

**COUNTY OF RAPPAHANNOCK, VIRGINIA**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2013**

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## COUNTY OF RAPPAHANNOCK, VIRGINIA

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### Board of Supervisors

Roger A. Welch, Chair

S. Bryant Lee, Vice-Chair  
I. Christopher Parrish

Ronald L. Frazier  
Mike Biniek

### County School Board

John Lesinski, Chair

Aline Johnson, Vice-Chair  
Amy Hitt

Paul Brown  
Chris Ubben

### County Social Services

Deborah Fluornoy

Patricia Metcalfe

Ashley Matthews

### County Library Board

Louise VanDort, Chair

Stephen Slade  
John W. McCarthy  
Janet Davis  
Kathleen Grove

Fran Krebsler  
Nancy Ely Raphael  
James Oyster  
Chris Bird

### Other Officials

Judge of the Circuit Court ..... Jeffrey Parker  
Clerk of the Circuit Court ..... Margaret R. Ralph  
Judge of the General District Court ..... Gregory Ashwell  
Judge of Juvenile & Domestic Relations District Court..... Jonathan Lynn  
County Attorney ..... Peter H. Luke  
Commonwealth's Attorney ..... Arthur L. Goff  
Commissioner of the Revenue ..... Beverly S. Atkins  
Treasurer ..... Frances A. Foster  
Sheriff ..... Connie C. Smith  
Superintendent of Schools ..... Donna Matthews  
Director of Department of Social Services..... Beverly Dunford  
Librarian ..... Dave Shaffer  
County Administrator ..... John W. McCarthy

COUNTY OF RAPPAHANNOCK, VIRGINIA

Financial Report  
Year Ended June 30, 2013

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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 Rappahannock, Virginia**

### Report on the Financial Statements

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

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## *Opinions*

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

## *Emphasis of Matter*

As described in Note 22 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

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

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

## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Rappahannock, Virginia's basic financial statements. The combining and individual fund financial statements and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

*Other Information (continued)*

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

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, on our consideration of the County of Rappahannock, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Rappahannock, Virginia's internal control over financial reporting and compliance.

*Robinson, Jarner, Co. Associates*

Charlottesville, Virginia  
January 13, 2014

**Basic Financial Statements**

*Government-Wide Financial Statements*

Statement of Net Position  
At June 30, 2013

	Component Units		
	Governmental Activities	School Board	Recreational Facilities Authority
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,196,900	\$ 1,085,769	\$ 31,479
Investments	627,493	-	-
Receivables, net			
Due within one year	1,122,182	1,802	-
Due in more than one year	252,886	-	-
Prepaid items	-	148,112	-
Inventory	-	16,175	-
Due from component unit School Board	286,609	-	-
Due from other governments	339,309	201,198	-
Capital assets:			
Land and construction in progress	1,705,907	14,687	20,000
Other capital assets, net of accumulated depreciation	6,820,907	5,684,458	52,139
Capital assets, net	\$ 8,526,814	\$ 5,699,145	\$ 72,139
<b>Total assets</b>	<b>\$ 13,352,193</b>	<b>\$ 7,152,201</b>	<b>\$ 103,618</b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 275,360	\$ 1,102,823	\$ -
Unearned revenue	-	27,449	-
Due to primary government	-	286,609	-
Long-term liabilities:			
Due within one year	518,975	17,312	-
Due in more than one year	6,412,427	466,803	-
Total liabilities	\$ 7,206,762	\$ 1,900,996	\$ -
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue-property taxes	\$ 15,467	\$ -	\$ -
<b>Net Position:</b>			
Net investment in capital assets	\$ 4,026,038	\$ 5,699,145	\$ 72,139
Unrestricted (deficit)	2,103,926	(447,940)	31,479
Total net position	\$ 6,129,964	\$ 5,251,205	\$ 103,618

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Statement of Activities  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental activities</b>				
General government administration	\$ 1,361,240	\$ 8,050	\$ 162,897	\$ -
Judicial administration	601,707	43,033	322,165	-
Public safety	3,088,825	163,524	768,973	-
Public works	1,031,817	92,140	7,249	-
Health and welfare	2,279,247	-	945,517	-
Education	8,736,409	-	-	-
Parks, recreation and cultural	197,208	4,200	75,386	-
Community development	355,186	-	39,326	-
Interest on long-term debt	189,180	-	-	-
<b>Total Primary Government</b>	<b>\$ 17,840,819</b>	<b>\$ 310,947</b>	<b>\$ 2,321,513</b>	<b>\$ -</b>
<b>Component Units</b>				
Rappahannock County Public Schools	\$ 10,845,680	\$ 215,857	\$ 3,361,956	\$ -
Rappahannock County Recreational Facilities Authority	13,383	17,678	-	-
<b>Total Component Units</b>	<b>\$ 10,859,063</b>	<b>\$ 233,535</b>	<b>\$ 3,361,956</b>	<b>\$ -</b>
<b>General Revenues</b>				
Taxes:				
General property taxes, real and personal				
Local sales and use taxes				
Consumers' utility taxes				
Taxes on recordation of wills				
Motor vehicle licenses				
Meals and lodging taxes				
Other				
Payment from County of Rappahannock -- Education				
Grants and contributions not restricted to specific programs				
Unrestricted revenues from use of money and property				
Miscellaneous				
Gain on sale of capital assets				
Total general revenues				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Component Units		
Total Primary Government	School Board	Recreational Facilities Authority
\$ (1,190,293)	\$ -	\$ -
(236,509)	-	-
(2,156,328)	-	-
(932,428)	-	-
(1,333,730)	-	-
(8,736,409)	-	-
(117,622)	-	-
(315,860)	-	-
(189,180)	-	-
<u>\$ (15,208,359)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (7,267,867)	\$ -
-	-	4,295
<u>\$ -</u>	<u>\$ (7,267,867)</u>	<u>\$ 4,295</u>
\$ 11,365,907	\$ -	\$ -
428,119	-	-
162,193	-	-
113,232	-	-
142,963	-	-
204,291	-	-
134,942	-	-
-	7,354,610	-
1,307,651	-	-
129,661	-	187
183,118	46,146	-
25,190	-	-
<u>\$ 14,197,267</u>	<u>\$ 7,400,756</u>	<u>\$ 187</u>
\$ (1,011,092)	\$ 132,889	\$ 4,482
<u>7,141,056</u>	<u>5,118,316</u>	<u>99,136</u>
<u>\$ 6,129,964</u>	<u>\$ 5,251,205</u>	<u>\$ 103,618</u>

*Fund Financial Statements*

Balance Sheet  
 Governmental Funds  
 At June 30, 2013

	General Fund	Library Fund	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,168,499	\$ 28,401	\$ 2,196,900
Investments	-	627,493	627,493
Property taxes receivable, net	1,000,995	-	1,000,995
Accounts receivable	90,257	-	90,257
Notes receivable	283,816	-	283,816
Due from component unit School Board	286,609	-	286,609
Due from other governments	339,309	-	339,309
<b>Total assets</b>	<b>\$ 4,169,485</b>	<b>\$ 655,894</b>	<b>\$ 4,825,379</b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 182,601	\$ -	\$ 182,601
Unearned revenue	283,816	-	283,816
<b>Total liabilities</b>	<b>\$ 466,417</b>	<b>\$ -</b>	<b>\$ 466,417</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues-property taxes	\$ 941,473	\$ -	\$ 941,473
<b>Fund Balance:</b>			
<b>Committed to:</b>			
Library operations	\$ -	\$ 655,894	\$ 655,894
Unassigned	2,761,595	-	2,761,595
<b>Total fund balance</b>	<b>\$ 2,761,595</b>	<b>\$ 655,894</b>	<b>\$ 3,417,489</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 4,169,485</b>	<b>\$ 655,894</b>	<b>\$ 4,825,379</b>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
At June 30, 2013

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Total fund balances for governmental funds (Exhibit 3) \$ 3,417,489

Total net position reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	1,705,907	
Buildings and improvements, net of depreciation		1,954,919	
Furniture, equipment, and vehicles net of depreciation		1,070,905	
School buildings, improvements and equipment, net of depreciation		<u>3,795,083</u>	
 Total capital assets			 8,526,814

Some of the County's receivables will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as unearned/unavailable revenue in the funds.

Taxes receivable	\$	926,006	
Note receivable		<u>283,816</u>	
 Total			 1,209,822

Liabilities applicable to the County's governmental activities which are not due and/or payable in the current period are not reported as fund liabilities. Balances of such liabilities affecting net position are as follows:

Accrued interest on debt	\$	(92,759)	
Bonds and loans payable		(4,500,776)	
Compensated absences		(244,535)	
Accrued pension obligation		(77,153)	
Accrued landfill remediation costs		<u>(2,108,938)</u>	
 Total			 <u>(7,024,161)</u>

Total net position of governmental activities (Exhibits 1 and 2) \$ 6,129,964

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2013

	General Fund	Library Fund	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 11,278,834	\$ -	\$ 11,278,834
Other local taxes	1,185,740	-	1,185,740
Permits, privilege fees and regulatory licenses	87,645	-	87,645
Fines and forfeitures	117,143	1,399	118,542
Use of money and property	57,735	71,926	129,661
Charges for services	100,560	4,200	104,760
Miscellaneous	211,197	1,063	212,260
Recovered costs	125,811	-	125,811
<b>Intergovernmental:</b>			
Revenue from the Commonwealth	3,114,366	33,986	3,148,352
Revenue from the Federal Government	480,812	-	480,812
<b>Total revenues</b>	<b>\$ 16,759,843</b>	<b>\$ 112,574</b>	<b>\$ 16,872,417</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government administration	\$ 1,639,923	\$ -	\$ 1,639,923
Judicial administration	598,833	-	598,833
Public safety	3,100,556	-	3,100,556
Public works	1,058,449	-	1,058,449
Health and welfare	2,242,118	-	2,242,118
Education - local community college	4,470	-	4,470
Education - public school system	8,193,087	-	8,193,087
Parks, recreation and cultural	6,500	204,661	211,161
Community development	344,465	-	344,465
Capital projects	220,656	-	220,656
<b>Debt service:</b>			
Principal payments	435,000	-	435,000
Interest and fiscal charges	229,849	-	229,849
<b>Total expenditures</b>	<b>\$ 18,073,906</b>	<b>\$ 204,661</b>	<b>\$ 18,278,567</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (1,314,063)</b>	<b>\$ (92,087)</b>	<b>\$ (1,406,150)</b>
<b>Other financing sources (uses):</b>			
Transfers in	\$ -	\$ 119,385	\$ 119,385
Transfers out	(119,385)	-	(119,385)
Sales of capital assets	128,438	-	128,438
<b>Total other financing sources (uses)</b>	<b>\$ 9,053</b>	<b>\$ 119,385</b>	<b>\$ 128,438</b>
<b>Net change in fund balance</b>	<b>\$ (1,305,010)</b>	<b>\$ 27,298</b>	<b>\$ (1,277,712)</b>
<b>Fund balance, beginning of year</b>	<b>4,066,605</b>	<b>628,596</b>	<b>4,695,201</b>
<b>Fund balance, end of year</b>	<b>\$ 2,761,595</b>	<b>\$ 655,894</b>	<b>\$ 3,417,489</b>

