

COUNTY OF RAPPAHANNOCK, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2009

COUNTY OF RAPPAHANNOCK, VIRGINIA

Board of Supervisors

Robert P. Anderson, Chair

Ronald L. Frazier, Vice-Chair
Edward D. Wayland

S. Bryant Lee
Roger A. Welch

County School Board

John Wesley Mills, Chair

Aline Johnson, Vice-Chair
Meredith Gorfein

Rosa Crocker
Kenneth Marlor

County Social Services

Judith Tole

Ruth Kiger

Deborah Fluornoy

County Library Board

Louise VanDort, Chair

John T. Feeney
John McCarthy
Marie Davis

Fran Krebsler
Nancy Ely Raphael
James Oyster

Kathleen Grove

Other Officials

Judge of the Circuit Court Jeffrey Parker
Clerk of the Circuit Court L. Diane Bruce
Judge of the General District Court Charles Foley
Judge of Juvenile & Domestic Relations District Court..... Gregory Ashwell
Commonwealth's Attorney & County Attorney Peter H. Luke
Commissioner of the Revenue Beverly S. Atkins
Treasurer..... Frances A. Foster
Sheriff Connie Smith
Superintendent of Schools Robert T. Chappell
Director of Department of Social Services..... Beverly Dunford
Librarian Dave Shaffer
County Administrator John McCarthy

COUNTY OF RAPPAHANNOCK, VIRGINIA

Financial Report
Year Ended June 30, 2009

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COUNTY OF RAPPAHANNOCK, VIRGINIA

Financial Report
Year Ended June 30, 2009

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

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 the County of Rappahannock, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Rappahannock, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Rappahannock, Virginia, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March, 5, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. The County of Rappahannock, Virginia has not presented the Management's Discussion and Analysis.

The General Fund budgetary comparison information and schedule of pension funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the County of Rappahannock, Virginia's basic financial statements. The statements and schedules included as other supplementary information as listed in the table of contents and the other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Rappahannock, Virginia. The statements and schedules included as other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Robinson, Jarner, Cox Associates

Charlottesville, Virginia
March 5, 2010

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
At June 30, 2009

	Component Units		
	Governmental Activities	School Board	Recreational Facilities Authority
Assets:			
Cash and cash equivalents	\$ 4,699,465	\$ 1,105,637	\$ 40,960
Investments	474,839	-	-
Receivables, net			
Due within one year	869,484	7,786	-
Due in more than one year	420,794	-	-
Prepays	-	94,974	-
Inventory	-	9,655	-
Due from component unit School Board	272,600	-	-
Due from other governments	457,646	187,872	-
Capital assets:			
Land and construction in progress	1,706,773	-	20,000
Other capital assets, net of accumulated depreciation	6,749,772	4,738,354	33,982
Capital assets, net	\$ 8,456,545	\$ 4,738,354	\$ 53,982
Total assets	\$ 15,651,373	\$ 6,144,278	\$ 94,942
Liabilities:			
Accounts payable and accrued expenses	\$ 225,314	\$ 1,113,649	\$ -
Compensated absences	202,693	81,769	-
Prepaid real estate taxes	9,108	-	-
Due to primary government	-	272,600	-
Long-term liabilities:			
Due within one year:			
Bonds and loans payable	422,408	-	-
Due in more than one year:			
Bonds and loans payable	4,616,364	-	-
Accrued landfill remediation costs	2,282,486	-	-
Total liabilities	\$ 7,758,373	\$ 1,468,018	\$ -
Net Assets:			
Invested in capital assets, net of related debt	\$ 3,417,773	\$ 4,738,354	\$ 53,982
Unrestricted	4,475,227	(62,094)	40,960
Total net assets	\$ 7,893,000	\$ 4,676,260	\$ 94,942

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Statement of Activities
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 1,033,528	\$ 6,531	\$ 249,126	\$ -
Judicial administration	613,997	159,359	348,864	-
Public safety	3,020,094	98,874	861,158	439,058
Public works	995,784	19,423	-	-
Health and welfare	1,742,545	-	871,772	-
Education	8,391,601	-	-	-
Parks, recreation and cultural	241,583	-	36,138	115,813
Community development	639,789	-	231,965	350,000
Interest on long-term debt	203,690	-	-	-
Total Primary Government	\$ 16,882,611	\$ 284,187	\$ 2,599,023	\$ 904,871
Component Units				
Rappahannock County Public Schools	\$ 11,546,187	\$ 297,778	\$ 3,079,117	\$ -
Rappahannock County Recreational Facilities Authority	10,908	12,756	-	-
Total Component Units	\$ 11,557,095	\$ 310,534	\$ 3,079,117	\$ -

General Revenues

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

- Communication sales and use tax

Other

Payment from County of Rappahannock -- Education

Grants and contributions not restricted to specific programs

Unrestricted revenues from use of money and property

Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, 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 Assets		
Total Primary Government	Component Units	
	School Board	Recreational Facilities Authority
\$ (777,871)	\$ -	\$ -
(105,774)	-	-
(1,621,004)	-	-
(976,361)	-	-
(870,773)	-	-
(8,391,601)	-	-
(89,632)	-	-
(57,824)	-	-
(203,690)	-	-
<u>\$ (13,094,530)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (8,169,292)	\$ -
<u>-</u>	<u>-</u>	<u>1,848</u>
<u>\$ -</u>	<u>\$ (8,169,292)</u>	<u>\$ 1,848</u>
\$ 11,710,846	\$ -	\$ -
425,298	-	-
165,728	-	-
124,043	-	-
158,640	-	-
117,376	-	-
361,648	-	-
111,493	-	-
-	8,281,555	-
945,020	-	-
34,864	-	13
101,921	103,938	-
<u>\$ 14,256,877</u>	<u>\$ 8,385,493</u>	<u>\$ 13</u>
\$ 1,162,347	\$ 216,201	\$ 1,861
<u>6,730,653</u>	<u>4,460,059</u>	<u>93,081</u>
<u>\$ 7,893,000</u>	<u>\$ 4,676,260</u>	<u>\$ 94,942</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 At June 30, 2009

	General Fund	School Construction Fund	Special Revenue Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 4,666,562	\$ 72	\$ 32,831	\$ 4,699,465
Investments	-	-	474,839	474,839
Property taxes receivable, net	757,381	-	-	757,381
Accounts receivable	86,563	-	-	86,563
Notes receivable	446,334	-	-	446,334
Due from component unit School Board	272,600	-	-	272,600
Due from other governments	457,646	-	-	457,646
Total assets	\$ 6,687,086	\$ 72	\$ 507,670	\$ 7,194,828
Liabilities:				
Accounts payable and accrued liabilities	\$ 124,565	\$ -	\$ -	\$ 124,565
Deferred revenue	1,166,148	-	-	1,166,148
Total liabilities	\$ 1,290,713	\$ -	\$ -	\$ 1,290,713
Fund Balance:				
Unreserved:				
Designated for capital projects	\$ -	\$ 72	\$ -	\$ 72
Designated for library operations	-	-	507,670	507,670
Undesignated	5,396,373	-	-	5,396,373
Total fund balance	\$ 5,396,373	\$ 72	\$ 507,670	\$ 5,904,115
Total liabilities and fund balance	\$ 6,687,086	\$ 72	\$ 507,670	\$ 7,194,828

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 Assets
At June 30, 2009

Total fund balances for governmental funds (Exhibit 3) \$ 5,904,115

Total net assets reported for governmental activities in the statement of net assets 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 and construction in progress	\$	1,706,773
Buildings and improvements, net of depreciation		1,748,532
Equipment, net of depreciation		1,121,690
School Board capital assets, net of depreciation		<u>3,879,550</u>

Total capital assets 8,456,545

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 deferred revenue in the funds.

