



COUNTY OF HIGHLAND, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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**COUNTY OF HIGHLAND, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2014**

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## County of Highland, Virginia

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### Board of Supervisors

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Kevin Wagner, Chairman  
Lee Blagg, Vice-Chairman  
David W. Blanchard, Member

### County School Board

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John Moyers Jr., Chairman  
Joseph T. Neil, Vice-Chairman  
Elizabeth H. Hefner, Member

### Welfare Board Members

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Michael Boesch, Chairman  
Jim White, Member  
David W. Blanchard, Member

### Other Officials

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Clerk of the Circuit Court.....	Lois Showalter
Commissioner of the Revenue.....	Darlene Crummett
Commonwealth's Attorney .....	Melissa Ann Dowd
Sheriff.....	Timothy Duff
Treasurer .....	Lois E. White
County Attorney .....	Melissa Ann Dowd
Building Official/Inspector .....	James H. Whitelaw
Cooperative Extension Agent .....	Rodney Leech
Emergency Services Director.....	Harley Gardner
Fire Chief .....	Elmer Waybright
Health Director .....	Dr. Clifford W. Caplan
Chairman of Industrial Development Authority.....	Betty Mitchell
Planning Commission Chairman.....	Douglas Gutshall
Recycling Coordinator.....	Richard Waybright
Registrar .....	Alice Shumate
Senior Citizen Coordinator.....	Kelly S. Botkin
Social Services Director.....	Sarah Rexrode
Zoning Administrator.....	James H. Whitelaw
County Administrator .....	Roberta A. Lambert
Superintendent of Schools.....	Dr. Thomas Schott

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

### TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF HIGHLAND, VIRGINIA

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, and the aggregate remaining fund information of County of Highland, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

#### *Auditors' Responsibility*

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Highland, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress on pages 4-9, 57-59, and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### ***Other Information***

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

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

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



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2014, on our consideration of the County of Highland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Highland, Virginia's internal control over financial reporting and compliance.

*Robinson, Finner, Cox Associates*

Staunton, Virginia  
November 28, 2014

## **Management's Discussion and Analysis**

The following is a narrative overview and analysis of the financial activities of the County of Highland, Virginia for the fiscal year ended June 30, 2014.

### **Financial Highlights**

#### **Government-wide Financial Statements**

The assets of the County of Highland, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$8,148,816 (net position). Of this amount, \$5,526,095 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was \$2,909,561 of which \$(36,440) is unrestricted. (See Exhibit 1.)

The Government's net position increased by \$59,106 while the School Board's net position increased by \$212,237. (See Exhibit 2.)

#### **Fund Financial Statements**

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,611,770, or 84 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2014 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2014.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$4,875,674, a decrease of \$(122,131) in comparison with the prior year. (See Exhibit 3.)

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Local government accounting and financial reporting originally focused on funds, which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with both justifications from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

#### **Government-wide Financial Statements**

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net position and 2) the statement of activities.

The statement of net position presents all of the County's permanent accounts, or assets, liabilities and net position. The difference between assets and liabilities is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The statement of activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions, which are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end in themselves.

Both government-wide financial statements separate governmental activities and business-type activities of the County. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently reports the McDowell Water System, Highland County Refuse Disposal and Recreation Commission as business-type activities.

The government-wide financial statements include, in addition to the primary government or County, two component units: 1) the Highland County School Board, and 2) the McDowell Water System. Although the component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. A primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant funding for operations of the component unit.

### Fund Financial Statements

The fund financial statements will be more familiar to past financial statement users. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, a reconciliation between the two methods is provided on the exhibits following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

#### Proprietary funds

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

The McDowell Water System is a blended component unit of the County of Highland. This Fund and the Highland County Refuse Disposal Fund, a major fund of the County, meet proprietary fund classification criteria. The water system and refuse disposal financial statements are shown as enterprise funds in the County's fund financial statements. The water system provides a centralized source for the provision of water services to residents of the Village of McDowell and the refuse disposal provides a centralized source for the provision of refuse disposal for County residents and landowners.

The Highland County Recreation Commission is also a component unit of the County of Highland. The Recreation Commission provides for recreation activities of the County.

#### Internal service funds

The County of Highland has no internal service funds.

#### Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the County's own activities. A separate statement of fiduciary net position and combining statements are provided in the report.

#### Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

### **Government-wide Financial Analysis**

As previously noted, net position may serve as a useful indicator of a government's financial position. For the County of Highland, assets exceeded liabilities by \$8,148,816 at the end of the fiscal year.

The County's net position is divided into three categories: 1) net investment in capital assets, 2) restricted, and 3) unrestricted.

#### County of Highland's Net Position

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 6,716,981	\$ 6,464,406	\$ 809,412	\$ 781,827	\$ 7,526,393	\$ 7,246,233
Capital assets	2,141,009	2,062,952	889,052	906,324	3,030,061	2,969,276
Total	<u>\$ 8,857,990</u>	<u>\$ 8,527,358</u>	<u>\$ 1,698,464</u>	<u>\$ 1,688,151</u>	<u>\$ 10,556,454</u>	<u>\$ 10,215,509</u>
Long-term liabilities	\$ 446,626	\$ 559,982	\$ 166,276	\$ 170,619	\$ 612,902	\$ 730,601
Other liabilities	371,164	105,541	25,139	33,079	396,303	138,620
Total	<u>\$ 817,790</u>	<u>\$ 665,523</u>	<u>\$ 191,415</u>	<u>\$ 203,698</u>	<u>\$ 1,009,205</u>	<u>\$ 869,221</u>
Unavailable revenue-property taxes	\$ 1,398,433	\$ 1,256,578	\$ -	\$ -	\$ 1,398,433	\$ 1,256,578
Total	<u>\$ 1,398,433</u>	<u>\$ 1,256,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,398,433</u>	<u>\$ 1,256,578</u>
Net investment in capital assets	\$ 1,873,361	\$ 1,674,606	\$ 731,731	\$ 744,401	\$ 2,605,092	\$ 2,419,007
Restricted	-	-	17,629	-	17,629	-
Unrestricted	4,768,406	4,930,651	757,689	740,052	5,526,095	5,670,703
Total net position	<u>\$ 6,641,767</u>	<u>\$ 6,605,257</u>	<u>\$ 1,507,049</u>	<u>\$ 1,484,453</u>	<u>\$ 8,148,816</u>	<u>\$ 8,089,710</u>

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 31.97 percent of total net position. The County uses these capital assets to provide services to citizens; therefore, the assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position, which is \$5,526,095 or 67.81 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County is able to report a positive balance in all three categories of net position.

During the current fiscal year, the government's net position increased by \$59,106.

### Governmental Activities

Governmental activities increased the County's net position by \$36,510.

### **County of Highland's Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 31,460	\$ 27,149	\$ 409,688	\$ 378,237	\$ 441,148	\$ 405,386
Operating grants and contributions	1,154,398	1,151,731	31,931	51,694	1,186,329	1,203,425
Capital grants and contributions	189,865	118,208	13,900	35,408	203,765	153,616
General revenues:						
General property taxes	2,963,903	2,771,902	-	-	2,963,903	2,771,902
Other local taxes	380,560	375,560	-	-	380,560	375,560
Use of money and property	41,590	43,762	2,234	1,761	43,824	45,523
Other	100,203	74,892	-	-	100,203	74,892
Grants and contributions not restricted to specific programs	269,364	246,160	-	-	269,364	246,160
Total Revenues	\$ 5,131,343	\$ 4,809,364	\$ 457,753	\$ 467,100	\$ 5,589,096	\$ 5,276,464
Expenses:						
General government	\$ 991,119	\$ 897,659	\$ -	\$ -	\$ 991,119	\$ 897,659
Judicial administration	259,111	247,397	-	-	259,111	247,397
Public safety	942,248	912,046	-	-	942,248	912,046
Public works	118,027	128,759	-	-	118,027	128,759
Health and welfare	373,259	384,612	-	-	373,259	384,612
Education	2,183,982	2,095,450	-	-	2,183,982	2,095,450
Parks, recreational, and cultural	90,387	87,396	-	-	90,387	87,396
Community development	155,553	143,030	-	-	155,553	143,030
Interest on long-term debt	14,445	23,583	-	-	14,445	23,583
Recreation Commission	-	-	43,559	50,491	43,559	50,491
Landfill	-	-	293,029	278,003	293,029	278,003
Water	-	-	65,271	69,172	65,271	69,172
Total	\$ 5,128,131	\$ 4,919,932	\$ 401,859	\$ 397,666	\$ 5,529,990	\$ 5,317,598
Increase in net position before transfers	\$ 3,212	\$ (110,568)	\$ 55,894	\$ 69,434	\$ 59,106	\$ (41,134)
Transfers	\$ 33,298	\$ (85,426)	\$ (33,298)	\$ 85,426	\$ -	\$ -
Increase / decrease in net position	\$ 36,510	\$ (195,994)	\$ 22,596	\$ 154,860	\$ 59,106	\$ (41,134)
Net position, beginning	6,605,257	6,801,251	1,484,453	1,329,593	8,089,710	8,130,844
Net position, ending	\$ 6,641,767	\$ 6,605,257	\$ 1,507,049	\$ 1,484,453	\$ 8,148,816	\$ 8,089,710

### **Financial Analysis of the Government's Funds**

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

## Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$4,875,674.

The general fund is the chief operating fund of the County. As of June 30, 2014, total fund balance of the general fund was \$4,210,225, of which \$3,611,770 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 84.4 percent and total fund balance represents 98 percent of total general fund expenditures, which includes contributions to the School Board component unit of \$1,877,290.

The fund balance of the County's general fund increased by \$6,041 during the current fiscal year.

## Proprietary funds

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

Unrestricted net position of the McDowell Water System, Highland County Refuse Disposal and Highland County Recreation Commission at the end of the year were \$757,689. Other factors concerning the finances of these funds were discussed in the County's business-type activities section of this letter.

## General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budget appropriations were a \$48,135 increase, which is 1.1 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were \$170,000, which is 3.9 percent of the total original budget.

## Capital Asset and Debt Administration

### Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2014 is \$3,030,061 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

### **County of Highland, Virginia Capital Assets for Governmental Activities (net of depreciation)**

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 197,365	\$ 197,365	\$ 3,816	\$ 3,816	\$ 201,181	\$ 201,181
Buildings and system	1,490,168	1,478,553	-	-	1,490,168	1,478,553
Machinery and equipment	406,968	384,982	15,825	18,125	422,793	403,107
Utility plant and equipment	-	-	869,411	750,835	869,411	750,835
Construction in progress	46,508	2,052	-	133,548	46,508	135,600
Total	<u>\$ 2,141,009</u>	<u>\$ 2,062,952</u>	<u>\$ 889,052</u>	<u>\$ 906,324</u>	<u>\$ 3,030,061</u>	<u>\$ 2,969,276</u>

Additional information on the County's capital assets can be found in the notes to the financial statements.

## Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 240,735	\$ 388,346	\$ -	\$ -	\$ 240,735	\$ 388,346
Landfill closure/ post-closure liability	53,171	52,437	-	-	53,171	52,437
Revenue Bonds	-	-	157,321	161,923	157,321	161,923
Net Pension Obligation	26,913	-	-	-	26,913	-
Compensated absences	125,807	119,199	8,955	8,696	134,762	127,895
Total	<u>\$ 446,626</u>	<u>\$ 559,982</u>	<u>\$ 166,276</u>	<u>\$ 170,619</u>	<u>\$ 612,902</u>	<u>\$ 730,601</u>

Legislation enacted in fiscal year ended June 30, 2002 requires that debt historically reported by the School Board be assumed by the Primary Government. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

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

- The unemployment rate for the County is currently 5.0 percent, which is a decrease from the rate of 5.3 percent a year ago. This compares favorably to the state's average unemployment rate of 5.4 percent and the national average rate of 6.1 percent.
- Earnings on investments, in general, continue to remain low.
- It is expected that funding from the Commonwealth of Virginia will be further decreased for constitutional officers, ABC profits, and wine taxes, care of prisoners, library aid and education.

All of these factors were considered in preparing the County's budget for the 2015 fiscal year.

During fiscal year 2014, unassigned fund balance in the general fund increased \$63,488. Appropriations for County funds lapse at fiscal year end, with the exception of the Capital Projects Fund.

## **Requests for Information**

This financial report is designed to provide readers with a general overview of the County of Highland's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Highland County Board of Supervisors, P. O. Box 130, Monterey, Virginia 24465.

## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Statement of Net Position  
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,520,059	\$ 776,944	\$ 5,297,003	\$ 320,537
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,432,356	-	1,432,356	-
Accounts receivable	8,874	32,468	41,342	-
Notes receivable	20,000	-	20,000	-
Due from component unit	279,141	-	279,141	-
Due from other governmental units	446,603	-	446,603	251,156
Inventories	-	-	-	15,707
Prepaid items	9,948	-	9,948	43,720
Capital assets (net of accumulated depreciation):				
Land	197,365	3,816	201,181	13,035
Buildings and improvements	1,490,168	-	1,490,168	2,670,731
Machinery and equipment	406,968	-	406,968	83,212
Utility plant and equipment	-	885,236	885,236	-
Construction in progress	46,508	-	46,508	179,023
Total assets	<u>\$ 8,857,990</u>	<u>\$ 1,698,464</u>	<u>\$ 10,556,454</u>	<u>\$ 3,577,121</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 332,313	\$ 19,949	\$ 352,262	\$ 14,935
Accrued liabilities	-	-	-	319,949
Accrued interest payable	6,446	270	6,716	-
Due to primary government	-	-	-	279,141
Unearned revenue	32,405	4,920	37,325	-
Long-term liabilities:				
Due within one year	151,794	4,831	156,625	-
Due in more than one year	294,832	161,445	456,277	53,535
Total liabilities	<u>\$ 817,790</u>	<u>\$ 191,415</u>	<u>\$ 1,009,205</u>	<u>\$ 667,560</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 1,398,433	\$ -	\$ 1,398,433	\$ -
Total deferred inflows of resources	<u>\$ 1,398,433</u>	<u>\$ -</u>	<u>\$ 1,398,433</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1,873,361	\$ 731,731	\$ 2,605,092	\$ 2,946,001
Restricted:				
Debt service and bond covenants	-	17,629	17,629	-
Unrestricted	4,768,406	757,689	5,526,095	(36,440)
Total net position	<u>\$ 6,641,767</u>	<u>\$ 1,507,049</u>	<u>\$ 8,148,816</u>	<u>\$ 2,909,561</u>

