240</b>	<b>\$ 3,198,389</b>	<b>\$ 385,851</b>
<b>Board of Elections:</b>				
Electoral board and officials	\$ 150,649	\$ 179,987	\$ 168,129	\$ 11,858
Registrar	116,091	119,512	118,882	630
<b>Total board of elections</b>	<b>\$ 266,740</b>	<b>\$ 299,499</b>	<b>\$ 287,011</b>	<b>\$ 12,488</b>
<b>Total general government administration</b>	<b>\$ 3,972,969</b>	<b>\$ 4,144,594</b>	<b>\$ 3,718,186</b>	<b>\$ 426,408</b>

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

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration:				
Courts:				
Circuit court	\$ 85,868	\$ 86,118	\$ 67,790	\$ 18,328
Clerk of the circuit court	621,863	651,979	595,400	56,579
Victim assistance program	107,256	107,256	101,391	5,865
Sheriff	631,394	715,589	715,570	19
Other courts	58,620	63,528	47,253	16,275
Total courts	<u>\$ 1,505,001</u>	<u>\$ 1,624,470</u>	<u>\$ 1,527,404</u>	<u>\$ 97,066</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 705,861	\$ 716,596	\$ 702,030	\$ 14,566
Criminal justice services	405,905	405,655	388,892	16,763
Total commonwealth attorney	<u>\$ 1,111,766</u>	<u>\$ 1,122,251</u>	<u>\$ 1,090,922</u>	<u>\$ 31,329</u>
Total judicial administration	<u>\$ 2,616,767</u>	<u>\$ 2,746,721</u>	<u>\$ 2,618,326</u>	<u>\$ 128,395</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,499,283	\$ 4,821,722	\$ 4,696,344	\$ 125,378
Other law enforcement and traffic control	79,777	147,002	101,713	45,289
E-911	1,952,951	2,000,383	1,710,980	289,403
Total law enforcement and traffic control	<u>\$ 6,532,011</u>	<u>\$ 6,969,107</u>	<u>\$ 6,509,037</u>	<u>\$ 460,070</u>
Fire and rescue services:				
Fire and rescue	\$ 1,969,535	\$ 1,997,413	\$ 1,994,102	\$ 3,311
EMS council	9,786	9,786	9,786	-
State forest fire extinction	9,939	9,939	9,939	-
Total fire and rescue services	<u>\$ 1,989,260</u>	<u>\$ 2,017,138</u>	<u>\$ 2,013,827</u>	<u>\$ 3,311</u>
Correction and detention:				
Jail	\$ 2,596,250	\$ 2,478,812	\$ 2,420,813	\$ 57,999
Outside jail services	200,000	233,900	233,013	887
Supervision plan services	49,288	49,288	47,456	1,832
Probation office	471,300	471,300	353,023	118,277
Total correction and detention	<u>\$ 3,316,838</u>	<u>\$ 3,233,300</u>	<u>\$ 3,054,305</u>	<u>\$ 178,995</u>
Inspections:				
Building	\$ 657,391	\$ 667,259	\$ 576,814	\$ 90,445

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

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Public safety: (continued)				
Other protection:				
Animal control	\$ 568,075	\$ 676,214	\$ 656,122	\$ 20,092
Medical examiner	700	700	480	220
Emergency services	<u>2,066,483</u>	<u>2,134,776</u>	<u>1,884,822</u>	<u>249,954</u>
Total other protection	<u>\$ 2,635,258</u>	<u>\$ 2,811,690</u>	<u>\$ 2,541,424</u>	<u>\$ 270,266</u>
Total public safety	<u>\$ 15,130,758</u>	<u>\$ 15,698,494</u>	<u>\$ 14,695,407</u>	<u>\$ 1,003,087</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	<u>\$ 1,107,238</u>	<u>\$ 1,227,684</u>	<u>\$ 1,030,318</u>	<u>\$ 197,366</u>
Total public works	<u>\$ 1,107,238</u>	<u>\$ 1,227,684</u>	<u>\$ 1,030,318</u>	<u>\$ 197,366</u>
Health and welfare:				
Health:				
Local health department	<u>\$ 316,203</u>	<u>\$ 316,203</u>	<u>\$ 308,907</u>	<u>\$ 7,296</u>
Mental health and mental retardation:				
Community services	<u>\$ 310,998</u>	<u>\$ 318,836</u>	<u>\$ 318,836</u>	<u>\$ -</u>
Welfare:				
Community youth services	\$ 3,407,604	\$ 3,763,363	\$ 3,761,943	\$ 1,420
Culpeper cable commission	102,275	102,275	102,275	-
Options	188,151	190,151	175,595	14,556
2nd chance grant	-	-	69,590	(69,590)
Social services administration	6,854,403	6,854,403	5,893,194	961,209
Full circle thrift	430,648	430,648	415,242	15,406
Wheels for work	10,000	10,000	4,015	5,985
Workforce investment board	268,235	268,235	228,969	39,266
Cosmetology center	193,942	193,942	234,680	(40,738)
Daycare	1,408,070	1,408,070	1,508,867	(100,797)
Families first	189,073	189,073	167,889	21,184
Headstart	<u>1,014,052</u>	<u>1,151,066</u>	<u>1,258,933</u>	<u>(107,867)</u>
Total welfare	<u>\$ 14,066,453</u>	<u>\$ 14,561,226</u>	<u>\$ 13,821,192</u>	<u>\$ 740,034</u>
Total health and welfare	<u>\$ 14,693,654</u>	<u>\$ 15,196,265</u>	<u>\$ 14,448,935</u>	<u>\$ 747,330</u>
Education:				
Contributions to community colleges	\$ 1,000	\$ 1,000	\$ 1,000	-
Contributions to Piedmont Tech	77,596	77,596	24,307	53,289
Contributions to Component Unit School Board	<u>30,196,573</u>	<u>30,196,573</u>	<u>28,674,635</u>	<u>1,521,938</u>
Total education	<u>\$ 30,275,169</u>	<u>\$ 30,275,169</u>	<u>\$ 28,699,942</u>	<u>\$ 1,575,227</u>

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

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 331,775	\$ 380,100	\$ 348,033	\$ 32,067
Community complex	246,095	250,745	237,691	13,054
Total parks and recreation	<u>\$ 577,870</u>	<u>\$ 630,845</u>	<u>\$ 585,724</u>	<u>\$ 45,121</u>
Library:				
Library	\$ 855,225	\$ 921,146	\$ 872,066	\$ 49,080
Total parks, recreation and cultural	<u>\$ 1,433,095</u>	<u>\$ 1,551,991</u>	<u>\$ 1,457,790</u>	<u>\$ 94,201</u>
Community development:				
Planning and community development:				
Planning	\$ 583,285	\$ 598,086	\$ 501,707	\$ 96,379
Zoning board	4,500	4,500	721	3,779
Economic development	957,106	969,291	774,699	194,592
Total planning and community development	<u>\$ 1,544,891</u>	<u>\$ 1,571,877</u>	<u>\$ 1,277,127</u>	<u>\$ 294,750</u>
Environmental management:				
Soil and water conservation district	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Cooperative extension program:				
VPI extension	\$ 155,548	\$ 156,548	\$ 132,806	\$ 23,742
Total community development	<u>\$ 1,735,439</u>	<u>\$ 1,763,425</u>	<u>\$ 1,444,933</u>	<u>\$ 318,492</u>
Nondepartmental:				
Employee benefits	\$ 441,156	\$ 378,325	\$ 378,310	\$ 15
Total nondepartmental	<u>\$ 441,156</u>	<u>\$ 378,325</u>	<u>\$ 378,310</u>	<u>\$ 15</u>
Debt service:				
Principal retirement	\$ 4,446,738	\$ 13,329,137	\$ 13,329,095	\$ 42
Interest and fiscal charges	3,964,897	4,112,523	4,084,487	28,036
Total debt service	<u>\$ 8,411,635</u>	<u>\$ 17,441,660</u>	<u>\$ 17,413,582</u>	<u>\$ 28,078</u>
Total expenditures	<u>\$ 79,817,880</u>	<u>\$ 90,424,328</u>	<u>\$ 85,905,729</u>	<u>\$ 4,518,599</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (4,413,757)</u>	<u>\$ (14,395,386)</u>	<u>\$ (9,317,300)</u>	<u>\$ 5,078,086</u>
Other financing sources (uses):				
Issuance of long-term debt	\$ -	\$ 8,984,950	\$ 9,034,403	\$ 49,453
Transfers (out)	(1,148,609)	(1,290,291)	(1,290,291)	-
Total other financing sources (uses)	<u>\$ (1,148,609)</u>	<u>\$ 7,694,659</u>	<u>\$ 7,744,112</u>	<u>\$ 49,453</u>
Changes in fund balances	<u>\$ (5,562,366)</u>	<u>\$ (6,700,727)</u>	<u>\$ (1,573,188)</u>	<u>\$ 5,127,539</u>
Fund balances at beginning of year	<u>5,562,366</u>	<u>6,700,727</u>	<u>28,213,001</u>	<u>21,512,274</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,639,813</u>	<u>\$ 26,639,813</u>

Schedule of Funding Progress for the Virginia Retirement System and Other Post Employment Benefits  
For the Year Ended June 30, 2012

Virginia Retirement System						
County	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
Valuation Date	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 34,001,919	\$ 44,536,659	\$ 10,534,740	76.35%	\$ 13,937,019	75.59%
6/30/2010	32,440,096	41,156,228	8,716,132	78.82%	13,959,631	62.44%
6/30/2009	31,327,190	36,171,711	4,844,521	86.61%	14,618,582	33.14%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 9,146,654	\$ 9,969,339	\$ 822,685	91.75%	\$ 4,038,431	20.37%
6/30/2010	8,688,396	9,557,313	868,917	90.91%	4,122,945	21.08%
6/30/2009	8,299,898	8,597,057	297,159	96.54%	4,294,141	6.92%