Taxes receivable	\$	710,706
Note receivable		<u>446,334</u>

Total 1,157,040

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 assets are as follows:

Accrued interest on debt	\$	(100,749)
Bonds and notes payable		(5,038,772)
Compensated absences		(202,693)
Accrued landfill remediation costs		<u>(2,282,486)</u>

Total (7,624,700)

Total net assets of governmental activities (Exhibits 1 and 2) \$ 7,893,000

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, 2009

	General Fund	School Construction Fund	Special Revenue Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ 11,515,100	\$ -	\$ -	\$ 11,515,100
Other local taxes	1,464,226	-	-	1,464,226
Permits, privilege fees and regulatory licenses	74,647	-	-	74,647
Fines and forfeitures	110,551	-	-	110,551
Use of money and property	130,893	1	(96,030)	34,864
Charges for services	98,989	-	-	98,989
Miscellaneous	542,769	-	9,458	552,227
Recovered costs	156,156	-	-	156,156
Intergovernmental:				
Revenue from the Commonwealth	3,231,218	-	32,399	3,263,617
Revenue from the Federal Government	733,926	-	-	733,926
Total revenues	<u>\$ 18,058,475</u>	<u>\$ 1</u>	<u>\$ (54,173)</u>	<u>\$ 18,004,303</u>
Expenditures:				
Current:				
General government administration	\$ 1,007,173	\$ -	\$ -	\$ 1,007,173
Judicial administration	622,691	-	-	622,691
Public safety	3,552,041	-	-	3,552,041
Public works	1,759,004	-	-	1,759,004
Health and welfare	1,734,396	-	-	1,734,396
Education - local community college	6,696	-	-	6,696
Education - public school system	7,924,805	-	-	7,924,805
Parks, recreation and cultural	434,279	-	178,584	612,863
Community development	639,789	-	-	639,789
Capital projects	590,991	-	-	590,991
Debt service:				
Principal payments	471,000	-	-	471,000
Interest and fiscal charges	238,557	-	-	238,557
Total expenditures	<u>\$ 18,981,422</u>	<u>\$ -</u>	<u>\$ 178,584</u>	<u>\$ 19,160,006</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (922,947)</u>	<u>\$ 1</u>	<u>\$ (232,757)</u>	<u>\$ (1,155,703)</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 115,445	\$ 115,445
Transfers out	(115,445)	-	-	(115,445)
Insurance recoveries	15,788	-	-	15,788
Proceeds from capital lease	295,000	-	-	295,000
Total other financing sources (uses)	<u>\$ 195,343</u>	<u>\$ -</u>	<u>\$ 115,445</u>	<u>\$ 310,788</u>
Net change in fund balance	<u>\$ (727,604)</u>	<u>\$ 1</u>	<u>\$ (117,312)</u>	<u>\$ (844,915)</u>
Fund balance, beginning of year	<u>6,123,977</u>	<u>71</u>	<u>624,982</u>	<u>6,749,030</u>
Fund balance, end of year	<u><u>\$ 5,396,373</u></u>	<u><u>\$ 72</u></u>	<u><u>\$ 507,670</u></u>	<u><u>\$ 5,904,115</u></u>

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, 2009

Net change in fund balances - total governmental funds (Exhibit 5)	\$	(844,915)	
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.			1,306,182
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.			(356,750)
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.			(14,723)
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 assets revenues are reported when earned. This requires an adjustment to convert the revenues to the accrual basis.			195,746
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 assets, 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 assets.			
Issuances:			
Capital lease proceeds	\$	(295,000)	
Repayments:			
General obligation school bonds		395,000	
State Literary Fund loans		76,000	
Amortization of bond premium		23,403	
Net adjustment		<u> </u>	199,403
Decrease in accrued landfill remediation costs			694,050
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	\$	(28,110)	
Accrued interest on bonds and loans		11,464	
Net adjustment		<u> </u>	(16,646)
Change in net assets of governmental activities (Exhibit 2)	\$		<u><u>1,162,347</u></u>

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

Statement of Fiduciary Net Assets
 At June 30, 2009

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ <u>20,560</u>
Total assets	\$ <u><u>20,560</u></u>
Liabilities:	
Amounts held for others	\$ <u>20,560</u>
Total liabilities	\$ <u><u>20,560</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, 2009

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 7,203 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 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 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.

The 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. In prior years, it was excluded from the County report due to materiality considerations. The Recreational Facilities Authority does not prepare separate financial statements.

The 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 County Park and 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)

B. Government-wide and Fund Financial Statements (Continued)

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

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 and major individual fiduciary funds are reported as separate columns in the fund financial statements.

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 utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

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

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 2009.

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 all revenues and expenditures of the County which are not accounted for in the other funds. The General Fund also includes the activities for E-911, the law library and landfill operations.
 - b. School Construction Fund: This fund accounts for resources and expenditures for school construction. Primary funding sources are school bond proceeds and investment earnings.
 - c. Special Revenue Fund: The Special Revenue Fund accounts for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund consists of the Library Fund.

2. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit 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: The 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 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: The Rappahannock Recreational Facilities Authority consists of only one fund, which is an enterprise fund.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

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

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

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

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

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, compare 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 department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories. 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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

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

D. Budgets and Budgetary Accounting (Continued)

8. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2009, as adopted, appropriated and legally amended.
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 \$327,928 at June 30, 2009 and is comprised solely of property taxes.

G. 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. 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 and other equipment	5 to 10 years

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 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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

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

H. Compensated Absences

The County and component unit School Board incur liabilities related to compensated absences (annual and sick leave benefits) when vested. Because the timing of the settlement of the liability related to compensated absences is not considered to be estimable, the entire amount of the liability has been classified as current in the government-wide financial statements.

I. 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.

J. Long-Term Obligations

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

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, bankers’ acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The County of Rappahannock’s investments at June 30, 2009 were held by the County or in the County’s name by the County’s custodial banks or counterparty; except \$84,855 of U.S. Agencies where the underlying securities were uninsured and held by the County’s counterparty, and \$45,428 of Common Equities where the underlying securities were uninsured and held by the County’s counterparty.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2009 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.

<u>Locality's Rated Debt Investments' Values</u>			
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>		
	<u>AAA</u>	<u>Unrated</u>	
U.S. Agencies	\$ 84,855	\$	-
U.S. Treasuries	29,875		-
State Non-Arbitrage Pool	72		-
Closed End Mutual Fund	-		16,295
Open End Mutual Fund	-		298,386
Common Equity	-		45,428
Total	\$ 114,802	\$	360,109

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>	<u>Greater Than 10 Years</u>
U.S. Agencies	\$ 84,855	\$ -	\$ 59,801	\$ 25,054
U.S. Treasuries	29,875	-	-	29,875
Total	\$ 114,730	\$ -	\$ 59,801	\$ 54,929

External Investment Pool

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC).

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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 4—RECEIVABLES:

Receivables at June 30, 2009 consist of the following:

	<u>Primary Government General Fund</u>	<u>Component Unit School Fund</u>
Property taxes	\$ 1,085,309	\$ -
Utility taxes	18,720	-
Clerk of the circuit court	32,211	-
Meals taxes	31,271	-
Other	4,361	7,786
Subtotal	<u>\$ 1,171,872</u>	<u>\$ 7,786</u>
Allowance for uncollectibles	(327,928)	-
Net accounts receivable	\$ 843,944	\$ 7,786
Notes receivable	446,334	-
Total receivables	<u>\$ 1,290,278</u>	<u>\$ 7,786</u>
Reconciliation to Exhibit 1:		
Receivables, net		
Due within one year	\$ 869,484	\$ 7,786
Due in more than one year	420,794	-
Total receivables	<u>\$ 1,290,278</u>	<u>\$ 7,786</u>

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. The note accrues simple interest at 4.0% annually. The interest rate can increase by 2% on each of the interest change dates if the buyer does not meet the cumulative value of issued building permits by each of these dates as stipulated in the note. Principal and interest repayment installments of \$3,151 are receivable monthly. The note matures on March 9, 2015, at which time all outstanding principal and interest is due. At June 30, 2009, the outstanding principal balance amounted to \$446,334.

At June 30, 2009, the buyer was 3 months delinquent on the note receivable. The County believes there is a reasonable possibility that the note may be foreclosed upon within one year. No reserve has been recorded on the note as the value of the underlying property collateralizing the note is approximately equal to the outstanding balance due.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 25,540	\$ 21,726
2011	21,370	16,443
2012	22,241	15,572
2013	23,147	14,666
2014	24,090	13,723
2015	329,946	11,718
Total	<u>\$ 446,334</u>	<u>\$ 93,848</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

	<u>Governmental Activities</u>	<u>Component Unit</u>
	<u>General Fund</u>	<u>School Board</u>
Rappahannock Water & Sewer Authority	\$ 26,697	\$ -
Commonwealth of Virginia:		
Local sales tax	70,253	148,027
Communications sales and use tax	52,489	-
Comprehensive services act	86,405	-
Public assistance	21,033	-
Shared expenses and grants	124,190	-
Water quality improvement	24,066	-
Other	17,219	-
Federal government:		
Public assistance	29,398	-
CDBG	2,000	-
Ground transportation safety	3,896	-
Federal pass-through school funds	-	39,845
	<u>\$ 457,646</u>	<u>\$ 187,872</u>

NOTE 6—INTERFUND ACTIVITY:

Primary Government:	
Transfers To/From Other Funds:	
Transfer to the Library Fund to support operations	\$ <u>115,445</u>
	<u>\$ 115,445</u>
Component Unit - School Board:	
Transfers To/From Other Funds:	
Transfer to the School Cafeteria Fund for food service	\$ <u>115,445</u>
	<u>\$ 115,445</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 7—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2009:

Governmental Activities:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 1,706,773	\$ -	\$ -	\$ 1,706,773
Construction in progress	-	1,095,777	(1,095,777)	-
Total capital assets not being depreciated	<u>\$ 1,706,773</u>	<u>\$ 1,095,777</u>	<u>\$ (1,095,777)</u>	<u>\$ 1,706,773</u>
Other capital assets:				
Buildings and improvements	\$ 2,249,752	\$ 593,908	\$ -	\$ 2,843,660
School buildings, improvements and equipment *	5,041,000	-	(471,000)	4,570,000
Furniture, equipment and vehicles	714,522	1,015,111	(26,600)	1,703,033
Total other capital assets	<u>\$ 8,005,274</u>	<u>\$ 1,609,019</u>	<u>\$ (497,600)</u>	<u>\$ 9,116,693</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 1,009,143	\$ 85,985	\$ -	\$ 1,095,128
School buildings, improvements and equipment *	701,350	103,350	(114,250)	690,450
Furniture, equipment and vehicles	494,441	113,502	(26,600)	581,343
Total accumulated depreciation	<u>\$ 2,204,934</u>	<u>\$ 302,837</u>	<u>\$ (140,850)</u>	<u>\$ 2,366,921</u>
Other capital assets, net	<u>\$ 5,800,340</u>	<u>\$ 1,306,182</u>	<u>\$ (356,750)</u>	<u>\$ 6,749,772</u>
Net capital assets	<u>\$ 7,507,113</u>	<u>\$ 2,401,959</u>	<u>\$ (1,452,527)</u>	<u>\$ 8,456,545</u>
Depreciation expense was allocated as follows:				
General government administration		\$ 34,648		
Judicial administration		1,250		
Public safety		105,271		
Public works		18,785		
Education		103,350		
Parks, recreation and cultural		39,533		
Total depreciation expense		<u>\$ 302,837</u>		

* 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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Component Unit School Board:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Other capital assets:				
Buildings and improvements	\$ 12,041,339	\$ 15,000	\$ -	\$ 12,056,339
School buildings, improvements and equipment allocated to County *	(5,041,000)	-	471,000	(4,570,000)
Furniture, equipment and vehicles	951,961	117,569	-	1,069,530
Total other capital assets	<u>\$ 7,952,300</u>	<u>\$ 132,569</u>	<u>\$ 471,000</u>	<u>\$ 8,555,869</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 3,458,940	\$ 291,927	\$ -	\$ 3,750,867
School buildings, improvements and equipment allocated to County *	(701,350)	(103,350)	114,250	(690,450)
Furniture, equipment and vehicles	678,348	78,750	-	757,098
Total accumulated depreciation	<u>\$ 3,435,938</u>	<u>\$ 267,327</u>	<u>\$ 114,250</u>	<u>\$ 3,817,515</u>
Other capital assets, net	<u>\$ 4,516,362</u>	<u>\$ (134,758)</u>	<u>\$ 356,750</u>	<u>\$ 4,738,354</u>
Net capital assets	<u>\$ 4,516,362</u>	<u>\$ (134,758)</u>	<u>\$ 356,750</u>	<u>\$ 4,738,354</u>
Depreciation expense allocated to education		<u>\$ 267,327</u>		

* 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 assets invested in capital assets, net of related debt:

Net capital assets	\$ 8,456,545
Long-term debt applicable to capital assets at June 30, 2009	<u>(5,038,772)</u>
Net assets invested in capital assets, less related debt	<u>\$ 3,417,773</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Component Unit Recreational Facilities Authority:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Other capital assets:				
Building and improvements	\$ 110,525	\$ -	\$ -	\$ 110,525
Equipment	4,017	-	-	4,017
Total other capital assets	<u>\$ 114,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,542</u>
Less: Accumulated depreciation for:				
Building and improvements	\$ 73,347	\$ 3,731	\$ 134	\$ 77,212
Equipment	3,482	-	(134)	3,348
Total accumulated depreciation	<u>\$ 76,829</u>	<u>\$ 3,731</u>	<u>\$ -</u>	<u>\$ 80,560</u>
Other capital assets, net	<u>\$ 37,713</u>	<u>\$ (3,731)</u>	<u>\$ -</u>	<u>\$ 33,982</u>
Net capital assets	<u><u>\$ 57,713</u></u>	<u><u>\$ (3,731)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 53,982</u></u>

NOTE 8—LONG-TERM OBLIGATIONS:

General Fund revenues are used to pay all long-term general obligation debt, General Fund capital leases 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, 2009 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements & Other Reductions</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
General obligation bonds:					
School	\$ 4,965,000	\$ -	\$ 395,000	\$ 4,570,000	\$ 375,000
Add: Unamortized bond premium	197,175	-	23,403	173,772	21,785
State Literary Fund loans:					
School	76,000	-	76,000	-	-
Capital leases	-	295,000	-	295,000	25,623
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 5,238,175	\$ 295,000	\$ 494,403	\$ 5,038,772	\$ 422,408

Reconciliation to Exhibit 1:

Long-term liabilities due within one year:

 Bonds and loans payable \$ 422,408

Long-term liabilities due in more than one year:

 Bonds and loans payable 4,616,364

 Total \$ 5,038,772

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>
2010	\$ 375,000	\$ 215,181
2011	365,000	196,176
2012	355,000	178,129
2013	345,000	161,044
2014	345,000	144,209
2015-2019	1,675,000	465,394
2020-2024	925,000	146,266
2025	185,000	4,255
	<u> </u>	<u> </u>
Total	\$ 4,570,000	\$ 1,510,654

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (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>		
\$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%	\$ 2,960,000	\$ 185,000
\$3,000,000 1998, Series B, 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%	1,500,000	150,000
\$1,500,000 1993, Series C, 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%	110,000	40,000
Unamortized bond premium	<u>173,772</u>	<u>21,785</u>
Total general obligation school bonds	\$ 4,743,772	\$ 396,785
Capital lease	\$ <u>295,000</u>	\$ <u>25,623</u>
Total long-term debt	\$ <u><u>5,038,772</u></u>	\$ <u><u>422,408</u></u>

Capital Leases

The County has entered into a lease agreement for the purchase of outdoor ballfield lighting. The lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of its future minimum lease payments as of the inception date.

The carrying value of the asset acquired through the capital lease is as follows:

Outdoor ballfield lighting	\$ 410,813
Less accumulated depreciations	<u>(10,270)</u>
Total	<u><u>\$ 400,543</u></u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Capital Leases: (Continued)

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2010	\$ 37,883
2011	37,883
2012	37,883
2013	37,883
2014	37,883
2015-2019	<u>189,415</u>
Total minimum lease payments	\$ 378,830
Less: amounts representing interest	<u>(83,830)</u>
Present value of minimum lease payments	<u><u>\$ 295,000</u></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.

NOTE 9—CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Claims, Judgments and 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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 9—CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES: (CONTINUED)

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, 2009 are:

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Primary Government:			
Governmental activities	\$ 174,583	\$ 28,110	\$ 202,693
Component Unit School Board	\$ 66,303	\$ 15,466	\$ 81,769

NOTE 10—DEFINED BENEFIT PENSION PLAN:

The County and Component Unit School Board participate in the Virginia Retirement System defined benefit pension plan.

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 employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2008AnnuRept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be and has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional employee contribution rates for the fiscal year ended 2009 were 8.91% and 6.13% of annual covered payroll, respectively.

Annual Pension Cost:

For fiscal year 2009, the County’s annual pension cost of \$231,208 (does not include the employee share assumed by the County which was \$129,746) was equal to the County’s required and actual contributions.

For fiscal year 2009, the County School Board’s annual pension cost for the Board’s non-professional employees was \$37,304 (does not include the employee share assumed by the Board which was \$30,427) which was equal to the Board’s required and actual contributions.

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

	Fiscal Year Ending	Annual Pension Cost (APC)¹	Percentage of APC Contributed	Net Pension Obligation
County	June 30, 2007	\$ 170,145	100%	\$ -
	June 30, 2008	189,529	100%	-
	June 30, 2009	231,208	100%	-
School Board Non Professional Employees	June 30, 2007	\$ 38,059	100%	\$ -
	June 30, 2008	40,035	100%	-
	June 30, 2009	37,304	100%	-

¹Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County’s and the County School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County’s and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the County's plan was 91.99% funded. The actuarial accrued liability for benefits was \$8,421,188, and the actuarial value of assets was \$7,746,303, resulting in an unfunded actuarial accrued liability (UAAL) of \$674,884. The covered payroll (annual payroll of active employees covered by the plan) was \$2,546,810, and ratio of the UAAL to the covered payroll was 26.50%.

As of June 30, 2008, the most recent actuarial valuation date, the County School Board's plan was 92.89% funded. The actuarial accrued liability for benefits was \$2,128,959, and the actuarial value of assets was \$2,032,115, resulting in an unfunded actuarial accrued liability (UAAL) of \$96,843. The covered payroll (annual payroll of active employees covered by the plan) was \$620,701, and ratio of the UAAL to the covered payroll was 21.16%.

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.

Discretely Presented Component Unit School Board:

Professional Employees:

Plan Description

The Rappahannock County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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. That report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2008AnnuRept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the Rappahannock County School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Rappahannock County School Board's contribution rate for the fiscal year ended 2009 was 8.81% of annual covered payroll. The School Board's contributions to VRS for the years ending June 30, 2009, 2008, and 2007 were \$465,578, \$539,890, and \$476,726, respectively, and equal to the required contributions for each year.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 11—EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There was no excess of expenditures over appropriations in any of the County or School Board funds for the year ended June 30, 2009.