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

# County of Highland, Virginia

Statement of Activities  
Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General government administration	\$ 991,119	\$ 669	\$ 154,445	\$ -
Judicial administration	259,111	2,018	214,059	-
Public safety	942,248	28,773	506,322	-
Public works	118,027	-	15,823	4,091
Health and welfare	373,259	-	263,749	-
Education	2,183,982	-	-	-
Parks, recreation, and cultural	90,387	-	-	185,774
Community development	155,553	-	-	-
Interest on long-term debt	14,445	-	-	-
Total governmental activities	<u>\$ 5,128,131</u>	<u>\$ 31,460</u>	<u>\$ 1,154,398</u>	<u>\$ 189,865</u>
Business-type Activities:				
Refuse Disposal	\$ 293,029	\$ 329,774	\$ 7,426	\$ -
McDowell Water System	65,271	40,604	-	13,900
Recreation Commission	43,559	39,310	24,505	-
Total business-type activities	<u>\$ 401,859</u>	<u>\$ 409,688</u>	<u>\$ 31,931</u>	<u>\$ 13,900</u>
Total primary government	<u>\$ 5,529,990</u>	<u>\$ 441,148</u>	<u>\$ 1,186,329</u>	<u>\$ 203,765</u>
<b>COMPONENT UNIT:</b>				
School Board	\$ 3,619,350	\$ 43,551	\$ 1,716,494	\$ -
Total component unit	<u>\$ 3,619,350</u>	<u>\$ 43,551</u>	<u>\$ 1,716,494</u>	<u>\$ -</u>

## General revenues:

General property taxes

Other local taxes:

Local sales and use taxes

Consumers' utility taxes

Motor vehicle licenses

E-911 tax

Taxes on recordation and wills

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	School Board	
\$ (836,005)	\$ -	\$ (836,005)	\$ -	-
(43,034)	-	(43,034)	-	-
(407,153)	-	(407,153)	-	-
(98,113)	-	(98,113)	-	-
(109,510)	-	(109,510)	-	-
(2,183,982)	-	(2,183,982)	-	-
95,387	-	95,387	-	-
(155,553)	-	(155,553)	-	-
(14,445)	-	(14,445)	-	-
<u>\$ (3,752,408)</u>	<u>\$ -</u>	<u>\$ (3,752,408)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ 44,171	\$ 44,171	\$ -	-
-	(10,767)	(10,767)	-	-
-	20,256	20,256	-	-
<u>\$ -</u>	<u>\$ 53,660</u>	<u>\$ 53,660</u>	<u>\$ -</u>	<u>-</u>
<u>\$ (3,752,408)</u>	<u>\$ 53,660</u>	<u>\$ (3,698,748)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (1,859,305)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,859,305)</u>	<u>-</u>
\$ 2,963,903	\$ -	\$ 2,963,903	\$ -	-
113,641	-	113,641	-	-
138,177	-	138,177	-	-
54,283	-	54,283	-	-
33,704	-	33,704	-	-
19,231	-	19,231	-	-
21,524	-	21,524	-	-
41,590	2,234	43,824	-	-
100,203	-	100,203	86,347	-
269,364	-	269,364	1,985,195	-
33,298	(33,298)	-	-	-
<u>\$ 3,788,918</u>	<u>\$ (31,064)</u>	<u>\$ 3,757,854</u>	<u>\$ 2,071,542</u>	<u>-</u>
\$ 36,510	\$ 22,596	\$ 59,106	\$ 212,237	-
6,605,257	1,484,453	8,089,710	2,697,324	-
<u>\$ 6,641,767</u>	<u>\$ 1,507,049</u>	<u>\$ 8,148,816</u>	<u>\$ 2,909,561</u>	<u>-</u>

## **FUND FINANCIAL STATEMENTS**

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# County of Highland, Virginia

Balance Sheet  
Governmental Funds  
June 30, 2014

	General	Virginia Public Assistance	E-911	County Capital Improvements	School Capital Projects
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,775,611	\$ -	\$ 187,237	\$ 388,943	\$ 161,806
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,432,356	-	-	-	-
Accounts receivable	8,874	-	-	-	-
Notes receivable	20,000	-	-	-	-
Due from other funds	17,914	10,806	-	-	-
Due from component unit	279,141	-	-	-	-
Due from other governmental units	235,450	18,617	6,762	185,774	-
Prepaid items	875	-	-	9,073	-
Total assets	<u>\$ 5,770,221</u>	<u>\$ 29,423</u>	<u>\$ 193,999</u>	<u>\$ 583,790</u>	<u>\$ 161,806</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 47,089	\$ 4,616	640	\$ 201,148	\$ 78,378
Due to other funds	10,806	17,914	-	-	-
Unearned revenue - other	25,512	6,893	-	-	-
Total liabilities	<u>\$ 83,407</u>	<u>\$ 29,423</u>	<u>\$ 640</u>	<u>\$ 201,148</u>	<u>\$ 78,378</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	\$ 1,476,589	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>\$ 1,476,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Nonspendable:					
Prepaid items	\$ 875	\$ -	\$ -	\$ 9,073	\$ -
Notes receivable	20,000	-	-	-	-
Restricted:					
Fire prevention programs	20,000	-	-	-	-
Recording equipment	768	-	-	-	-
Law library	6,910	-	-	-	-
Courthouse maintenance	25,601	-	-	-	-
E911	-	-	193,359	-	-
Forfeited assets	-	-	-	-	-
Committed:					
Assessor	45,000	-	-	-	-
Equipment replacement	117,430	-	-	-	-
Recreation commission	10,000	-	-	-	-
Auditor	4,333	-	-	-	-
Emergency food & shelter	4,529	-	-	-	-
Regional jail	60,000	-	-	-	-
Comprehensive plan	15,000	-	-	-	-
Bus reserve	15,000	-	-	-	-
Transportation enhancement project	244,316	-	-	-	-
Veteran's memorial	6,402	-	-	-	-
Assigned:					
Fire prevention programs	2,291	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	373,569	83,428
Unassigned	3,611,770	-	-	-	-
Total fund balances	<u>\$ 4,210,225</u>	<u>\$ -</u>	<u>\$ 193,359</u>	<u>\$ 382,642</u>	<u>\$ 83,428</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,770,221</u>	<u>\$ 29,423</u>	<u>\$ 193,999</u>	<u>\$ 583,790</u>	<u>\$ 161,806</u>

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

**Exhibit 3**

<b>Other Governmental Funds</b>		<b>Total</b>	
\$	6,462	\$	4,520,059
	-		1,432,356
	-		8,874
	-		20,000
	-		28,720
	-		279,141
	-		446,603
	-		9,948
\$	<u>6,462</u>	\$	<u>6,745,701</u>
\$	442	\$	332,313
	-		28,720
	-		32,405
\$	<u>442</u>	\$	<u>393,438</u>
\$	-	\$	1,476,589
\$	-	\$	1,476,589
\$	-	\$	9,948
	-		20,000
	-		20,000
	-		768
	-		6,910
	-		25,601
	-		193,359
	5,634		5,634
	-		45,000
	-		117,430
	-		10,000
	-		4,333
	-		4,529
	-		60,000
	-		15,000
	-		15,000
	-		244,316
	-		6,402
	-		2,291
	386		386
	-		456,997
	-		3,611,770
\$	<u>6,020</u>	\$	<u>4,875,674</u>
\$	<u>6,462</u>	\$	<u>6,745,701</u>



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Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 4,875,674
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,141,009
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the funds.	78,156
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(453,072)</u>
Net position of governmental activities	<u>\$ 6,641,767</u>

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

# County of Highland, Virginia

## Statement of Revenues, Expenditures, and Changes in Fund Balances

### Governmental Funds

Year Ended June 30, 2014

	General	Virginia Public Assistance	E-911	County Capital Improvements
<b>REVENUES</b>				
General property taxes	\$ 3,000,868	\$ -	\$ -	\$ -
Other local taxes	346,856	-	33,704	-
Permits, privilege fees, and regulatory licenses	18,572	-	-	-
Fines and forfeitures	200	-	-	-
Revenue from the use of money and property	41,590	-	-	-
Charges for services	12,688	-	-	-
Miscellaneous	50,633	19,551	-	1,238
Intergovernmental:				
Commonwealth	1,056,999	78,080	6,087	185,774
Federal	94,433	185,669	-	-
Total revenues	<u>\$ 4,622,839</u>	<u>\$ 283,300</u>	<u>\$ 39,791</u>	<u>\$ 187,012</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 907,832	\$ -	\$ -	\$ -
Judicial administration	248,313	-	-	-
Public safety	791,776	-	24,442	-
Public works	62,766	-	-	-
Health and welfare	100,237	266,039	-	-
Education	1,877,290	-	-	-
Parks, recreation, and cultural	52,178	-	-	-
Community development	155,553	-	-	-
Nondepartmental	91,862	-	-	-
Capital projects	9,727	-	-	339,894
Debt service:				
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>\$ 4,297,534</u>	<u>\$ 266,039</u>	<u>\$ 24,442</u>	<u>\$ 339,894</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 325,305</u>	<u>\$ 17,261</u>	<u>\$ 15,349</u>	<u>\$ (152,882)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 74,641	\$ 18,662	\$ -	\$ 136,000
Transfers out	(393,905)	(35,923)	-	-
Total other financing sources (uses)	<u>\$ (319,264)</u>	<u>\$ (17,261)</u>	<u>\$ -</u>	<u>\$ 136,000</u>
Net change in fund balances	\$ 6,041	\$ -	\$ 15,349	\$ (16,882)
Fund balances - beginning	4,204,184	-	178,010	399,524
Fund balances - ending	<u>\$ 4,210,225</u>	<u>\$ -</u>	<u>\$ 193,359</u>	<u>\$ 382,642</u>

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

**Exhibit 5**

<b>School Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ -	\$ 3,000,868
-	-	380,560
-	-	18,572
-	-	200
-	-	41,590
-	-	12,688
25,000	3,781	100,203
-	6,585	1,333,525
-	-	280,102
<u>\$ 25,000</u>	<u>\$ 10,366</u>	<u>\$ 5,168,308</u>
\$ -	\$ -	\$ 907,832
-	-	248,313
-	30,792	847,010
-	-	62,766
-	-	366,276
-	-	1,877,290
-	-	52,178
-	-	155,553
-	-	91,862
198,787	-	548,408
147,611	-	147,611
18,638	-	18,638
<u>\$ 365,036</u>	<u>\$ 30,792</u>	<u>\$ 5,323,737</u>
<u>\$ (340,036)</u>	<u>\$ (20,426)</u>	<u>\$ (155,429)</u>
\$ 232,540	\$ 2,000	\$ 463,843
-	(717)	(430,545)
<u>\$ 232,540</u>	<u>\$ 1,283</u>	<u>\$ 33,298</u>
\$ (107,496)	\$ (19,143)	\$ (122,131)
190,924	25,163	4,997,805
<u>\$ 83,428</u>	<u>\$ 6,020</u>	<u>\$ 4,875,674</u>

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

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

Net change in fund balances - total governmental funds	\$ (122,131)
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	78,057
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable revenues reported as revenues in the governmental funds.	(36,965)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	146,877
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(29,328)</u>
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Change in net position of governmental activities	<u>\$ 36,510</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position  
 Proprietary Funds  
 June 30, 2014

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 89,354	\$ 546,882	\$ 140,708	\$ 776,944
Accounts receivable	10,960	21,508	-	32,468
Total current assets	<u>\$ 100,314</u>	<u>\$ 568,390</u>	<u>\$ 140,708</u>	<u>\$ 809,412</u>
Noncurrent assets:				
Capital assets:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Utility plant and equipment	1,222,853	174,055	20,801	1,417,709
Accumulated depreciation	(442,893)	(84,604)	(4,976)	(532,473)
Total net capital assets	<u>\$ 783,776</u>	<u>\$ 89,451</u>	<u>\$ 15,825</u>	<u>\$ 889,052</u>
Total assets	<u>\$ 884,090</u>	<u>\$ 657,841</u>	<u>\$ 156,533</u>	<u>\$ 1,698,464</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 320	\$ 16,944	\$ 2,685	\$ 19,949
Accrued interest payable	270	-	-	270
Unearned revenue	-	-	4,920	4,920
Revenue bonds - current portion	4,831	-	-	4,831
Total current liabilities	<u>\$ 5,421</u>	<u>\$ 16,944</u>	<u>\$ 7,605</u>	<u>\$ 29,970</u>
Noncurrent liabilities:				
Revenue bonds - net of current portion	\$ 152,490	\$ -	\$ -	\$ 152,490
Compensated absences	-	8,955	-	8,955
Total noncurrent liabilities	<u>\$ 152,490</u>	<u>\$ 8,955</u>	<u>\$ -</u>	<u>\$ 161,445</u>
Total liabilities	<u>\$ 157,911</u>	<u>\$ 25,899</u>	<u>\$ 7,605</u>	<u>\$ 191,415</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 626,455	\$ 89,451	\$ 15,825	\$ 731,731
Restricted for debt service and bond covenants	17,629	-	-	17,629
Unrestricted	82,095	542,491	133,103	757,689
Total net position	<u>\$ 726,179</u>	<u>\$ 631,942</u>	<u>\$ 148,928</u>	<u>\$ 1,507,049</u>

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

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

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>OPERATING REVENUES</b>				
Charges for services:				
Water revenues	\$ 40,604	\$ -	\$ -	\$ 40,604
Refuse disposal	-	303,249	-	303,249
Recycling revenues	-	6,369	-	6,369
Tire disposal	-	3,214	-	3,214
Program income	-	-	25,983	25,983
Operating grants	-	-	24,505	24,505
Other revenues	-	16,942	13,327	30,269
Total operating revenues	\$ 40,604	\$ 329,774	\$ 63,815	\$ 434,193
<b>OPERATING EXPENSES</b>				
Personal services	\$ 9,883	\$ 77,511	\$ -	\$ 87,394
Fringe benefits	756	17,709	-	18,465
Contractual services	8,208	172,317	48	180,573
Rentals and leases	-	-	26	26
Depreciation	29,095	14,780	2,300	46,175
Supplies	-	-	13,142	13,142
Staff expenses	-	-	4,437	4,437
Utilities	-	-	6,450	6,450
Other charges	10,097	10,712	17,156	37,965
Total operating expenses	\$ 58,039	\$ 293,029	\$ 43,559	\$ 394,627
Operating income (loss)	\$ (17,435)	\$ 36,745	\$ 20,256	\$ 39,566
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue (expense)	\$ -	\$ 7,426	\$ -	\$ 7,426
Investment earnings	29	-	2,205	2,234
NWS grant	13,900	-	-	13,900
Interest expense	(7,232)	-	-	(7,232)
Total nonoperating revenues (expenses)	\$ 6,697	\$ 7,426	\$ 2,205	\$ 16,328
Income before transfers	\$ (10,738)	\$ 44,171	\$ 22,461	\$ 55,894
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 4,702	\$ -	\$ -	\$ 4,702
Transfers out	-	(18,000)	(20,000)	(38,000)
Total other financing sources (uses)	\$ 4,702	\$ (18,000)	\$ (20,000)	\$ (33,298)
Change in net position	\$ (6,036)	\$ 26,171	\$ 2,461	\$ 22,596
Total net position - beginning	732,215	605,771	146,467	1,484,453
Total net position - ending	\$ 726,179	\$ 631,942	\$ 148,928	\$ 1,507,049