Other Post Employment Benefits						
County	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
Valuation Date	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2011	\$ -	\$ 1,457,000	\$ 1,457,000	0.00%	\$ 13,937,019	10.45%
7/1/2010	-	1,386,000	1,386,000	0.00%	13,959,631	9.93%
6/21/2007	-	611,000	611,000	0.00%	14,618,582	4.18%

Discretely Presented Component Unit - School Board

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2011	\$ -	\$ 2,432,000	\$ 2,432,000	0.00%	\$ 40,395,037	6.02%
7/1/2010	-	2,356,000	2,356,000	0.00%	N/A	N/A
7/2/2007	-	2,484,000	2,484,000	0.00%	N/A	N/A

Virginia Retirement System - Health Insurance Credit

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 162,967	\$ 192,547	\$ 29,580	84.64%	\$ 4,038,431	0.73%
6/30/2010	131,073	185,642	54,569	70.61%	4,122,945	1.32%
6/30/2009	101,067	172,050	70,983	58.74%	4,294,141	1.65%

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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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 13,985	\$ 13,985
Miscellaneous	-	1,000	1,000	-
Intergovernmental:				
Commonwealth	-	-	93,094	93,094
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ 1,000</b>	<b>\$ 108,079</b>	<b>\$ 107,079</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government administration	\$ -	\$ 480,781	\$ 30,323	\$ 450,458
Public works	30,000	3,619,630	1,202,565	2,417,065
Parks & recreation	-	845,199	171,767	673,432
Debt service:				
Interest and other fiscal charges	-	-	127,518	(127,518)
<b>Total expenditures</b>	<b>\$ 30,000</b>	<b>\$ 4,945,610</b>	<b>\$ 1,532,173</b>	<b>\$ 3,413,437</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (30,000)</b>	<b>\$ (4,944,610)</b>	<b>\$ (1,424,094)</b>	<b>\$ 3,520,516</b>
<b>Other financing sources (uses):</b>				
Issuance of long-term debt	\$ -	\$ 1,227,599	\$ 2,510,397	\$ 1,282,798
Transfers in	30,000	30,000	30,000	-
<b>Total other financing sources (uses)</b>	<b>\$ 30,000</b>	<b>\$ 1,257,599</b>	<b>\$ 2,540,397</b>	<b>\$ 1,282,798</b>
<b>Changes in fund balances</b>	<b>\$ -</b>	<b>\$ (3,687,011)</b>	<b>\$ 1,116,303</b>	<b>\$ 4,803,314</b>
<b>Fund balances at beginning of year</b>	<b>-</b>	<b>3,687,011</b>	<b>151,354</b>	<b>(3,535,657)</b>
<b>Fund balances at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,267,657</b>	<b>\$ 1,267,657</b>

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

	Special Welfare Fund	Sheriff Commissary Fund	Piedmont Tech Fund	Healthy Culpeper Fund	Thrift Store	Totals
<b>Assets:</b>						
Cash and cash equivalents	\$ 175,828	\$ 23,052	\$ -	\$ 19,498	\$ 230,860	\$ 449,238
Total assets	<u>\$ 175,828</u>	<u>\$ 23,052</u>	<u>\$ -</u>	<u>\$ 19,498</u>	<u>\$ 230,860</u>	<u>\$ 449,238</u>
<b>Liabilities:</b>						
Amounts held for others	\$ -	\$ -	\$ -	\$ 19,498	\$ 230,860	\$ 250,358
Amounts held for inmates	-	23,052	-	-	-	23,052
Amounts held for social services clients	<u>175,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,828</u>
Total liabilities	<u>\$ 175,828</u>	<u>\$ 23,052</u>	<u>\$ -</u>	<u>\$ 19,498</u>	<u>\$ 230,860</u>	<u>\$ 449,238</u>

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 239,684	\$ 115,781	\$ 179,637	\$ 175,828
Liabilities:				
Amounts held for social services clients	\$ 239,684	\$ 115,781	\$ 179,637	\$ 175,828
<b>Sheriff Commissary Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 26,715	\$ 195,258	\$ 198,921	\$ 23,052
Liabilities:				
Due to other governments	\$ 18,607	\$ -	\$ 18,607	\$ -
Amounts held for inmates	8,108	195,258	180,314	23,052
Total liabilities	\$ 26,715	\$ 195,258	\$ 198,921	\$ 23,052
<b>Piedmont Tech Fund:</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 38,012	\$ 38,012	\$ -
Accounts receivable	936	-	936	-
Total assets	\$ 936	\$ 38,012	\$ 38,948	\$ -
Liabilities:				
Amounts held for others	\$ 936	\$ 38,012	\$ 38,948	\$ -
<b>Healthy Culpeper Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 16,349	\$ 19,562	\$ 16,413	\$ 19,498
Liabilities:				
Amounts held for others	\$ 16,349	\$ 19,562	\$ 16,413	\$ 19,498
<b>Thrift Store:</b>				
Assets:				
Cash and cash equivalents	\$ 200,945	\$ 426,696	\$ 396,781	\$ 230,860
Liabilities:				
Amounts held for others	\$ 200,945	\$ 426,696	\$ 396,781	\$ 230,860
<b>Totals -- All agency funds</b>				
Assets:				
Cash and cash equivalents	\$ 483,693	\$ 795,309	\$ 829,764	\$ 449,238
Accounts receivable	936	-	936	-
Total assets	\$ 484,629	\$ 795,309	\$ 830,700	\$ 449,238
Liabilities:				
Amounts held for social services clients	\$ 239,684	\$ 115,781	\$ 179,637	\$ 175,828
Amounts held for inmates	8,108	195,258	180,314	23,052
Due to other governments	18,607	-	18,607	-
Amounts held for others	218,230	484,270	452,142	250,358
Total liabilities	\$ 484,629	\$ 795,309	\$ 830,700	\$ 449,238

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**Discretely Presented Component Unit-School Board**

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

	Governmental Funds			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
<b>Assets:</b>				
Cash and cash equivalents	\$ 98,094	\$ 1,713,839	\$ 724,931	\$ 2,536,864
Receivables (net of allowances for uncollectibles):				
Accounts receivable	-	-	181,006	181,006
Due from other governmental units	2,419,160	-	-	2,419,160
Due from primary government	4,715,236	-	-	4,715,236
<b>Total assets</b>	<b>\$ 7,232,490</b>	<b>\$ 1,713,839</b>	<b>\$ 905,937</b>	<b>\$ 9,852,266</b>
<b>Liabilities:</b>				
Accounts payable	\$ 345,743	\$ -	\$ 142,740	\$ 488,483
Accrued liabilities	6,886,747	194,444	-	7,081,191
<b>Total liabilities</b>	<b>\$ 7,232,490</b>	<b>\$ 194,444</b>	<b>\$ 142,740</b>	<b>\$ 7,569,674</b>
<b>Fund Balances:</b>				
Committed	\$ -	\$ -	\$ 763,197	\$ 763,197
Assigned	-	1,519,395	-	1,519,395
<b>Total fund balances</b>	<b>\$ -</b>	<b>\$ 1,519,395</b>	<b>\$ 763,197</b>	<b>\$ 2,282,592</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,232,490</b>	<b>\$ 1,713,839</b>	<b>\$ 905,937</b>	

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

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the School Board as a whole.	\$ 36,877,366
Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term are reported in the statement of net assets.	(1,404,461)
<b>Net assets of Government Activities</b>	<b>\$ 37,755,497</b>

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

	Governmental Fund Types			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
Revenues:				
Revenue from use of money and property	\$ 46,156	\$ 10,060	\$ 20	\$ 56,236
Charges for services	111,672	1,628,569	-	1,740,241
Miscellaneous	1,276,688	19,195	368,778	1,664,661
Intergovernmental:				
County contribution to School Board	28,674,635	-	-	28,674,635
Commonwealth	34,604,396	48,064	-	34,652,460
Federal	4,673,503	1,893,565	-	6,567,068
Total revenues	<u>\$ 69,387,050</u>	<u>\$ 3,599,453</u>	<u>\$ 368,798</u>	<u>\$ 73,355,301</u>
Expenditures:				
Current:				
Education	\$ 69,114,091	\$ 3,453,328	\$ -	\$ 72,567,419
Capital projects	-	-	929,053	929,053
Debt service:				
Principal retirement	264,116	-	-	264,116
Interest and other fiscal charges	8,843	-	-	8,843
Total expenditures	<u>\$ 69,387,050</u>	<u>\$ 3,453,328</u>	<u>\$ 929,053</u>	<u>\$ 73,769,431</u>
Changes in fund balances	\$ -	\$ 146,125	\$ (560,255)	\$ (414,130)
Fund balances at beginning of year	-	1,373,270	1,323,452	2,696,722
Fund balances at end of year	<u>\$ -</u>	<u>\$ 1,519,395</u>	<u>\$ 763,197</u>	<u>\$ 2,282,592</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, 2012