NOTE 12—DEFERRED REVENUE:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Deferred property tax revenue:		
Deferred 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.	\$ -	\$ 710,706
Deferred 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.	-	446,334
Prepaid property taxes have been recorded as deferred revenue. Prepaid taxes collected are available for the funding of current expenditures.	<u>9,108</u>	<u>9,108</u>
Total primary government	\$ <u><u>9,108</u></u>	\$ <u><u>1,166,148</u></u>

The component unit School Board had no deferred revenue.

NOTE 13—COMMITMENTS AND CONTINGENCIES:

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.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 13—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

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>	
2010	\$	37,854
2011		38,990
2012		<u>6,530</u>
Total	\$	<u><u>83,374</u></u>

Rent expenditures totaled \$64,501 for fiscal 2009.

NOTE 14—LITIGATION:

At June 30, 2009 there are matters of litigation pending against the County. Counsel is of the opinion that no claim for damages will be awarded.

NOTE 15—SURETY BONDS:

Virginia Department of Risk Management & Surety		
L. Diane Bruce, 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
Robert T. Chappell, 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
Geneva C. Welsh - Surety		
Roger A. Welch		1,000
Cathy W. Frazier - Surety		
Ronald L. Frazier, Supervisor		1,000
Roberta Anderson - Surety		
Robert P. Anderson, Supervisor		1,000
Cynthia Wayland, Surety		
Edward D. Wayland, Supervisor		1,000

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 16—RISK MANAGEMENT:

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; error 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 \$20,864,130 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.

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 17—ACCRUED LANDFILL REMEDIATION COST:

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 \$2,282,486 reported as landfill closure and postclosure care liability at June 30, 2009, 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 2009. 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.

The County has 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 2008, the County paid a one-time fee of \$62,215 to Culpeper as consideration for entering into the contract.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Financial Statements
June 30, 2009 (Continued)

NOTE 18—INTERGOVERNMENTAL AGREEMENTS:

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 2009, the County paid Culpeper \$172,230 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.

NOTE 19—RELATED PARTY TRANSACTIONS:

The County pays the payroll for the Water and Sewer Authority, which then reimburses the County for the costs. The County recorded \$85,316 of such reimbursements in fiscal 2009.

NOTE 20—DEFERRED COMPENSATION PLAN:

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.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes:				
Real property taxes	\$ 9,150,000	\$ 9,150,000	\$ 9,473,014	\$ 323,014
Real and personal public service corporation property taxes	180,000	180,000	123,536	(56,464)
Personal property taxes	1,415,000	1,415,000	1,776,546	361,546
Mobile home taxes	300	300	485	185
Penalties	77,000	77,000	89,074	12,074
Interest	59,600	59,600	52,445	(7,155)
Total property taxes	<u>\$ 10,881,900</u>	<u>\$ 10,881,900</u>	<u>\$ 11,515,100</u>	<u>\$ 633,200</u>
Other local taxes:				
Local sales and use taxes	\$ 394,500	\$ 394,500	\$ 425,298	\$ 30,798
Communications sales and use tax	91,000	91,000	361,648	270,648
Consumers' utility taxes	422,450	422,450	165,728	(256,722)
Gross receipts tax	34,700	34,700	36,154	1,454
Motor vehicle licenses	175,600	175,600	158,640	(16,960)
Cable TV franchise fees	17,600	17,600	-	(17,600)
Bank franchise taxes	4,500	4,500	50,661	46,161
Taxes on recordation of wills	13,000	13,000	124,043	111,043
Additional tax on deeds	32,500	32,500	24,678	(7,822)
Meals and lodging taxes	163,000	163,000	117,376	(45,624)
Total other local taxes	<u>\$ 1,348,850</u>	<u>\$ 1,348,850</u>	<u>\$ 1,464,226</u>	<u>\$ 115,376</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 7,000	\$ 7,000	\$ 8,498	\$ 1,498
Land use application fees	5,100	5,100	1,931	(3,169)
Building and related permits	121,400	121,400	59,618	(61,782)
Transfer fees	400	400	250	(150)
Other permits and fees	500	500	4,350	3,850
Total permits, privilege fees and regulatory licenses	<u>\$ 134,400</u>	<u>\$ 134,400</u>	<u>\$ 74,647</u>	<u>\$ (59,753)</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 28,600</u>	<u>\$ 28,600</u>	<u>\$ 110,551</u>	<u>\$ 81,951</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 97,500	\$ 97,500	\$ 122,601	\$ 25,101
Revenue from use of property	10,500	10,500	8,292	(2,208)
Total revenue from use of money and property	<u>\$ 108,000</u>	<u>\$ 108,000</u>	<u>\$ 130,893</u>	<u>\$ 22,893</u>

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (Continued):				
Charges for services:				
Sheriff fees	\$ 750	\$ 750	\$ 18,049	\$ 17,299
Charges for Commonwealth's Attorney	290	290	255	(35)
Charges for Animal Warden fees	250	250	-	(250)
Charges for concealed weapons fees	1,600	1,600	4,123	2,523
Charges for law library	750	750	529	(221)
Charges for courthouse security fees	10,000	20,000	39,829	19,829
Charges for courthouse maintenance fees	5,950	15,950	8,195	(7,755)
Other jail charges	-	-	3,188	3,188
Charges for inmate telephone system	10,000	10,000	5,398	(4,602)
Charges for landfill fees	20,000	20,000	19,423	(577)
Total charges for services	\$ 49,590	\$ 69,590	\$ 98,989	\$ 29,399
Miscellaneous:				
VPA refunds	\$ -	\$ -	\$ 26,571	\$ 26,571
Donation of real property	-	-	115,813	115,813
Donation from Scrabble School Foundation	211,000	211,000	150,000	(61,000)
Donation from Volunteer Fire and Rescue	250,000	250,000	177,058	(72,942)
National fish and wildlife grant	2,500	2,500	8,500	6,000
Miscellaneous	92,813	92,813	64,827	(27,986)
Total miscellaneous	\$ 556,313	\$ 556,313	\$ 542,769	\$ (13,544)
Recovered costs:				
Commonwealth jail costs	\$ 59,500	\$ 59,500	\$ 70,840	\$ 11,340
Home health services	150	150	-	(150)
Water and sewer authority	77,500	77,500	85,316	7,816
Total recovered costs	\$ 137,150	\$ 137,150	\$ 156,156	\$ 19,006
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,079	\$ 2,079	\$ 257	\$ (1,822)
Rolling stock tax	1,100	1,100	220	(880)
Reduction in aid to localities	-	(55,696)	(55,696)	-
Personal property tax relief	994,000	994,000	897,909	(96,091)
Total noncategorical aid	\$ 997,179	\$ 941,483	\$ 842,690	\$ (98,793)

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2009

	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	\$ 142,000	\$ 142,000	\$ 165,488	\$ 23,488
Sheriff	701,700	701,700	758,826	57,126
Commissioner of the Revenue	70,500	70,500	83,796	13,296
Treasurer	70,500	70,500	83,066	12,566
Registrar/electoral board	38,345	38,345	33,633	(4,712)
Clerk of the Circuit Court	130,600	130,600	170,195	39,595
Total shared expenses	\$ 1,153,645	\$ 1,153,645	\$ 1,295,004	\$ 141,359
Welfare:				
Welfare administration and assistance	\$ 115,439	\$ 115,439	\$ 187,863	\$ 72,424
Other categorical aid:				
Abandoned vehicles	\$ 1,600	\$ 1,600	\$ 350	\$ (1,250)
Emergency medical service	4,500	4,500	8,915	4,415
Wireless grant	20,000	20,000	39,631	19,631
Litter control	4,350	4,350	5,064	714
Emergency preparedness grant	-	-	3,500	3,500
Sheriff - AED Grant	10,500	10,500	11,478	978
Juvenile Comm. Crime Control	12,500	12,500	13,181	681
Local law enforcement block grant	350	350	744	394
Historical district studies grant	-	-	10,650	10,650
Farmland preservation program	102,500	102,500	20,000	(82,500)
Recordation taxes	42,000	42,000	48,631	6,631
At-risk grant	125,000	125,000	266,152	141,152
Fire programs	32,000	32,000	18,505	(13,495)
VA State Library Archives grant	-	-	3,739	3,739
Water quality improvement grant	25,000	25,000	86,049	61,049
VA Department of Health 2 for Life grant	262,000	262,000	262,000	-
Clean streams program	60,000	60,000	106,766	46,766
DMV - Animal friendly plates	-	-	306	306
Total other categorical aid	\$ 702,300	\$ 702,300	\$ 905,661	\$ 203,361
Total categorical aid	\$ 1,971,384	\$ 1,971,384	\$ 2,388,528	\$ 417,144
Total revenue from the Commonwealth	\$ 2,968,563	\$ 2,912,867	\$ 3,231,218	\$ 318,351
Revenue from the Federal Government:				
Payments in lieu of taxes	\$ 46,792	\$ 46,792	\$ 102,330	\$ 55,538
Categorical aid:				
Welfare:				
Administration and public assistance	\$ 562,500	\$ 562,500	\$ 417,757	\$ (144,743)