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

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

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 35,240	\$ 312,207	\$ 49,933	\$ 397,380
Payments to suppliers	(30,475)	(177,965)	(13,495)	(221,935)
Payments to employees	(10,639)	(94,961)	-	(105,600)
Other receipts (payments)	35,408	16,942	(14,716)	37,634
Net cash provided by (used for) operating activities	\$ 29,534	\$ 56,223	\$ 21,722	\$ 107,479
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	\$ -	\$ (18,000)	\$ (20,000)	\$ (38,000)
Transfers from other funds	4,702	-	-	4,702
Intergovernmental revenues	-	7,426	-	7,426
Net cash provided by (used for) noncapital financing activities	\$ 4,702	\$ (10,574)	\$ (20,000)	\$ (25,872)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital grants	\$ 13,900	\$ -	\$ -	\$ 13,900
Principal payments on bonds	(4,602)	-	-	(4,602)
Interest payments	(7,232)	-	-	(7,232)
Purchase of capital assets	(28,902)	-	-	(28,902)
Net cash provided by (used for) capital and related financing activities	\$ (26,836)	\$ -	\$ -	\$ (26,836)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	\$ 29	\$ -	\$ 2,205	\$ 2,234
Proceeds from disposal of investments	-	-	21,520	21,520
Net cash provided by (used for) investing activities	\$ 29	\$ -	\$ 23,725	\$ 23,754
Net increase (decrease) in cash and cash equivalents	\$ 7,429	\$ 45,649	\$ 25,447	\$ 78,525
Cash and cash equivalents - beginning	81,925	501,233	115,261	698,419
Cash and cash equivalents - ending	\$ 89,354	\$ 546,882	\$ 140,708	\$ 776,944
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (17,435)	\$ 36,745	\$ 20,256	\$ 39,566
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	\$ 29,095	\$ 14,780	\$ 2,300	\$ 46,175
(Increase) decrease in accounts receivable	(5,364)	(625)	-	(5,989)
(Increase) decrease in intergovernmental receivables	35,408	-	-	35,408
Increase (decrease) in accounts payable	(12,160)	5,064	(279)	(7,375)
Increase (decrease) in unearned revenue	-	-	(555)	(555)
Increase (decrease) in accrued interest payable	(10)	-	-	(10)
Increase (decrease) in compensated absences	-	259	-	259
Total adjustments	\$ 46,969	\$ 19,478	\$ 1,466	\$ 67,913
Net cash provided by (used for) operating activities	\$ 29,534	\$ 56,223	\$ 21,722	\$ 107,479

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



## Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2014

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	<b>Agency Fund</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,233
Total assets	<hr/> \$ 4,233 <hr/>
<b>LIABILITIES</b>	
Amounts held for social service clients	\$ 4,233
Total liabilities	<hr/> \$ 4,233 <hr/> <hr/>

## County of Highland, Virginia

### Notes to Financial Statements June 30, 2014

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#### **Note 1—Summary of Significant Accounting Policies:**

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

#### **A. Financial Reporting Entity**

The County of Highland, Virginia (government) is a municipal corporation governed by an elected three-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Blended component units** - The McDowell Water System has been determined to be a component unit of Highland County in accordance with Governmental Accounting Standards Board Statement 39. The System is a legally separate organization whose Board members are appointed by the Highland County Board of Supervisors. During the year ended June 30, 2014 all members of the Board of Supervisors were also members of the three-member System Board. Since the Board of Supervisors is able to impose its will on the System, the System is a component unit of Highland County.

The Highland County Recreation Commission is included as a component unit because the Commission's primary use of funds is to provide for recreation activities of the County, thereby benefiting the County even though it does not provide services directly to the County. The Recreation Commission does not issue separate financial statements.

**Discretely Presented Component Unit** - The component unit column in the financial statements includes the financial data of the County's discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the County.

The Highland County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board does not issue separate financial statements.

The County Board of Supervisors appoints the governing body of the School Board.

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

#### **B. Government-wide and fund financial statements**

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

**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*.

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

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

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

**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*, as are the proprietary fund and fiduciary fund financial statements. 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 and claims and judgments, are recorded only when payment is due.

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

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund. The general fund includes the activities of the gypsy moth, damage stamp, various grants, county reserve, CATS, fire prevention, law library, courthouse maintenance, and recordation equipment funds.

The special revenue funds account for and report the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Virginia Public Assistance and E-911 funds.

The *capital projects funds* account for and report financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital projects funds consist of the County Capital Improvements Fund and the School Capital Projects Fund.

The government reports the following nonmajor governmental funds:

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. Nonmajor special revenue funds consist of the Sheriff's Grants Fund.

The government reports the following major proprietary funds:

The *McDowell Water System Fund* accounts for the activities of the McDowell Water System, a blended component unit of the government. The System operates the water distribution system for the village of McDowell.

The *Refuse Disposal Fund* accounts for the activities of the County's refuse transfer station.

The *Recreation Commission* is a blended component unit that accounts for the activities of the County's recreation activities.

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

**C. Measurement focus, basis of accounting, and financial statements presentation (continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

**D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance**

**1. Cash and cash equivalents**

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

Investments for the government, as well as for its component unit, are reported at fair value. The State Treasurer's Local Government Investment Pool and State Non-Arbitrage Program operate in accordance with appropriate state laws and regulations. The reported value of a pool is the same as the fair value of the pool shares.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

**D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance (continued)**

**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. Real estate taxes are payable in two installments on June 5<sup>th</sup> and December 5<sup>th</sup>. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

**4. 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 \$14,857, at June 30, 2014 and is comprised solely of property taxes. This allowance represents 0.082% of the total levies for the previous six years.

**5. Use of Estimates**

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

**6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental, business-type activities, or component unit school board columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Buildings improvements	15-50
Machinery and equipment	5-10
Vehicles	5-10
Utility plant	50

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

**D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance  
(continued)**

**7. *Compensated Absences***

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

**8. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**9. *Fund equity***

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

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

**D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance (continued)**

**9. Fund equity (continued)**

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

The County establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

**10. Net Position**

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

**11. Net Position Flow Assumption**

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



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

**D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance  
(continued)**

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County does not have any deferred outflows of resources as of June 30, 2014.

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

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**Note 2—Reconciliation of Government-Wide and Fund Financial Statements:**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position**

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *Net Position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$453,072) and (\$53,535) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
General obligation bonds	\$ (240,735)	\$ -
Landfill accrued post-closure monitoring costs	(53,171)	-
Accrued interest payable	(6,446)	-
Compensated absences	(125,807)	(53,535)
Net pension obligation	(26,913)	-
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ (453,072)	\$ (53,535)

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that 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. The details of these \$78,057, and \$223,113, differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Capital outlay	\$ 338,890	\$ 246,171
Depreciation expense	(152,928)	(130,963)
Allocation of debt financed school assets based on current year repayments	(107,905)	107,905
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 78,057	\$ 223,113

**Note 2—Reconciliation of Government-Wide and Fund Financial Statements: (continued)****B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)**

Another element of that reconciliation states that the issuance of long-term obligations (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$146,877 difference in the primary government are as follows:

	<b>Primary Government</b>
Increase in accrued landfill closure and post-closure monitoring costs	\$ (734)
Principal repayments:	
General obligation debt	147,611
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>146,877</u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this (\$29,328) and (\$5,763) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Compensated absences	\$ (6,608)	\$ (5,763)
Accrued interest payable	4,193	-
Net pension obligation	(26,913)	
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>(29,328)</u>	\$ <u>(5,763)</u>

## County of Highland, Virginia

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

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#### **Note 3—Stewardship, Compliance, and Accountability:**

##### **A. Budgetary Information**

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 Treasurer and County Administrator submit 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 or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), and the County Capital Improvements Fund. The School Fund and School Capital Projects Fund 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. The County's practice is to appropriate Capital Projects by project. Several supplemental appropriations were necessary during this fiscal year.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

##### **B. Excess of expenditures over appropriations at June 30, 2014:**

Fund	Function	Excess of Expenditures over Appropriations
Sheriff's grants fund	Drug enforcement	\$ 440
County capital improvements fund	Capital projects	196,024
School capital projects fund	Capital projects	77,651
Total Primary Government		\$ 274,115
Total All Funds		\$ 274,115

## County of Highland, Virginia

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

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#### **Note 4—Deposits and Investments:**

##### Deposits

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

##### Investments

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

##### Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investing activities are managed under the custody of the Treasurer. The County has not adopted a policy regarding credit risk of debt securities.

The County's rated debt investments as of June 30, 2014 were rated by Moody's and/or an equivalent national rating organization and the ratings are presented below using the Moody's rating scale.

<b>County's Rated Debt Investments' Values</b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Rating</u></b>
	<b><u>AAAm</u></b>
Local Government Investment Pool	\$ 41
Total	\$ 41

##### External Investment Pool

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

County of Highland, Virginia

Notes to Financial Statements  
June 30, 2014 (Continued)

**Note 5—Due from Other Governmental Units:**

	Primary Government	Component Unit
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 39,352
Local sales taxes	21,025	-
Communication taxes	12,792	-
DMV select	552	-
Recordation tax	1,598	-
Rolling Stock	81	-
Public assistance and welfare administration	6,172	-
Wireless	6,762	-
Commonwealth attorney	5,851	-
Clerk of Circuit Court	11,180	-
Treasurer	5,350	-
Commissioner of Revenue	5,204	-
Recreational access fund grant	185,775	-
Sheriff	41,000	-
Fire programs	20,000	-
Stormwater Program Reimbursement	423	-
School grants	-	204,132
Federal Government:		
School grants	-	7,672
ISTEA Grant	90,769	-
Timber sales	19,625	-
Public assistance and welfare administration	12,444	-
Total	\$ 446,603	\$ 251,156

**Note 6—Interfund Obligations:**

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	\$ 17,914	\$ 10,806	\$ -	\$ 279,141
VPA Fund	10,806	17,914	-	-
Sub-total	\$ 28,720	\$ 28,720	\$ -	\$ 279,141
Component Unit-School Board:				
School Operating Fund	\$ -	\$ -	\$ 279,141	\$ -
Total	\$ 28,720	\$ 28,720	\$ 279,141	\$ 279,141

The purpose of the interfund obligations is to report the balance of local appropriations unspent at year-end due back to the respective funds.

**County of Highland, Virginia**

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

**Note 7—Interfund Transfers:**

Interfund transfers for the year ended June 30, 2014 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 74,641	\$ 393,905
Virginia Public Assistance Fund	18,662	35,923
Refuse Disposal Fund	-	18,000
McDowell Water System	4,702	-
Recreation Commission	-	20,000
County Capital Improvements Fund	136,000	-
School Capital Projects Fund	232,540	-
Sheriff's grants	2,000	717
Total	<u>\$ 468,545</u>	<u>\$ 468,545</u>

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

**Note 8—Long-Term Obligations:**

**Primary Government-Governmental Activities Indebtedness:**

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

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
General obligation bonds	\$ 388,346	\$ -	\$ 147,611	\$ 240,735
Landfill closure/post-closure costs	52,437	734	-	53,171
Compensated absences	119,199	6,608	-	125,807
Net pension obligation	-	26,913	-	26,913
Total Long-Term Liabilities	<u>\$ 559,982</u>	<u>\$ 34,255</u>	<u>\$ 147,611</u>	<u>\$ 446,626</u>

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

<u>Years Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 151,794	\$ 9,356
2016	44,208	3,492
2017	44,733	1,168
Total	<u>\$ 240,735</u>	<u>\$ 14,016</u>

County of Highland, Virginia

Notes to Financial Statements  
June 30, 2014 (Continued)

**Note 8—Long-Term Obligations: (continued)**

**Primary Government-Governmental Activities Obligations: (continued)**

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<b><u>General obligation bonds:</u></b>		
\$1,654,607 Virginia Public School Authority Bonds, issued 11/22/94, maturing annually with interest payable semiannually at rates varying from 6.1% to 6.6%	\$ 108,084	\$ 108,083
 \$812,178 Virginia Public School Authority Bonds, issued 11/14/96, maturing annually with interest payable semiannually at rates varying from 5.1% to 6.1%	 132,651	 43,711
Total general obligations bonds	\$ 240,735	\$ 151,794
Landfill closure/post-closure costs	\$ 53,171	\$ -
Compensated absences (payable from the General Fund)	\$ 125,807	\$ -
Net pension obligation	\$ 26,913	\$ -
Total long-term obligations	\$ 446,626	\$ 151,794

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

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
Revenue Bonds	\$ 161,923	\$ -	\$ 4,602	\$ 157,321
Compensated absences	8,696	259	-	8,955
Total Long-Term Liabilities	\$ 170,619	\$ 259	\$ 4,602	\$ 166,276



County of Highland, Virginia

Notes to Financial Statements  
June 30, 2014 (Continued)

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**Note 8—Long-Term Obligations: (continued)**

**Primary Government-Business-type Activities Obligations:**

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

Years Ending June 30,	Revenue Bonds	
	Principal	Interest
2015	\$ 4,831	\$ 7,013
2016	5,064	6,780
2017	5,310	6,534
2018	5,565	6,279
2019	5,835	6,009
2020	6,117	5,727
2021	6,412	5,432
2022	6,721	5,122
2023	7,047	4,797
2024	7,388	4,456
2025	7,746	4,098
2026	8,120	3,724
2027	8,513	3,331
2028	8,925	2,919
2029	4,401	2,575
2030	3,693	2,415
2031	3,856	2,252
2032	4,025	2,084
2033	4,203	1,905
2034	4,387	1,721
2035	4,581	1,527
2036	3,534	1,338
2037	2,457	1,227
2038	2,560	1,124
2039	2,668	1,016
2040	2,780	905
2041	2,897	787
2042	3,018	666
2043	3,145	539
2044	3,278	406
2045	3,415	269
2046	3,559	125
2047	1,270	9
Total	\$ <u>157,321</u>	\$ <u>95,111</u>

County of Highland, Virginia

Notes to Financial Statements  
June 30, 2014 (Continued)

**Note 8—Long-Term Obligations: (continued)**

**Primary Government-Business-type Activities Obligations: (continued)**

Details of long-term debt:

	Total Amount	Amount Due Within One Year
<b><u>McDowell Water System:</u></b>		
Revenue Bonds:		
\$58,000 loan from Farmers Home Administration, \$283 payable monthly at a rate of 5%	\$ 34,297	\$ 1,717
\$40,000 loan from Farmers Home Administration, \$192 payable monthly at a rate of 5%	23,752	1,177
\$44,300 loan from Rural Development, \$202 payable monthly at a rate of 4.5%	33,402	944
\$71,000 loan from Rural Development, \$307 payable monthly at a rate of 4.125%	65,870	993
	<u>157,321</u>	<u>4,831</u>
Total revenue bonds	\$ 157,321	\$ 4,831
<b><u>Refuse Disposal Fund:</u></b>		
Compensated Absences	\$ 8,955	\$ -
Total long-term obligations	<u>\$ 166,276</u>	<u>\$ 4,831</u>

**Component Unit-School Board Long-Term Liabilities:**

The following is a summary of long-term liability transactions of the Component Unit School Board for the year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Compensated absences	\$ 47,772	\$ 5,763	\$ -	\$ 53,535
Total Long-Term Liabilities	<u>\$ 47,772</u>	<u>\$ 5,763</u>	<u>\$ -</u>	<u>\$ 53,535</u>

**Note 9—Pension Plan:**

**A. Plan Description**

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

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

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

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

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

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

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

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

- 4. Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

**Note 9—Pension Plan: (Continued)**

**A. Plan Description (Continued)**

<b>VRS – PLAN 1 (CONTINUED)</b>
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5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

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

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

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

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

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

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

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

**Note 9—Pension Plan: (Continued)**

**A. Plan Description (Continued)**

<b>VRS – PLAN 1 (CONTINUED)</b>
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**13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

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

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

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

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

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

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

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

**Note 9—Pension Plan: (Continued)**

**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

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

**VRS – PLAN 2**

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

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

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

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

- 4. Retirement Contributions** – Same as VRS Plan 1—Refer to Section 4.
- 5. Creditable Service** – Same as VRS Plan 1— Refer to Section 5.
- 6. Vesting** – Same as VRS Plan 1—Refer to Section 6.
- 7. Calculating the Benefit** – Same as VRS Plan 1—Refer to Section 7.