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

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

Net change in fund balances - total governmental funds (Exhibit 5) \$ (1,277,712)

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 in the current period. (1,039,544)

School Board capital assets are jointly owned by the County and School Board. The County share of School Board capital assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship increased the transfers to the School Board. 838,477

In the statement of activities, a gain on the sale of property is recorded when the sale occurs. When a note receivable is given in consideration, interest income is also recorded as the note is repaid. In a governmental fund, when property is sold and a note receivable is given as consideration, income is only recognized to the extent that principal and interest payments are received. (29,142)

Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net position revenues are reported when earned. This requires an adjustment to convert the revenues to the accrual basis. 87,073

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Repayments:

General obligation school bonds	\$	435,000	
Amortization of bond premium		52,992	
Net adjustment			487,992

Decrease in accrued landfill remediation costs 44,117

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Compensated absences	\$	(32,877)	
Net pension obligation		(77,153)	
Accrued interest on bonds and loans		(12,323)	
Net adjustment			(122,353)

Change in net position of governmental activities (Exhibit 2) \$ (1,011,092)

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

Statement of Fiduciary Net Position  
 At June 30, 2013

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	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>24,978</u>
Total assets	\$ <u><u>24,978</u></u>
<b>Liabilities:</b>	
Amounts held for others	\$ <u>24,978</u>
Total liabilities	\$ <u><u>24,978</u></u>

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

# COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013

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## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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### Narrative Profile

The County of Rappahannock (the County), located in northwest Virginia and bordered by the counties of Fauquier, Culpeper, Madison, Page and Warren, was founded in 1833. The County has a population of 7,373 and land area of 267 square miles.

The County is governed under the County Administrator - Board of Supervisors form of government. Rappahannock County engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, human service programs, planning, community development and recreation, and cultural activities.

The financial statements of the County 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.

### A. Reporting Entity

The accompanying financial statements present the primary government and its discretely presented component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize they are legally separate from the primary government.

#### **Discretely Presented Component Units**

The Rappahannock County School Board is responsible for elementary and secondary education within the County. School Board members are elected by the County voters. The School Board is fiscally dependent upon the County because the County's Board of Supervisors approves the School Board budget, provides substantial funding for operations and must approve any debt issuance. The Rappahannock County School Board does not prepare separate financial statements.

Rappahannock County Recreational Facilities Authority administers and maintains the Rappahannock County Recreation Center. The County's Board of Supervisors appoints the members of the Recreational Facilities Authority, and the County Administrator manages its operations. Because the County effectively controls the Authority, it has been presented as a component unit of the County. Recreational Facilities Authority does not prepare separate financial statements.

Recreational Facilities Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting.

**Related Organization** - The County's Board of Supervisors appoints the board members of the Rappahannock County Water and Sewer Authority; however, the County's accountability for the organization does not extend beyond making board appointments. The Water and Sewer Authority operates the Sperryville area water and sewer systems.

The Water and Sewer Authority is not included in the reporting entity. A copy of its financial statements can be obtained from the County Administrator's office.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**B. Government-wide and Fund Financial Statements**

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

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

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

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 original budget and a comparison of final budget and actual results.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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. 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, 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 revenue 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 utility 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.

The County's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide financial statements. The County does not report any private purpose trust funds.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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

The following is a brief description of the specific funds used by the County in fiscal year 2013.

1. Governmental Funds: The County has the following major funds for financial reporting purposes.
  - a. General Fund: The General Fund is the general operating fund for the County. This fund accounts for and reports all revenues and expenditures of the County which are not accounted for and reported in the other funds. The General Fund also includes the activities for E-911, the law library and landfill operations. The General Fund is considered a major fund for reporting purposes.
  - b. Special Revenue Fund: The Special Revenue Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service. The Special Revenue Fund consists of the Library Fund, which is considered a major fund.

2. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The Agency Fund consists of the Special Welfare Fund.

The County has no Trust Funds.

3. Component Units:

- a. Rappahannock County School Board: Rappahannock County School Board has the following major funds for financial reporting purposes:

Governmental Funds:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Rappahannock and State and Federal grants.

School Cafeteria Fund - This fund accounts for the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and State and Federal grants.

- b. Rappahannock Recreational Facilities Authority: Rappahannock Recreational Facilities Authority consists of only one fund, which is an enterprise fund.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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D. Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and component unit School Board. All appropriations are legally controlled at the department level for the primary government funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government.

The budgets are integrated into the accounting system and the budgetary data, as presented in the financial statements for all major funds with annual budgets, comparing the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

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 fund level. The appropriation for each fund 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. Public hearings are required to amend the budget if amendments exceed 1% of the original adopted budget or \$500,000 whichever is less.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The component unit School Board funds are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2013, as adopted, appropriated and legally amended.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**D. Budgets and Budgetary Accounting (Continued)**

9. The expenditures budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. If budget amendments exceed 1% of the original adopted budget, the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. There was no budget amendment during the year that exceeded the 1% or \$500,000 limitations. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

**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 date of acquisition.

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

**F. Allowance for Uncollectible Accounts**

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$273,886 at June 30, 2013 and is comprised solely of 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 of expendable items held for consumption and is recorded as an expenditure when used (consumption method).

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 outlays are recorded as expenditures of the governmental funds of the primary government and component unit School Board, and as assets in the government-wide financial statements to the extent the County's and School Board's capitalization threshold of \$5,000 is met. Capital assets of the Rappahannock County Recreational Facilities Authority are reported as assets in the Authority's Statement of Net Position and in the government-wide financial statements, to the extent the Authority's threshold of \$5,000 is met. The County and component unit School Board do not have any infrastructure in their capital assets since roads, streets, bridges and similar assets within their boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on general capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	20 to 40 years
Furniture, equipment and vehicles	5 to 10 years

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**G. Capital Assets (Continued)**

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. Maintenance, repairs, and minor equipment purchases are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

**H. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

**I. Compensated Absences**

The County and component unit School Board incur liabilities related to compensated absences (annual and sick leave benefits) when vested. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position.

**J. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**K. Long-Term Obligations**

The County reports long-term debt at face value. The face value of the debt is believed to approximate fair value.

## COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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#### L. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a 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). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 10% of the actual GAAP basis expenditures and other financing sources and uses.

#### M. Net Position

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Net Position Flow Assumption

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the County 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's rated debt investments as of June 30, 2013 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AA-	Unrated
Taxable Municipal Bonds	\$ 26,549	\$ -
Closed End Mutual Fund	-	13,695
Open End Mutual Fund	-	389,304
Common Equity	-	197,945
Total	\$ 26,549	\$ 600,944

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)**

Interest Rate Risk

<u>Investment Maturities (in years)</u>			
<u>Investment Type</u>	<u>Fair Value</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Taxable Municipal Bonds	\$ 26,549	\$ -	\$ 27,886
Total	<u>\$ 26,549</u>	<u>\$ -</u>	<u>\$ 27,886</u>

**NOTE 3—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 on December 5th. The County bills and collects its own property taxes.

**NOTE 4—RECEIVABLES:**

Receivables at June 30, 2013 consist of the following:

	<u>Primary Government General Fund</u>	<u>Component Unit School Fund</u>
Property taxes	\$ 1,274,881	\$ -
Utility taxes	15,188	-
Clerk of the circuit court	16,808	-
Meals taxes	54,896	-
Other	3,365	1,802
Subtotal	\$ 1,365,138	\$ 1,802
Allowance for uncollectibles	(273,886)	-
Net accounts receivable	\$ 1,091,252	\$ 1,802
Notes receivable	283,816	-
Total receivables	<u>\$ 1,375,068</u>	<u>\$ 1,802</u>
Reconciliation to Exhibit 1:		
Receivables, net		
Due within one year	\$ 1,122,182	\$ 1,802
Due in more than one year	252,886	-
Total receivables	<u>\$ 1,375,068</u>	<u>\$ 1,802</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 4—RECEIVABLES: (CONTINUED)**

On March 9, 2005, the County entered into an agreement to sell property for \$520,000. The County received a promissory note for this sale. During the year ended June 30, 2010, the original buyer defaulted on the note and negotiated a settlement to sell the property with the County receiving a new promissory note. On September 1, 2010, the property was sold to Aileen of Rappahannock, LLC. The note under this sale was to accrue simple interest at 4.0% annually, and did so through June 30, 2012. Semi-annual repayment installments of principal and interest in the amount of \$23,525 commenced on March 1, 2011 and continued through the first day of each successive September and March until the note was restructured. On March 5, 2012, the note was restructured and will bear interest at 6% and shall be paid quarterly in the amount of \$11,818, amortized over 3.5 years beginning on July 1, 2012 and thereafter on the first day of each successive October, January, April and July until October 1, 2015, at which time all outstanding principal and interest is due.