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 130,000	\$ 130,000	\$ 46,156	\$ (83,844)
Charges for services	384,500	384,500	111,672	(272,828)
Miscellaneous	1,031,296	1,031,296	1,276,688	245,392
Intergovernmental:				
County contribution to School Board	30,196,573	30,196,573	28,674,635	(1,521,938)
Commonwealth	33,797,456	33,797,456	34,604,396	806,940
Federal	4,806,763	4,806,763	4,673,503	(133,260)
<b>Total revenues</b>	<b>\$ 70,346,588</b>	<b>\$ 70,346,588</b>	<b>\$ 69,387,050</b>	<b>\$ (959,538)</b>
Expenditures:				
Current:				
Education:				
Instruction	\$ 52,191,620	\$ 52,577,235	\$ 52,307,419	\$ 269,816
Administration, attendance and health	3,692,861	3,057,246	2,987,444	69,802
Pupil transportation	4,191,317	4,341,317	4,287,642	53,675
Operation and maintenance of school plant	7,837,335	7,552,138	6,996,437	555,701
Facilities	126,975	126,975	125,464	1,511
Technology instruction	2,033,486	2,418,683	2,409,685	8,998
School food service	-	-	-	-
<b>Total education</b>	<b>\$ 70,073,594</b>	<b>\$ 70,073,594</b>	<b>\$ 69,114,091</b>	<b>\$ 959,503</b>
Capital Projects	-	-	-	-
Debt service:				
Principal retirement	264,116	264,116	264,116	-
Interest and other fiscal charges	8,878	8,878	8,843	35
<b>Total expenditures</b>	<b>\$ 70,346,588</b>	<b>\$ 70,346,588</b>	<b>\$ 69,387,050</b>	<b>\$ 959,538</b>
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)
\$ -	\$ -	\$ 10,060	\$ 10,060	\$ -	\$ -	\$ 20	\$ 20
1,957,438	1,957,438	1,628,569	(328,869)	-	-	-	-
-	-	19,195	19,195	-	187,772	368,778	181,006
-	-	-	-	-	-	-	-
40,734	40,734	48,064	7,330	-	-	-	-
1,377,923	1,377,923	1,893,565	515,642	-	-	-	-
<u>\$ 3,376,095</u>	<u>\$ 3,376,095</u>	<u>\$ 3,599,453</u>	<u>\$ 223,358</u>	<u>\$ -</u>	<u>\$ 187,772</u>	<u>\$ 368,798</u>	<u>\$ 181,026</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,376,095</u>	<u>3,376,095</u>	<u>3,453,328</u>	<u>(77,233)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,376,095</u>	<u>\$ 3,376,095</u>	<u>\$ 3,453,328</u>	<u>\$ (77,233)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	-	3,431,599	929,053	2,502,546
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,376,095</u>	<u>\$ 3,376,095</u>	<u>\$ 3,453,328</u>	<u>\$ (77,233)</u>	<u>\$ -</u>	<u>\$ 3,431,599</u>	<u>\$ 929,053</u>	<u>\$ 2,502,546</u>
\$ -	\$ -	\$ 146,125	\$ 146,125	\$ -	\$ (3,243,827)	\$ (560,255)	\$ 2,683,572
-	-	1,373,270	1,373,270	-	3,243,827	1,323,452	(1,920,375)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,519,395</u>	<u>\$ 1,519,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 763,197</u>	<u>\$ 763,197</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, 2012

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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	\$	(414,130)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation expense in the current period:

Capital asset additions	\$	1,741,180	
Depreciation expense		<u>(2,373,191)</u>	(632,011)

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

Accrued leave	\$	(20,151)	
Other post employment benefits		<u>(113,000)</u>	(133,151)

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

Principal retired on capital lease obligations	\$	264,116	264,116
--	----	---------	---------

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board			<u>3,183,984</u>
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Change in net assets of governmental activities	\$	<u><u>2,268,808</u></u>
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## Supporting Schedule

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Governmental Funds and Discretely Presented Component Unit - School Board  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 30,037,412	\$ 30,037,412	\$ 30,009,476	\$ (27,936)
Real and personal public service corporation property taxes	1,255,930	1,255,930	1,489,456	233,526
Personal property taxes	11,601,326	11,601,326	12,346,646	745,320
Mobile home taxes	17,470	17,470	18,018	548
Machinery and tools taxes	1,457,810	1,457,810	1,404,562	(53,248)
Aircraft taxes	30,746	30,746	30,388	(358)
Recreational property taxes	130,358	130,358	158,317	27,959
Penalties	400,000	400,000	493,523	93,523
Interest	250,000	250,000	373,395	123,395
<b>Total general property taxes</b>	<b>\$ 45,181,052</b>	<b>\$ 45,181,052</b>	<b>\$ 46,323,781</b>	<b>\$ 1,142,729</b>
Other local taxes:				
Local sales and use taxes	\$ 4,600,000	\$ 4,600,000	\$ 4,782,750	\$ 182,750
Transient occupancy tax	15,000	15,000	15,199	199
Consumer utility taxes	742,295	742,295	753,893	11,598
Bank Stock taxes	-	-	19,958	19,958
Motor vehicle licenses tax	650,000	650,000	724,866	74,866
Taxes on recordation and wills	550,000	550,000	554,087	4,087
<b>Total other local taxes</b>	<b>\$ 6,557,295</b>	<b>\$ 6,557,295</b>	<b>\$ 6,850,753</b>	<b>\$ 293,458</b>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 20,200	\$ 20,200	\$ 18,259	\$ (1,941)
Building and related permits	400,000	400,000	315,303	(84,697)
Other permits and licenses	90,400	90,400	95,395	4,995
<b>Total permits, privilege fees and regulatory licenses</b>	<b>\$ 510,600</b>	<b>\$ 510,600</b>	<b>\$ 428,957</b>	<b>\$ (81,643)</b>
Fines and Forfeitures:				
Court fines and forfeitures	\$ 65,000	\$ 65,000	\$ 89,089	\$ 24,089
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 6,292	\$ (43,708)
Revenue from use of property	261,747	261,747	296,866	35,119
<b>Total revenue from use of money and property</b>	<b>\$ 311,747</b>	<b>\$ 311,747</b>	<b>\$ 303,158</b>	<b>\$ (8,589)</b>

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2012 (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	\$ -	\$ -	\$ 2,220	\$ 2,220
Charges for Commonwealth's attorney	1,000	1,000	4,200	3,200
Charges for parks and recreation	103,690	150,484	109,882	(40,602)
Charges for law enforcement and traffic control	14,000	14,000	11,980	(2,020)
Charges for courthouse maintenance fees	17,500	17,500	14,494	(3,006)
Charges for courthouse and courtroom security fees	94,000	94,000	75,670	(18,330)
Charges for other court costs	800	800	479	(321)
Charges for other protection	58,500	116,151	151,176	35,025
Charges for library	60,000	96,871	73,474	(23,397)
Charges for fire and rescue services	400,000	400,000	489,110	89,110
Charges for planning and community development	18,769	18,769	2,921	(15,848)
Full circle thrift fees	-	-	215,505	215,505
Charges for law library	15,000	15,000	13,407	(1,593)
Cosmetology fees	193,942	193,942	335,835	141,893
Charges for daycare	1,308,070	1,308,070	1,540,117	232,047
Total charges for services	<u>\$ 2,285,271</u>	<u>\$ 2,426,587</u>	<u>\$ 3,040,470</u>	<u>\$ 613,883</u>
Miscellaneous revenue:				
Miscellaneous	<u>\$ 598,648</u>	<u>\$ 643,773</u>	<u>\$ 337,516</u>	<u>\$ (306,257)</u>
Total miscellaneous revenue	<u>\$ 598,648</u>	<u>\$ 643,773</u>	<u>\$ 337,516</u>	<u>\$ (306,257)</u>
Recovered costs:				
Wheels for work	\$ 10,000	\$ 10,000	\$ 13,210	\$ 3,210
Town of Culpeper E-911	323,169	323,169	321,592	(1,577)
Payments from localities	18,001	18,001	33,815	15,814
Total recovered costs	<u>\$ 351,170</u>	<u>\$ 351,170</u>	<u>\$ 368,617</u>	<u>\$ 17,447</u>
Total revenue from local sources	<u>\$ 55,860,783</u>	<u>\$ 56,047,224</u>	<u>\$ 57,742,341</u>	<u>\$ 1,695,117</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 39,000	\$ 39,000	\$ 39,782	\$ 782
Recordation tax	135,000	135,000	176,023	41,023
Mobile home titling taxes	8,000	8,000	6,922	(1,078)
Communications tax	2,098,705	2,098,705	2,098,705	-
PPTRA	3,367,808	3,367,808	3,367,808	-
Auto rental tax	46,000	46,000	52,813	6,813
Total noncategorical aid	<u>\$ 5,694,513</u>	<u>\$ 5,694,513</u>	<u>\$ 5,742,053</u>	<u>\$ 47,540</u>