**Note 9—Pension Plan: (Continued)**

**A. Plan Description (Continued)**

<b>VRS – PLAN 2 (CONTINUED)</b>
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8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

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

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

**Note 9—Pension Plan: (Continued)**

**A. Plan Description (Continued)**

<b>HYBRID RETIREMENT PLAN</b>
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1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
  - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
  - State employees\*
  - School division employees
  - Political subdivision employees\*
  - Judges appointed or elected to an original term on or after January 1, 2014
  - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014
3. **\*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
  - Members of the State Police Officers’ Retirement System (SPORS)
  - Members of the Virginia Law Officers’ Retirement System (VaLORS)
  - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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



**Note 9—Pension Plan: (Continued)**

**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (CONTINUED)**

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

**5. Creditable Service**

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

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

**6. Vesting**

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

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

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

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

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

Distribution is not required by law until age 70½.

**Note 9—Pension Plan: (Continued)**

**A. Plan Description (Continued)**

<b>HYBRID RETIREMENT PLAN (CONTINUED)</b>
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**7. Calculating the Benefit**

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

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

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

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

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

**10. Normal Retirement Age**

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

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

**11. Earliest Unreduced Retirement Eligibility**

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

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

**12. Earliest Reduced Retirement Eligibility**

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

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

**Note 9—Pension Plan: (Continued)**

**A. Plan Description (Continued)**

<b>HYBRID RETIREMENT PLAN (CONTINUED)</b>
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**13. Cost-of-Living Adjustment (COLA) in Retirement**

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

Defined Contribution Component – Not Applicable.

**14. Eligibility** – Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

**15. Exceptions to COLA Effective Dates** – Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

**16. Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

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

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

**17. Purchase of Prior Service**

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

Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## County of Highland, Virginia

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

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#### **Note 9—Pension Plan: (Continued)**

##### **B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's contribution rates for the fiscal year ended 2014 were 12.69% and 14.66%, respectively, of annual covered payroll.

The School Board's contributions for professional employees were \$243,224, \$272,000, and \$114,033, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 14.66%, 15.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

##### **C. Annual Pension Cost**

For fiscal year 2014, the County's actual contribution of \$152,470 was not equal to their annual required contribution (ARC) of \$179,383. The result was a net pension obligation of \$26,913.

##### **Three-Year Trend Information for the County**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2014	\$ 152,470	100%	\$ 26,913
June 30, 2013	145,674	100%	-
June 30, 2012	135,000	100%	-

For fiscal year 2014, School Board's annual pension cost of \$37,116 was equal to the School Board's required and actual contributions.

##### **Three Year Trend Information - School Board Non-Professional**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2014	\$ 37,116	100%	\$ -
June 30, 2013	39,018	100%	-
June 30, 2012	23,156	100%	-

**Note 9—Pension Plan: (Continued)**

**C. Annual Pension Cost: (Continued)**

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

**D. Funded Status and Funding Progress**

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 74.73% funded. The actuarial accrued liability for benefits was \$5,943,222, and the actuarial value of assets was \$4,441,454, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,501,768. The covered payroll (annual payroll of active employees covered by the plan) was \$1,147,947 and ratio of the UAAL to the covered payroll was 130.82%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 60.02% funded. The actuarial accrued liability for benefits was \$1,095,988, and the actuarial value of assets was \$657,814, resulting in an unfunded actuarial accrued liability (UAAL) of \$438,174. The covered payroll (annual payroll of active employees covered by the plan) was \$205,087 and ratio of the UAAL to the covered payroll was 213.65%.

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

**Note 10—VRS Health Insurance Credit – Other Postemployment Benefits:**

**A. Plan Description**

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the *Code of Virginia*. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 9.

**B. Funding Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013 and 2012 were \$18,416, \$19,280, and \$10,809, respectively and equaled the required contributions for each year.

**Note 11—Contingent Liabilities:**

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

# County of Highland, Virginia

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

### **Note 12—Unearned/Deferred/Unavailable Revenue:**

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2014:

	Government- wide Statements	Fund Financial Statements
Primary Government:		
Deferred/Unavailable property tax revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures	\$ -	\$ 78,156
Unavailable revenue representing uncollected property tax billings for the second half of calendar year 2014. The uncollected tax billings are not available for the funding of current expenditures	1,344,227	1,344,227
Deferred prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	54,206	54,206
Total primary government deferred/unavailable revenue	<u>1,398,433</u>	<u>1,476,589</u>
Unearned revenue:		
Excess CSA funds received from the state which will be applied to future CSA reimbursement requests	6,893	6,893
Emergency services grants revenue and payment in lieu of taxes revenue representing monies received in fiscal years 2003, 2004, and 2006, but to be expended in subsequent years	25,512	25,512
Total primary government unearned revenue	<u>\$ 32,405</u>	<u>\$ 32,405</u>

### **Note 13—Surety Bonds:**

Fidelity and Deposit Company of Maryland - Surety:	
David W. Blanchard Supervisor	\$ 1,000
Lee Blagg Supervisor	1,000
Kevin Wagner Supervisor	1,000
Kevin Wagner McDowell Water System, Chairman	5,000
Roberta A. Lambert County Administrator	3,000
Karen DeVore Clerk of the School Board	10,000
Division of Risk Management:	
All County employees - blanket bond	250,000
Blanket Bond Premiums Paid by State Compensation Board:	
Lois Ralston Clerk of the Circuit Court	25,000
Lois E. White Treasurer	300,000
Darlene Crummett Commissioner of the Revenue	3,000
Herbert R. Lightner Sheriff	30,000
St. Paul Fire and Marine Insurance Company:	
Social Services - blanket bond	75,000

County of Highland, Virginia

Notes to Financial Statements  
June 30, 2014 (Continued)

**Note 14—Capital Assets:**

Capital asset activity for the year ended June 30, 2014 was as follows:

**Governmental Activities:**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 197,365	\$ -	\$ -	\$ 197,365
Construction in progress	2,052	239,469	(195,013)	46,508
Total capital assets not being depreciated	\$ 199,417	\$ 239,469	\$ (195,013)	\$ 243,873
Capital assets being depreciated:				
Buildings and improvements	\$ 2,009,117	\$ 179,993	\$ (147,611)	\$ 2,041,499
Machinery and equipment	993,809	114,441	(24,453)	1,083,797
Total capital assets being depreciated	\$ 3,002,926	\$ 294,434	\$ (172,064)	\$ 3,125,296
Accumulated depreciation:				
Buildings and improvements	\$ (530,564)	\$ (60,473)	\$ 39,706	\$ (551,331)
Machinery and equipment	(608,827)	(92,455)	24,453	(676,829)
Total accumulated depreciation	\$ (1,139,391)	\$ (152,928)	\$ 64,159	\$ (1,228,160)
Total capital assets being depreciated, net	\$ 1,863,535	\$ 141,506	\$ (107,905)	\$ 1,897,136
Governmental activities capital assets, net	\$ 2,062,952	\$ 380,975	\$ (302,918)	\$ 2,141,009

**Business-type Activities:**

*McDowell Water System Fund*

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Construction in progress	37,708	28,902	(66,610)	-
Total capital assets not being depreciated	\$ 41,524	\$ 28,902	\$ (66,610)	\$ 3,816
Capital assets being depreciated:				
Utility plant and equipment	\$ 1,156,243	\$ 66,610	\$ -	\$ 1,222,853
Accumulated depreciation	(413,798)	(29,095)	-	(442,893)
Capital assets being depreciated, net	\$ 742,445	\$ 37,515	\$ -	\$ 779,960
McDowell water system capital assets, net	\$ 783,969	\$ 66,417	\$ (66,610)	\$ 783,776



County of Highland, Virginia

Notes to Financial Statements  
June 30, 2014 (Continued)

**Note 14—Capital Assets: (Continued)**

*Refuse Disposal Fund*

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Construction in progress	\$ 95,840	\$ -	\$ (95,840)	\$ -
Total capital assets not being depreciated	\$ 95,840	\$ -	\$ (95,840)	\$ -
Capital assets being depreciated:				
Utility plant and equipment	\$ 78,215	\$ 95,840	\$ -	\$ 174,055
Accumulated depreciation	(69,824)	(14,780)	-	(84,604)
Capital assets being depreciated, net	\$ 8,391	\$ 81,060	\$ -	\$ 89,451
Refuse disposal fund capital assets, net	\$ 104,231	\$ 81,060	\$ (95,840)	\$ 89,451

*Recreation Commission Fund*

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets being depreciated:				
Furniture and equipment	\$ 20,801	\$ -	\$ -	\$ 20,801
Accumulated depreciation	(2,676)	(2,300)	-	(4,976)
Capital assets being depreciated, net	\$ 18,125	\$ (2,300)	\$ -	\$ 15,825
Recreation commission fund capital assets, net	\$ 18,125	\$ (2,300)	\$ -	\$ 15,825

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government administration	\$ 15,511
Judicial administration	3,969
Public safety	79,897
Public works	17,136
Parks and Recreation	36,415
Total depreciation expense - governmental activities	\$ 152,928
Business-type Activities:	
McDowell Water System	\$ 29,095
Refuse disposal	14,780
Recreation Commission	2,300
Total depreciation expense - business-type activities	\$ 46,175

County of Highland, Virginia

Notes to Financial Statements  
June 30, 2014 (Continued)

**Note 14—Capital Assets: (Continued)**

**Component Unit: School Board**

Capital asset activity for the School Board for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 13,035	\$ -	\$ -	\$ 13,035
Construction in progress	-	192,196	(13,173)	179,023
Total capital assets not being depreciated	\$ 13,035	\$ 192,196	\$ (13,173)	\$ 192,058
Capital assets being depreciated:				
Buildings and improvements	\$ 4,043,706	\$ 169,759	\$ -	\$ 4,213,465
Furniture, equipment and vehicles	606,642	45,000	-	651,642
Total capital assets being depreciated	\$ 4,650,348	\$ 214,759	\$ -	\$ 4,865,107
Accumulated depreciation:				
Buildings and improvements	\$ (1,398,422)	\$ (144,312)	\$ -	\$ (1,542,734)
Furniture, equipment and vehicles	(542,073)	(26,357)	-	(568,430)
Total accumulated depreciation	\$ (1,940,495)	\$ (170,669)	\$ -	\$ (2,111,164)
Total capital assets being depreciated, net	\$ 2,709,853	\$ 44,090	\$ -	\$ 2,753,943
School Board capital assets, net	\$ 2,722,888	\$ 236,286	\$ (13,173)	\$ 2,946,001

Depreciation expense was charged to education in the amount of \$130,963.

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the *Code of Virginia*, as amended, changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Highland, Virginia for the year ended June 30, 2014, is that school financed assets in the amount of \$240,734 are reported in the Primary Government for financial reporting purposes.

## County of Highland, Virginia

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

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#### **Note 15—Risk Management:**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association and the Virginia Association of Counties Group Self Insurance Risk Pool, public entity risk pools currently operating as a common risk management and insurance programs for participating local governments. The County pays an annual premium to VML for its general workers compensation insurance coverage and VACo for general liability coverage. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 16—Landfill Closure and Post-Closure Monitoring Costs:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure approval is received from the Department of Environmental Quality. The County closed its landfill in 1993. Reported landfill post-closure care liability is \$53,171 at June 30, 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Assurance Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

#### **Note 17—Notes Receivable:**

On December 9, 2008, the County loaned \$25,000 to the Highland Volunteer Fire Department and on June 13, 2011, the County loaned \$35,000 to the McDowell Volunteer Fire Department for the purpose of purchasing new fire trucks to better serve the Highland community. The note receivable from Highland Volunteer Fire Department was received in full at June 30, 2014. The balance for the McDowell Volunteer Fire Department loan at June 30, 2014 was \$20,000.