Annual requirements to amortize the note receivable and related interest are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 30,930	\$ 16,342
2015	32,828	14,444
2016	220,058	6,474
Total	\$ <u>283,816</u>	\$ <u>37,260</u>

**NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:**

	Governmental Activities	Component Unit
	General Fund	School Board
Rappahannock Water & Sewer Authority	\$ 14,960	\$ -
<b>Commonwealth of Virginia:</b>		
Local sales tax	61,640	175,573
Communications sales and use tax	56,119	-
Comprehensive services act	10,087	-
Public assistance	22,342	-
Shared expenses and grants	110,628	-
Other	24,667	-
<b>Federal government:</b>		
Public assistance	38,866	-
Federal pass-through school funds	-	25,625
	\$ <u>339,309</u>	\$ <u>201,198</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 6—INTERFUND ACTIVITY:**

**Primary Government:**

Transfers To/From Other Funds:

Transfer to the Library Fund to support operations \$ 119,385

**Component Unit - School Board:**

Transfers To/From Other Funds:

Transfer to the School Cafeteria Fund for food service \$ 92,917

**NOTE 7—CAPITAL ASSETS:**

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

**Governmental Activities:**

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 1,706,773	\$ 102,382	\$ (103,248)	\$ 1,705,907
Construction in progress	1,167,394	276,370	(1,443,764)	-
Total capital assets not being depreciated	<u>\$ 2,874,167</u>	<u>\$ 378,752</u>	<u>\$ (1,547,012)</u>	<u>\$ 1,705,907</u>
Other capital assets:				
Buildings and improvements	\$ 3,171,744	\$ 301,426	\$ -	\$ 3,473,170
School buildings, improvements and equipment *	3,475,000	1,215,000	(435,000)	4,255,000
Furniture, equipment and vehicles	<u>1,999,710</u>	<u>107,136</u>	<u>(44,592)</u>	<u>2,062,254</u>
Total other capital assets	<u>\$ 8,646,454</u>	<u>\$ 1,623,562</u>	<u>\$ (479,592)</u>	<u>\$ 9,790,424</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 1,405,143	\$ 113,108	\$ -	\$ 1,518,251
School buildings, improvements and equipment *	518,394	85,625	(144,102)	459,917
Furniture, equipment and vehicles	<u>869,203</u>	<u>166,738</u>	<u>(44,592)</u>	<u>991,349</u>
Total accumulated depreciation	<u>\$ 2,792,740</u>	<u>\$ 365,471</u>	<u>\$ (188,694)</u>	<u>\$ 2,969,517</u>
Other capital assets, net	<u>\$ 5,853,714</u>	<u>\$ 1,258,091</u>	<u>\$ (290,898)</u>	<u>\$ 6,820,907</u>
Net capital assets	<u>\$ 8,727,881</u>	<u>\$ 1,636,843</u>	<u>\$ (1,837,910)</u>	<u>\$ 8,526,814</u>
Depreciation expense was allocated as follows:				
General government administration		\$ 86,027		
Judicial administration		2,874		
Public safety		121,838		
Public works		16,625		
Education		85,625		
Parks, recreation and cultural		<u>52,482</u>		
Total depreciation expense		<u>\$ 365,471</u>		

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Construction in progress	\$ 339,752	\$ 58,798	\$ (383,863)	\$ 14,687
Other capital assets:				
Buildings and improvements	\$ 12,344,884	\$ 1,761,192	\$ -	\$ 14,106,076
School buildings, improvements and equipment allocated to County *	(3,475,000)	(1,215,000)	435,000	(4,255,000)
Furniture, equipment and vehicles	1,268,246	50,174	-	1,318,420
Total other capital assets	\$ 10,138,130	\$ 596,366	\$ 435,000	\$ 11,169,496
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 4,643,719	\$ 327,540	\$ -	\$ 4,971,259
School buildings, improvements and equipment allocated to County *	(518,394)	(85,625)	144,102	(459,917)
Furniture, equipment and vehicles	914,210	59,486	-	973,696
Total accumulated depreciation	\$ 5,039,535	\$ 301,401	\$ 144,102	\$ 5,485,038
Other capital assets, net	\$ 5,098,595	\$ 294,965	\$ 290,898	\$ 5,684,458
Net capital assets	\$ 5,438,347	\$ 353,763	\$ (92,965)	\$ 5,699,145
Depreciation expense allocated to education		\$ 301,401		

\* School Board capital assets are jointly owned by the County (primary government) and the component unit School Board. The County share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

Reconciliation of primary government net investment capital assets:

Net capital assets	\$ 8,526,814
Long-term debt applicable to capital assets at June 30, 2013	(4,500,776)
Net investment in capital assets	<u>\$ 4,026,038</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 7—CAPITAL ASSETS: (CONTINUED)**

**Component Unit Recreational Facilities Authority:**

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in progress	18,097	12,983	(31,080)	-
Total capital assets not being depreciated	<u>\$ 38,097</u>	<u>\$ 12,983</u>	<u>\$ (31,080)</u>	<u>\$ 20,000</u>
Other capital assets:				
Building and improvements	\$ 110,525	\$ 31,080	\$ -	\$ 141,605
Equipment	6,627	1,118	-	7,745
Total other capital assets	<u>\$ 117,152</u>	<u>\$ 32,198</u>	<u>\$ -</u>	<u>\$ 149,350</u>
Less: Accumulated depreciation for:				
Building and improvements	\$ 88,807	\$ 3,865	\$ -	\$ 92,672
Equipment	4,278	261	-	4,539
Total accumulated depreciation	<u>\$ 93,085</u>	<u>\$ 4,126</u>	<u>\$ -</u>	<u>\$ 97,211</u>
Other capital assets, net	<u>\$ 24,067</u>	<u>\$ 28,072</u>	<u>\$ -</u>	<u>\$ 52,139</u>
Net capital assets	<u><u>\$ 62,164</u></u>	<u><u>\$ 41,055</u></u>	<u><u>\$ (31,080)</u></u>	<u><u>\$ 72,139</u></u>

**NOTE 8—LONG-TERM OBLIGATIONS:**

General Fund revenues are used to pay all long-term general obligation debt and compensated absences. School Fund revenues and appropriations from the General Fund are used to pay its compensated absences.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Primary Government:**

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

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Retirements &amp; Other Reductions</u>	<u>Balance June 30, 2013</u>	<u>Current Portion</u>
General obligation bonds	\$ 4,690,000	\$ -	\$ (435,000)	\$ 4,255,000	\$ 450,000
Unamortized bond premiums	298,768	-	(52,992)	245,776	44,521
Compensated absences	211,658	32,877	-	244,535	24,454
Net pension obligation	-	77,153	-	77,153	-
Accrued landfill remediation costs	2,153,055	-	(44,117)	2,108,938	-
Total	<u>\$ 7,353,481</u>	<u>\$ 110,030</u>	<u>\$ (532,109)</u>	<u>\$ 6,931,402</u>	<u>\$ 518,975</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 450,000	\$ 197,872
2015	440,000	177,709
2016	445,000	156,371
2017	455,000	133,731
2018	460,000	110,586
2019	465,000	87,189
2020	320,000	67,364
2021	330,000	52,036
2022	335,000	37,013
2023	185,000	21,275
2024	185,000	12,765
2025	185,000	4,255
Total	<u>\$ 4,255,000</u>	<u>\$ 1,058,166</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Details of Long-term Indebtedness:**

	<u>Amount Outstanding</u>	<u>Amount Due in One Year</u>
<u>General Obligation School Bonds:</u>		
\$1,215,000, Series 2011B, issued November 9, 2011, Virginia Public School Authority Bonds, due in annual installments ranging from \$90,000 to \$150,000 through July 2021, interest rates ranging from 2.05% to 5.05%	\$ 1,125,000	\$ 105,000
\$3,720,000, Series 2004, issued November 10, 2004, Virginia Public School Authority Bonds, due in annual installments ranging from \$185,000 to \$190,000 through July 2025, interest rates ranging from 4.10% to 5.60%	2,220,000	185,000
\$3,000,000, Series 1998B, issued November 19, 1998, Virginia Public School Authority Bonds, due in annual installments of \$150,000 through July 2019, interest at rates from 3.60% to 5.10%	900,000	150,000
\$1,500,000, Series 1993C, issued November 18, 1993, Virginia Public School Authority Bonds, due in annual installments from \$10,000 to \$105,000 through June 15, 2014, plus interest at 4.475% to 5.0%	10,000	10,000
Unamortized bond premiums	<u>245,776</u>	<u>44,521</u>
Total long-term debt	<u>\$ 6,609,714</u>	<u>\$ 494,521</u>

**Federal Arbitrage Regulations:**

The County is in compliance with federal arbitrage regulations. Any arbitrage amounts that may be required to be paid are not material to the financial statements.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**

**Component Unit School Board:**

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

	Balance July 1, 2012	Additions	Retirements & Other Reductions	Balance June 30, 2013	Current Portion
Compensated absences	\$ 104,914	\$ 68,201	\$ -	\$ 173,115	\$ 17,312
Net OPEB obligation	239,000	95,000	(23,000)	311,000	-
<b>Total</b>	<b>\$ 343,914</b>	<b>\$ 163,201</b>	<b>\$ (23,000)</b>	<b>\$ 484,115</b>	<b>\$ 17,312</b>

**NOTE 9—COMPENSATED ABSENCES:**

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the County and its component unit School Board have accrued the liability arising from all outstanding claims, judgments and compensated absences. The liability for future vacation and sick leave benefits is accrued when such benefits meet the following conditions:

The County's policy is to pay accrued vacation and compensatory time upon termination. In general, any compensatory and vacation time earned is limited to a maximum of 30 days. School Board and Social Services employees are also paid accrued vacation upon termination, although the amount able to be earned is not capped. Social Services employees are also paid unused sick leave upon termination; such pay is limited to the lesser of 25% of the unused balance or \$2,500.

Because the timing of the settlement of the liability for compensated absences is not estimable, the amount of vacation and sick pay not currently payable by the governmental funds is recorded as a current liability in the government-wide financial statements.

The balances at June 30, 2013 are:

	Beginning Balance	Increase (Decrease)	Ending Balance
Primary Government:			
Governmental activities	\$ 211,658	\$ 32,877	\$ 244,535
Component Unit School Board	\$ 104,914	\$ 68,201	\$ 173,115

## COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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### 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 service credit in their plan.

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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**NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund 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 2013 were 12.16% and 11.17% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$573,183, \$330,898, and \$202,956, to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012, and 2011, respectively and these contributions represented 11.66%, 6.33%, and 3.93%, respectively, of current covered payroll.

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

The following table shows the components of the County's annual pension cost for the year, the amount actually contributed to the plan, and the changes in the County's net pension obligation.

Annual required contribution (ARC)	\$ 352,701
Contributions made	(275,548)
Increase (decrease) in net pension obligation	77,153
Net pension obligation - beginning of year	-
Net pension obligation - end of year	\$ 77,153

For fiscal year 2013, the School Board's annual pension cost for non-professional employees of \$69,570 was equal to the School Board's required and actual contributions. There was no net pension obligation at the end of the year.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**

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

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
County	June 30, 2011	\$ 242,677	100%	\$ -
	June 30, 2012	247,932	100%	-
	June 30, 2013	275,548	78%	77,153
School Board Non-Professional Employees	June 30, 2011	\$ 40,778	100%	\$ -
	June 30, 2012	40,624	100%	-
	June 30, 2013	63,399	100%	-

<sup>1</sup>Employer portion only

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

**D. Funded Status and Funding Progress**

As of June 30, 2012, the most recent actuarial valuation date, the County's plan was 98.88% funded. The actuarial accrued liability for benefits was \$11,356,898, and the actuarial value of assets was \$8,783,752, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,573,146. The covered payroll (annual payroll of active employees covered by the plan) was \$2,602,185, and ratio of the UAAL to the covered payroll was 98.88%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's plan was 98.88% funded. The actuarial accrued liability for benefits was \$2,502,308, and the actuarial value of assets was \$1,896,114, resulting in an unfunded actuarial accrued liability (UAAL) of \$606,194. The covered payroll (annual payroll of active employees covered by the plan) was \$558,689, and ratio of the UAAL to the covered payroll was 108.50%.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**

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

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents 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—UNAVAILABLE/UNEARNED REVENUE:**

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
<b>Primary Government:</b>		
Unavailable revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 926,006
Prepaid property taxes representing collections received for property taxes that are applicable to the subsequent budget year.	<u>15,467</u>	<u>15,467</u>
Total unavailable revenue	\$ <u>15,467</u>	\$ <u>941,473</u>
Unearned revenue:		
Unearned revenue representing notes receivable for which asset recognition criteria has not been met. The note receivable is not available for the funding of current expenditures.	\$ -	\$ 283,816
Total primary government	\$ <u><u>15,467</u></u>	\$ <u><u>1,225,289</u></u>
<b>Component Unit-School Board:</b>		
Unearned revenue:		
Unearned revenue representing advance payments of state and federal grants.	\$ <u>27,449</u>	\$ <u>27,449</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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**NOTE 12—COMMITMENTS AND CONTINGENCIES:**

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Primary Government and Component Unit School Board:

Federal programs in which the County participates 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.