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2012 (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	\$ 341,745	\$ 341,745	\$ 368,882	\$ 27,137
Sheriff	2,438,692	2,438,692	2,649,297	210,605
Commissioner of the Revenue	105,920	105,920	115,797	9,877
Treasurer	99,386	99,386	107,205	7,819
Registrar/electoral board	48,510	75,102	64,091	(11,011)
Clerk of the Circuit Court	271,702	299,462	311,710	12,248
Combined Court	13,400	13,400	11,995	(1,405)
<b>Total shared expenses</b>	<b>\$ 3,319,355</b>	<b>\$ 3,373,707</b>	<b>\$ 3,628,977</b>	<b>\$ 255,270</b>
Other categorical aid:				
Welfare administration and assistance	\$ 3,965,205	\$ 3,965,205	\$ 1,395,477	\$ (2,569,728)
Local jail	126,000	126,000	135,013	9,013
Fire service program	68,000	77,678	81,025	3,347
Families first grant	145,629	145,629	126,071	(19,558)
Options	22,000	23,500	17,355	(6,145)
Library aid	148,800	146,531	146,531	-
E-911 wireless	72,500	72,500	96,553	24,053
Two for life funds	39,000	43,443	43,443	-
Community youth services grant	2,307,791	2,405,837	2,209,229	(196,608)
Juvenile and domestic relations	51,869	51,869	51,802	(67)
Criminal justice services	237,022	237,022	237,021	(1)
Crime victim assistance	17,600	17,600	17,952	352
Other categorical aid	30,700	83,632	65,349	(18,283)
<b>Total other categorical aid</b>	<b>\$ 7,232,116</b>	<b>\$ 7,396,446</b>	<b>\$ 4,622,821</b>	<b>\$ (2,773,625)</b>
<b>Total categorical aid</b>	<b>\$ 10,551,471</b>	<b>\$ 10,770,153</b>	<b>\$ 8,251,798</b>	<b>\$ (2,518,355)</b>
<b>Total revenue from the Commonwealth</b>	<b>\$ 16,245,984</b>	<b>\$ 16,464,666</b>	<b>\$ 13,993,851</b>	<b>\$ (2,470,815)</b>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2012 (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	\$ 1,626,006	\$ 1,626,006	\$ 2,770,472	\$ 1,144,466
Adult services grant	262,235	262,235	220,678	(41,557)
Department of justice grants	36,638	37,759	36,638	(1,121)
Emergency services	-	-	10,751	10,751
Victim witness grant	52,800	52,800	53,856	1,056
Electoral board	-	-	26,592	26,592
USDA grant funds	100,000	237,014	371,339	134,325
Headstart	1,014,052	1,014,052	1,031,277	17,225
Drug forfeitures	-	-	1,143	1,143
2nd chance grant	-	-	65,941	65,941
ARRA-Green grant	205,625	205,625	191,034	(14,591)
Federal interest subsidy	-	45,075	44,841	(234)
Law enforcement grant	-	14,536	14,536	-
DMV selective enforcement grant	-	21,950	13,139	(8,811)
Total revenue from the federal government	<u>\$ 3,297,356</u>	<u>\$ 3,517,052</u>	<u>\$ 4,852,237</u>	<u>\$ 1,335,185</u>
Total General Fund	<u>\$ 75,404,123</u>	<u>\$ 76,028,942</u>	<u>\$ 76,588,429</u>	<u>\$ 559,487</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 199	\$ 199
Revenue from use of property	-	-	13,786	13,786
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,985</u>	<u>\$ 13,985</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ 1,000	\$ 1,000	\$ -
Total revenue from local sources	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 14,985</u>	<u>\$ 13,985</u>
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grant	\$ -	\$ -	\$ 93,094	\$ 93,094
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,094</u>	<u>\$ 93,094</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 108,079</u>	<u>\$ 107,079</u>
Total Revenues -- Primary Government	<u>\$ 75,404,123</u>	<u>\$ 76,029,942</u>	<u>\$ 76,696,508</u>	<u>\$ 666,566</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2012 (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	\$ -	\$ -	\$ 3	\$ 3
Revenue from use of property	130,000	130,000	46,153	(83,847)
Total revenue from use of money and property	\$ 130,000	\$ 130,000	\$ 46,156	\$ (83,844)
Charges for services:				
Textbook sales	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Transportation and field trips	45,000	45,000	85,500	40,500
Tuition and fees	333,500	333,500	26,172	(307,328)
Total charges for services	\$ 384,500	\$ 384,500	\$ 111,672	\$ (272,828)
Miscellaneous revenue:				
Miscellaneous	\$ 1,031,296	\$ 1,031,296	\$ 1,276,688	\$ 245,392
Total miscellaneous revenue	\$ 1,031,296	\$ 1,031,296	\$ 1,276,688	\$ 245,392
Total revenue from local sources	\$ 1,545,796	\$ 1,545,796	\$ 1,434,516	\$ (111,280)
Intergovernmental:				
County contribution to School Board	\$ 30,196,573	\$ 30,196,573	\$ 28,674,635	\$ (1,521,938)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 6,935,854	\$ 6,935,854	\$ 7,109,398	\$ 173,544
Basic school aid	19,373,424	19,373,424	18,808,493	(564,931)
Special education-SOQ	1,837,892	1,837,892	1,844,700	6,808
Primary class size	468,931	468,931	489,909	20,978
Gifted and talented	202,741	202,741	203,492	751
Remedial education	409,890	409,890	411,408	1,518
School construction	-	-	573,405	573,405
Vocational education-SOQ	436,334	436,334	437,950	1,616
Educational technology	310,000	310,000	620,000	310,000
At - risk	308,483	308,483	309,703	1,220
Textbook	178,765	178,765	88,659	(90,106)
Fringe benefits	2,128,781	2,128,781	2,096,854	(31,927)
ESL	188,550	188,550	203,686	15,136
Special education-Tuition	-	-	574,363	574,363
At risk four year olds	-	-	272,984	272,984
Other categorical aid	1,017,811	1,017,811	559,392	(458,419)
Total categorical aid	\$ 33,797,456	\$ 33,797,456	\$ 34,604,396	\$ 806,940
Total revenue from the Commonwealth	\$ 33,797,456	\$ 33,797,456	\$ 34,604,396	\$ 806,940

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,230,988	\$ 1,230,988	\$ 1,226,142	\$ (4,846)
ARRA-Title I school improvement	358,334	358,334	321,279	(37,055)
Title II -- Part A	339,565	339,565	232,651	(106,914)
Title VI - B	1,449,228	1,449,228	1,389,158	(60,070)
Preschool incentive	41,494	41,494	41,397	(97)
ARRA-Preschool incentive	-	-	3,514	3,514
Technology grant	-	-	67	67
Title III	42,803	42,803	34,504	(8,299)
Vocational education	92,000	92,000	117,578	25,578
ARRA-Education Jobs Fund	1,117,000	1,117,000	1,307,213	190,213
Miscellaneous federal grants	135,351	135,351	-	(135,351)
Total revenue from the federal government	<u>\$ 4,806,763</u>	<u>\$ 4,806,763</u>	<u>\$ 4,673,503</u>	<u>\$ (133,260)</u>
Total School Operating Fund	<u>\$ 70,346,588</u>	<u>\$ 70,346,588</u>	<u>\$ 69,387,050</u>	<u>\$ (959,538)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 10,060	\$ 10,060
Charges for services:				
Cafeteria sales	1,957,438	1,957,438	1,628,569	(328,869)
Miscellaneous revenue:				
Miscellaneous	-	-	19,195	19,195
Total revenue from local sources	<u>\$ 1,957,438</u>	<u>\$ 1,957,438</u>	<u>\$ 1,657,824</u>	<u>\$ (299,614)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 40,734	\$ 40,734	\$ 48,064	\$ 7,330
Total revenue from the Commonwealth	<u>\$ 40,734</u>	<u>\$ 40,734</u>	<u>\$ 48,064</u>	<u>\$ 7,330</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,377,923	\$ 1,377,923	\$ 1,893,565	\$ 515,642
Total revenue from the federal government	<u>\$ 1,377,923</u>	<u>\$ 1,377,923</u>	<u>\$ 1,893,565</u>	<u>\$ 515,642</u>
Total School Cafeteria Fund	<u>\$ 3,376,095</u>	<u>\$ 3,376,095</u>	<u>\$ 3,599,453</u>	<u>\$ 223,358</u>

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2012 (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	\$ -	\$ -	\$ 20	\$ 20
Miscellaneous revenue:				
Miscellaneous	-	187,772	368,778	181,006
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ 187,772</u>	<u>\$ 368,798</u>	<u>\$ 181,026</u>
Total Revenues--Component Unit--School Board	<u>\$ 73,722,683</u>	<u>\$ 73,910,455</u>	<u>\$ 73,355,301</u>	<u>\$ (555,154)</u>
Total Revenues -- Reporting Entity	<u>\$ 149,126,806</u>	<u>\$ 149,940,397</u>	<u>\$ 150,051,809</u>	<u>\$ 111,412</u>

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Description	Table #
<b><i>Financial Trends</i></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 Assets by Component	1
Changes in Net Assets	2
Governmental Activities Tax Revenues by Source (Accrual Basis of Accounting)	3
Fund Balances of Governmental Funds	4
Changes in Fund Balances of Governmental Funds	5
Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accounting)	6
<b><i>Revenue Capacity</i></b>	
These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	
Assessed Value of Taxable Property	7
Property Tax Rates	8
Principal Taxpayers	9
Property Tax Levies and Collections	10
<b><i>Debt Capacity</i></b>	
These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	
Ratios of Outstanding Debt by Type	11
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	12
Computation of Direct and Overlapping Bonded Debt	13
<b><i>Demographic and Economic Information</i></b>	
This table offers demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	
Demographic and Economic Statistics	14
<b><i>Operating Information</i></b>	
These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	
Principal Employers	15
Full-time Equivalent County Government Employees by Function	16
Operating Indicators by Function	17
Capital Asset Statistics by Function	18

***Sources:***

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

COUNTY OF CULPEPER, VIRGINIA

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities:			
Invested in capital assets, net of related debt	\$ 6,486,359	\$ 6,935,344	\$ 14,986,153
Restricted	4,419,784	5,558,267	285,663
Unrestricted	18,533,545	19,919,678	24,746,856
Total governmental activities net assets	<u>\$ 29,439,688</u>	<u>\$ 32,413,289</u>	<u>\$ 40,018,672</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 9,112,272	\$ 11,934,526	\$ 13,272,556
Unrestricted	(64,870)	(82,002)	420,504
Total primary government expenses	<u>\$ 9,047,402</u>	<u>\$ 11,852,524</u>	<u>\$ 13,693,060</u>
Primary government			
Invested in capital assets, net of related debt	\$ 15,598,631	\$ 18,869,870	\$ 28,258,709
Restricted	4,419,784	5,558,267	285,663
Unrestricted	18,468,675	19,837,676	25,167,360
Total primary government	<u>\$ 38,487,090</u>	<u>\$ 44,265,813</u>	<u>\$ 53,711,732</u>