#### **Note 18—Upcoming Pronouncements:**

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

#### **Note 19—Litigation:**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

## General Fund

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	
<b>REVENUES</b>				
General property taxes	\$ 2,853,190	\$ 2,965,190	\$ 3,000,868	\$ 35,678
Other local taxes	340,300	347,300	346,856	(444)
Permits, privilege fees, and regulatory licenses	10,350	16,650	18,572	1,922
Fines and forfeitures	500	500	200	(300)
Revenue from the use of money and property	42,000	42,000	41,590	(410)
Charges for services	12,125	12,125	12,688	563
Miscellaneous	34,200	64,200	50,633	(13,567)
Intergovernmental:				
Commonwealth	998,652	1,010,652	1,056,999	46,347
Federal	50,000	52,700	94,433	41,733
Total revenues	<u>\$ 4,341,317</u>	<u>\$ 4,511,317</u>	<u>\$ 4,622,839</u>	<u>\$ 111,522</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 906,641	\$ 900,340	\$ 907,832	\$ (7,492)
Judicial administration	262,573	248,671	248,313	358
Public safety	778,714	791,039	791,776	(737)
Public works	38,010	59,640	62,766	(3,126)
Health and welfare	101,187	101,187	100,237	950
Education	1,961,846	1,976,846	1,877,290	99,556
Parks, recreation, and cultural	53,527	52,227	52,178	49
Community development	180,829	145,639	155,553	(9,914)
Nondepartmental	49,288	95,432	91,862	3,570
Capital projects	-	9,729	9,727	2
Total expenditures	<u>\$ 4,332,615</u>	<u>\$ 4,380,750</u>	<u>\$ 4,297,534</u>	<u>\$ 83,216</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 8,702</u>	<u>\$ 130,567</u>	<u>\$ 325,305</u>	<u>\$ 194,738</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 74,641	\$ 74,641
Transfers out	<u>(8,702)</u>	<u>(130,567)</u>	<u>(393,905)</u>	<u>(263,338)</u>
Total other financing sources (uses)	<u>\$ (8,702)</u>	<u>\$ (130,567)</u>	<u>\$ (319,264)</u>	<u>\$ (188,697)</u>
Net change in fund balances	\$ -	\$ -	\$ 6,041	\$ 6,041
Fund balances - beginning	-	-	4,204,184	4,204,184
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,210,225</u>	<u>\$ 4,210,225</u>

Special Revenue Fund-Virginia Public Assistance Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year Ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget - Positive (Negative)</b>
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 19,551	\$ 19,551
Intergovernmental:				
Commonwealth	169,560	53,428	78,080	24,652
Federal	268,847	268,847	185,669	(83,178)
Total revenues	<u>\$ 438,407</u>	<u>\$ 322,275</u>	<u>\$ 283,300</u>	<u>\$ (38,975)</u>
<b>EXPENDITURES</b>				
Health and welfare	<u>\$ 583,983</u>	<u>\$ 408,282</u>	<u>\$ 266,039</u>	<u>\$ 142,243</u>
Total expenditures	<u>\$ 583,983</u>	<u>\$ 408,282</u>	<u>\$ 266,039</u>	<u>\$ 142,243</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (145,576)</u>	<u>\$ (86,007)</u>	<u>\$ 17,261</u>	<u>\$ 103,268</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 145,438	\$ 74,693	\$ 18,662	\$ (56,031)
Transfers out	-	-	(35,923)	(35,923)
Total other financing sources (uses)	<u>\$ 145,438</u>	<u>\$ 74,693</u>	<u>\$ (17,261)</u>	<u>\$ (91,954)</u>
Net change in fund balances	\$ (138)	\$ (11,314)	\$ -	\$ 11,314
Fund balances - beginning	138	11,314	-	(11,314)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Special Revenue Fund-E-911 Fund

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

Year Ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ 33,704	\$ 33,704
Intergovernmental:				
Commonwealth	-	-	6,087	6,087
Total revenues	\$ -	\$ -	\$ 39,791	\$ 39,791
<b>EXPENDITURES</b>				
Public safety	\$ -	\$ 25,354	\$ 24,442	\$ 912
Total expenditures	\$ -	\$ 25,354	\$ 24,442	\$ 912
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (25,354)	\$ 15,349	\$ 40,703
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 24,536	\$ -	\$ (24,536)
Total other financing sources (uses)	\$ -	\$ 24,536	\$ -	\$ (24,536)
Net change in fund balances	\$ -	\$ (818)	\$ 15,349	\$ 16,167
Fund balances - beginning	-	-	178,010	178,010
Fund balances - ending	\$ -	\$ (818)	\$ 193,359	\$ 194,177

Schedule of Pension Funding Progress  
As of June 30, 2014

## PRIMARY GOVERNMENT:

## County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as % of Covered Payroll ( (b-a)/c )
06/30/13	\$ 4,441,454	\$ 5,943,222	\$ 1,501,768	74.73%	\$ 1,147,947	130.82%
06/30/12	4,312,960	5,998,911	1,685,951	71.90%	1,084,123	155.51%
06/30/11	4,339,239	5,745,353	1,406,114	75.53%	1,076,445	130.63%
06/30/10	4,208,988	5,565,253	1,356,265	75.63%	1,050,922	129.05%
06/30/09	4,205,800	5,111,566	905,766	82.28%	1,050,922	86.19%

## DISCRETELY PRESENTED COMPONENT UNIT:

## School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as % of Covered Payroll ( (b-a)/c )
06/30/13	\$ 657,814	\$ 1,095,988	\$ 438,174	60.02%	\$ 205,087	213.65%
06/30/12	649,630	1,117,495	467,865	58.13%	200,136	233.77%
06/30/11	671,249	1,063,890	392,641	63.09%	187,621	209.27%
06/30/10	703,604	1,047,922	344,318	67.14%	195,428	176.19%
06/30/09	720,317	938,233	217,916	76.77%	201,842	107.96%



## **OTHER SUPPLEMENTARY INFORMATION**

Agency Fund  
Statement of Changes in Assets and Liabilities  
June 30, 2014

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	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance End of Year</b>
<b>SPECIAL WELFARE FUND:</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>2,107</u>	\$ <u>2,161</u>	\$ <u>35</u>	\$ <u>4,233</u>
<b>LIABILITIES</b>				
Amounts held for social service clients	\$ <u>2,107</u>	\$ <u>2,161</u>	\$ <u>35</u>	\$ <u>4,233</u>

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget - Positive (Negative)</b>
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 1,238	\$ 1,238
Intergovernmental:				
Commonwealth	-	-	185,774	185,774
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,012</u>	<u>\$ 187,012</u>
<b>EXPENDITURES</b>				
Capital projects	\$ 136,000	\$ 143,870	\$ 339,894	\$ (196,024)
Total expenditures	<u>\$ 136,000</u>	<u>\$ 143,870</u>	<u>\$ 339,894</u>	<u>\$ (196,024)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (136,000)</u>	<u>\$ (143,870)</u>	<u>\$ (152,882)</u>	<u>\$ (9,012)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 136,000	\$ 143,870	\$ 136,000	\$ (7,870)
Total other financing sources (uses)	<u>\$ 136,000</u>	<u>\$ 143,870</u>	<u>\$ 136,000</u>	<u>\$ (7,870)</u>
Net change in fund balances	\$ -	\$ -	\$ (16,882)	\$ (16,882)
Fund balances - beginning	-	-	399,524	399,524
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,642</u>	<u>\$ 382,642</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 25,000	\$ 25,000
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
<b>EXPENDITURES</b>				
Capital projects	\$ 1,291	\$ 121,135	\$ 198,787	\$ (77,652)
Debt service:				
Principal retirement	147,611	147,611	147,611	-
Interest and other fiscal charges	18,639	18,639	18,638	1
Total expenditures	<u>\$ 167,541</u>	<u>\$ 287,385</u>	<u>\$ 365,036</u>	<u>\$ (77,651)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (167,541)</u>	<u>\$ (287,385)</u>	<u>\$ (340,036)</u>	<u>\$ (52,651)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 167,541	\$ 287,385	\$ 232,540	\$ (54,845)
Total other financing sources (uses)	<u>\$ 167,541</u>	<u>\$ 287,385</u>	<u>\$ 232,540</u>	<u>\$ (54,845)</u>
Net change in fund balances	\$ -	\$ -	\$ (107,496)	\$ (107,496)
Fund balances - beginning	-	-	190,924	190,924
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 83,428</u></u>	<u><u>\$ 83,428</u></u>

## Nonmajor Special Revenue Funds

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

Year Ended June 30, 2014

	Sheriff's Grants Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 3,781	\$ 3,781
Intergovernmental:				
Commonwealth	-	-	6,585	6,585
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,366</u>	<u>\$ 10,366</u>
EXPENDITURES				
Public safety	<u>\$ -</u>	<u>\$ 30,352</u>	<u>\$ 30,792</u>	<u>\$ (440)</u>
Total expenditures	<u>\$ -</u>	<u>\$ 30,352</u>	<u>\$ 30,792</u>	<u>\$ (440)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (30,352)</u>	<u>\$ (20,426)</u>	<u>\$ 9,926</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 30,352	\$ 2,000	\$ (28,352)
Transfers out	-	-	(717)	(717)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 30,352</u>	<u>\$ 1,283</u>	<u>\$ (29,069)</u>
Net change in fund balances	\$ -	\$ -	\$ (19,143)	\$ (19,143)
Fund balances - beginning	-	-	25,163	25,163
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,020</u>	<u>\$ 6,020</u>

## **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

School Operating Fund – The School Operating fund accounts for and reports the operations of the County's School system. Financing is provided by the State and Federal government as well as by contributions from the General Fund.

School Cafeteria Fund – The Cafeteria Fund is a special revenue fund that accounts for the County's school lunch program. Financing is provided from school lunch sales and State and Federal reimbursements.

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

	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 306,097	\$ 14,440	\$ 320,537
Due from other governmental units	251,156	-	251,156
Inventories	-	15,707	15,707
Prepaid items	42,920	800	43,720
Total assets	<u>\$ 600,173</u>	<u>\$ 30,947</u>	<u>\$ 631,120</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 14,935	\$ -	\$ 14,935
Accrued liabilities	306,097	13,852	319,949
Due to primary government	279,141	-	279,141
Total liabilities	<u>\$ 600,173</u>	<u>\$ 13,852</u>	<u>\$ 614,025</u>
Fund balances:			
Nonspendable:			
Inventories	\$ -	\$ 15,707	15,707
Prepaid items	42,920	800	43,720
Assigned:			
School cafeteria	-	588	588
Unassigned	(42,920)	-	(42,920)
Total fund balances	<u>\$ -</u>	<u>\$ 17,095</u>	<u>\$ 17,095</u>
Total liabilities and fund balances	<u>\$ 600,173</u>	<u>\$ 30,947</u>	<u>\$ 631,120</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 17,095
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,946,001
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(53,535)
Net position of governmental activities	<u>\$ 2,909,561</u>

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

	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Charges for services	\$ -	\$ 43,551	\$ 43,551
Miscellaneous	86,347	-	86,347
Intergovernmental:			
Local government	1,846,832	30,458	1,877,290
Commonwealth	1,435,365	3,493	1,438,858
Federal	182,811	94,825	277,636
Total revenues	<u>\$ 3,551,355</u>	<u>\$ 172,327</u>	<u>\$ 3,723,682</u>
<b>EXPENDITURES</b>			
Education	\$ 3,551,355	\$ 177,440	\$ 3,728,795
Total expenditures	<u>\$ 3,551,355</u>	<u>\$ 177,440</u>	<u>\$ 3,728,795</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (5,113)	\$ (5,113)
Net change in fund balances	\$ -	\$ (5,113)	\$ (5,113)
Fund balances - beginning	-	22,208	22,208
Fund balances - ending	<u>-</u>	<u>17,095</u>	<u>17,095</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:			
Net change in fund balances - total governmental funds - per above		\$	(5,113)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.			223,113
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.			<u>(5,763)</u>
Change in net position of governmental activities		\$	<u>212,237</u>



**County of Highland, Virginia**

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	86,347	86,347
Intergovernmental:				
Local government	1,961,846	1,976,846	1,846,832	(130,014)
Commonwealth	1,466,015	1,466,015	1,435,365	(30,650)
Federal	219,000	219,000	182,811	(36,189)
Total revenues	<u>\$ 3,646,861</u>	<u>\$ 3,661,861</u>	<u>\$ 3,551,355</u>	<u>\$ (110,506)</u>
EXPENDITURES				
Education	<u>\$ 3,646,861</u>	<u>\$ 3,661,861</u>	<u>\$ 3,551,355</u>	<u>\$ 110,506</u>
Total expenditures	<u>\$ 3,646,861</u>	<u>\$ 3,661,861</u>	<u>\$ 3,551,355</u>	<u>\$ 110,506</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 21

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 37,000	\$ 37,000	\$ 43,551	\$ 6,551
-	-	-	-
-	-	30,458	30,458
4,353	4,353	3,493	(860)
63,000	63,000	94,825	31,825
<u>\$ 104,353</u>	<u>\$ 104,353</u>	<u>\$ 172,327</u>	<u>\$ 67,974</u>
\$ 189,581	\$ 189,581	\$ 177,440	\$ 12,141
\$ 189,581	\$ 189,581	\$ 177,440	\$ 12,141
\$ (85,228)	\$ (85,228)	\$ (5,113)	\$ 80,115
\$ (85,228)	\$ (85,228)	\$ (5,113)	\$ 80,115
85,228	85,228	22,208	(63,020)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,095</u>	<u>\$ 17,095</u>

## **SUPPORTING SCHEDULES**

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,480,340	\$ 2,595,340	\$ 2,621,557	\$ 26,217
Real and personal public service corporation taxes	60,000	60,000	63,627	3,627
Personal property taxes	289,000	286,000	285,792	(208)
Mobile home taxes	2,000	2,000	1,892	(108)
Machinery and tools taxes	150	150	146	(4)
Merchants Capital taxes	2,700	2,700	3,644	944
Penalties	12,000	12,000	13,039	1,039
Interest	7,000	7,000	11,171	4,171
Total general property taxes	\$ 2,853,190	\$ 2,965,190	\$ 3,000,868	\$ 35,678
Other local taxes:				
Local sales and use taxes	\$ 112,000	\$ 112,000	\$ 113,641	\$ 1,641
Consumers' utility taxes	141,500	141,500	138,177	(3,323)
Consumption taxes	6,400	6,400	6,832	432
Motor vehicle licenses	51,000	51,000	54,283	3,283
Bank stock taxes	12,400	12,400	14,195	1,795
Taxes on recordation and wills	17,000	24,000	19,231	(4,769)
Hotel and motel room taxes	-	-	497	497
Total other local taxes	\$ 340,300	\$ 347,300	\$ 346,856	\$ (444)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,800	\$ 2,800	\$ 2,422	\$ (378)
Transfer fees	150	150	161	11
Permits and other licenses	7,400	13,700	15,989	2,289
Total permits, privilege fees, and regulatory licenses	\$ 10,350	\$ 16,650	\$ 18,572	\$ 1,922
Fines and forfeitures:				
Court fines and forfeitures	\$ 500	\$ 500	\$ 200	\$ (300)
Total fines and forfeitures	\$ 500	\$ 500	\$ 200	\$ (300)
Revenue from use of money and property:				
Revenue from use of money	\$ 34,000	\$ 34,000	\$ 35,572	\$ 1,572
Revenue from use of property	8,000	8,000	6,018	(1,982)
Total revenue from use of money and property	\$ 42,000	\$ 42,000	\$ 41,590	\$ (410)
Charges for services:				
Charges for law enforcement and traffic control	\$ 11,825	\$ 11,825	\$ 10,201	\$ (1,624)
Charges for courthouse maintenance	-	-	1,584	1,584
Charges for Commonwealth's Attorney	100	100	100	-
Charges for other services	200	200	669	469
Charges for law library	-	-	134	134
Total charges for services	\$ 12,125	\$ 12,125	\$ 12,688	\$ 563
Miscellaneous revenue:				
Miscellaneous	\$ 34,200	\$ 64,200	\$ 50,533	\$ (13,667)
Donations	-	-	100	100
Total miscellaneous revenue	\$ 34,200	\$ 64,200	\$ 50,633	\$ (13,567)
Total revenue from local sources	\$ 3,292,665	\$ 3,447,965	\$ 3,471,407	\$ 23,442