Lease Commitments:

The County leases office space from various lessors. The future minimum amounts due for operating leases with terms exceeding one year are as follows:

	<u>Fiscal Year</u>	
2014	\$	30,000
2015		30,000
2016		30,000
2017		<u>5,000</u>
Total	\$	<u><u>95,000</u></u>

Rent expenditures totaled \$68,817 for fiscal year 2013.

**NOTE 13—LITIGATION:**

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At June 30, 2013, there are matters of litigation pending against the County. Counsel is of the opinion that no claim for damages will be awarded.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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**NOTE 14—SURETY BONDS:**

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Virginia Department of Risk Management & Surety:		
Margaret R. Ralph, Clerk of the Circuit Court	\$	365,000
Frances A. Foster, Treasurer		300,000
Beverly S. Atkins, Commissioner of the Revenue		3,000
Connie Smith, Sheriff		30,000
Above constitutional officers' employees - blanket bond		50,000
Melbry Paratore, Clerk of the School Board		10,000
Donna Matthews, Superintendent		10,000
United States Fidelity and Guaranty Company - Surety:		
All Department of Social Services Employees - blanket bond		100,000
Peter H. Luke - Surety:		
S. Bryant Lee, Supervisor		1,000
Roger A. Welch, Supervisor		1,000
Kathy W. Frazier - Surety:		
Ronald L. Frazier, Supervisor		1,000
Lisa Welsted - Surety:		
Mike Biniek, Supervisor		1,000
I. Christopher Parrish, Supervisor		1,000

**NOTE 15—RISK MANAGEMENT:**

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The primary government and its component units are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims and natural disasters.

The County contracts with the Virginia Association of Counties Municipal Liability Pool to provide for insurance coverages for these risks of loss. In the event of a loss deficit and depletion of all assets and available insurance of the Pool, the Pool 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 property coverage is for specific amounts based on values assigned to the insured properties. Liability coverage is for \$3,000,000.

The School Board contracts with private insurers for property and liability coverages. Property coverages are for specific property values and liability coverages are \$20,000,000 and \$2,000,000, respectively.

Unemployment Insurance:

The County and School Board are responsible for unemployment claims. The Virginia Employment Commission bills the County for all unemployment claims.

## COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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### NOTE 15—RISK MANAGEMENT: (CONTINUED)

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#### Employee Health Insurance:

The County and School Board have contracted with a private carrier for health insurance coverages.

#### Other:

The County and its component units have had no reductions in insurance coverages from the prior year. There have been no settlements in excess of insurance coverages for the past three years, other than the payment of deductibles which are immaterial.

### NOTE 16—ACCRUED LANDFILL REMEDIATION COST:

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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 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 \$2,108,938 reported as landfill closure and postclosure care liability at June 30, 2013, represents the cumulative amount reported based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The landfill was closed in December 2007.

The County has demonstrated financial assurance requirements for closure, post-closure 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 17—INTERGOVERNMENTAL AGREEMENTS:

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In July 2007, the County entered into a Solid Waste Service Agreement with the County of Culpeper (“Culpeper”) that permits the County to use Culpeper’s transfer station for refuse disposal at an established rate per ton. In fiscal year 2013, the County paid Culpeper \$307,121 in connection with the agreement.

In November 2008, the County entered into a Shared Use of Public-Safety System Facilities Agreement with Culpeper so that the County can share the use of public safety radio equipment and infrastructure located in Culpeper. As part of the agreement, the County was required to purchase certain equipment and modify the existing communication tower. In addition, the agreement stipulates that the County will annually reimburse Culpeper for 7% of costs for maintenance of the system.

In March 2009, the County entered into an Agreement for Shared Use of Public Safety Radio System with the County of Fauquier (“Fauquier”). The agreement permits the County to utilize Fauquier’s 800 MHz radio system network, which is interconnected with similar facilities in Culpeper. The term of the agreement is five years with a renewal option for an additional five years. Under the terms of the agreement, the County is required to pay a stipulated fee for each radio owned by the County and connected to Fauquier’s radio network.

## COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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### **NOTE 18—RELATED PARTY TRANSACTIONS:**

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The County pays the payroll for the Water and Sewer Authority, which then reimburses the County for the costs. The County recorded \$88,199 of such reimbursements in fiscal year 2013.

### **NOTE 19—DEFERRED COMPENSATION PLAN:**

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The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are not subject to claims from the County's general creditors.

### **NOTE 20—OTHER POST EMPLOYMENT BENEFITS PROGRAM:**

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

##### Plan Description

The plan provides 50% of the single subscriber premium for employees who retire with either (1) unreduced retirement benefit from the Virginia Retirement System (VRS), or (2) the sum of years of service plus age equals 90 or more.

The eligibility requirements for an unreduced retirement benefit from VRS are:

- (a) Age 65 with 5 years of service, or
- (b) Age 50 with 30 years of service.

Employees who are eligible for disability retirement under VRS are also eligible for the Rappahannock County Public Schools retiree medical plan. There is no post age 65 coverage except through COBRA. Spouses and family members are allowed in the plan until they reach age 65 but the retiree must pay the full cost of the additional coverage.

##### Funding Policy

These benefits are financed on a pay-as-you-go basis.

An actuarial valuation was performed as of July 1, 2012 to determine Net OPEB obligation. The plan is not funded. The valuation used the projected unit cost method, with linear pro-ratio to assumed benefit commencement.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 20—OTHER POST EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

**Discretely Presented Component Unit-School Board: (Continued)**

Annual OPEB Cost and Net OPEB Obligation

The Rappahannock County Public Schools’ annual other post-employment 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 and unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Rappahannock County Public Schools annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Rappahannock County Public Schools net OPEB obligation.

Annual required contribution (ARC)	\$ 97,000
Interest on OPEB obligation	8,000
Adjustment to ARC	(10,000)
Annual OPEB cost	<u>95,000</u>
Contributions made	<u>(23,000)</u>
Increase (decrease) in net OPEB obligation	72,000
Net OPEB obligation - beginning of year	<u>239,000</u>
Net OPEB obligation - end of year	<u><u>\$ 311,000</u></u>

The Rappahannock County Public Schools (RCPS) annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2013, 2012, and 2011 were 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, 2013	\$ 95,000	24%	\$ 311,000
June 30, 2012	129,000	40%	239,000
June 30, 2011	121,000	34%	161,000

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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**NOTE 20—OTHER POST EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

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**Discretely Presented Component Unit-School Board: (Continued)**

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$1,022,000. The covered payroll (annual payroll of active employees covered by the plan) was \$558,689 and the ratio of the UAAL to the covered payroll was 182.93 percent.

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 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 member to that point.

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own investments. We also assumed an annual healthcare cost trend rate of 7.5% initially, gradually decreasing over time. By 2030 the rate of increase is 5.70%, and by 2050, 5.00%. The ultimate trend rate is 4.20%. The rates include a 3.0% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis over thirty years.

**NOTE 21—HEALTH INSURANCE CREDIT PROGRAM:**

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A. Plan Description

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

An employee of the County and Component Unit School Board, who retires under VRS with at least 15 years of total creditable service 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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 21—HEALTH INSURANCE CREDIT PROGRAM: (CONTINUED)**

A. Plan Description: (Continued)

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 County and Component Unit School Board are required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County and Component Unit School Board non-professional employees contribution rates for the fiscal year ended 2013 were .10% and .76% of annual covered payroll, respectively.

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 County and Component Unit School Board are required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2013, the County and Component Unit School Board non-professional employees' contributions of \$580 and \$4,314, respectively, were equal to the ARC and OPEB cost. The County and the Component Unit School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are as follows:

	<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
County	June 30, 2011	\$ 1,277	100%	\$ -
	June 30, 2012	1,305	100%	-
	June 30, 2013	580	100%	-
School Board Non Professional Employees	June 30, 2011	\$ 4,506	100%	\$ -
	June 30, 2012	4,489	100%	-
	June 30, 2013	4,314	100%	-

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

**NOTE 21—HEALTH INSURANCE CREDIT PROGRAM: (CONTINUED)**

**D. Funded Status and Funding Progress**

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

	<u>County</u>	<u>School Board Non Professional Employees</u>
Actuarial accrued liability (AAL)	\$ 20,130	\$ 80,110
Actuarial value of plan assets	\$ 24,443	\$ 31,845
Unfunded actuarial accrued liability (UAAL)	\$ (4,313)	\$ 48,265
Funded ratio (actuarial value of plan assets/AAL)	121.43%	39.75%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 530,983	\$ 558,689
UAAL as a percentage of covered payroll	-0.81%	8.64%

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 Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to the healthcare cost trend rates is needed or applied.

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.

## COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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### **NOTE 21—HEALTH INSURANCE CREDIT PROGRAM: (CONTINUED)**

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

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, 2012 was 30 years.

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

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$54,566, \$31,365, and \$30,987, respectively and equaled the required contributions for each year.