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues (Continued):				
Revenue from the Federal Government (continued):				
Other categorical aid:				
Law enforcement grants	\$ 25,000	\$ 25,000	\$ 13,839	\$ (11,161)
Drug forfeitures	4,000	4,000	-	(4,000)
CDBG grant for Scrabble School	200,000	200,000	200,000	-
Other grants	15,000	15,000	-	(15,000)
Total other categorical aid	\$ 244,000	\$ 244,000	\$ 213,839	\$ (30,161)
Total categorical aid	\$ 806,500	\$ 806,500	\$ 631,596	\$ (174,904)
Total revenue from the Federal Government	\$ 853,292	\$ 853,292	\$ 733,926	\$ (119,366)
Total revenues	\$ 17,066,658	\$ 17,030,962	\$ 18,058,475	\$ 1,027,513
Expenditures				
Current:				
General government administration:				
Board of supervisors	\$ 132,113	\$ 132,113	\$ 103,944	\$ 28,169
County administrator	295,641	295,641	249,161	46,480
Legal services	75,208	75,208	11,511	63,697
Independent auditor	35,500	35,500	37,109	(1,609)
Commissioner of the Revenue	254,053	254,053	250,784	3,269
Board of assessors	-	15,000	1,151	13,849
Treasurer	262,550	262,550	237,464	25,086
Land use administration	17,768	17,768	2,074	15,694
Electoral board and officials	34,912	34,912	29,044	5,868
Registrar	104,567	104,567	84,931	19,636
Total general government administration	\$ 1,212,312	\$ 1,227,312	\$ 1,007,173	\$ 220,139
Judicial administration:				
Circuit court	\$ 13,550	\$ 13,550	\$ 10,454	\$ 3,096
General district court	17,950	17,950	2,301	15,649
Commissioner of accounts	1,510	1,510	1,034	476
Magistrates	3,800	3,800	2,476	1,324
Juvenile probation service unit	50,000	50,000	48,780	1,220
Clerk of the circuit court	286,403	310,984	268,065	42,919
Law library	600	600	-	600
Commonwealth attorney	219,431	223,931	289,581	(65,650)
Total judicial administration	\$ 593,244	\$ 622,325	\$ 622,691	\$ (366)

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (Continued):				
Public safety:				
Sheriff	\$ 921,545	\$ 944,257	\$ 954,826	\$ (10,569)
Contributions to fire departments and rescue squads	696,200	696,200	695,493	707
Forest fire extinction	5,523	5,523	5,010	513
Jail	1,087,354	1,087,354	830,481	256,873
Building inspector	127,789	127,789	185,857	(58,068)
Animal control	199,387	199,387	188,248	11,139
Medical examiner	850	850	20	830
Emergency services	907,500	907,500	602,218	305,282
E-911	262,352	262,352	89,888	172,464
Total public safety	\$ 4,208,500	\$ 4,231,212	\$ 3,552,041	\$ 679,171
Public works:				
Landfill	\$ 1,350,243	\$ 1,350,243	\$ 1,538,566	\$ (188,323)
General properties	365,529	365,529	212,139	153,390
Aileen property	22,750	22,750	8,299	14,451
Total public works	\$ 1,738,522	\$ 1,738,522	\$ 1,759,004	\$ (20,482)
Health and welfare:				
Health department	\$ 157,071	\$ 157,071	\$ 142,071	\$ 15,000
Rappahannock-Rapidan Community Services Board	35,405	35,405	35,405	-
Public assistance and administration	668,499	668,499	978,979	(310,480)
Comprehensive Services Act	395,000	395,000	577,941	(182,941)
Total health and welfare	\$ 1,255,975	\$ 1,255,975	\$ 1,734,396	\$ (478,421)
Education:				
Community college	\$ 6,696	\$ 6,696	\$ 6,696	\$ -
Appropriation to public school system	7,799,541	7,848,850	7,924,805	(75,955)
Total education	\$ 7,806,237	\$ 7,855,546	\$ 7,931,501	\$ (75,955)
Parks, recreation and cultural:				
Park authority and others	\$ 22,500	\$ 22,500	\$ 23,466	\$ (966)
Ballfield lights	-	-	410,813	(410,813)
Total parks, recreation and cultural	\$ 22,500	\$ 22,500	\$ 434,279	\$ (411,779)

Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures (Continued):				
Community development:				
Planning commission	\$ 87,286	\$ 87,286	\$ 19,779	\$ 67,507
Board of zoning appeals	6,050	6,050	3,423	2,627
Soil and water conservation district	17,048	17,048	17,048	-
VPI Extension Service	88,363	88,363	88,488	(125)
Public utility services	77,500	77,500	86,514	(9,014)
Farmland preservation program	65,000	225,000	213,532	11,468
Water quality improvement program	40,000	40,000	109,728	(69,728)
Civil War Trails project	95,000	95,000	2,058	92,942
Tourism promotion	56,000	56,000	66,275	(10,275)
Other	-	-	32,944	(32,944)
Total community development	<u>\$ 532,247</u>	<u>\$ 692,247</u>	<u>\$ 639,789</u>	<u>\$ 52,458</u>
Capital projects:				
Scrabble School project	\$ 544,450	\$ 544,450	\$ 590,991	\$ (46,541)
	<u>\$ 544,450</u>	<u>\$ 544,450</u>	<u>\$ 590,991</u>	<u>\$ (46,541)</u>
Debt service:				
Principal	\$ 471,000	\$ 471,000	\$ 471,000	\$ -
Interest and fiscal charges	238,557	238,557	238,557	-
Total debt service	<u>\$ 709,557</u>	<u>\$ 709,557</u>	<u>\$ 709,557</u>	<u>\$ -</u>
Total expenditures	<u>\$ 18,623,544</u>	<u>\$ 18,899,646</u>	<u>\$ 18,981,422</u>	<u>\$ (81,776)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,556,886)</u>	<u>\$ (1,868,684)</u>	<u>\$ (922,947)</u>	<u>\$ 945,737</u>
Other financing sources (uses):				
Transfers out	\$ (115,445)	\$ (115,445)	\$ (115,445)	\$ -
Insurance recoveries	-	-	15,788	(15,788)
Proceeds from capital lease	-	-	295,000	(295,000)
Total other financing sources (uses)	<u>\$ (115,445)</u>	<u>\$ (115,445)</u>	<u>\$ 195,343</u>	<u>\$ (310,788)</u>
Net change in fund balance	<u>\$ (1,672,331)</u>	<u>\$ (1,984,129)</u>	<u>\$ (727,604)</u>	<u>\$ 634,949</u>
Fund balance, beginning of year	<u>1,672,331</u>	<u>1,984,129</u>	<u>6,123,977</u>	<u>4,139,848</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,396,373</u>	<u>\$ 4,774,797</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, 2009

PRIMARY GOVERNMENT:

County Retirement Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded Actuarial Accrued Liability (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Annual Covered Payroll</u> (c)	<u>UAAL as a % of Covered Payroll</u> ((b-a)/c)
County:						
June 30, 2006	\$ 5,903,411	\$ 6,752,139	\$ 848,728	87.43%	\$ 2,386,894	35.56%
June 30, 2007	6,818,834	7,643,951	825,117	89.21%	2,489,252	33.15%
June 30, 2008	7,746,303	8,421,188	674,884	91.99%	2,546,810	26.50%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded Actuarial Accrued Liability (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Annual Covered Payroll</u> (c)	<u>UAAL as a % of Covered Payroll</u> ((b-a)/c)
June 30, 2006	\$ 1,681,908	\$ 1,810,622	\$ 128,714	92.89%	\$ 608,416	21.16%
June 30, 2007	1,863,130	1,910,991	47,861	97.50%	601,537	7.96%
June 30, 2008	2,032,115	2,128,959	96,843	92.89%	620,701	21.16%

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OTHER SUPPLEMENTARY INFORMATION

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Agency Fund
 Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2009

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund				
Assets				
Cash and cash equivalents	\$ 19,223	\$ 14,300	\$ 12,963	\$ 20,560
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
Amounts held for others	\$ 19,223	\$ 14,300	\$ 12,963	\$ 20,560
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Revenue and Expenditures Budgetary Comparison Schedule
 For Nonmajor Fund With Legally Adopted Budget
 Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Special Revenue Fund:				
Library Fund:				
Revenues:				
Fines and forfeitures	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Use of money and property	24,826	24,826	(96,030)	(120,856)
Charges for services	2,300	2,300	-	(2,300)
Miscellaneous	1,200	1,200	9,458	8,258
Intergovernmental:				
Revenue from the Commonwealth	<u>30,000</u>	<u>30,000</u>	<u>32,399</u>	<u>2,399</u>
Total revenues	<u>\$ 60,826</u>	<u>\$ 60,826</u>	<u>\$ (54,173)</u>	<u>\$ (114,999)</u>
Expenditures:				
Parks, Recreation and Cultural:				
Library administration	<u>\$ 176,271</u>	<u>\$ 176,271</u>	<u>\$ 178,584</u>	<u>\$ (2,313)</u>
Total expenditures	<u>\$ 176,271</u>	<u>\$ 176,271</u>	<u>\$ 178,584</u>	<u>\$ (2,313)</u>