Table 1

2006	2007	2008	2009	2010	2011	2012
\$ 10,685,692	\$ 14,961,689	\$ 18,469,361	\$ 25,331,224	\$ 21,744,425	\$ 21,370,300	\$ 17,778,776
291,256	-	-	-	-	-	-
(16,216,855)	4,410,152	18,933,684	18,086,410	25,869,837	27,474,989	27,471,050
<u>\$ (5,239,907)</u>	<u>\$ 19,371,841</u>	<u>\$ 37,403,045</u>	<u>\$ 43,417,634</u>	<u>\$ 47,614,262</u>	<u>\$ 48,845,289</u>	<u>\$ 45,249,826</u>
\$ 16,010,805	\$ 25,343,202	\$ 36,145,416	\$ 38,532,234	\$ 38,791,879	\$ 41,694,088	\$ 40,660,307
1,219,337	(1,011,200)	4,832,584	3,592,573	2,974,397	3,178,202	2,598,615
<u>\$ (4,020,570)</u>	<u>\$ 24,332,002</u>	<u>\$ 40,978,000</u>	<u>\$ 42,124,807</u>	<u>\$ 41,766,276</u>	<u>\$ 44,872,290</u>	<u>\$ 43,258,922</u>
\$ 26,696,497	\$ 40,304,891	\$ 54,614,777	\$ 63,863,458	\$ 60,536,304	\$ 63,064,388	\$ 58,439,083
291,256	-	-	-	-	-	-
(14,997,518)	3,398,952	23,766,268	21,678,983	28,844,234	30,653,191	30,069,665
<u>\$ 11,990,235</u>	<u>\$ 43,703,843</u>	<u>\$ 78,381,045</u>	<u>\$ 85,542,441</u>	<u>\$ 89,380,538</u>	<u>\$ 93,717,579</u>	<u>\$ 88,508,748</u>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses:</b>										
Governmental activities:										
General government										
administration	\$ 2,468,960	\$ 2,499,392	\$ 2,953,543	\$ 3,543,334	\$ 3,853,551	\$ 4,081,639	\$ 4,256,847	\$ 3,775,509	\$ 3,633,816	\$ 3,800,416
Judicial administration	1,629,071	1,740,818	1,969,364	2,069,759	2,205,424	2,457,649	2,373,026	2,447,227	2,473,186	2,624,197
Public safety	7,633,263	9,103,918	10,081,478	12,172,591	13,041,979	14,246,020	14,047,751	13,702,268	13,562,228	14,386,558
Public works	864,885	1,283,304	1,479,809	1,352,053	1,189,262	3,575,121	3,130,874	1,568,686	2,583,345	1,618,568
Health & welfare	8,278,682	10,142,768	10,379,264	11,967,563	12,836,396	14,807,178	14,814,505	15,032,809	12,738,839	14,647,425
Education	20,107,328	22,735,578	23,427,804	77,431,819	34,846,547	31,778,033	32,740,398	31,510,041	34,331,434	34,440,476
Parks, recreation, & cultural	1,069,204	1,095,318	1,100,173	1,262,842	1,740,458	1,870,925	1,970,055	1,919,952	1,600,257	1,567,789
Community development	895,279	956,662	1,120,188	1,329,556	1,268,077	1,486,477	1,962,771	1,452,963	1,610,886	1,460,773
Capital outlays	485,137	-	-	-	-	-	-	-	-	-
Interest & other fiscal charges	1,992,258	1,770,141	1,862,068	4,411,072	4,329,496	4,529,751	4,378,949	4,389,711	4,099,392	4,092,858
<b>Total governmental activities expenses</b>	<b>\$ 45,424,067</b>	<b>\$ 51,327,899</b>	<b>\$ 54,373,691</b>	<b>\$ 115,540,589</b>	<b>\$ 75,311,190</b>	<b>\$ 78,832,793</b>	<b>\$ 79,675,176</b>	<b>\$ 75,799,166</b>	<b>\$ 76,633,383</b>	<b>\$ 78,639,060</b>
Business-type activities:										
Landfill	\$ 1,984,407	\$ 2,646,458	\$ 2,782,599	\$ 3,275,796	\$ 3,363,244	\$ 3,297,771	\$ 2,707,086	\$ 2,222,198	\$ 2,138,539	\$ 1,886,407
Water & sewer	188,694	288,077	429,363	487,099	648,395	606,918	668,330	756,992	1,221,589	1,221,665
Airport	684,971	698,619	835,945	1,313,602	1,424,084	1,522,674	1,590,711	1,582,110	1,475,240	1,723,893
Water & sewer authority	-	-	563	8,157	947	23,117	68,256	16,591	314,927	1,009,152
<b>Total business-type activities expenses</b>	<b>\$ 2,858,072</b>	<b>\$ 3,633,154</b>	<b>\$ 4,048,470</b>	<b>\$ 5,084,654</b>	<b>\$ 5,436,670</b>	<b>\$ 5,450,480</b>	<b>\$ 5,034,383</b>	<b>\$ 4,577,891</b>	<b>\$ 5,150,295</b>	<b>\$ 5,841,117</b>
<b>Total primary government expenses</b>	<b>\$ 48,282,139</b>	<b>\$ 54,961,053</b>	<b>\$ 58,422,161</b>	<b>\$ 120,625,243</b>	<b>\$ 80,747,860</b>	<b>\$ 84,283,273</b>	<b>\$ 84,709,559</b>	<b>\$ 80,377,057</b>	<b>\$ 81,783,678</b>	<b>\$ 84,480,177</b>
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
General government										
administration	\$ 56,078	\$ 5,314	\$ -	\$ -	\$ -	\$ -	\$ 566,496	\$ -	\$ -	\$ -
Judicial administration	167,192	435,977	443,567	402,299	370,614	283,699	298,632	230,856	249,528	199,559
Public safety	793,213	1,328,513	2,184,845	122,835	1,677,223	1,499,059	733,912	1,093,514	1,101,495	1,081,223
Public works	17,616	18,083	-	-	18,642	-	-	-	-	-
Health & welfare	771,698	880,732	1,085,833	1,199,314	1,142,631	1,673,477	1,718,636	1,522,702	1,461,360	2,091,457
Parks, recreation, & cultural	68,785	111,668	133,158	155,619	144,187	479,094	120,581	162,289	193,087	183,356
Community development	188,124	149,030	2,040	2,153,675	57,060	5,107	1,724	1,643	4,522	2,921
Operating grants & contributions:										
General government										
administration	246,005	241,638	472,252	278,320	327,369	354,849	321,064	309,388	320,640	358,526
Judicial administration	886,897	887,111	566,048	1,357,127	1,390,202	761,272	702,737	666,028	686,096	692,587
Public safety	2,649,665	2,795,970	3,551,388	2,951,304	2,962,762	3,730,211	3,852,005	3,511,081	3,506,061	3,506,375
Public works	26,494	6,593	-	-	-	30,014	-	183,088	-	-
Health & welfare	5,463,176	6,235,198	6,963,769	7,761,645	7,266,594	8,658,725	8,865,082	9,418,108	8,719,521	8,208,982
Parks, recreation, & cultural	125,966	132,616	151,407	-	177,794	183,091	173,625	168,706	148,913	146,531
Community development	5,000	5,000	45,182	-	-	-	500,000	-	194,062	191,034
Interest on long-term debt	-	-	-	-	-	-	-	20,136	-	-
Capital grants & contributions	96,202	4,850	-	1,282,500	26,335,715	26,042,891	7,483,680	4,910,289	317,073	93,094
<b>Total governmental activities program revenues</b>	<b>\$ 11,562,111</b>	<b>\$ 13,238,293</b>	<b>\$ 15,599,489</b>	<b>\$ 17,664,638</b>	<b>\$ 41,870,793</b>	<b>\$ 43,701,489</b>	<b>\$ 25,338,174</b>	<b>\$ 22,197,828</b>	<b>\$ 16,902,358</b>	<b>\$ 16,755,645</b>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Program revenues: (Continued)</b>										
Business-type activities:										
Charges for services:										
Landfill	\$ 1,291,907	\$ 1,672,544	\$ 2,288,332	\$ 2,667,679	\$ 2,650,528	\$ 2,469,848	\$ 1,587,384	\$ 1,186,803	\$ 1,109,940	\$ 1,094,329
Water & sewer	27,967	165,484	99,073	131,796	115,968	193,935	161,933	242,502	951,072	775,115
Airport	454,852	425,059	537,790	618,393	712,810	729,831	783,149	688,225	731,398	813,900
Operating grants & contributions:										
Water & sewer	-	-	-	-	800	-	-	-	-	-
Airport	-	-	-	-	11,627	-	-	7,560	14,123	50,755
Capital grants & contributions	980,844	3,809,913	496,474	3,244,989	5,950,655	12,222,118	1,686,515	381,494	6,831,743	226,084
<b>Total business-type activities program revenues</b>	<b>\$ 2,755,570</b>	<b>\$ 6,073,000</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>Total primary government program revenues</b>	<b>\$ 14,317,681</b>	<b>\$ 19,311,293</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>
Net (expense) / revenue										
Governmental activities	\$ (33,861,956)	\$ (38,089,606)	\$ (38,774,202)	\$ (97,875,951)	\$ (33,440,397)	\$ (35,131,304)	\$ (54,337,002)	\$ (53,601,338)	\$ (59,731,025)	\$ (61,883,415)
Business-type activities	(102,502)	2,439,846	(626,801)	1,578,203)	4,005,718	10,165,252	(815,402)	(2,071,307)	4,487,981	(2,880,934)
<b>Total primary government net expense</b>	<b>\$ (33,964,458)</b>	<b>\$ (35,649,760)</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>General Revenues &amp; Other</b>										
<b>Changes in Net Assets</b>										
Governmental activities:										
General property taxes	\$ 24,428,142	\$ 29,451,312	\$ 32,650,412	\$ 36,481,179	\$ 44,768,171	\$ 44,724,837	\$ 48,819,205	\$ 45,953,541	\$ 46,440,370	\$ 46,299,778
Local sales & use taxes	3,830,741	4,671,523	5,426,631	5,525,376	5,071,523	5,103,979	4,518,626	4,670,002	4,710,612	4,782,750
Consumer utility taxes	1,548,822	1,780,313	1,771,697	2,005,108	2,020,722	2,067,744	2,020,957	1,983,855	810,500	753,893
E-911 taxes	564,149	818,349	807,345	841,571	804,259	888,885	747,563	750,680	-	-
Taxes on recordation & wills	504,444	729,478	1,602,899	1,866,077	1,246,208	875,739	760,296	538,548	507,473	554,087
Motor vehicle license taxes	660,875	692,057	710,746	737,060	522,458	61,738	648,490	701,177	715,355	724,866
Other local taxes	82,972	127,444	119,993	125,896	115,545	157,284	148,335	146,960	22,897	35,157
Unrestricted revenues from use										
of money & property	417,562	342,699	890,239	1,743,951	2,264,532	1,819,900	599,243	449,462	300,580	317,143
Miscellaneous	347,492	493,592	593,142	566,864	256,774	923,303	287,627	677,791	293,577	338,516
Grants & contributions not										
restricted to specific programs	3,385,516	3,454,276	3,493,550	3,979,168	3,841,914	3,712,251	3,690,898	3,626,392	5,768,766	5,742,053
Transfers	(210,667)	(1,229,716)	(1,687,068)	(1,878,878)	(2,859,961)	(6,253,652)	(1,889,649)	(1,700,442)	1,391,922	(1,260,291)
<b>Total governmental activities</b>	<b>\$ 35,560,048</b>	<b>\$ 41,331,327</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>
Business-type activities:										
Unrestricted revenues from use										
of money & property	\$ 23,769	\$ 8,565	\$ 21,465	\$ 80,001	\$ 236,184	\$ 227,094	\$ 72,560	\$ 12,334	\$ 9,955	\$ 7,275
Miscellaneous	-	-	84,976	-	-	-	-	-	-	-
Transfers	210,667	1,229,716	1,687,068	1,878,878	2,859,961	6,253,652	1,889,649	1,700,442	(1,391,922)	1,260,291
<b>Total business-type activities</b>	<b>\$ 234,436</b>	<b>\$ 1,238,281</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>Total primary government</b>	<b>\$ 35,794,484</b>	<b>\$ 42,569,608</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>Change in Net Assets</b>										
Governmental activities	\$ 1,698,092	\$ 3,241,721	\$ 7,605,384	\$ (45,882,579)	\$ 24,611,748	\$ 18,950,704	\$ 6,014,589	\$ 4,196,628	\$ 1,231,027	\$ (3,595,463)
Business-type activities	131,934	3,678,127	1,166,708	3,537,082	7,101,863	16,645,998	1,146,807	(358,531)	3,106,014	(1,613,368)
<b>Total primary government</b>	<b>\$ 1,830,026</b>	<b>\$ 6,919,848</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>