### **NOTE 22—ADOPTION OF ACCOUNTING POLICIES:**

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

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements  
June 30, 2013 (Continued)

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**NOTE 22—ADOPTION OF ACCOUNTING POLICIES: (CONTINUED)**

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

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

**NOTE 23—UPCOMING PRONOUNCEMENTS:**

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

**Required Supplementary Information**

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
<b>Property taxes:</b>				
Real property taxes	\$ 9,945,000	\$ 9,945,000	\$ 9,291,595	\$ (653,405)
Real and personal public service corporation property taxes	135,000	135,000	319,752	184,752
Personal property taxes	1,756,000	1,756,000	1,511,945	(244,055)
Mobile home taxes	500	500	335	(165)
Penalties	95,560	95,560	82,507	(13,053)
Interest	115,000	115,000	72,700	(42,300)
<b>Total property taxes</b>	<b>\$ 12,047,060</b>	<b>\$ 12,047,060</b>	<b>\$ 11,278,834</b>	<b>\$ (768,226)</b>
<b>Other local taxes:</b>				
Local sales and use taxes	\$ 450,100	\$ 450,100	\$ 428,119	\$ (21,981)
Consumers' utility taxes	151,000	151,000	162,193	11,193
Gross receipts tax	35,400	35,400	29,063	(6,337)
Motor vehicle licenses	152,000	152,000	142,963	(9,037)
Bank franchise taxes	48,750	48,750	77,692	28,942
Taxes on recordation of wills	101,000	101,000	113,232	12,232
Additional tax on deeds	25,600	25,600	28,187	2,587
Meals and lodging taxes	175,000	175,000	204,291	29,291
<b>Total other local taxes</b>	<b>\$ 1,138,850</b>	<b>\$ 1,138,850</b>	<b>\$ 1,185,740</b>	<b>\$ 46,890</b>
<b>Permits, privilege fees and regulatory licenses:</b>				
Animal licenses	\$ 6,800	\$ 6,800	\$ 5,947	\$ (853)
Land use application fees	3,000	3,000	2,980	(20)
Building and related permits	66,000	66,000	70,388	4,388
Transfer fees	250	250	280	30
Other permits and fees	16,300	16,300	8,050	(8,250)
<b>Total permits, privilege fees and regulatory licenses</b>	<b>\$ 92,350</b>	<b>\$ 92,350</b>	<b>\$ 87,645</b>	<b>\$ (4,705)</b>
<b>Fines and forfeitures:</b>				
Court fines and forfeitures	\$ 82,000	\$ 82,000	\$ 117,143	\$ 35,143
<b>Revenue from use of money and property:</b>				
Revenue from use of money	\$ 28,000	\$ 28,000	\$ 50,614	\$ 22,614
Revenue from use of property	9,500	9,500	7,121	(2,379)
<b>Total revenue from use of money and property</b>	<b>\$ 37,500</b>	<b>\$ 37,500</b>	<b>\$ 57,735</b>	<b>\$ 20,235</b>

Budgetary Comparison Schedule  
General Fund (Continued)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues (Continued):</b>				
<b>Charges for services:</b>				
Sheriff fees	\$ 9,800	\$ 9,800	\$ 13,753	\$ 3,953
Charges for Commonwealth's Attorney	250	250	639	389
Charges for concealed weapons fees	3,200	3,200	4,921	1,721
Charges for jail meals	-	-	542	542
Charges for law library	750	750	774	24
Charges for work release fees	-	-	13,910	13,910
Charges for courthouse security fees	31,500	31,500	33,556	2,056
Charges for courthouse maintenance fees	8,500	8,500	7,563	(937)
Charges for court appointed attorney fees	-	-	501	501
Other jail charges	-	-	2,157	2,157
DMV stop fees	-	-	3,380	3,380
Charges for inmate telephone system	54,600	54,600	3,752	(50,848)
Charges for landfill fees	19,000	19,000	15,112	(3,888)
<b>Total charges for services</b>	<b>\$ 127,600</b>	<b>\$ 127,600</b>	<b>\$ 100,560</b>	<b>\$ (27,040)</b>
<b>Miscellaneous:</b>				
VPA refunds	\$ -	\$ -	\$ 11,662	\$ 11,662
Insurance recoveries	-	-	1,791	(1,791)
Miscellaneous	139,051	139,051	197,744	58,693
<b>Total miscellaneous</b>	<b>\$ 139,051</b>	<b>\$ 139,051</b>	<b>\$ 211,197</b>	<b>\$ 68,564</b>
<b>Recovered costs:</b>				
Commonwealth jail costs	\$ 48,000	\$ 48,000	\$ 37,612	\$ (10,388)
Water and sewer authority	86,000	86,000	88,199	2,199
<b>Total recovered costs</b>	<b>\$ 134,000</b>	<b>\$ 134,000</b>	<b>\$ 125,811</b>	<b>\$ (8,189)</b>
<b>Revenue from the Commonwealth:</b>				
<b>Noncategorical aid:</b>				
Mobile home titling tax	\$ 250	\$ 250	\$ -	\$ (250)
Spay/Neuter License Revenue	-	-	67	67
Rolling stock tax	1,100	1,100	-	(1,100)
Communications sales and use tax	362,000	362,000	354,952	(7,048)
Reduction in aid to localities	(69,024)	(69,024)	(69,024)	-
Personal property tax relief	945,000	945,000	945,168	168
<b>Total noncategorical aid</b>	<b>\$ 1,239,326</b>	<b>\$ 1,239,326</b>	<b>\$ 1,231,163</b>	<b>\$ (8,163)</b>

Budgetary Comparison Schedule  
General Fund (Continued)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (Continued):				
Revenue from the Commonwealth (continued):				
Categorical aid:				
Shared Expenses:				
Commonwealth's attorney	\$ 154,500	\$ 154,500	\$ 153,776	\$ (724)
Sheriff	740,000	740,000	690,335	(49,665)
Commissioner of the Revenue	65,000	65,000	68,019	3,019
Treasurer	65,000	65,000	63,381	(1,619)
Registrar/electoral board	29,500	29,500	31,497	1,997
Clerk of the Circuit Court	156,000	156,000	168,389	12,389
Total shared expenses	<u>\$ 1,210,000</u>	<u>\$ 1,210,000</u>	<u>\$ 1,175,397</u>	<u>\$ (34,603)</u>
Welfare:				
Welfare administration and assistance	<u>\$ 199,500</u>	<u>\$ 199,500</u>	<u>\$ 170,909</u>	<u>\$ (28,591)</u>
Other categorical aid:				
Abandoned vehicles	\$ 1,600	\$ 1,600	\$ 7,192	\$ 5,592
Emergency medical service	8,250	8,250	8,668	418
Wireless grant	203,900	203,900	40,057	(163,843)
Litter control	4,500	4,500	7,249	2,749
Asset forfeiture	-	-	665	665
Juvenile Comm. Crime Control	13,000	13,000	9,673	(3,327)
Local law enforcement block grant	350	350	1,530	1,180
Farmland preservation program	100,000	100,000	-	(100,000)
Recordation taxes	43,100	43,100	39,326	(3,774)
Comprehensive services	440,400	440,400	380,938	(59,462)
Fire programs	37,000	37,000	-	(37,000)
VA commission for the arts grant	-	-	5,000	5,000
Civil War Trails program	20,000	20,000	36,400	16,400
DMV - Animal friendly plates	-	-	199	199
Total other categorical aid	<u>\$ 872,100</u>	<u>\$ 872,100</u>	<u>\$ 536,897</u>	<u>\$ (335,203)</u>
Total categorical aid	<u>\$ 2,281,600</u>	<u>\$ 2,281,600</u>	<u>\$ 1,883,203</u>	<u>\$ (398,397)</u>
Total revenue from the Commonwealth	<u>\$ 3,520,926</u>	<u>\$ 3,520,926</u>	<u>\$ 3,114,366</u>	<u>\$ (406,560)</u>
Revenue from the Federal Government:				
Payments in lieu of taxes	<u>\$ 76,500</u>	<u>\$ 76,500</u>	<u>\$ 76,488</u>	<u>\$ (12)</u>
Categorical aid:				
Welfare:				
Administration and public assistance	<u>\$ 465,000</u>	<u>\$ 465,000</u>	<u>\$ 393,670</u>	<u>\$ (71,330)</u>

Budgetary Comparison Schedule  
General Fund (Continued)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues (Continued):</b>				
Revenue from the Federal Government (continued):				
Other categorical aid:				
Law enforcement grants	\$ 15,100	\$ 15,100	\$ 10,654	\$ (4,446)
Asset forfeiture	4,000	4,000	-	(4,000)
<b>Total other categorical aid</b>	<b>\$ 19,100</b>	<b>\$ 19,100</b>	<b>\$ 10,654</b>	<b>\$ (8,446)</b>
<b>Total categorical aid</b>	<b>\$ 484,100</b>	<b>\$ 484,100</b>	<b>\$ 404,324</b>	<b>\$ (79,776)</b>
<b>Total revenue from the Federal Government</b>	<b>\$ 560,600</b>	<b>\$ 560,600</b>	<b>\$ 480,812</b>	<b>\$ (79,788)</b>
<b>Total revenues</b>	<b>\$ 17,879,937</b>	<b>\$ 17,879,937</b>	<b>\$ 16,759,843</b>	<b>\$ (1,123,676)</b>
<b>Expenditures:</b>				
Current:				
General government administration:				
Board of supervisors	\$ 205,878	\$ 205,878	\$ 172,235	\$ 33,643
County administrator	296,458	296,458	281,718	14,740
Legal services	85,884	85,884	101,328	(15,444)
Independent auditor	41,000	41,000	55,464	(14,464)
Commissioner of the Revenue	294,176	294,176	277,155	17,021
Treasurer	288,442	288,442	254,269	34,173
Land use administration	15,050	15,050	10,882	4,168
Electoral board and officials	56,600	56,600	38,166	18,434
Registrar	109,206	109,206	97,763	11,443
Land purchase	-	-	350,943	(350,943)
<b>Total general government administration</b>	<b>\$ 1,392,694</b>	<b>\$ 1,392,694</b>	<b>\$ 1,639,923</b>	<b>\$ (247,229)</b>
Judicial administration:				
Circuit court	\$ 14,150	\$ 14,150	\$ 10,934	\$ 3,216
General district court	11,790	11,790	6,289	5,501
Commissioner of accounts	1,345	1,345	887	458
Magistrates	-	-	574	(574)
Juvenile probation service unit	50,074	50,074	73,675	(23,601)
Clerk of the circuit court	316,680	316,680	260,062	56,618
Law library	600	600	-	600
Commonwealth attorney	263,140	263,140	246,412	16,728
<b>Total judicial administration</b>	<b>\$ 657,779</b>	<b>\$ 657,779</b>	<b>\$ 598,833</b>	<b>\$ 58,946</b>