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

Component Unit School Board
 Combining Balance Sheet
 At June 30, 2009

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,064,726	\$ 40,911	\$ 1,105,637
Accounts receivable	7,786	-	7,786
Prepays	94,974	-	94,974
Inventory	-	9,655	9,655
Due from other governments	187,872	-	187,872
	<u>1,355,358</u>	<u>50,566</u>	<u>1,405,924</u>
Total assets	\$ <u>1,355,358</u>	\$ <u>50,566</u>	\$ <u>1,405,924</u>
Liabilities:			
Accounts payable	\$ 18,081	\$ 30,891	\$ 48,972
Accrued liabilities	1,064,677	-	1,064,677
Due to primary government	272,600	-	272,600
	<u>1,355,358</u>	<u>30,891</u>	<u>1,386,249</u>
Total liabilities	\$ <u>1,355,358</u>	\$ <u>30,891</u>	\$ <u>1,386,249</u>
Fund Balance:			
Unreserved:			
Designated for school food operations	\$ -	\$ 19,675	\$ 19,675
	<u>-</u>	<u>19,675</u>	<u>19,675</u>
Total fund balance	\$ <u>-</u>	\$ <u>19,675</u>	\$ <u>19,675</u>
Total liabilities and fund balance	\$ <u>1,355,358</u>	\$ <u>50,566</u>	\$ <u>1,405,924</u>

Component Unit School Board

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

At June 30, 2009

Total fund balances for governmental funds (Exhibit 12) \$ 19,675

Total net assets reported for governmental activities in the statement of net assets is different because:

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

Buildings and improvements, net of depreciation	\$	8,305,472	
Equipment, net of depreciation		312,432	
School Board capital assets in primary government, net of depreciation		<u>(3,879,550)</u>	
 Total capital assets			 4,738,354

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. The balance of liabilities affecting net assets are compensated absences. (81,769)

Total net assets of governmental activities (Exhibit 1) \$ 4,676,260

Component Unit School Board
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2009

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Charges for services	\$ 50,020	\$ 247,758	\$ 297,778
Miscellaneous	101,479	2,459	103,938
Recovered costs	41,125	-	41,125
Intergovernmental:			
Appropriation from primary government	7,924,805	-	7,924,805
Revenue from the Commonwealth	2,593,795	7,381	2,601,176
Revenue from the Federal Government	342,715	135,226	477,941
Total revenues	<u>\$ 11,053,939</u>	<u>\$ 392,824</u>	<u>\$ 11,446,763</u>
Expenditures:			
Current:			
Education:			
Instruction	\$ 8,273,966	\$ -	\$ 8,273,966
Administration, attendance and health	761,013	-	761,013
Transportation	949,176	-	949,176
Facilities operations	994,952	-	994,952
School food services	-	457,981	457,981
Total expenditures	<u>\$ 10,979,107</u>	<u>\$ 457,981</u>	<u>\$ 11,437,088</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 74,832</u>	<u>\$ (65,157)</u>	<u>\$ 9,675</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ 74,832	\$ 74,832
Transfers out	(74,832)	-	(74,832)
Total other financing sources (uses)	<u>\$ (74,832)</u>	<u>\$ 74,832</u>	<u>\$ -</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 9,675</u>	<u>\$ 9,675</u>
Fund balance, beginning of year	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 19,675</u></u>	<u><u>\$ 19,675</u></u>

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, 2009

Net change in fund balances - total governmental funds (Exhibit 14)	\$ 9,675
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 depreciation exceeded capital outlays in the current period.	(134,758)
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.	356,750
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	<u>(15,466)</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ 216,201</u>

Component Unit School Board
 School Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 38,640	\$ 38,640	\$ 50,020	\$ 11,380
Miscellaneous	47,326	107,713	101,479	(6,234)
Recovered costs	-	-	41,125	41,125
Intergovernmental:				
Appropriation from primary government	7,799,541	7,848,850	7,924,805	75,955
Revenue from the Commonwealth	2,754,440	2,754,440	2,593,795	(160,645)
Revenue from the Federal Government	464,294	594,929	342,715	(252,214)
Total revenues	<u>\$ 11,104,241</u>	<u>\$ 11,344,572</u>	<u>\$ 11,053,939</u>	<u>\$ (290,633)</u>
Expenditures:				
Current:				
Education:				
Instruction	\$ 8,471,614	\$ 8,675,594	\$ 8,273,966	\$ 401,628
Administration, attendance and health	768,960	768,960	761,013	7,947
Transportation	811,362	811,362	949,176	(137,814)
Facilities operations	958,372	994,723	994,952	(229)
Total expenditures	<u>\$ 11,010,308</u>	<u>\$ 11,250,639</u>	<u>\$ 10,979,107</u>	<u>\$ 271,532</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 93,933</u>	<u>\$ 93,933</u>	<u>\$ 74,832</u>	<u>\$ (19,101)</u>
Other financing sources(uses):				
Transfers out	<u>\$ (93,933)</u>	<u>\$ (93,933)</u>	<u>\$ (74,832)</u>	<u>\$ 19,101</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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Statistical Tables

COUNTY OF RAPPAHANNOCK, VIRGINIA

Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2003	\$ 753,529	\$ 302,855	\$ 1,778,431	\$ 566,439	1,243,316
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	1,852,294	1,315,134	1,445,417
2007	1,830,994	511,111	2,871,045	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

(1) Information has only been available for seven years.

Table 1

	<u>Education</u>	<u>Parks, Recreation, and Culture</u>	<u>Community Development</u>	<u>Interest on Debt</u>	<u>Total</u>
\$	5,410,559	\$ 155,622	\$ 283,894	\$ 169,248	\$ 10,663,893
	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	14,362,315
	7,592,542	228,443	270,722	248,210	16,035,522
	8,225,502	238,922	305,234	225,831	16,767,030
	8,391,601	241,583	639,789	203,690	16,882,611

COUNTY OF RAPPAHANNOCK, VIRGINIA

Government-Wide Revenues
Last Ten Fiscal Years (1)

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2003	\$ 172,510	\$ 1,893,568	\$ -
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

(1) Information has only been available for seven years.

Table 2

General Revenues							
General Property Taxes	Other Local Taxes	Non- Categorical Aid	Revenues from the Use of Money & Property	Miscel- laneous	Gain (Loss) on Sale of Capital Assets	Total	
\$ 6,384,537	\$ 1,227,194	\$ 915,004	\$ 80,301	\$ 75,151	\$ -	\$ 10,748,265	
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	(17,503)	14,654,127	
10,886,332	1,580,303	1,041,329	356,280	455,436	(18,215)	16,974,972	
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	

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
2000	\$ 5,773,806	\$ 1,022,331	\$ 96,705	\$ 32,187	327,542
2001	6,152,522	1,065,833	95,909	31,502	199,382
2002	6,181,199	1,134,925	119,704	31,586	91,917
2003	6,475,866	1,227,194	101,785	20,966	80,301
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

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

Table 3

	Charges for Services	Miscel- laneous	Recovered Costs	Intergovern- mental	Total
\$	315,971	\$ 76,437	\$ 130,380	\$ 4,976,313	\$ 12,751,672
	315,548	182,698	118,671	5,412,647	13,574,712
	379,345	146,850	172,144	6,092,858	14,350,528
	346,704	146,235	153,350	6,016,157	14,568,558
	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

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
2000	\$ 627,638	\$ 365,650	\$ 1,477,884	\$ 848,386	\$ 891,820
2001	591,268	299,602	1,639,102	1,078,839	963,456
2002	702,492	320,180	1,785,509	721,294	1,060,541
2003	727,514	299,855	1,843,527	600,101	1,236,877
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

(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

	(2)(3) Education	(2) Recreation and Cultural	Community Development	Capital Projects	Debt Service	Total
\$	9,865,710	\$ 117,279	\$ 173,327	\$ -	\$ 726,347	\$ 15,094,041
	9,033,172	121,374	205,891	-	776,056	14,708,760
	8,628,596	127,556	218,265	-	752,974	14,317,407
	8,640,009	133,122	279,519	-	732,574	14,493,098
	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

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Public Utility	
				Real Estate	Total
2000	\$ 560,388,635	\$ 40,252,313	\$ 48,600	\$ 21,416,366	\$ 622,105,914
2001	570,360,388	45,413,501	47,100	22,861,719	638,682,708
2002	582,604,227	49,352,765	93,200	20,121,030	652,171,222
2003	598,037,881	51,198,229	90,340	20,047,407	669,373,857
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

(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
2000	\$ 5,989,473	\$ 5,742,750	96%	\$ 160,808	\$ 5,903,558	99%	\$ 804,085	13%
2001	6,542,855	6,266,110	96%	257,732	6,523,842	100%	724,132	11%
2002	6,925,639	6,661,421	96%	227,207	6,888,628	99%	618,419	9%
2003	6,951,283	6,885,776	99%	225,470	7,111,246	102%	487,037	7%
2004	7,775,425	7,490,369	96%	144,280	7,634,649	98%	567,937	7%
2005	8,034,264	7,796,041	97%	179,262	7,975,303	99%	528,173	7%
2006	9,673,760	9,638,617	100%	142,269	9,780,886	101%	603,797	6%
2007	11,746,029	11,486,661	98%	104,445	11,591,106	99%	763,950	7%
2008	12,078,236	11,774,838	97%	148,387	11,923,225	99%	932,865	8%
2009	12,481,516	11,082,994	89%	195,299	11,278,293	90%	1,081,107	9%

(1) Exclusive of penalties and interest.