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
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
2004	29,451,312	4,671,523	1,780,313	818,349	729,478	692,057	127,444	38,270,476
2003	24,428,142	3,830,741	1,548,822	564,149	504,444	660,875	82,972	31,620,145

(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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Unreserved, designated for subsequent expenditures	\$ 728,048	\$ 384,276	\$ 1,271,174	\$ 1,758,229
Unreserved, designated for capital projects	2,000,000	2,500,000	3,515,262	3,592,005
Unreserved, undesignated	19,421,365	22,557,008	28,591,969	31,589,504
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 22,149,413</u>	<u>\$ 25,441,284</u>	<u>\$ 33,378,405</u>	<u>\$ 36,939,738</u>
All other governmental funds				
Unreserved, reported in:				
Capital projects funds (deficit)	\$ 1,691,736	\$ 2,673,991	\$ 3,209,396	\$ 942,798
Committed	-	-	-	-
Total all other governmental funds	<u>\$ 1,691,736</u>	<u>\$ 2,673,991</u>	<u>\$ 3,209,396</u>	<u>\$ 942,798</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	1,618,995	\$ 3,004,067	\$ 2,067,984	\$ 2,130,135	\$ -	\$ -
	1,892,005	2,392,005	1,606,334	1,606,334	-	-
	33,394,462	21,012,107	20,630,986	22,342,047	-	-
	-	-	-	-	41,294	7,161
	-	-	-	-	79,313	69,173
	-	-	-	-	2,663,269	2,680,321
	-	-	-	-	4,175	4,175
	-	-	-	-	25,424,950	23,878,983
\$	<u>36,905,462</u>	<u>\$ 26,408,179</u>	<u>\$ 24,305,304</u>	<u>\$ 26,078,516</u>	<u>\$ 28,213,001</u>	<u>\$ 26,639,813</u>
\$	3,970,503	\$ 1,730,757	\$ (2,224,539)	\$ 979,708	\$ -	\$ -
	-	-	-	-	151,354	1,267,657
\$	<u>3,970,503</u>	<u>\$ 1,730,757</u>	<u>\$ (2,224,539)</u>	<u>\$ 979,708</u>	<u>\$ 151,354</u>	<u>\$ 1,267,657</u>

COUNTY OF CULPEPER, VIRGINIA

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

	2003	2004	2005	2006
<b>Revenues:</b>				
General property taxes	\$ 24,445,197	\$ 29,211,381	\$ 32,807,959	\$ 36,264,828
Other local taxes	7,192,003	8,819,164	10,439,311	11,101,087
Permits, privilege fees and regulatory licenses	941,713	1,365,250	2,114,590	2,161,763
Fines and forfeitures	79,245	96,481	78,609	60,453
Revenue from use of money and property	417,562	342,699	890,239	1,743,951
Charges for services	1,041,748	1,467,586	1,656,244	1,811,526
Miscellaneous	375,177	493,592	593,142	566,864
Recovered costs	268,332	151,654	234,058	96,416
<b>Intergovernmental:</b>				
School Board Contribution to Primary Government	-	-	-	931,966
Commonwealth	8,842,861	9,135,443	9,437,555	10,336,751
Federal	4,042,061	4,319,666	5,806,041	5,990,813
<b>Total revenues</b>	<b>\$ 47,645,899</b>	<b>\$ 55,402,916</b>	<b>\$ 64,057,748</b>	<b>\$ 71,066,418</b>
<b>Expenditures:</b>				
General government administration	\$ 2,517,002	\$ 2,511,990	\$ 2,848,257	\$ 3,568,370
Judicial administration	1,592,045	1,715,860	1,939,838	2,074,360
Public safety	8,086,713	10,085,949	15,567,826	14,426,133
Public works	1,408,116	2,619,766	1,594,033	2,794,585
Health and welfare	8,274,809	10,051,059	10,578,388	12,005,443
Education	17,540,633	18,907,168	20,663,339	86,810,240
Parks, recreation, and cultural	963,445	1,152,737	5,154,782	1,850,341
Community development	886,467	923,585	1,097,985	1,285,455
Nondepartmental	-	-	-	-
<b>Debt service:</b>				
Principal retirement	2,072,871	2,065,422	2,218,067	2,340,953
Interest and other fiscal charges	1,997,050	1,771,917	1,643,638	3,405,806
<b>Total expenditures</b>	<b>\$ 45,339,151</b>	<b>\$ 51,805,453</b>	<b>\$ 63,306,153</b>	<b>\$ 130,561,686</b>
Excess (deficiency) of revenues over expenditures	\$ 2,306,748	\$ 3,597,463	\$ 751,595	\$ (59,495,268)
<b>Other financing sources (uses):</b>				
Transfers in	\$ 900,064	\$ 2,065,500	\$ 878,232	\$ 2,102,435
Transfers (out)	(1,110,731)	(3,295,216)	(2,565,300)	(3,981,313)
Issuance of debt	-	2,045,098	9,408,000	62,668,881
Premium on bonds issued	-	-	-	-
Retirement of temporary financing	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ (210,667)</b>	<b>\$ 815,382</b>	<b>\$ 7,720,932</b>	<b>\$ 60,790,003</b>
<b>Net changes in fund balances</b>	<b>\$ 2,096,081</b>	<b>\$ 4,412,845</b>	<b>\$ 8,472,527</b>	<b>\$ 1,294,735</b>
Debt service as a percentage of noncapital expenditures	9.13%	7.71%	7.30%	4.99%

Table 5

	2007	2008	2009	2010	2011	2012
\$	44,232,779	\$ 44,178,683	\$ 48,035,130	\$ 45,440,793	\$ 46,509,646	\$ 46,323,781
	9,780,716	9,155,369	8,844,267	8,791,222	6,766,837	6,850,753
	1,488,884	916,830	624,759	563,189	569,944	428,957
	96,752	52,278	90,718	77,962	62,947	89,089
	2,264,532	1,819,900	599,243	449,462	300,580	317,143
	1,824,721	2,971,328	2,724,504	2,369,853	2,377,101	3,040,470
	256,774	923,303	287,627	677,791	293,577	338,516
	173,423	219,596	264,157	258,658	270,126	368,617
	26,383,458	26,042,891	4,532,080	4,910,289	317,073	-
	10,996,233	12,275,773	12,028,450	12,815,210	14,091,483	14,086,945
	4,970,402	5,154,640	6,076,961	5,087,717	5,252,576	4,852,237
\$	<u>102,468,674</u>	<u>103,710,591</u>	<u>84,107,896</u>	<u>81,442,146</u>	<u>76,811,890</u>	<u>76,696,508</u>
\$	3,849,822	\$ 4,021,814	\$ 4,216,069	\$ 3,736,033	\$ 3,556,229	\$ 3,748,509
	2,327,462	2,511,337	2,529,996	2,434,963	2,788,266	2,618,326
	12,604,801	14,676,760	14,924,513	13,684,548	13,708,943	14,695,407
	3,359,350	3,776,003	4,450,069	2,353,642	2,115,634	2,232,883
	12,719,822	14,799,765	14,803,422	15,004,065	13,826,298	14,448,935
	58,987,181	59,897,360	35,121,032	29,906,138	28,611,381	28,699,942
	2,110,261	1,842,207	1,905,922	1,776,126	1,737,378	1,629,557
	1,219,129	1,454,190	1,908,497	1,441,024	1,590,180	1,444,933
	-	-	-	-	359,157	378,310
	2,584,746	2,652,946	3,944,953	4,369,831	4,415,162	13,329,095
	4,352,710	4,561,586	4,471,945	4,125,385	4,189,053	4,212,005
\$	<u>104,115,284</u>	<u>110,193,968</u>	<u>88,276,418</u>	<u>78,831,755</u>	<u>76,897,681</u>	<u>87,437,902</u>
\$	<u>(1,646,610)</u>	<u>(6,483,377)</u>	<u>(4,168,522)</u>	<u>2,610,391</u>	<u>(85,791)</u>	<u>(10,741,394)</u>
\$	5,719,630	\$ 4,026,294	\$ 257,500	\$ 288,933	\$ 288,933	\$ 30,000
	(8,579,591)	(10,279,946)	(2,147,149)	(1,989,375)	(1,989,375)	(1,290,291)
	7,500,000	-	7,500,000	11,425,000	11,425,000	11,544,800
	-	-	-	142,513	142,513	-
	-	-	(7,500,000)	(7,500,000)	(7,500,000)	-
\$	<u>4,640,039</u>	<u>(6,253,652)</u>	<u>(1,889,649)</u>	<u>2,367,071</u>	<u>2,367,071</u>	<u>10,284,509</u>
\$	<u>2,993,429</u>	<u>(12,737,029)</u>	<u>(6,058,171)</u>	<u>4,977,462</u>	<u>2,281,280</u>	<u>(456,885)</u>
	<u>9.33%</u>	<u>9.21%</u>	<u>10.83%</u>	<u>11.05%</u>	<u>11.61%</u>	<u>20.49%</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
2003	\$ 24,445,197	\$ 3,830,741	\$ 1,548,822	\$ 564,149	\$ 504,444	\$ 660,875	\$ 82,972	\$ 31,637,200
2004	29,211,381	4,671,523	1,780,313	818,349	729,478	692,057	127,444	38,030,545
2005	32,807,959	5,426,631	1,771,697	807,345	1,602,899	710,746	119,993	43,247,270
2006	36,264,828	5,525,376	2,005,108	841,571	1,866,077	737,060	125,896	47,365,916
2007	44,232,779	5,071,523	2,020,722	804,259	1,246,208	522,458	115,546	54,013,495
2008	44,178,683	5,103,979	2,067,744	888,885	875,739	61,738	157,284	53,334,052
2009	48,035,130	4,518,626	2,020,957	747,563	760,296	648,490	148,335	56,879,397
2010	45,440,793	4,670,002	1,983,855	750,680	538,548	701,177	146,960	54,232,015
2011	46,509,646	4,710,612	810,500	-	507,473	715,355	22,897	53,276,483
2012	46,323,781	4,782,750	753,893	-	554,087	724,866	35,157	53,174,534