Budgetary Comparison Schedule  
General Fund (Continued)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (Continued):				
Public safety:				
Sheriff	\$ 1,100,434	\$ 1,130,743	\$ 1,123,720	\$ 7,023
Contributions to fire departments and rescue squads	727,600	727,600	615,596	112,004
Forest fire extinction	5,643	5,643	-	5,643
Jail	1,139,338	1,139,338	899,784	239,554
Building inspector	106,060	106,060	132,122	(26,062)
Animal control	68,750	68,750	76,788	(8,038)
Medical examiner	900	900	40	860
Emergency services	148,980	148,980	127,147	21,833
E-911	215,539	215,539	125,359	90,180
Total public safety	\$ 3,513,244	\$ 3,543,553	\$ 3,100,556	\$ 442,997
Public works:				
Landfill	\$ 777,499	\$ 777,499	\$ 692,420	\$ 85,079
General properties	471,657	531,657	364,541	167,116
Aileen property	5,650	5,650	1,488	4,162
Total public works	\$ 1,254,806	\$ 1,314,806	\$ 1,058,449	\$ 256,357
Health and welfare:				
Health department	\$ 144,828	\$ 144,828	\$ 128,478	\$ 16,350
Rappahannock-Rapidan Community Services Board	41,141	41,141	-	41,141
Public assistance and administration	933,899	933,899	989,468	(55,569)
Comprehensive Services Act	660,700	660,700	1,124,172	(463,472)
Total health and welfare	\$ 1,780,568	\$ 1,780,568	\$ 2,242,118	\$ (461,550)
Education:				
Community college	\$ 5,564	\$ 5,564	\$ 4,470	\$ 1,094
Appropriation to public school system	8,133,054	8,164,375	8,193,087	(28,712)
Total education	\$ 8,138,618	\$ 8,169,939	\$ 8,197,557	\$ (27,618)
Parks, recreation and cultural:				
Park authority and others	\$ 18,000	\$ 18,000	\$ 6,500	\$ 11,500
Total parks, recreation and cultural	\$ 18,000	\$ 18,000	\$ 6,500	\$ 11,500

Budgetary Comparison Schedule  
General Fund (Continued)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Expenditures (Continued):</b>				
<b>Community development:</b>				
Planning commission	\$ 34,800	\$ 34,800	\$ 9,758	\$ 25,042
Board of zoning appeals	6,450	6,450	1,484	4,966
Soil and water conservation district	17,170	17,170	8,585	8,585
VPI Extension Service	89,643	89,643	92,255	(2,612)
Public utility services	86,000	86,000	89,968	(3,968)
Farmland preservation program	112,000	112,000	13,663	98,337
Water quality improvement program	20,000	20,000	6,603	13,397
Civil War Trails project	32,000	32,000	45,799	(13,799)
Tourism promotion	66,300	71,300	76,350	(5,050)
<b>Total community development</b>	<b>\$ 464,363</b>	<b>\$ 469,363</b>	<b>\$ 344,465</b>	<b>\$ 124,898</b>
<b>Capital projects:</b>				
Scrabble School project	\$ 13,950	\$ 13,950	\$ 4,395	\$ 9,555
School & Facility renovation	568,000	568,000	216,261	351,739
<b>Total capital projects</b>	<b>\$ 581,950</b>	<b>\$ 581,950</b>	<b>\$ 220,656</b>	<b>\$ 361,294</b>
<b>Debt service:</b>				
Principal	\$ 435,000	\$ 435,000	\$ 435,000	\$ -
Interest and fiscal charges	221,044	221,044	229,849	(8,805)
<b>Total debt service</b>	<b>\$ 656,044</b>	<b>\$ 656,044</b>	<b>\$ 664,849</b>	<b>\$ (8,805)</b>
<b>Total expenditures</b>	<b>\$ 18,458,066</b>	<b>\$ 18,584,696</b>	<b>\$ 18,073,906</b>	<b>\$ 510,790</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (578,129)</b>	<b>\$ (704,759)</b>	<b>\$ (1,314,063)</b>	<b>\$ (612,886)</b>
<b>Other financing sources (uses):</b>				
Issuance of general obligation bonds	\$ 600,000	\$ 600,000	\$ -	\$ 600,000
Sale of capital assets	-	-	128,438	(128,438)
Transfers out	(122,967)	(122,967)	(119,385)	(3,582)
<b>Total other financing sources (uses)</b>	<b>\$ 477,033</b>	<b>\$ 477,033</b>	<b>\$ 9,053</b>	<b>\$ 467,980</b>
<b>Net change in fund balance</b>	<b>\$ (101,096)</b>	<b>\$ (227,726)</b>	<b>\$ (1,305,010)</b>	<b>\$ (144,906)</b>
<b>Fund balance, beginning of year</b>	<b>101,096</b>	<b>227,726</b>	<b>4,066,605</b>	<b>3,838,879</b>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,761,595</b>	<b>\$ 2,761,595</b>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Budgetary Comparison Schedule  
 Library Fund  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
Fines and forfeitures	\$ 1,000	\$ 1,000	\$ 1,399	\$ 399
Use of money and property	40,706	40,706	71,926	31,220
Charges for services	2,100	2,100	4,200	2,100
Miscellaneous	1,764	1,764	1,063	(701)
<b>Intergovernmental:</b>				
Revenue from the Commonwealth	32,899	32,899	33,986	1,087
<b>Total revenues</b>	<u>\$ 78,469</u>	<u>\$ 78,469</u>	<u>\$ 112,574</u>	<u>\$ 34,105</u>
<b>Expenditures:</b>				
<b>Parks, Recreation and Cultural:</b>				
Library administration	\$ 201,436	\$ 201,436	\$ 204,661	\$ (3,225)
<b>Total expenditures</b>	<u>\$ 201,436</u>	<u>\$ 201,436</u>	<u>\$ 204,661</u>	<u>\$ (3,225)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (122,967)</u>	<u>\$ (122,967)</u>	<u>\$ (92,087)</u>	<u>\$ 37,330</u>
<b>Other financing sources (uses):</b>				
Transfers in	\$ 122,967	\$ 122,967	\$ 119,385	\$ 3,582
<b>Net change in fund balance</b>	\$ -	\$ -	\$ 27,298	\$ 40,912
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>628,596</u>	<u>628,596</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 655,894</u></u>	<u><u>\$ 655,894</u></u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Schedule of Pension Funding Progress  
As of June 30, 2013

PRIMARY GOVERNMENT:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
County:						
June 30, 2010	\$ 8,201,312	\$ 10,354,497	\$ 2,153,185	79.21%	\$ 2,591,332	83.09%
June 30, 2011	8,635,350	10,850,369	2,215,019	79.59%	2,589,560	85.54%
June 30, 2012	8,783,752	11,356,898	2,573,146	77.34%	2,602,185	98.88%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2010	\$ 1,973,312	\$ 2,348,221	\$ 374,909	84.03%	\$ 552,959	67.80%
June 30, 2011	1,958,822	2,450,336	491,514	79.94%	557,378	88.18%
June 30, 2012	1,896,114	2,502,308	606,194	75.77%	558,689	108.50%

Schedule of OPEB Funding Progress  
As of June 30, 2013

PRIMARY GOVERNMENT:

County Health Insurance Credit Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
County:						
June 30, 2010	\$ 20,667	\$ 19,978	\$ (689)	103.45%	\$ 2,591,332	-0.03%
June 30, 2011	24,611	21,035	(3,576)	117.00%	537,826	-0.66%
June 30, 2012	24,443	20,130	(4,313)	121.43%	530,983	-0.81%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2010	\$ -	\$ 1,079,000	\$ 1,079,000	0.00%	\$ 552,959	195.13%
July 1, 2011	-	1,157,000	1,157,000	0.00%	557,378	207.58%
July 1, 2012	-	1,022,000	1,022,000	0.00%	558,689	182.93%

School Board Health Insurance Credit Program

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2010	\$ 29,728	\$ 82,378	\$ 52,650	36.09%	\$ 552,959	9.52%
June 30, 2011	33,570	80,539	46,969	41.68%	557,378	8.43%
June 30, 2012	31,845	80,110	48,265	39.75%	558,689	8.64%

**Other Supplementary Information**

Agency Fund  
 Statement of Changes in Assets and Liabilities  
 Year Ended June 30, 2013

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	Balance Beginning of Year	Additions	Deletions	Balance End of Year
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Special Welfare Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 25,467	\$ 5,738	\$ 6,227	\$ 24,978
Accounts receivable	70	-	70	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 25,537</u>	<u>\$ 5,738</u>	<u>\$ 6,297</u>	<u>\$ 24,978</u>
<b>Liabilities:</b>				
Amounts held for others	<u>\$ 25,537</u>	<u>\$ 5,738</u>	<u>\$ 6,297</u>	<u>\$ 24,978</u>

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

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,036,789	\$ 48,980	\$ 1,085,769
Accounts receivable	1,802	-	1,802
Prepaid items	148,112	-	148,112
Inventory	-	16,175	16,175
Due from other governments	201,198	-	201,198
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ <u>1,387,901</u>	\$ <u>65,155</u>	\$ <u>1,453,056</u>
<b>Liabilities:</b>			
Accounts payable	\$ 37,104	\$ -	\$ 37,104
Accrued liabilities	1,036,739	28,980	1,065,719
Unearned revenue	27,449	-	27,449
Due to primary government	286,609	-	286,609
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	\$ <u>1,387,901</u>	\$ <u>28,980</u>	\$ <u>1,416,881</u>
<b>Fund Balance:</b>			
Nonspendable:			
Prepaid items	\$ 148,112	\$ -	\$ 148,112
Inventory	-	16,175	16,175
Assigned for:			
School food operations	-	20,000	20,000
Unassigned	(148,112)	-	(148,112)
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	\$ <u>-</u>	\$ <u>36,175</u>	\$ <u>36,175</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balance	\$ <u>1,387,901</u>	\$ <u>65,155</u>	\$ <u>1,453,056</u>

Component Unit School Board

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2013

Total fund balances for governmental funds (Exhibit 13) \$ 36,175

Total net position reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Construction in progress	\$	14,687	
Buildings and improvements, net of depreciation		9,134,817	
Furniture, equipment and vehicles, net of depreciation		344,724	
School Board capital assets in primary government, net of depreciation		<u>(3,795,083)</u>	
 Total capital assets			 5,699,145

Liabilities applicable to the School Board's governmental activities which are not due and/or payable in the current period are not reported as fund liabilities. Balances of such liabilities affecting net position are as follows:

Compensated absences	\$	(173,115)	
Other post employment benefits		<u>(311,000)</u>	
 Total			 <u>(484,115)</u>