(2) Includes personal property tax reimbursements from the Commonwealth of \$284,991, \$529,894, \$839,751, \$864,564, \$889,829, \$866,537, \$1,006,611, \$946,195, \$945,168, and \$949,690 for fiscal years 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, and 2009 respectively.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property	Mobile Homes	Public Utility
2000	0.81	3.20	0.83	0.83
2001	0.86	3.20	0.86	0.86
2002	0.89	3.20	0.89	0.89
2003	0.85	3.00	0.85	0.85
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

(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
2000	6,623	\$ 622,105,914	\$ 4,354,000	1%	\$ 657
2001	6,983	638,682,708	4,023,000	1%	576
2002	6,983	652,171,222	3,697,000	1%	529
2003	6,983	669,373,857	3,381,000	1%	484
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	5,739,217	0%	797
2008	7,203	1,646,489,449	5,238,175	0%	727
2009	7,203	1,672,583,370	4,743,772	0%	659

(1) Bureau of the Census

(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
2000	\$ 336,000	\$ 145,671	\$ 481,671	\$ 15,094,041	3%
2001	331,000	199,401	530,401	14,708,760	4%
2002	326,000	183,756	509,756	14,317,407	4%
2003	316,000	169,246	485,246	14,493,098	3%
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%

(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

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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*

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

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Rappahannock, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the County of Rappahannock, Virginia's basic financial statements and have issued our report thereon dated March, 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Rappahannock's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the County of Rappahannock's internal control. We consider deficiencies in the accompanying schedule of findings and questioned costs as items 2009-1, 2009-2, 2009-3, 2009-4, 2009-5 and 2009-6 to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2009-5, 2009-6, and 2009-7.

The County of Rappahannock's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County of Rappahannock's responses, and accordingly, we express no opinion on them.

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

Robinson, James, Cox Associates

Charlottesville, Virginia
March 5, 2010

**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the County of Rappahannock, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County of Rappahannock, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Rappahannock, Virginia's management. Our responsibility is to express an opinion on the County of Rappahannock, Virginia's compliance based on our audit.

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

As described in items 2009-6 and 2009-7 in the accompanying schedule of findings, responses, and questioned costs, the County of Rappahannock, Virginia did not comply with requirements regarding eligibility that are applicable to its School Food program. Compliance with such requirements is necessary in our opinion, for the County of Rappahannock, Virginia, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County of Rappahannock, Virginia complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

Internal Control Over Compliance: (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-6 and 2009-7 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we do not consider any to be material weaknesses, as defined above.

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

Robinson, Jarner, Cox Associates

Charlottesville, Virginia
March 5, 2010

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Agriculture:		
Pass - through payments:		
State Department of Agriculture:		
Food distribution	10.555	\$ 13,996
Department of Social Services:		
State Administrative Matching Grants for Nutrition Assistance Program	10.561	97,641
Department of Education:		
School Breakfast Program	10.553	24,856
National School Lunch Program	10.555	96,374
		<u>232,867</u>
Total Department of Agriculture		\$ <u>232,867</u>
Department of Health and Human Services:		
Pass - through payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	\$ 8,418
Temporary Assistance for Needy Families (TANF)	93.558	57,882
Refugee And Entrant Assistance -- State Administered Programs	93.566	183
Low-Income Home Energy Assistance	93.568	3,273
Child Care and Development Block Grant	93.575	68,792
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	21,563
Chafee Education and Training Vouchers Program (ETV)	93.599	60
Child Welfare Services - State Grants	93.645	458
Foster Care - Title IV-E	93.658	43,667
Foster Care - Title IV-E -- ARRA	93.658	1,372
Adoption Assistance	93.659	6,141
Adoption Assistance -- ARRA	93.659	287
Social Services Block Grant	93.667	35,420
Chafee Foster Care Independence Program	93.674	838
Children's Health Insurance Program	93.767	7,032
Medical Assistance Program	93.778	64,730
		<u>320,116</u>
Total Department of Health and Human Services		\$ <u>320,116</u>
Department of Housing and Urban Development:		
Pass - through payments:		
Department of Housing and Community Development:		
Community development block grants	14.228	\$ <u>200,000</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2009 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of the Interior:		
Direct Payments:		
Bureau of Land Management - National Payments in Lieu of Taxes	15.226	\$ <u>102,330</u>
Department of Transportation:		
Pass - through payments:		
Department of Motor Vehicles: State and Community Highway Safety	20.600	\$ <u>13,839</u>
Total Department of Transportation		\$ <u>13,839</u>
Department of Education:		
Direct Payments:		
Title I Grants to Local Educational Agencies	84.010	\$ 103,863
Special Education -- Grants to States	84.027	187,844
Career and Technical Education -- Basic Grants to States	84.048	12,420
Safe and Drug-Free Schools and Communities -- State Grants	84.186	3,981
Special Education -- Preschool Grants	84.173	9,225
State Grants for Innovative Programs	84.298	924
Education Technology State Grants	84.318	1,313
Improving Teacher Quality State Grants	84.367	<u>23,145</u>
Total Department of Education		\$ <u>342,715</u>
Total expenditures of federal awards		<u>\$ 1,211,867</u>

COUNTY OF RAPPAHANNOCK, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the County of Rappahannock, Virginia. The County's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund \$ 733,926

Component unit School Board:

School Operating Fund \$ 342,715

School Cafeteria Fund 135,226

Total component unit School Board \$ 477,941

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 1,211,867

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	Yes

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I - Grants to Local Educational Agencies
84.027/84.173	Special education cluster
10.555	Food distribution
10.553	National school breakfast program
10.555	National school lunch program

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

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section II - Financial Statement Findings

Significant deficiency:

2009-1

Condition:

Our audit work identified significant differences between the tax receivable balances carried on the County's general ledger and those on the property tax subsidiary ledger. Personnel in the Treasurer's office perform a detailed review of the activity in the subsidiary ledger but do not reconcile the balances to the County's general ledger. It should be noted that for financial statement purposes, the tax receivable balances reflected are those on the subsidiary ledger, not the general ledger.

Criteria:

The reconciliation of material balances on the general ledger to subsidiary detail is a critical control in the prevention of material misstatements in the financial statements. In addition, the maintenance of adequate books and records requires that the general ledger reflect balances in the financial statements.

Effect:

The lack of regular reconciliations of the property tax subsidiary ledger significantly increases the likelihood that a material misstatement could occur in the financial statements. We believe that this risk is somewhat mitigated by the work performed by an external consultant who prepares accrual basis trial balances for the County in conjunction with the audit.

Recommendation:

We recommend that regular reconciliations be performed between the property tax subsidiary ledger and the general ledger. We also recommend that any necessary adjustments be posted to the County's general ledger to reflect the tax receivables reported in the financial statements.

Response:

At the present time, the subsidiary property tax ledger is created for the fiscal year at the end of the fiscal year for each tax year for both real estate and personal property. Beginning in fiscal 2011, the subsidiary property tax ledger will be created at the beginning of the fiscal year and maintained monthly throughout the year. This will enable it to be reconciled to the general ledger each month so that any discrepancies can be uncovered and adjusted throughout the year.

Significant deficiency:

2009-2

Condition:

The County's manual general ledger was out of balance at the end of the year by \$500,000. This was the result of posting a one-sided entry for the purchase of a certificate of deposit. It should be noted that this error was corrected by the external consultant in the accrual basis trial balance that is prepared for the audit.

Criteria:

A general ledger that is out of balance by a material amount is, by definition, materially misstated.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

2009-2: (Continued)

Effect:

We believe that the extensive reconciliation of cash activity performed by the external consultant in conjunction with the audit somewhat mitigates, but does not eliminate, the risk that a material misstatement in the financial statements could occur.

Recommendation:

We recommend that the County implement an automated accounting system in the Treasurer's office. An automated system would significantly reduce the manpower needed to maintain manual records and to generate information for the financial statements. In addition, most automated systems do not permit the posting of one sided entries.

Response:

At the present time there is no subsidiary certificate of deposit ledger. Beginning with fiscal 2011, a subsidiary certificate of deposit ledger will be created and maintained monthly. It will contain checklists for ensuring that both sides of journal entries are recorded. It will also be reconciled to the general ledger each month so that any discrepancies can be detected and corrected throughout the year. Rappahannock National Bank will also assist us by forwarding a monthly statement of CD activity.