(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
2002-03	\$ 1,992,958,160	\$ 349,665,282	\$ 3,586,900	\$ 72,912,837	\$ 106,588,172	\$ 2,525,711,351	5.42
2003-04	2,921,047,300	329,442,255	3,862,000	68,045,868	132,231,633	3,454,629,056	5.31
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

(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
2002-03	\$ 0.92	\$ 2.50	\$ 2.00	\$ 5.42
2003-04	0.81	2.50	2.00	5.31
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

(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	2012			2003		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Terremark	Manufacturing	\$ 46,812,126	1	766155908.35%	\$ n/a	n/a	n/a
Continental Teves	Manufacturing	42,761,070	2	699853846.15%	17,346,160	2	0.83%
SWIFT, Inc.	Communications	40,913,338	3	669612733.22%	24,899,064	1	0.58%
Wal-Mart	Retail	13,049,299	4	213572815.06%	n/a	n/a	n/a
Masco Builder Cabinet Group	Manufacturing	9,969,284	5	163163404.26%	n/a	n/a	n/a
Culpeper Farmer's Co-op	Cooperative	8,927,667	6	146115662.85%	n/a	n/a	n/a
Rochester Corp	Cable Manufacturer	8,496,301	7	139055662.85%	13,719,738	3	0.46%
Target	Retail	8,493,718	8	139013387.89%	n/a	n/a	n/a
Lowe's	Retail	7,873,331	9	128859754.50%	n/a	n/a	n/a
Builders First Source	Retail	6,978,962	10	114221963.99%	n/a	n/a	n/a
Omni Services, Inc.	Shopping Center	n/a	n/a	n/a	5,410,854	7	0.23%
Rental Uniform Service, Inc.	Retail	n/a	n/a	n/a	2,999,205	10	0.20%
Communications Corp. of America	Consulting/mail services	n/a	n/a	n/a	6,838,818	4	0.12%
Key Corp. Capital	Leasing	n/a	n/a	n/a	6,720,594	5	0.12%
Cargill, Inc.	Manufacturing	n/a	n/a	n/a	3,679,710	8	0.20%
GS Communications		n/a	n/a	n/a	3,547,026	9	0.18%
PNC Leasing	Leasing	n/a	n/a	n/a	5,976,924	6	0.10%
<b>Totals</b>		<b>\$ 194,275,096</b>		<b>3179625139.12%</b>	<b>\$ 91,138,093</b>		<b>3.02%</b>

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
2002-03	\$ 27,954,349	\$ 26,484,236	94.74%	1,354,462	\$ 27,838,698	99.59%
2003-04	31,558,554	31,079,517	98.48%	376,681	31,456,198	99.68%
2004-05	35,078,394	34,416,374	98.11%	562,773	34,979,147	99.72%
2005-06	38,550,624	37,955,740	98.46%	455,349	38,411,089	99.64%
2006-07	47,041,990	45,981,659	97.75%	900,501	46,882,160	99.66%
2007-08	47,790,504	45,702,905	95.63%	1,786,883	47,489,788	99.37%
2008-09	51,559,488	49,120,376	95.27%	1,910,141	51,030,517	98.97%
2009-10	48,609,356	46,285,974	95.22%	1,758,540	48,044,514	98.84%
2010-11	49,411,286	47,149,308	95.42%	1,276,437	48,425,745	98.01%
2011-12	49,497,125	47,041,042	95.04%	-	47,041,042	95.04%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

COUNTY OF CULPEPER, VIRGINIA

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					
	County General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Literary Loans	School Lease Revenue Bonds	School General Obligation Bonds
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,997,685
2004	2,000,000	-	-	-	-	30,615,263
2005	3,437,827	8,385,000	-	-	-	28,459,369
2006	3,320,794	8,121,388	7,500,000	-	54,200,000	26,313,341
2007	3,191,917	7,807,970	15,000,000	-	54,200,000	24,170,890
2008	3,058,050	7,482,945	15,000,000	-	54,200,000	21,976,836
2009	2,918,998	7,145,882	7,500,000	7,500,000	52,955,000	19,752,998
2010	2,774,560	10,721,334	-	14,625,000	51,670,000	17,537,153
2011	2,624,526	10,228,841	-	13,875,000	50,340,000	15,844,518
2012	2,546,000	12,303,000	-	13,125,000	48,960,000	14,194,590

(1) Weldon Cooper Website

Table 11

<u>Business-Type Activities</u>			Personal			
<u>Lease</u>	<u>Notes</u>	<u>Total</u>	<u>Income (1)</u>	<u>Percentage</u>	<u>Population (1)</u>	<u>Per</u>
<u>Revenue</u>	<u>Payable</u>	<u>Primary</u>	<u>(amounts</u>	<u>of Personal</u>		<u>Capita</u>
<u>Bonds</u>		<u>Government</u>	<u>expressed</u>	<u>Income</u>		
			<u>in thousands)</u>			
\$ 2,380,509	\$ -	\$ 34,378,194	\$ 1,081,190	3.18%	38,585	\$ 891
2,234,467	-	34,849,730	1,163,567	3.00%	40,151	868
2,080,524	150,000	42,512,720	1,287,136	3.30%	43,154	985
1,918,252	120,000	101,493,775	1,397,986	7.26%	45,000	2,255
1,747,201	90,000	106,207,978	1,453,905	7.31%	48,074	2,209
1,566,896	60,000	103,344,727	1,512,062	6.83%	46,085	2,242
1,376,837	30,000	99,179,715	1,491,076	6.65%	47,517	2,087
1,176,496	-	98,504,543	1,540,742	6.39%	47,938	2,055
965,316	-	93,878,201	1,553,966	6.04%	47,040	1,996
742,712	-	91,871,302	1,762,003	5.21%	47,114	1,950

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

Fiscal Year	Population (1)	Assessed Value (2)(1)	Gross Bonded Debt	Less Business Type Activities Lease Revenue Bonds	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2002-03	38,585	\$ 2,525,711,351	\$ 34,378,194	\$ 2,380,509	\$ 31,997,685	1.27%	\$ 829
2003-04	40,151	3,454,629,056	34,849,730	2,234,467	32,615,263	0.94%	812
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	91,871,302	742,712	91,128,590	1.77%	1,934

(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, 2012

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Direct:(1)

County of Culpeper, Virginia	\$	91,128,590	100%	\$	91,128,590
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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>
2002-03	38,585	6,002	3.50%	1,081,190	28,146
2003-04	40,151	6,260	2.60%	1,163,567	29,996
2004-05	43,154	6,408	3.20%	1,287,136	30,689
2005-06	45,000	6,893	3.20%	1,287,136	31,649
2006-07	48,074	7,194	3.20%	1,453,905	32,915
2007-08	46,085	7,232	5.10%	1,512,062	34,232
2008-09	47,517	7,223	8.30%	1,491,076	32,703
2009-10	47,938	7,416	8.00%	1,540,742	33,303
2010-11	47,040	7,474	6.40%	1,553,866	33,035
2011-12	47,114	7,612	6.50%	1,762,003	35,850

(1) U. S. Census Bureau

(2) Virginia Employment Commission

(3) Weldon Cooper Website

Principal Employers  
Current Year and Five Years Ago

Employer	Fiscal Year 2012			Fiscal Year 2007		
	Employees	% of Total County Employment	Rank	Employees	% of Total County Employment	Rank
Culpeper County Public Schools	1,100	7.62%	1	1,192	6.38%	1
Culpeper Regional Hospital	698	4.84%	2	627	3.35%	3
Wal Mart	500	3.46%	3	435	2.33%	4
S.W.F.T	n/a	n/a	n/a	360	1.93%	6
County of Culpeper	478	3.31%	4	417	2.23%	5
Va. Dept. of Transportation	415	2.87%	5	234	1.25%	10
Coffeewood Correctional Center	350	2.42%	6	330	1.77%	7
Merrillat Industries, Inc.	340	2.36%	7	723	3.87%	2
Cintas	265	1.84%	8	267	1.43%	8
Continental Automotive	240	1.66%	9	n/a	n/a	n/a
Builder's First Source	160	1.11%	10	256	1.37%	9
Total	<u>4,546</u>			<u>4,841</u>		
Total County	<u>14,436</u>			<u>18,689</u>		