Total net position of governmental activities (Exhibit 1) \$ 5,251,205

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

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>Revenues:</b>			
Charges for services	\$ 6,607	\$ 209,250	\$ 215,857
Miscellaneous	43,781	2,365	46,146
<b>Intergovernmental:</b>			
Appropriation from primary government	8,193,087	-	8,193,087
Revenue from the Commonwealth	2,700,650	9,613	2,710,263
Revenue from the Federal Government	476,365	175,328	651,693
<b>Total revenues</b>	<b>\$ 11,420,490</b>	<b>\$ 396,556</b>	<b>\$ 11,817,046</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Education:</b>			
Instruction	\$ 8,278,930	\$ -	\$ 8,278,930
Administration, attendance and health	784,006	-	784,006
Transportation	990,339	-	990,339
Operation and maintenance	949,018	-	949,018
School food services	25,838	477,181	503,019
Technology	299,442	-	299,442
<b>Total expenditures</b>	<b>\$ 11,327,573</b>	<b>\$ 477,181</b>	<b>\$ 11,804,754</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 92,917</b>	<b>\$ (80,625)</b>	<b>\$ 12,292</b>
<b>Other financing sources (uses):</b>			
Transfers in	\$ -	\$ 92,917	\$ 92,917
Transfers out	(92,917)	-	(92,917)
<b>Total other financing sources (uses)</b>	<b>\$ (92,917)</b>	<b>\$ 92,917</b>	<b>\$ -</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 12,292</b>	<b>\$ 12,292</b>
<b>Fund balance, beginning of year</b>	<b>-</b>	<b>23,883</b>	<b>23,883</b>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ 36,175</b>	<b>\$ 36,175</b>

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

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Net change in fund balances - total governmental funds (Exhibit 15) \$ 12,292

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 in the current period. 1,099,275

School Board capital assets are jointly owned by the County and School Board. The County share of School Board capital assets is in proportion to the debt owed on such by the County. The transfers to the School Board are affected by the relationship of the debt to assets on a year to year basis. The net transfer resulting from this relationship decreased the transfers to the School Board. (838,477)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment consists of the following:

Compensated absences	\$	(68,201)
Other post employment benefits		<u>(72,000)</u>
 Total		 <u>(140,201)</u>
 Change in net position of governmental activities (Exhibit 2)	 \$	 <u><u>132,889</u></u>

Component Unit School Board  
 School Fund  
 Budgetary Comparison Schedule  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 6,607	\$ 6,607
Miscellaneous	33,916	63,591	43,781	(19,810)
<b>Intergovernmental:</b>				
Appropriation from primary government	8,133,054	8,164,375	8,193,087	28,712
Revenue from the Commonwealth	2,745,909	2,756,547	2,700,650	(55,897)
Revenue from the Federal Government	527,700	974,000	476,365	(497,635)
<b>Total revenues</b>	<b>\$ 11,440,579</b>	<b>\$ 11,958,513</b>	<b>\$ 11,420,490</b>	<b>\$ (538,023)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Education:</b>				
Instruction	\$ 8,186,272	\$ 8,659,725	\$ 8,278,930	\$ 380,795
Administration, attendance and health	803,329	803,329	784,006	19,323
Transportation	1,026,873	1,026,873	990,339	36,534
Operation and maintenance	979,442	979,442	949,018	30,424
School food services	135,723	180,204	25,838	154,366
Technology	308,940	308,940	299,442	9,498
<b>Total expenditures</b>	<b>\$ 11,440,579</b>	<b>\$ 11,958,513</b>	<b>\$ 11,327,573</b>	<b>\$ 630,940</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 92,917</b>	<b>\$ 92,917</b>
<b>Other financing sources(uses):</b>				
Transfers out	\$ -	\$ -	\$ (92,917)	\$ (92,917)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Discretely Presented Component Unit -- Rappahannock County Recreational Facilities Authority  
 Proprietary Fund  
 Statement of Net Position  
 June 30, 2013

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	<u>Proprietary Funds</u>
	<u>Enterprise</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ <u>31,479</u>
Capital Assets:	
Land	\$ 20,000
Other capital assets, net of accumulated depreciation	52,139
Total capital assets, net	\$ <u>72,139</u>
Total assets	\$ <u>103,618</u>
Net Position:	
Investment in capital assets	\$ 72,139
Unrestricted	31,479
Total net position	\$ <u><u>103,618</u></u>

Discretely Presented Component Unit -- Rappahannock County Recreational Facilities Authority  
 Proprietary Fund  
 Statement of Revenues, Expenses and Changes in Net Position  
 Year Ended June 30, 2013

	<u>Proprietary Funds</u>
	<u>Enterprise</u>
Operating Revenues:	
Fodderstack race fees	\$ 7,353
Fodderstack race donations	5,683
Pavilion fees	1,630
Other income	3,012
Total operating revenues	<u>\$ 17,678</u>
Operating Expenses:	
Advertising	\$ 334
Awards	1,687
Bank charges	2
Bus driver fees	90
Maintenance	76
Miscellaneous	400
Postage	229
Race management	1,293
Refund/Reimbursement	1,315
Repairs	1,692
Septic charges	665
T-shirts	1,349
Utilities	125
Depreciation	4,126
Total operating expenses	<u>\$ 13,383</u>
Operating income (loss)	<u>\$ 4,295</u>
Nonoperating Revenues:	
Interest income	<u>\$ 187</u>
Change in net position	<u>\$ 4,482</u>
Net position, beginning of year	<u>99,136</u>
Net position, end of year	<u><u>\$ 103,618</u></u>

Discretely Presented Component Unit -- Rappahannock County Recreational Facilities Authority  
 Proprietary Fund  
 Statement of Cash Flows  
 Year Ended June 30, 2013

	Proprietary Funds
	<u>Enterprise</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 17,678
Payments for services	<u>(9,257)</u>
Net cash provided by (used for) operating activities	\$ <u>8,421</u>
Cash flows from capital and related financing activities:	
Acquisitions and construction of capital assets	\$ <u>(14,101)</u>
Cash flows from investing activities:	
Interest income	\$ <u>187</u>
Net Increase (decrease) in cash and cash equivalents	\$ <u>(5,493)</u>
Cash and cash equivalents at beginning of year	<u>36,972</u>
Cash and cash equivalents at end of year	\$ <u><u>31,479</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 4,295
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	<u>4,126</u>
Net cash provided by (used for) operating activities	\$ <u><u>8,421</u></u>

## **Statistical Information**

COUNTY OF RAPPAHANNOCK, VIRGINIA

Government-Wide Expenses by Function  
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2004	\$ 792,313	\$ 441,430	\$ 2,137,551	\$ 622,632	\$ 1,158,147
2005	780,315	541,437	2,505,482	982,749	1,273,404
2006	900,224	521,553	1,869,797	1,315,134	1,445,417
2007	1,830,994	511,111	2,889,260	909,018	1,573,437
2008	1,046,992	591,957	2,836,270	1,470,899	1,825,423
2009	1,033,528	613,997	3,020,094	995,784	1,742,545
2010	1,210,317	547,850	2,946,938	1,036,017	1,784,898
2011	1,132,198	532,309	2,953,428	877,034	1,854,208
2012	1,235,264	558,072	2,950,804	1,115,716	2,344,788
2013	1,361,240	601,707	3,088,825	1,031,817	2,279,247

Table 1

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<u>Education</u>	<u>Parks, Recreation, and Culture</u>	<u>Community Development</u>	<u>Interest on Debt</u>	<u>Total</u>
\$ 6,127,888	\$ 193,231	\$ 164,272	\$ 169,068	\$ 11,806,532
5,410,672	294,374	216,432	251,368	12,256,233
7,629,521	225,558	205,087	267,527	14,379,818
7,592,542	228,443	270,722	248,210	16,053,737
8,225,502	238,922	305,234	225,831	16,767,030
8,391,601	241,583	639,789	203,690	16,882,611
8,071,433	244,550	325,359	197,662	16,365,024
8,343,786	246,421	378,414	181,458	16,499,256
8,361,271	245,355	350,201	175,717	17,337,188
8,736,409	197,208	355,186	189,180	17,840,819

COUNTY OF RAPPAHANNOCK, VIRGINIA

Government-Wide Revenues  
Last Ten Fiscal Years

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2004	\$ 283,165	\$ 2,110,482	\$ -
2005	253,874	2,293,081	-
2006	308,467	2,324,731	-
2007	339,289	2,334,218	-
2008	276,758	2,558,265	-
2009	284,187	2,599,023	904,871
2010	358,573	2,471,657	-
2011	305,254	2,530,340	-
2012	254,420	2,718,381	-
2013	310,947	2,321,513	-

Table 2

General Revenues						
General Property Taxes	Other Local Taxes	Non- Categorical Aid	Revenues from the Use of Money & Property	Miscel- laneous	Gain on Sale of Capital Assets	Total
\$ 7,002,957	\$ 1,425,419	\$ 948,361	\$ 101,017	\$ 1,459,016	\$ -	\$ 13,330,417
7,230,696	1,515,769	928,725	222,278	457,428	326,938	13,228,789
8,913,921	1,604,026	1,055,482	220,283	244,720	-	14,671,630
10,886,332	1,580,303	1,041,329	356,280	455,436	-	16,993,187
11,143,774	1,549,361	996,131	159,274	378,239	-	17,061,802
11,710,846	1,464,226	945,020	34,864	101,921	-	18,044,958
11,161,961	1,060,099	1,329,829	138,021	236,906	-	16,757,046
10,480,557	1,164,317	1,302,957	143,521	169,700	-	16,096,646
10,962,185	1,164,224	1,293,720	55,917	146,985	-	16,595,832
11,365,907	1,185,740	1,307,651	129,661	183,118	25,190	16,829,727

COUNTY OF RAPPAHANNOCK, VIRGINIA

General Governmental Revenues by Source (1)  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property
2004	\$ 6,962,108	\$ 1,425,419	\$ 182,622	\$ 25,076	101,017
2005	7,252,549	1,515,769	122,855	27,129	160,265
2006	8,922,135	1,604,026	104,884	35,203	220,283
2007	10,769,333	1,580,303	109,037	51,786	356,280
2008	11,117,838	1,549,361	85,455	62,669	159,274
2009	11,515,100	1,464,226	74,647	110,551	34,864
2010	11,103,838	1,060,099	159,247	96,766	138,021
2011	10,648,993	1,164,317	87,254	81,982	143,521
2012	10,723,645	1,164,224	78,126	77,856	55,917
2013	11,278,834	1,185,740	87,645	118,542	258,099

(1) Includes General, School Construction, and Special Revenue Funds and Component Unit School Board

Table 3

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	Charges for Services	Miscel- laneous	Recovered Costs	Intergovern- mental	Total
\$	411,137	\$ 150,721	\$ 126,615	\$ 6,299,225	\$ 15,683,940
	412,136	404,348	115,121	6,838,494	16,848,666
	500,171	306,576	155,701	7,068,091	18,917,070
	511,556	673,253	151,862	7,169,214	21,372,624
	457,042	578,031	144,501	7,055,659	21,209,830
	396,767	656,165	197,281	7,076,660	21,526,261
	382,811	346,560	201,817	6,682,045	20,171,204
	392,672	342,929	106,596	7,147,330	20,115,594
	323,158	308,735	101,570	7,339,176	20,172,407
	320,617	258,406	125,811	6,991,120	20,624,814