Significant deficiency:

2009-3

Condition:

In order to draft the required supplementary information for the financial statements, a trial balance that includes a comparison of actual results to the original and final budgets must be prepared. This trial balance was prepared by the external consultant who assists the County with the annual audit. Our audit work detected that the trial balance did not reflect multiple additional appropriations that were made during the year.

Criteria:

Procedures used to generate budget information for the financial statements should provide a high degree of assurance that subsequent appropriations are accurately reflected.

Effect:

The final budget for the General Fund as presented in the financial statements required material corrections in order to accurately reflect all appropriations. The external consultant, who must manually aggregate such appropriations and relies on County personnel to provide them to her, was given an incomplete listing of subsequent appropriations.

Recommendation:

We recommend that the County implement an integrated, automated financial system to track all appropriations. This would significantly reduce the manpower needed to generate financial statement information. It would also reduce the time spent by various County personnel in aggregating budget information when monitoring actual expenditures versus appropriations.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

2009-3: (Continued)

Response:

The County budget process in fiscal 2009 was complicated by the unusually large number of capital projects undertaken by the County, many of which had multiple funding streams. The volume and size of the capital projects are not anticipated to be recurring. The County Administrator intends to implement a tracking list of supplemental appropriations, to more easily facilitate the preparation of financial statement information in the future.

Given the very real financial burdens of the County, the County Administrator recommends that the acquisition of a new integrated financial system be delayed until at least fiscal 2012.

2009-4

Condition:

During the latter part of fiscal 2009, the long-term office manager at the County's Department of Social Services, who handled all fiscal responsibilities at the agency, was requested to retire. The office manager's tenure terminated at the end of fiscal 2009. During final audit fieldwork, it was discovered that significant amounts of supporting documentation for disbursements for the last three months of the fiscal year could not be located, including the file with approved purchase orders for fiscal 2009.

Criteria:

Controls should be in place to ensure that documentation related to invoices and purchase orders are maintained and secured in an orderly fashion. This includes effective monitoring to ensure that the employee responsible for performing these tasks is actually doing so.

Effect:

Lack of effective oversight over an employee with significant financial responsibilities may lead to critical weaknesses in internal control over disbursements.

Recommendation:

Written policies and procedures should be put in place to ensure that appropriate controls over the filings and retention of documentation supporting disbursements is maintained. In addition, non-financial managerial personnel should ensure compliance with and monitoring of the record retention function.

Response:

The lack of invoices and purchase orders at the Department of Social Services is a very real concern. The County Administrator will request that the Board of Supervisors direct the Social Services Board to implement the policies and procedures recommended above.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

2009-5

Condition:

In fiscal 2009, the Sheriff's office maintained four bank accounts, on all of which the Sheriff was an authorized signatory.

Two of the accounts, the Shop with a Deputy Fund and the Petty Cash Fund, are used for monies that are not related to the official operations of the Sheriff's office. Total receipts during fiscal 2009 in the two accounts were \$24,450 and \$3,455, respectively.

The third account, the Work Release Fund, is funded with receipts from prisoners in the work release program. Fees paid by the prisoners in the program are designed to cover the cost of the program and to contribute to the cost of their incarceration. Total receipts in the account in fiscal 2009 were \$56,568.

The fourth account, the Canteen Fund, is used to provide toiletries and other small items to prisoners for a charge, and to purchase items that benefit the general welfare of the prisoners. Funding for this account is derived from the prisoner at the time of incarceration, and from donations from the prisoner's family. Total receipts in this account were \$18,834 in fiscal 2009. During 2009, a designated employee prepared and made deposits, prepared and signed checks, maintained QuickBooks records for the account, and reconciled the bank account.

Criteria:

Although the employees of the Sheriff's office are permitted to maintain funds not related to the official operations of the office, any direct involvement by the Sheriff in the funds could cause the funds to be considered locality functions. Funds associated with locality functions are required to be deposited with the County Treasurer, and must be appropriated by the County Board of Supervisors.

Work release funds are statutorily considered locality funds, and must be remitted to the County Treasurer. Disbursement of such funds must be appropriated by the County Board of Supervisors.

The Code of Virginia exempts canteen funds received by the Sheriff's office from the requirement of depositing them with the County Treasurer. However, a system of internal control over the funds must be in place to ensure accountability for the funds.

Effect:

Because the Sheriff is an authorized signatory on the Shop with a Deputy and the Petty Cash accounts, the funds may be considered locality funds. Work release funds are not permitted to be deposited into an account under the control of the Sheriff. Internal controls in place in fiscal 2009 over the Canteen account are inadequate to provide accountability for the funds.

It should be noted that the sheriff assumed her responsibilities in fiscal 2008, and has primarily continued policies and procedures that were in place prior to her tenure.

Recommendations:

With respect to the Shop with a Deputy and Petty Cash accounts, we recommend that the Sheriff consider restructuring responsibilities for these funds so that she cannot be reasonably associated with these funds.

With respect to the Work Release account, we recommend that the Sheriff begin to remit these funds to the Treasurer as soon as is reasonably possible.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

2009-5: (Continued)

Recommendations: (Continued)

With respect to the Canteen account, we recommend that the current responsibilities for the account be restructured so as to provide adequate segregation of duties related to receipting, depositing, and recording, and to authorizing and approving disbursements.

We also recommend that a set of written procedures be developed and implemented for each source of funds received by the Sheriff's office. Such procedures should incorporate the recommendations and guidance provided by the Virginia Sheriff's Accounting Manual, to the extent the limited size of the County Sheriff's office permits.

Response:

The Sheriff is currently in the process of removing her name as authorized signatory from all accounts.

The Sheriff's office is in the process of converting the Shop with a Deputy Fund into a charitable foundation. The Sheriff will be a board member of the foundation, but will not have check signing authority.

Responsibilities within the Sheriff's office will be reassigned so that the Sheriff no longer has any formal association with the Petty Cash Fund.

Work release funds will be turned over to the Treasurer at the beginning of fiscal 2011.

All procedures associated with the Canteen Fund are currently under review to ensure adequate segregation of duties for the funds is established and to develop a regular schedule for review of activity in the account.

The Sheriff also plans to establish written procedures for each account handled by the office that consider the guidance in the Virginia Sheriffs' Accounting Manual.

Section III - Federal Award Findings and Questioned Costs

Significant deficiency:

2009-6

Condition:

The School Food Director, who also functions as the cafeteria manager at one County school, is currently receipting funds (in her capacity as cafeteria manager), preparing and making bank deposits, and recording the deposits in the manual ledger maintained for the School Food fund.

Criteria:

Adequate segregation of duties related to cash receipts is critical in establishing an effective system of internal controls.

Effect:

Lack of segregation of duties related to cash receipting, depositing, and recording of cash receipts increases the risk that a misappropriation of cash will not be prevented or detected on a timely basis.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section III - Federal Award Findings and Questioned Costs (Continued)

2009-6: (Continued)

Recommendation:

We recommend that the responsibilities for receipting school food funds be reassigned to another individual in the cafeteria. The employee who balances the daily receipts should document the work performed and initial that work. We also recommend that the responsibility of recording deposits be reassigned to personnel in the School Board finance department. Additional efficiencies could be attained by using an automated software package to record activity in the School Food fund.

Response:

The current School Food Director will be retiring at the end of fiscal 2010. The intended replacement for this position will be housed at the elementary school cafeteria rather than at the School Board office. A member of the cafeteria staff will be assigned to assist the School Food Director/Elementary School Cafeteria Manager with the daily accounting procedures. Current record keeping procedures, which include reconciliation of the bank statement by the School Food Director, will continue in place.

Significant deficiency:

2009-7

Condition:

As part of its oversight of the federal school food program, the Virginia Department of Education requires that all School Divisions annually verify a sample of applications for school meal benefits. Verification is the confirmation of the eligibility for free or reduced price meals under the National School Lunch and School Breakfast Programs. Verification must include confirmation of income eligibility or confirmation that a child is included in a household certified for Food Stamps or Temporary Assistance for Needy Families (TANF). During fiscal 2009, the School Board provided incorrect information on its verification report. It should be noted that this condition was detected by an Operation and Administrative Review of the School Board's School Nutrition Program that was performed by the Virginia Department of Education.

Criteria:

Adequate policies and procedures should be in place to ensure that accurate data related to participants in the Free and Reduced Lunch program is reported to the Virginia Department of Education.

Effect:

Upon notification from the State, the School Board corrected all errors. The errors were the result of incorrect extraction of information from the software used to track activity of the Free and Reduced Lunch program.

Recommendation:

We recommend that the School Board perform an ongoing review of the federal compliance requirements of the school food program to ensure that current policies and procedures are adequate to meet them.

Response:

The School Board is in the process of implementing School Matrix, which is a student tracking system. It is anticipated that this system will eliminate input errors because all information from a student's ID package is entered once and at the same time. The School Board believes that implementation of this software will make it SIF (Schools Interoperability Framework) compliant with all state reporting requirements.

COUNTY OF RAPPAHANNOCK, VIRGINIA

Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2009

There were no items reported.

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