Source: Virginia Employment Commission

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	28	31	38	39	40	45	44	40	39	42
Judicial administration	28	28	28	29	33	33	33	34	33	34
Public safety										
Sheriffs department	73	76	77	76	90	90	90	83	84	83
E911	15	15	17	17	20	20	18	19	19	22
Fire & rescue/emergency services	7	9	11	11	24	24	24	24	24	24
Building inspections	8	11	13	13	17	17	14	14	3	6
Animal control	8	9	10	10	10	10	10	10	8	8
Public works										
General maintenance	5	2	3	3	5	5	3	3	3	3
Landfill	4	4	4	5	6	6	6	6	6	6
Water & Sewer	1	1	1	1	1	2	5	7	3	2
Health and welfare (Options/CSA)										
Department of social services	2	2	3	3	3	4	3	4	4	3
	84	80	86	86	98	100	100	94	89	87
Culture and recreation										
Parks and recreation	4	4	4	5	5	5	5	5	3	3
Library	5	5	5	5	7	7	7	7	7	7
Community development										
Planning	6	6	7	7	7	7	7	6	6	5
Economic Development	2	2	2	2	2	2	2	2	2	2
Airport	2	2	2	2	2	2	1	1	1	2
Totals	<u>282</u>	<u>287</u>	<u>311</u>	<u>314</u>	<u>370</u>	<u>379</u>	<u>372</u>	<u>359</u>	<u>334</u>	<u>339</u>

Source: FY adopted budgets

Operating Indicators by Function  
Last Ten Fiscal Years

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Sheriff	Physical arrests	2,558	2,416	2,644	2,658	2,908	1,273	1,612	730	922	1,254
	Traffic violations	1,984	1,468	1,306	2,733	2,011	1,248	2,651	1,914	1,287	2,240
Fire Protection	Number of stations	7	7	7	7	7	7	7	7	7	7
Community Development	Residential building permits	530	829	1,091	757	1,440	167	163	66	117	288
Parks & Recreation	Number of parks & recreation facilities	3	3	3	3	3	3	7	7	7	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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	17	32	38	42	42	51	50	65	84	88
Animal control:										
Buildings	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	2	3	3	3	3	4	4	3	5	5
Landfill:										
Vehicles	1	1	1	1	1	1	1	2	1	2
Equipment	4	4	4	4	5	5	5	7	12	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	3	3	4	4
Culture and recreation										
Parks and recreation:										
Vehicles	4	4	4	4	4	4	2	2	2	5
Parks acreage (or playing fields)	1	1	1	1	3	3	3	3	3	8
Community development										
Planning:										
Vehicles	0	0	0	0	0	0	0	0	0	1
Component Unit - School Board										
Education:										
Schools	8	8	8	8	8	8	8	10	10	10
School buses	NA	129	136	131						

NA - Not available

Source: Individual county departments

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Culpeper, Virginia's basic financial statements and have issued our report thereon dated December 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of County of Culpeper, Virginia is responsible for establishing and maintaining effective internal control financial reporting. In planning and performing our audit, we considered the County of Culpeper, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Culpeper, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Culpeper, Virginia's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Supervisors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
December 3, 2012

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

### Compliance

We have audited County of Culpeper, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The County of Culpeper, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Culpeper, Virginia's management. Our responsibility is to express an opinion on County of Culpeper, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Culpeper, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Culpeper, Virginia's compliance with those requirements.

In our opinion, the County of Culpeper, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

Management of County of Culpeper, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered County of Culpeper, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*Internal Control Over Compliance (Continued)*

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

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

This report is intended solely for the information and use of the Board of Supervisors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
December 3, 2012

COUNTY OF CULPEPER, VIRGINIA

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

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Primary Government:</b>			
Department of Agriculture:			
Pass through payments:			
Department of Social Services:			
State administration matching grants for supplemental nutrition assistance programs	10.561	0010109/0010110/0040109/0040110	\$ 524,790
Summer food service for children (Child Nutrition Cluster)	10.559	N/A	161,585
Child and adult care food program	10.558	N/A	<u>209,754</u>
Total Department of Agriculture			<u>\$ 896,129</u>
Department of Energy:			
Direct Payments:			
ARRA-Energy efficiency and conservation block grant program	81.128	N/A	<u>\$ 191,034</u>
Department of Health and Human Services:			
Direct Payments:			
Head Start Cluster:			
Head start	93.600	N/A	\$ 1,031,277
Pass Through Payments:			
Department of Social Services:			
Promoting safe and stable families	93.556	0950109/0950110	1,872
Temporary assistance for needy families	93.558	0400109/0400110	435,669
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	699
Low income home energy assistance	93.568	0600409/0600410	18,764
Child Care and Development Cluster:			
Child care and development block grant	93.575	0770109/0770110	443,006
Child care mandatory and matching funds of the child care and development fund	93.596	0760109/0760110	197,539
Chafee education and training vouchers program	93.599	9160108/9160109	3,360
Stephanie Tubbs Jones Child welfare services programs	93.645	0900109	817
Foster care - Title IV-E	93.658	1100109/1100110	348,762
Adoption assistance	93.659	1120109/1120110	270,601
Social services block grant	93.667	1000109/1000110	184,459
Chafee foster care independence program	93.674	915108/9150109/9150110	9,633
Children's health insurance program	93.767	0540109/0540110	14,297
Medical assistance program	93.778	1200109/1200110	<u>316,204</u>
Total pass through payments			<u>\$ 2,245,682</u>
Total Department of Health and Human Services			<u>\$ 3,276,959</u>

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Primary Government: (Continued)</b>			
Department of Labor:			
Pass Through Payments:			
Virginia Employment Commission:			
Welfare investment act--adult program	17.258	N/A	\$ <u>220,678</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Crime victim assistance	16.575	11VAGX0001	\$ 53,856
Asset forfeiture	16.000	N/A	1,143
State criminal alien assistance program	16.606	N/A	
Bulletproof vest partnership program	16.607	N/A	14,536
Second chance act prisoner reentry initiative	16.812	N/A	65,941
Violence against women formula grants	16.588	10WFAX0041	<u>36,638</u>
Total Department of Justice			\$ <u>172,114</u>
Department of Transportation:			
Direct Payments:			
Airport improvement program	20.106	N/A	\$ 168,017
Pass through payments:			
Virginia Department of Motor Vehicles:			
Alcohol open container requirements	20.607	154AL1151137	13,139
Virginia Department of Transportation:			
Highway planning and construction	20.205	N/A	<u>2,135</u>
Total Department of Transportation			\$ <u>183,291</u>
U.S. Election Assistance Commission:			
Pass through payments:			
Virginia Election Commission:			
Help America vote act requirements payments	90.401	N/A	\$ <u>26,592</u>
Department of Homeland Security:			
Pass through payments:			
Department of Emergency Management:			
Emergency management performance grants	97.042	N/A	\$ <u>10,751</u>
Total Department of Homeland Security			\$ <u>10,751</u>
Total Expenditures of Federal Awards-Primary Government			\$ <u><u>4,977,548</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	\$ 162,080
Department of Education:			
Child Nutrition Cluster:			
National school lunch program	10.555	10.555/2009/2010	1,316,725
			\$ <u>1,478,805</u>
National school breakfast program	10.553	10.553/2009/2010	<u>414,760</u>
Total Department of Agriculture			\$ <u>1,893,565</u>

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2012 (Continued)

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Component Unit School Board: (Continued)</b>			
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title 1 grants to local educational agencies	84.010	S010A080046/S010A070046/S010A090046	\$ 1,226,142
Special Education Cluster:			
Special education - grants to states	84.027	H027A090107/H027A080107	1,389,158
Special education - preschool grants	84.173	H173A080112/H173A090112	41,397
ARRA-Special education - preschool grants	84.392	H392A090112	3,514
Vocational education program improvement --			
Career and technical education -- basic grants to states	84.048	V048A090046/VA048A070046	117,578
English language acquisition grants	84.365	T365A080046/S365A090046	34,504
Education technology state grants	84.318	S318X080046/S318X090046	67
Improving teacher quality state grants	84.367	S367A090044/S367A080044	232,651
ARRA-School improvement grants	84.388	N/A	321,279
ARRA-Education Jobs Fund	84.410	S410A100047	<u>1,307,213</u>
Total Department of Education			\$ <u>4,673,503</u>
Total Expenditures of Federal Awards-Component Unit School Board			\$ <u>6,567,068</u>
Total Expenditures of Federal Awards-Reporting Entity			<u>\$ 11,544,616</u>

COUNTY OF CULPEPER, VIRGINIA

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

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Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Culpeper, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Culpeper, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Culpeper, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ 4,852,237
Airport Fund	170,152
	<hr/>
Total primary government	\$ 5,022,389
	<hr/>
Component Unit Public Schools:	
School Operating Fund	\$ 4,673,503
School Cafeteria Fund	1,893,565
	<hr/>
Total component unit public schools	\$ 6,567,068
	<hr/>
Total federal expenditures per basic financial statements	\$ 11,589,457
	<hr/>
Less federal subsidy	\$ 44,841
	<hr/>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 11,544,616
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COUNTY OF CULPEPER, VIRGINIA

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

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**Section I - Summary of Auditor's Results**

**Financial Statements**

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

**Federal Awards**

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.027/84.173/84.392	Special Education Cluster
84.388	ARRA-School Improvement Grants
84.410	ARRA-Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$346,338
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

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

**Section IV - Prior Year Audit Findings**

None

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