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2014 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Taxes on deeds	5,000	5,000	6,420	1,420
Motor vehicle carriers' tax	100	100	195	95
State recordation tax	8,000	4,000	8,061	4,061
Personal property tax relief funds	167,052	167,052	167,052	-
Total noncategorical aid	\$ 182,152	\$ 178,152	\$ 181,728	\$ 3,576
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 69,500	\$ 69,500	\$ 67,880	\$ (1,620)
Sheriff	460,000	460,000	461,035	1,035
Commissioner of revenue	55,500	55,500	61,825	6,325
Treasurer	59,000	59,000	64,911	5,911
Registrar/electoral board	27,000	27,000	27,709	709
Clerk of the Circuit Court	138,500	138,500	146,179	7,679
Total shared expenses	\$ 809,500	\$ 809,500	\$ 829,539	\$ 20,039
Other categorical aid:				
Two-for-life grant	\$ 2,000	\$ 2,000	\$ 3,025	\$ 1,025
Fire prevention program	-	-	20,000	20,000
Stormwater program	-	16,000	15,823	(177)
Other state grants	5,000	5,000	6,884	1,884
Total other categorical aid	\$ 7,000	\$ 23,000	\$ 45,732	\$ 22,732
Total categorical aid	\$ 816,500	\$ 832,500	\$ 875,271	\$ 42,771
Total revenue from the Commonwealth	\$ 998,652	\$ 1,010,652	\$ 1,056,999	\$ 46,347
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 50,000	\$ 50,000	\$ 87,636	\$ 37,636
Categorical aid:				
ISTEA grant	\$ -	\$ -	\$ 3,807	\$ 3,807
DEQ royalty grants	-	-	284	284
Asset Forfeiture	-	2,700	2,706	6
Total categorical aid	\$ -	\$ 2,700	\$ 6,797	\$ 4,097
Total revenue from the federal government	\$ 50,000	\$ 52,700	\$ 94,433	\$ 41,733
Total General Fund	\$ 4,341,317	\$ 4,511,317	\$ 4,622,839	\$ 111,522
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous reimbursements and refunds	\$ -	\$ -	\$ 19,551	\$ 19,551
Total revenue from local sources	\$ -	\$ -	\$ 19,551	\$ 19,551

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2014 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Funds: (continued)</b>				
<b>Virginia Public Assistance Fund: (continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 36,428	\$ 36,428	\$ 68,500	\$ 32,072
Comprehensive Services Act program	133,132	17,000	9,580	(7,420)
Total categorical aid	\$ 169,560	\$ 53,428	\$ 78,080	\$ 24,652
Total revenue from the Commonwealth	\$ 169,560	\$ 53,428	\$ 78,080	\$ 24,652
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 268,847	\$ 268,847	\$ 185,669	\$ (83,178)
Total revenue from the federal government	\$ 268,847	\$ 268,847	\$ 185,669	\$ (83,178)
Total Virginia Public Assistance Fund	\$ 438,407	\$ 322,275	\$ 283,300	\$ (38,975)
<b>E-911 Fund:</b>				
Revenue from local sources:				
Other local taxes:				
E-911 tax	\$ -	\$ -	\$ 33,704	\$ 33,704
Total other local taxes	\$ -	\$ -	\$ 33,704	\$ 33,704
Total revenue from local sources	\$ -	\$ -	\$ 33,704	\$ 33,704
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
E-911 grant	\$ -	\$ -	\$ 6,087	\$ 6,087
Total categorical aid	\$ -	\$ -	\$ 6,087	\$ 6,087
Total revenue from the Commonwealth	\$ -	\$ -	\$ 6,087	\$ 6,087
Total E-911 fund	\$ -	\$ -	\$ 39,791	\$ 39,791
<b>Sheriff's Grants Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 3,781	\$ 3,781
Total revenue from local sources	\$ -	\$ -	\$ 3,781	\$ 3,781
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VA Juvenile Community Crime Control Act grant	\$ -	\$ -	\$ 6,585	\$ 6,585
Total revenue from the Commonwealth	\$ -	\$ -	\$ 6,585	\$ 6,585
Total Sheriff's Grants fund	\$ -	\$ -	\$ 10,366	\$ 10,366

## County of Highland, Virginia

## Schedule 1

Page 4 of 5

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2014 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Capital Projects Funds:</b>				
<b>County Capital Improvements Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue	\$ -	\$ -	\$ 1,238	\$ 1,238
Total revenue from local sources	\$ -	\$ -	\$ 1,238	\$ 1,238
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Recreation Access Fund grant	\$ -	\$ -	\$ 185,774	\$ 185,774
Total categorical aid	\$ -	\$ -	\$ 185,774	\$ 185,774
Total revenue from the Commonwealth	\$ -	\$ -	\$ 185,774	\$ 185,774
Total County Capital Improvements fund	\$ -	\$ -	\$ 187,012	\$ 187,012
<b>School Capital Projects Fund:</b>				
Revenue from local sources				
Miscellaneous revenue	\$ -	\$ -	\$ 25,000	\$ 25,000
Total revenue from local sources	\$ -	\$ -	\$ 25,000	\$ 25,000
Total School Capital Projects fund	\$ -	\$ -	\$ 25,000	\$ 25,000
Total Primary Government	\$ 4,779,725	\$ 4,833,592	\$ 5,168,308	\$ 334,716
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 86,347	\$ 86,347
Total miscellaneous revenue	\$ -	\$ -	\$ 86,347	\$ 86,347
Total revenue from local sources	\$ -	\$ -	\$ 86,347	\$ 86,347
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 1,961,846	\$ 1,976,846	\$ 1,846,832	\$ (130,014)
Total revenues from local governments	\$ 1,961,846	\$ 1,976,846	\$ 1,846,832	\$ (130,014)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 280,451	\$ 280,451	\$ 262,704	\$ (17,747)
Basic school aid	841,973	841,973	843,032	1,059
Gifted and talented	1,780	1,780	1,771	(9)
Remedial education	7,610	7,610	7,770	160
Special education	35,446	35,446	-	(35,446)
Textbook payment	3,398	3,398	3,381	(17)
Vocational standards of quality payments	21,510	21,510	56,668	35,158
Social security fringe benefits	17,685	17,685	17,596	(89)
Retirement fringe benefits	29,539	29,539	29,389	(150)
Group life insurance instructional	1,098	1,098	1,093	(5)
Early reading intervention	1,254	1,254	1,271	17
Vocational education - equipment	2,462	2,462	-	(2,462)
Salary supplement	6,785	6,785	6,746	(39)
Special education - foster children	-	-	40,528	40,528
ISAP - GED prep program	7,859	7,859	7,859	-
Additional teachers assistance	491	491	-	(491)
Technology	102,000	102,000	102,000	-
Standards of Learning algebra readiness	1,279	1,279	1,279	-
At risk funding	13,963	13,963	13,817	(146)
English as a second language	239	239	-	(239)
Foster care	43,407	43,407	6,707	(36,700)
Other state funds	45,786	45,786	31,754	(14,032)
Total categorical aid	\$ 1,466,015	\$ 1,466,015	\$ 1,435,365	\$ (30,650)
Total revenue from the Commonwealth	\$ 1,466,015	\$ 1,466,015	\$ 1,435,365	\$ (30,650)

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2014 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental: (continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 55,000	\$ 55,000	\$ 52,269	\$ (2,731)
Title I	57,155	57,155	25,326	(31,829)
Title VI-B, special education flow-through	67,000	67,000	67,090	90
Title VI-B, special education pre-school	1,962	1,962	1,968	6
Improving teacher quality	15,141	15,141	30,383	15,242
Perkins carryover	4,742	4,742	4,743	1
FEMA Assistance	-	-	1,032	1,032
Rural education achievement program	18,000	18,000	-	(18,000)
Total categorical aid	\$ 219,000	\$ 219,000	\$ 182,811	\$ (36,189)
Total revenue from the federal government	\$ 219,000	\$ 219,000	\$ 182,811	\$ (36,189)
Total School Operating Fund	\$ 3,646,861	\$ 3,661,861	\$ 3,551,355	\$ (110,506)
<b>Special Revenue Fund:</b>				
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 37,000	\$ 37,000	\$ 43,551	\$ 6,551
Total revenue from local sources	\$ 37,000	\$ 37,000	\$ 43,551	\$ 6,551
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ -	\$ -	\$ 30,458	\$ 30,458
Total revenues from local governments	\$ -	\$ -	\$ 30,458	\$ 30,458
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 4,353	\$ 4,353	\$ 3,493	\$ (860)
Total revenue from the Commonwealth	\$ 4,353	\$ 4,353	\$ 3,493	\$ (860)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 63,000	\$ 63,000	\$ 82,582	\$ 19,582
USDA commodities received	-	-	12,243	12,243
Total categorical aid	\$ 63,000	\$ 63,000	\$ 94,825	\$ 31,825
Total revenue from the federal government	\$ 63,000	\$ 63,000	\$ 94,825	\$ 31,825
Total School Cafeteria Fund	\$ 104,353	\$ 104,353	\$ 172,327	\$ 67,974
Total Discretely Presented Component Unit - School Board	\$ 3,751,214	\$ 3,766,214	\$ 3,723,682	\$ (42,532)



Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2014

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 21,877	\$ 18,456	\$ 18,422	\$ 34
Total legislative	\$ 21,877	\$ 18,456	\$ 18,422	\$ 34
General and financial administration:				
County administrator	\$ 114,343	\$ 112,043	\$ 111,947	\$ 96
Legal services	45,000	43,700	42,825	875
Independent Auditor	26,250	27,406	27,406	-
Commissioner of revenue	118,709	114,709	114,590	119
Assessor	28,500	2,864	2,790	74
Treasurer	127,933	123,933	123,900	33
Central Purchasing	360,800	396,100	405,330	(9,230)
Total general and financial administration	\$ 821,535	\$ 820,755	\$ 828,788	\$ (8,033)
Board of elections:				
Electoral board and officials	\$ 10,614	\$ 8,514	\$ 8,322	\$ 192
Registrar	52,615	52,615	52,300	315
Total board of elections	\$ 63,229	\$ 61,129	\$ 60,622	\$ 507
Total general government administration	\$ 906,641	\$ 900,340	\$ 907,832	\$ (7,492)
Judicial administration:				
Courts:				
Circuit court	\$ 1,142	\$ 1,140	\$ 920	\$ 220
Clerk of the circuit court	176,508	163,708	163,611	97
Total courts	\$ 177,650	\$ 164,848	\$ 164,531	\$ 317
Commonwealth's attorney:				
Commonwealth's attorney	\$ 84,923	\$ 83,823	\$ 83,782	\$ 41
Total commonwealth's attorney	\$ 84,923	\$ 83,823	\$ 83,782	\$ 41
Total judicial administration	\$ 262,573	\$ 248,671	\$ 248,313	\$ 358
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 603,383	\$ 616,459	\$ 616,459	\$ -
Total law enforcement and traffic control	\$ 603,383	\$ 616,459	\$ 616,459	\$ -
Fire and rescue services:				
Volunteer emergency operations	\$ 20,446	\$ 24,045	\$ 25,044	\$ (999)
Total fire and rescue services	\$ 20,446	\$ 24,045	\$ 25,044	\$ (999)
Correction and detention:				
Sheriff	\$ 58,500	\$ 47,200	\$ 47,180	\$ 20
Total correction and detention	\$ 58,500	\$ 47,200	\$ 47,180	\$ 20
Inspections:				
Building	\$ 57,433	\$ 56,533	\$ 56,447	\$ 86
Total inspections	\$ 57,433	\$ 56,533	\$ 56,447	\$ 86

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2014 (Continued)

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 31,152	\$ 30,652	\$ 30,637	\$ 15
Medical examiner	200	200	60	140
Emergency management grants	7,600	15,950	15,949	1
Total other protection	<u>\$ 38,952</u>	<u>\$ 46,802</u>	<u>\$ 46,646</u>	<u>\$ 156</u>
Total public safety	<u>\$ 778,714</u>	<u>\$ 791,039</u>	<u>\$ 791,776</u>	<u>\$ (737)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration - ISTEAFunds	\$ -	\$ 21,630	\$ 25,438	\$ (3,808)
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ -</u>	<u>\$ 21,630</u>	<u>\$ 25,438</u>	<u>\$ (3,808)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 38,010	\$ 38,010	\$ 37,328	\$ 682
Total maintenance of general buildings and grounds	<u>\$ 38,010</u>	<u>\$ 38,010</u>	<u>\$ 37,328</u>	<u>\$ 682</u>
Total public works	<u>\$ 38,010</u>	<u>\$ 59,640</u>	<u>\$ 62,766</u>	<u>\$ (3,126)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 58,651	\$ 58,651	\$ 58,651	\$ -
Total health	<u>\$ 58,651</u>	<u>\$ 58,651</u>	<u>\$ 58,651</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 6,586	\$ 6,586	\$ 6,586	\$ -
Total mental health and mental retardation	<u>\$ 6,586</u>	<u>\$ 6,586</u>	<u>\$ 6,586</u>	<u>\$ -</u>
Welfare:				
Valley Program for the Aging	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
State and local hospitalization	950	950	-	950
Total welfare	<u>\$ 35,950</u>	<u>\$ 35,950</u>	<u>\$ 35,000</u>	<u>\$ 950</u>
Total health and welfare	<u>\$ 101,187</u>	<u>\$ 101,187</u>	<u>\$ 100,237</u>	<u>\$ 950</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 1,961,846	\$ 1,976,846	\$ 1,877,290	\$ 99,556
Total education	<u>\$ 1,961,846</u>	<u>\$ 1,976,846</u>	<u>\$ 1,877,290</u>	<u>\$ 99,556</u>
Parks, recreation, and cultural:				
Library:				
Library Administration	\$ 53,527	\$ 52,227	\$ 52,178	\$ 49
Total library	<u>\$ 53,527</u>	<u>\$ 52,227</u>	<u>\$ 52,178</u>	<u>\$ 49</u>
Total parks, recreation, and cultural	<u>\$ 53,527</u>	<u>\$ 52,227</u>	<u>\$ 52,178</u>	<u>\$ 49</u>
Community development:				
Planning and community development:				
Planning	\$ 16,248	\$ 13,348	\$ 13,998	\$ (650)
Community development	34,223	32,023	31,940	83
Swimming pool	61,716	62,626	62,621	5
Industrial Development Authority	12,000	2,000	2,000	-
Total planning and community development	<u>\$ 124,187</u>	<u>\$ 109,997</u>	<u>\$ 110,559</u>	<u>\$ (562)</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2014 (Continued)