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COUNTY OF RAPPAHANNOCK, VIRGINIA

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

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2004	\$ 764,343	\$ 438,430	\$ 2,176,138	\$ 664,326	\$ 1,156,777
2005	755,336	538,437	2,593,938	1,008,199	1,286,840
2006	861,878	519,428	2,330,775	1,298,423	1,439,241
2007	973,963	509,861	2,845,226	941,178	1,571,805
2008	1,038,743	580,762	2,917,462	1,141,193	1,833,125
2009	1,007,173	622,691	3,552,041	1,759,004	1,734,396
2010	1,191,617	545,066	3,046,524	1,149,842	1,701,457
2011	1,095,574	531,059	2,978,876	1,136,225	1,853,253
2012	1,356,389	588,490	2,973,839	1,186,956	2,337,480
2013	1,639,923	598,833	3,100,556	1,058,449	2,242,118

(1) Includes General, School Construction, and Special Revenue Funds and Component Unit School Board

(2) Includes capital projects

(3) Excludes appropriation to School Board from General Fund

Table 4

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(2)(3) Education	(2) Recreation and Cultural	Community Development	Capital Projects	Debt Service	Total
\$ 9,433,125	\$ 170,731	\$ 159,897	\$ -	\$ 465,809	\$ 15,429,576
10,873,307	271,874	216,432	-	446,606	17,990,969
10,589,127	203,058	205,087	3,036,686	829,571	21,313,274
11,214,843	205,943	270,722	853,263	766,866	20,153,670
11,701,595	523,193	305,234	25,558	738,345	20,805,210
11,443,784	612,863	639,789	590,991	709,557	22,672,289
11,069,818	194,747	325,359	3,912	628,064	19,856,406
11,663,497	196,618	378,414	19,989	599,059	20,452,564
11,749,102	195,551	344,492	1,173,103	798,665	22,704,067
11,809,224	211,161	344,465	220,656	664,849	21,890,234

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Assessed Value of Taxable Property (1)  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Public Utility	
				Real Estate	Total
2004	\$ 838,190,002	\$ 53,468,732	\$ 106,820	\$ 25,066,048	\$ 916,831,602
2005	854,565,241	53,296,516	48,420	21,791,439	929,701,616
2006	875,497,928	59,300,910	38,220	18,594,932	953,431,990
2007	1,532,668,500	64,060,764	42,350	23,487,235	1,620,258,849
2008	1,559,835,500	64,527,171	98,320	22,028,458	1,646,489,449
2009	1,586,404,700	66,839,796	139,820	19,199,054	1,672,583,370
2010	1,603,162,900	56,473,495	86,120	21,541,208	1,681,263,723
2011	1,507,518,500	58,442,724	122,470	22,594,963	1,588,678,657
2012	1,517,846,600	58,770,324	122,470	29,025,579	1,605,764,973
2013	1,528,986,700	59,148,765	122,170	51,441,940	1,639,699,575

(1) 100% fair market value

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	(1) Total Tax Levy	(1) (2) Current Tax Collections	Percent of Levy Collected	(1) Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	(1) Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2004	\$ 7,775,425	\$ 7,490,369	96%	\$ 214,239	\$ 7,704,608	99%	\$ 70,817	1%
2005	8,054,458	7,796,041	97%	188,349	7,984,390	99%	70,068	1%
2006	9,915,142	9,638,617	97%	178,242	9,816,859	99%	98,283	1%
2007	11,743,900	11,486,661	98%	174,852	11,661,513	99%	82,387	1%
2008	12,079,538	11,774,838	97%	199,114	11,973,952	99%	105,586	1%
2009	12,483,174	11,980,903	96%	366,179	12,347,082	99%	136,092	1%
2010	11,643,333	11,253,240	97%	254,208	11,507,448	99%	135,885	1%
2011	11,154,802	10,779,847	97%	230,705	11,010,552	99%	144,250	1%
2012	11,229,476	10,878,984	97%	162,481	11,041,465	98%	188,011	2%
2013	11,754,808	11,377,307	97%	-	11,377,307	97%	377,501	3%

(1) Exclusive of penalties and interest.

(2) Includes personal property tax reimbursements from the Commonwealth

Property Tax Rates (1)  
Last Ten Fiscal Years

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Fiscal Years	Real Estate	Personal Property	Mobile Homes	Public Utility
2004	\$ 0.66	\$ 3.00	\$ 0.66	0.66
2005	0.68	3.00	0.68	0.68
2006	0.76	4.00	0.76	0.76
2007	0.54	4.00	0.54	0.54
2008	0.59	4.20	0.59	0.59
2009	0.55	4.00	0.55	0.55
2010	0.53	4.00	0.53	0.53
2011	0.53	4.00	0.53	0.53
2012	0.53	4.00	0.53	0.53
2013	0.57	4.00	0.57	0.57

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(1) Per \$100 of assessed value, including fire levy

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)	Bonded Debt (3)	Ratio of General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2004	6,983	\$ 916,831,602	\$ 3,070,000	0%	\$ 440
2005	6,983	929,701,616	6,484,000	1%	929
2006	7,271	953,431,990	5,998,000	1%	825
2007	7,203	1,620,258,849	5,517,000	0%	766
2008	7,203	1,646,489,449	5,041,000	0%	700
2009	7,203	1,672,583,370	4,570,000	0%	634
2010	7,035	1,681,263,723	4,195,000	0%	596
2011	7,373	1,588,678,657	3,830,000	0%	519
2012	7,373	1,605,764,973	4,690,000	0%	636
2013	7,373	1,639,699,575	4,255,000	0%	577

(1) US Census Bureau

(2) From Table 5

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans.  
Excludes compensated absences, revenue bonds and landfill obligations.

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

Fiscal Year	Principal	Interest	Total Debt Service (2)	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2004	\$ 311,000	\$ 154,809	\$ 465,809	\$ 15,429,576	3%
2005	306,000	140,606	446,606	17,990,969	2%
2006	486,000	343,571	829,571	21,313,274	4%
2007	481,000	285,866	766,866	20,153,670	4%
2008	476,000	262,345	738,345	20,805,210	4%
2009	471,000	238,557	709,557	22,672,289	3%
2010	400,623	227,441	628,064	19,856,406	3%
2011	389,439	209,620	599,059	20,452,564	3%
2012	599,938	198,727	798,665	22,704,067	4%
2013	599,938	198,727	798,665	21,890,234	4%

(1) Includes General, School Construction, and Special Revenue Funds and Component Unit School Board

(2) Includes all general obligation debt. Does not include revenue bonds.

## Compliance

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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### **The Honorable Members of the Board of Supervisors County of Rappahannock, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Rappahannock, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Rappahannock, Virginia's basic financial statements, and have issued our report thereon dated January 13, 2014.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Rappahannock, 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*.

## Purpose of this Report

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

Robinson, Jarner, Cox Associates

Charlottesville, Virginia  
January 13, 2014

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

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**The Honorable Members of the Board of Supervisors  
County of Rappahannock, Virginia**

### **Report on Compliance for Each Major Federal Program**

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

#### *Management's Responsibility*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of County of Rappahannock, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Rappahannock, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### *Opinion on Each Major Federal Program*

In our opinion, County of Rappahannock, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

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

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

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

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

*Robinson, Jarmer, Cox Associates*

Charlottesville, Virginia  
January 13, 2014

COUNTY OF RAPPAHANNOCK, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Direct payments:			
Department of Education:			
Farm to School Grant Program	10.575	N/A	\$ 12,584
Pass - through payments:			
Child Nutrition Cluster:			
State Department of Agriculture:			
National School Lunch Proram - Food Distribution	10.555	10.555/2012,2013	\$ 21,985
National School Lunch Program	10.555	10.555/2012,2013	112,686
Total national school lunch program			\$ 134,671
Department of Education:			
School Breakfast Program	10.553	10.553/2012	40,657
Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010112/0010113	102,922
Total Department of Agriculture			\$ 290,834
Department of Health and Human Services:			
Pass - through payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950112/0950113	\$ 13,318
Temporary Assistance for Needy Families (TANF)	93.558	0400112/0400113	66,982
Refugee and Entrant Assistance -- State Administered Programs	93.566	0500112/0500113	364
Low-Income Home Energy Assistance	93.568	0600412/0600413	5,457
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760112/0760113	9,601
Chafee Education and Training Vouchers Program (ETV)	93.599	9160112	2,283
Stephanie Tubbs Jones Child Welfare Services	93.645	0900112/0900113	253
Foster Care - Title IV-E	93.658	1100112/1100113	56,180
Adoption Assistance	93.659	1120112/1120113	11,883
Social Services Block Grant	93.667	1000112/1000113	58,544
Chafee Foster Care Independence Program	93.674	9150112/9150113	1,146
Children's Health Insurance Program	93.767	0540112/0540113	2,487
Medical Assistance Program	93.778	1200112/1200113	62,250
Total Department of Health and Human Services			\$ 290,748

COUNTY OF RAPPAHANNOCK, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation: Pass - through payments: Department of Motor Vehicles: State and Community Highway Safety	20.600	60507-50223	\$ <u>10,654</u>
Department of Education: Pass - through payments: Department of Education: Career and Technical Education -- Basic Grants to States	84.048	V048A110046 V048A120046	\$ 14,586
Improving Teacher Quality State Grants	84.367	S367A100044 S367A110044 S367A120044	51,946
Title I, Part A Cluster: Title I Grants to Local Educational Agencies	84.010	S010A100046 S010A110046 S010A120046	166,992
Special Education Cluster (IDEA): Special Education -- Grants to States	84.027	H027A100107 H027A110107 H027A120107	224,860
Special Education -- Preschool Grants	84.173	H173A110112 H173A120112	5,397
Total Department of Education			\$ <u>463,781</u>
Total expenditures of federal awards			\$ <u><u>1,056,017</u></u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF RAPPAHANNOCK, VIRGINIA

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

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Note 1 - Basis of Presentation

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

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	\$ <u>480,812</u>
Component Unit School Board:	
School Operating Fund	\$ 476,365
School Cafeteria Fund	<u>175,328</u>
Total Component Unit School Board	\$ <u>651,693</u>
Less Payments in Lieu of Taxes not reported on Schedule of Expenditures of Federal Awards	\$ <u>(76,488)</u>
Total federal expenditures per basic financial statements	\$ <u><u>1,056,017</u></u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,056,017</u></u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

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

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified? No  
Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:  
Material weakness(es) identified? No  
Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a)  
of Circular A-133? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None