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund: (Continued)</b>				
Community development: (continued)				
Cooperative extension program:				
Extension office	\$ 56,642	\$ 35,642	\$ 44,994	\$ (9,352)
Total cooperative extension program	\$ 56,642	\$ 35,642	\$ 44,994	\$ (9,352)
 Total community development	 \$ 180,829	 \$ 145,639	 \$ 155,553	 \$ (9,914)
 Nondepartmental:				
Miscellaneous	\$ 49,288	\$ 95,432	\$ 91,862	\$ 3,570
Total nondepartmental	\$ 49,288	\$ 95,432	\$ 91,862	\$ 3,570
 Capital projects:				
Capital outlay	\$ -	\$ 9,729	\$ 9,727	\$ 2
Total capital projects	\$ -	\$ 9,729	\$ 9,727	\$ 2
 Total General Fund	 \$ 4,332,615	 \$ 4,380,750	 \$ 4,297,534	 \$ 83,216
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 369,106	\$ 377,482	\$ 231,462	\$ 146,020
Comprehensive services	214,877	30,800	34,577	(3,777)
Total welfare and social services	\$ 583,983	\$ 408,282	\$ 266,039	\$ 142,243
 Total health and welfare	 \$ 583,983	 \$ 408,282	 \$ 266,039	 \$ 142,243
 Total Virginia Public Assistance Fund	 \$ 583,983	 \$ 408,282	 \$ 266,039	 \$ 142,243
<b>E-911 Fund:</b>				
Public safety:				
Other protection:				
E-911 Administration	\$ -	\$ 25,354	\$ 24,442	\$ 912
 Total public safety	 \$ -	 \$ 25,354	 \$ 24,442	 \$ 912
 Total E-911 Fund	 \$ -	 \$ 25,354	 \$ 24,442	 \$ 912
<b>Sheriff's Grants Fund:</b>				
Public safety:				
Other protection:				
Drug enforcement and crime control	\$ -	\$ 30,352	\$ 30,792	\$ (440)
 Total Sheriff's Grants Fund	 \$ -	 \$ 30,352	 \$ 30,792	 \$ (440)
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Capital projects expenditures:				
County courthouse and other capital outlay	\$ 136,000	\$ 136,000	\$ 331,123	\$ (195,123)
E-911 center and jail renovation	-	7,870	8,771	(901)
 Total County Capital Improvements Fund	 \$ 136,000	 \$ 143,870	 \$ 339,894	 \$ (196,024)

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2014 (Continued)

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>School Capital Projects Fund:</b>				
Capital projects expenditures:				
Building services	\$ 1,291	\$ 121,135	\$ 198,787	\$ (77,652)
Total capital projects	\$ 1,291	\$ 121,135	\$ 198,787	\$ (77,652)
Debt service:				
Principal retirement	\$ 147,611	\$ 147,611	\$ 147,611	\$ -
Interest and other fiscal charges	18,639	18,639	18,638	1
Total debt service	\$ 166,250	\$ 166,250	\$ 166,249	\$ 1
Total School Capital Projects Fund	\$ 167,541	\$ 287,385	\$ 365,036	\$ (77,651)
Total Primary Government	\$ 5,220,139	\$ 5,275,993	\$ 5,323,737	\$ (47,744)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
School board	\$ 6,730	\$ 6,730	\$ 6,646	\$ 84
Executive administration services	164,696	179,696	192,458	(12,762)
Total administration of schools	\$ 171,426	\$ 186,426	\$ 199,104	\$ (12,678)
Instruction costs:				
Elementary and secondary schools	\$ 2,260,630	\$ 2,260,630	\$ 2,196,168	\$ 64,462
Guidance services	68,826	68,826	69,453	(627)
Media services	272,223	272,223	253,389	18,834
Office of the principal	194,296	194,296	262,601	(68,305)
Total instruction costs	\$ 2,795,975	\$ 2,795,975	\$ 2,781,611	\$ 14,364
Operating costs:				
Pupil transportation	\$ 274,912	\$ 274,912	\$ 243,794	\$ 31,118
Operation and maintenance of school plant	404,548	404,548	326,846	77,702
Total operating costs	\$ 679,460	\$ 679,460	\$ 570,640	\$ 108,820
Total education	\$ 3,646,861	\$ 3,661,861	\$ 3,551,355	\$ 110,506
Total School Operating Fund	\$ 3,646,861	\$ 3,661,861	\$ 3,551,355	\$ 110,506
<b>Special Revenue Fund:</b>				
<b>School Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 189,581	\$ 189,581	\$ 177,440	\$ 12,141
Total school food services	\$ 189,581	\$ 189,581	\$ 177,440	\$ 12,141
Total education	\$ 189,581	\$ 189,581	\$ 177,440	\$ 12,141
Total School Cafeteria Fund	\$ 189,581	\$ 189,581	\$ 177,440	\$ 12,141
Total Discretely Presented Component Unit - School Board	\$ 3,836,442	\$ 3,851,442	\$ 3,728,795	\$ 122,647

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## **STATISTICAL INFORMATION**

**County of Highland, Virginia**

Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

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	Fiscal Year			
	2005	2006	2007	2008
Governmental Activities				
Net investment in capital assets	\$ 199,582	\$ 326,986	\$ 707,028	\$ 673,965
Unrestricted	<u>2,009,168</u>	<u>3,546,379</u>	<u>3,913,617</u>	<u>4,279,522</u>
Total governmental activities net position	<u>\$ 2,208,750</u>	<u>\$ 3,873,365</u>	<u>\$ 4,620,645</u>	<u>\$ 4,953,487</u>
Business-type Activities				
Net investment in capital assets	\$ 567,220	\$ 600,955	\$ 607,726	\$ 520,366
Restricted	-	-	-	-
Unrestricted	<u>387,482</u>	<u>274,262</u>	<u>272,742</u>	<u>333,345</u>
Total business-type activities net position	<u>\$ 954,702</u>	<u>\$ 875,217</u>	<u>\$ 880,468</u>	<u>\$ 853,711</u>
Primary government				
Net investment in capital assets	\$ 766,802	\$ 927,941	\$ 1,314,754	\$ 1,194,331
Restricted	-	-	-	-
Unrestricted	<u>2,396,650</u>	<u>3,820,641</u>	<u>4,186,359</u>	<u>4,612,867</u>
Total primary government net position	<u>\$ 3,163,452</u>	<u>\$ 4,748,582</u>	<u>\$ 5,501,113</u>	<u>\$ 5,807,198</u>

Table 1

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 1,079,506	\$ 1,039,441	\$ 1,043,630	\$ 1,667,119	\$ 1,674,606	\$ 1,873,361
4,595,275	5,130,351	5,235,055	5,134,132	4,930,651	4,768,406
<u>\$ 5,674,781</u>	<u>\$ 6,169,792</u>	<u>\$ 6,278,685</u>	<u>\$ 6,801,251</u>	<u>\$ 6,605,257</u>	<u>\$ 6,641,767</u>
\$ 504,096	\$ 541,856	\$ 620,438	\$ 624,487	\$ 744,401	\$ 731,731
-	-	-	-	-	17,629
382,659	414,814	658,121	705,106	740,052	757,689
<u>\$ 886,755</u>	<u>\$ 956,670</u>	<u>\$ 1,278,559</u>	<u>\$ 1,329,593</u>	<u>\$ 1,484,453</u>	<u>\$ 1,507,049</u>
\$ 1,583,602	\$ 1,581,297	\$ 1,664,068	\$ 2,291,606	\$ 2,419,007	\$ 2,605,092
-	-	-	-	-	17,629
4,977,934	5,545,165	5,893,176	5,839,238	5,670,703	5,526,095
<u>\$ 6,561,536</u>	<u>\$ 7,126,462</u>	<u>\$ 7,557,244</u>	<u>\$ 8,130,844</u>	<u>\$ 8,089,710</u>	<u>\$ 8,148,816</u>



# County of Highland, Virginia

Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Expenses</b>					
Governmental Activities:					
General government administration	\$ 549,711	\$ 860,577	\$ 776,408	\$ 757,883	\$ 791,245
Judicial administration	260,244	219,832	241,760	245,520	200,400
Public safety	846,942	926,287	1,198,081	910,751	992,983
Public works	61,038	175,570	87,089	93,749	92,289
Health and welfare	322,873	330,460	333,795	335,396	313,429
Education	1,686,641	1,432,227	1,431,224	1,652,975	1,502,149
Parks, recreation, and cultural	31,479	33,106	35,402	99,877	64,508
Community development	74,405	88,628	80,706	105,946	106,318
Interest on long-term debt	87,922	80,412	72,752	65,228	57,454
Total governmental activities expenses	\$ 3,921,255	\$ 4,147,099	\$ 4,257,217	\$ 4,267,325	\$ 4,120,775
Business-type Activities:					
Refuse Disposal	\$ 232,607	\$ 250,209	\$ 247,289	\$ 239,734	\$ 257,635
McDowell Water System	39,399	42,280	46,868	47,085	46,351
Recreation Commission	-	-	-	-	-
Total business-type activities expenses	\$ 272,006	\$ 292,489	\$ 294,157	\$ 286,819	\$ 303,986
Total primary government expenses	\$ 4,193,261	\$ 4,439,588	\$ 4,551,374	\$ 4,554,144	\$ 4,424,761
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services:					
General government administration	\$ -	\$ 654	\$ 375	\$ 238	\$ 226
Judicial administration	512	2,376	2,898	2,706	5,057
Public safety	28,864	23,421	16,411	23,996	25,895
Operating grants and contributions	1,171,560	1,125,305	1,089,220	1,117,621	1,067,711
Capital grants and contributions	-	194,716	-	71,817	-
Total governmental activities program revenues	\$ 1,200,936	\$ 1,346,472	\$ 1,108,904	\$ 1,216,378	\$ 1,098,889
Business-type Activities:					
Charges for services:					
Refuse disposal	\$ 232,907	\$ 328,710	\$ 257,618	\$ 320,011	\$ 315,278
McDowell Water System	18,080	19,044	27,241	37,834	34,992
Recreation commission	-	-	-	-	-
Operating grants and contributions	5,375	7,662	6,307	7,592	7,393
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	\$ 256,362	\$ 355,416	\$ 291,166	\$ 365,437	\$ 357,663
Total primary government program revenues	\$ 1,457,298	\$ 1,701,888	\$ 1,400,070	\$ 1,581,815	\$ 1,456,552
Net (expense) / revenue					
Governmental Activities	\$ (2,720,319)	\$ (2,800,627)	\$ (3,148,313)	\$ (3,050,947)	\$ (3,021,886)
Business-type Activities	(15,644)	62,927	(2,991)	78,618	53,677
Total primary government net expense	\$ (2,735,963)	\$ (2,737,700)	\$ (3,151,304)	\$ (2,972,329)	\$ (2,968,209)

Table 2  
Page 1 of 2

Fiscal Year				
2010	2011	2012	2013	2014
\$ 719,027	\$ 965,091	\$ 1,059,513	\$ 897,659	\$ 991,119
239,727	242,692	246,808	247,397	259,111
861,875	765,268	789,037	912,046	942,248
93,272	53,114	137,181	128,759	118,027
354,901	372,672	413,864	384,612	373,259
1,659,005	1,845,772	1,823,472	2,095,450	2,183,982
66,781	73,426	75,516	87,396	90,387
123,846	137,377	134,348	143,030	155,553
45,770	44,587	32,464	23,583	14,445
<u>\$ 4,164,204</u>	<u>\$ 4,499,999</u>	<u>\$ 4,712,203</u>	<u>\$ 4,919,932</u>	<u>\$ 5,128,131</u>
\$ 256,381	\$ 257,445	\$ 267,858	\$ 278,003	\$ 293,029
46,748	50,216	60,185	69,172	65,271
-	49,255	58,943	50,491	43,559
<u>\$ 303,129</u>	<u>\$ 356,916</u>	<u>\$ 386,986</u>	<u>\$ 397,666</u>	<u>\$ 401,859</u>
<u>\$ 4,467,333</u>	<u>\$ 4,856,915</u>	<u>\$ 5,099,189</u>	<u>\$ 5,317,598</u>	<u>\$ 5,529,990</u>
\$ 110,401	\$ 260	\$ 408	\$ 466	\$ 669
3,713	2,705	2,802	3,092	2,018
31,959	25,758	22,835	23,591	28,773
1,101,652	1,108,132	1,235,107	1,151,731	1,154,398
1,000	-	440,362	118,208	189,865
<u>\$ 1,248,725</u>	<u>\$ 1,136,855</u>	<u>\$ 1,701,514</u>	<u>\$ 1,297,088</u>	<u>\$ 1,375,723</u>
\$ 318,311	\$ 324,182	\$ 313,663	\$ 309,354	\$ 329,774
34,771	35,833	33,181	34,711	40,604
-	41,727	40,331	34,172	39,310
6,125	31,910	47,916	51,694	31,931
-	99,100	25,082	35,408	13,900
<u>\$ 359,207</u>	<u>\$ 532,752</u>	<u>\$ 460,173</u>	<u>\$ 465,339</u>	<u>\$ 455,519</u>
<u>\$ 1,607,932</u>	<u>\$ 1,669,607</u>	<u>\$ 2,161,687</u>	<u>\$ 1,762,427</u>	<u>\$ 1,831,242</u>
\$ (2,915,479)	\$ (3,363,144)	\$ (3,010,689)	\$ (3,622,844)	\$ (3,752,408)
56,078	175,836	73,187	67,673	53,660
<u>\$ (2,859,401)</u>	<u>\$ (3,187,308)</u>	<u>\$ (2,937,502)</u>	<u>\$ (3,555,171)</u>	<u>\$ (3,698,748)</u>

**County of Highland, Virginia**

Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes					
Property taxes	\$ 2,235,763	\$ 3,617,277	\$ 2,654,559	\$ 2,696,267	\$ 2,823,719
Local sales and use taxes	90,298	92,865	99,550	97,120	93,017
Consumer utility taxes	110,945	112,041	124,755	149,008	141,631
Motor vehicle licenses	44,778	43,918	1,783	34,003	47,859
E-911 taxes	25,351	30,507	30,280	36,429	29,572
Bank stock taxes	13,343	21,999	13,162	4,484	12,487
Other local taxes	38,233	40,676	34,547	36,309	32,314
Unrestricted grants and contributions	234,432	239,591	275,707	249,566	100,362
Unrestricted revenues from use of money and property	58,162	97,193	146,115	135,833	116,701
Miscellaneous	44,644	71,108	108,487	221,956	324,768
Transfers	(204,150)	142,568	(8,054)	105,550	20,750
Total governmental activities	\$ 2,691,799	\$ 4,509,743	\$ 3,480,891	\$ 3,766,525	\$ 3,743,180
Business-type Activities:					
Unrestricted revenues from use of money and property	\$ 113	\$ 156	\$ 188	\$ 175	\$ 117
Miscellaneous	4,012	-	-	-	-
Transfers	204,150	(142,568)	8,054	(105,550)	(20,750)
Total business-type activities	\$ 208,275	\$ (142,412)	\$ 8,242	\$ (105,375)	\$ (20,633)
Total primary government	\$ 2,900,074	\$ 4,367,331	\$ 3,489,133	\$ 3,661,150	\$ 3,722,547
<b>Change in Net Position</b>					
Governmental Activities	\$ (28,520)	\$ 1,709,116	\$ 332,578	\$ 715,578	\$ 721,294
Business-type Activities	192,631	(79,485)	5,251	(26,757)	33,044
Total primary government	\$ 164,111	\$ 1,629,631	\$ 337,829	\$ 688,821	\$ 754,338

Fiscal Year				
2010	2011	2012	2013	2014
\$ 2,694,439	\$ 2,777,551	\$ 2,731,729	\$ 2,771,902	\$ 2,963,903
95,657	97,125	107,600	111,989	113,641
141,131	140,241	138,686	138,706	138,177
55,842	51,219	53,724	53,113	54,283
24,000	30,000	33,000	34,597	33,704
12,481	12,656	13,806	14,371	19,231
24,035	25,835	22,028	22,784	21,524
73,747	217,784	234,776	246,160	269,364
89,922	58,543	54,728	43,762	41,590
213,004	83,641	118,328	74,892	100,203
(13,768)	(71,075)	24,850	(85,426)	33,298
\$ 3,410,490	\$ 3,423,520	\$ 3,533,255	\$ 3,426,850	\$ 3,788,918
\$ 69	\$ 411	\$ 2,697	\$ 1,761	\$ 2,234
-	1,186	-	-	-
13,768	71,075	(24,850)	85,426	(33,298)
\$ 13,837	\$ 72,672	\$ (22,153)	\$ 87,187	\$ (31,064)
\$ 3,424,327	\$ 3,496,192	\$ 3,511,102	\$ 3,514,037	\$ 3,757,854
\$ 495,011	\$ 60,376	\$ 522,566	\$ (195,994)	\$ 36,510
69,915	248,508	51,034	154,860	22,596
\$ 564,926	\$ 308,884	\$ 573,600	\$ (41,134)	\$ 59,106

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Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
*(accrual basis of accounting)*

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License	E-911 Tax	Taxes on Recordation and Wills	Other Local Tax	Total
2014	\$ 2,963,903	\$ 113,641	\$ 138,177	\$ 54,283	\$ 33,704	\$ 19,231	\$ 21,524	\$ 3,344,463
2013	2,771,902	111,989	138,706	53,113	34,597	16,330	20,825	3,147,462
2012	2,731,729	107,600	138,686	53,724	33,000	15,937	19,897	3,100,573
2011	2,777,551	97,125	140,241	51,219	30,000	19,356	19,135	3,134,627
2010	2,700,353	95,657	141,131	55,842	24,000	17,622	18,894	3,053,499
2009	2,812,841	93,017	141,631	47,859	29,572	25,772	19,029	3,169,721
2008	2,706,867	97,120	149,008	34,003	36,429	29,293	11,500	3,064,220
2007	2,654,559	99,550	124,755	1,783	30,280	28,401	19,308	2,958,636
2006	3,617,277	92,865	112,041	43,918	30,507	29,624	33,051	3,959,283
2005	2,235,763	90,298	110,945	44,778	25,351	31,177	20,399	2,558,711

**County of Highland, Virginia**

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

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General fund						
Unreserved	\$ 1,526,107	\$ 3,182,757	\$ 3,220,466	\$ 3,868,862	\$ 4,166,881	\$ 4,273,643
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total general fund	<u>\$ 1,526,107</u>	<u>\$ 3,182,757</u>	<u>\$ 3,220,466</u>	<u>\$ 3,868,862</u>	<u>\$ 4,166,881</u>	<u>\$ 4,273,643</u>
All other governmental funds						
Unreserved, reported in:						
Special revenue funds	\$ 260,612	\$ 227,588	\$ 568,502	\$ 131,621	\$ 111,228	\$ 77,649
Capital projects funds	299,039	256,542	248,895	410,182	422,554	889,686
Nonspendable, reported in:						
Special revenue funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Restricted, reported in:						
Special revenue funds	-	-	-	-	-	-
Assigned, reported in:						
Special revenue funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Unassigned, reported in:						
Special revenue funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 559,651</u>	<u>\$ 484,130</u>	<u>\$ 817,397</u>	<u>\$ 541,803</u>	<u>\$ 533,782</u>	<u>\$ 967,335</u>

**Table 4**

Fiscal Year			
2011	2012	2013	2014
\$ -	\$ -	\$ -	\$ -
50,785	50,950	31,830	20,875
31,317	33,518	35,854	53,279
510,933	557,696	582,456	522,010
3,762	4,162	5,762	2,291
3,951,635	3,757,856	3,548,282	3,611,770
\$ 4,548,432	\$ 4,404,182	\$ 4,204,184	\$ 4,210,225
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	2,000	-	-
-	8,186	8,641	9,073
100,425	165,791	198,245	198,993
-	717	4,928	386
-	624,854	581,807	456,997
1,235	-	-	-
651,351	-	-	-
\$ 753,011	\$ 801,548	\$ 793,621	\$ 665,449



# County of Highland, Virginia

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

	Fiscal Year			
	2005	2006	2007	2008
<b>Revenues</b>				
General property taxes	\$ 2,228,621	\$ 3,621,834	\$ 2,644,502	\$ 2,706,867
Other local taxes	322,948	342,006	304,077	357,353
Permits, privilege fees, and regulatory licenses	22,514	19,361	12,318	14,809
Fines and forfeitures	512	511	1,059	729
Revenue from use of money and property	58,162	97,193	146,115	135,833
Charges for services	6,350	6,579	6,307	11,402
Miscellaneous	44,644	71,108	108,487	221,956
Intergovernmental:				
Commonwealth	1,183,203	1,095,016	1,521,614	1,170,907
Federal	222,789	464,596	253,751	268,097
Total revenues	\$ 4,089,743	\$ 5,718,204	\$ 4,998,230	\$ 4,887,953
<b>Expenditures</b>				
General government administration	\$ 459,264	\$ 606,853	\$ 557,066	\$ 498,386
Judicial administration	208,968	223,133	240,034	242,188
Public safety	838,493	884,776	1,370,500	844,971
Public works	75,233	174,324	87,089	92,760
Health and welfare	325,334	330,961	331,330	337,223
Education	1,556,971	1,278,049	1,386,156	1,621,412
Parks, recreation, and cultural	30,677	31,533	35,402	37,318
Community development	74,405	86,728	80,706	105,946
Nondepartmental	46,520	26,098	27,523	52,818
Capital projects	257,661	430,138	301,444	208,093
Debt service:				
Principal	120,850	123,193	125,684	128,176
Interest and other fiscal charges	91,300	83,857	76,266	68,674
Total expenditures	\$ 4,085,676	\$ 4,279,643	\$ 4,619,200	\$ 4,237,965
Excess (deficiency) of revenues over (under) expenditures	\$ 4,067	\$ 1,438,561	\$ 379,030	\$ 649,988
Other financing sources (uses)				
Transfers in	\$ 566,643	\$ 513,369	\$ 1,104,890	\$ 715,354
Transfers out	(770,793)	(370,801)	(1,112,944)	(609,804)
Total other financing sources (uses)	\$ (204,150)	\$ 142,568	\$ (8,054)	\$ 105,550
Net change in fund balances	\$ (200,083)	\$ 1,581,129	\$ 370,976	\$ 755,538
Debt service as a percentage of noncapital expenditures	5.542%	5.379%	4.677%	4.885%

Table 5

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 2,812,841	\$ 2,700,353	\$ 2,720,255	\$ 2,726,798	\$ 2,792,621	\$ 3,000,868
356,880	353,146	357,076	368,844	375,560	380,560
12,504	18,593	13,069	11,660	9,444	18,572
2,386	1,006	148	271	461	200
100,362	73,747	58,543	54,728	43,762	41,590
16,288	126,474	15,506	14,114	17,244	12,688
116,701	89,922	83,641	118,328	74,892	100,203
1,150,594	1,110,210	1,104,672	1,235,521	1,150,212	1,333,525
241,885	205,446	221,244	674,724	365,887	280,102
\$ 4,810,441	\$ 4,678,897	\$ 4,574,154	\$ 5,204,988	\$ 4,830,083	\$ 5,168,308
\$ 470,406	\$ 486,392	\$ 734,770	\$ 885,180	\$ 876,547	\$ 907,832
263,146	237,262	240,966	241,077	243,248	248,313
924,520	846,162	744,614	825,203	820,142	847,010
91,210	92,620	52,035	564,859	113,702	62,766
313,429	354,901	372,672	400,767	433,413	366,276
1,454,487	1,654,434	1,845,195	1,806,451	1,976,386	1,877,290
39,220	38,305	39,621	39,236	50,882	52,178
106,318	123,846	137,377	134,348	143,030	155,553
37,874	37,379	40,442	41,052	47,220	91,862
648,833	66,863	53,372	193,907	76,662	548,408
130,728	133,586	136,715	140,061	143,690	147,611
61,022	53,064	44,835	36,389	27,660	18,638
\$ 4,541,193	\$ 4,124,814	\$ 4,442,614	\$ 5,308,530	\$ 4,952,582	\$ 5,323,737
\$ 269,248	\$ 554,083	\$ 131,540	\$ (103,542)	\$ (122,499)	\$ (155,429)
\$ 636,234	\$ 879,660	\$ 603,532	\$ 958,542	\$ 488,913	\$ 463,843
(615,484)	(893,428)	(674,607)	(950,713)	(574,339)	(430,545)
\$ 20,750	\$ (13,768)	\$ (71,075)	\$ 7,829	\$ (85,426)	\$ 33,298
\$ 289,998	\$ 540,315	\$ 60,465	\$ (95,713)	\$ (207,925)	\$ (122,131)
4.926%	4.600%	4.136%	3.450%	3.514%	3.481%

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General Governmental Tax Revenues by Source  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

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<b>Fiscal Year</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Motor Vehicle License</b>	<b>E-911 Tax</b>	<b>Taxes on Recordation and Wills</b>	<b>Other Local Tax</b>	<b>Total</b>
2014	\$ 113,641	\$ 138,177	\$ 54,283	\$ 33,704	\$ 19,231	\$ 21,524	\$ 380,560
2013	111,989	138,706	53,113	34,597	16,330	20,825	375,560
2012	107,600	138,686	53,724	33,000	15,937	19,897	368,844
2011	97,125	140,241	51,219	30,000	19,356	19,135	357,076
2010	95,657	141,131	55,842	24,000	17,622	18,894	353,146
2009	93,017	141,631	47,859	29,572	25,772	19,029	356,880
2008	97,120	149,008	34,003	36,429	29,293	11,500	357,353
2007	99,550	124,755	1,783	30,280	28,401	19,308	304,077
2006	92,865	112,041	43,918	30,507	29,624	33,051	342,006
2005	90,298	110,945	44,778	25,351	31,177	20,399	322,948

## County of Highland, Virginia

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Minerals/ Mineral Lands</b>	<b>Merchants' Capital</b>
2014	\$ 684,184,600	\$ 20,926,113	\$ 14,610	\$ 96,200	\$ 364,385
2013	680,516,700	22,737,551	15,202	96,200	280,847
2012	678,681,200	22,041,643	42,601	96,200	266,699
2011	625,543,500	22,152,201	39,388	96,200	281,830
2010	621,402,600	21,025,889	54,246	96,200	282,699
2009	618,813,500	30,335,430	128,810	96,200	261,513
2008	613,889,600	26,757,134	65,200	96,200	260,642
2007	609,965,800	28,362,526	43,141	96,200	267,887
2006	605,945,300	25,715,330	51,640	114,700	227,196
2005	286,194,100	22,963,900	93,860	114,700	236,740

(1) Estimated Actual Taxable Value includes information for Real Estate only.

Source: Commissioner of Revenue

Table 7

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	<b>Public Service</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value (1)</b>	<b>Assessed Value as a Percentage of Actual Value (1)</b>
\$	15,931,678	\$ 721,517,586	\$ 700,031,872	97.74%
	15,414,394	719,060,894	695,876,725	97.79%
	14,394,553	715,522,896	693,007,542	97.93%
	16,973,783	665,086,902	640,213,450	97.71%
	14,732,716	657,594,350	636,072,550	97.69%
	15,941,274	665,576,727	634,670,491	97.50%
	16,409,311	657,478,087	630,246,905	97.40%
	19,306,039	658,041,593	633,613,036	96.27%
	12,989,355	645,043,521	628,449,075	96.42%
	13,992,300	323,595,600	448,555,745	63.80%

Property Tax Rates (1)  
 Direct and Overlapping Governments  
 Last Ten Fiscal Years

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital
2014	\$ 0.40	\$ 2.25	\$ 0.37	\$ 1.00	\$ 1.00
2013	0.37	1.50	0.37	1.00	1.00
2012	0.37	1.50	0.40	1.00	1.00
2011	0.40	1.50	0.40	1.00	1.00
2010	0.40	1.50	0.40	1.00	1.00
2009	0.40	1.50	0.40	1.00	1.00
2008	0.40	1.50	0.40	1.00	1.00
2007	0.38	1.50	0.38	1.00	1.00
2006 (2)	.73/.38	1.50	0.73	1.00	1.00
2005	0.67	1.50	0.67	1.00	1.00

(1) Per \$100 of assessed value.

(2) County began twice a year billings for real estate taxes during FY06. Additionally, the County had a general reassessment on real estate during the year, resulting in an adjustment to the tax rate.

Principal Property Taxpayers  
Current Year and the Period Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2014		Fiscal Year 2004	
		2014 Assessed Valuation	% of Total Assessed Valuation	2004 Assessed Valuation	% of Total Assessed Valuation
Karin Banks	Farm	\$ 7,752,000	1.139%	\$ 4,950,300	1.758%
Red Oak Ranch	Farm	2,509,700	0.369%	1,334,800	0.474%
Hayfields Ltd.	Farm	2,776,700	0.408%	894,400	0.318%
Dividing Waters Farm	Farm	2,188,300	0.322%	948,000	0.337%
Bull Pasture Mtn Ranch	Farm	2,028,600	0.298%	310,200	0.110%
		<u>\$ 17,255,300</u>	<u>2.536%</u>	<u>\$ 8,437,700</u>	<u>2.997%</u>

Source: Commissioner of Revenue



Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	(1) Total Tax Levy for Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$	3,314,922	\$ 3,076,483	92.81%	\$ -	\$ 3,076,483	92.81%
2013		2,962,159	2,856,212	96.42%	73,671	2,929,883	98.91%
2012		2,940,562	2,800,386	95.23%	127,931	2,928,317	99.58%
2011		2,949,448	2,815,516	95.46%	129,094	2,944,610	99.84%
2010		2,913,404	2,783,033	95.53%	126,897	2,909,930	99.88%
2009		3,033,067	2,884,198	95.09%	146,794	3,030,992	99.93%
2008		2,856,079	2,780,175	97.34%	75,711	2,855,886	99.99%
2007		2,805,927	2,721,421	96.99%	84,323	2,805,744	99.99%
2006		3,755,547	3,724,780	99.18%	30,633	3,755,413	100.00%
2005		2,379,612	2,347,508	98.65%	32,008	2,379,516	100.00%

Source: Commissioner of Revenue, County Treasurer's office

(1) Includes PPTRA reimbursement from Commonwealth of Virginia.

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds					
2014	\$	240,733	\$	157,321	\$ 398,054	0.46%	177
2013		388,346		161,923	550,269	0.80%	227
2012		532,036		166,314	698,350	1.02%	288
2011		672,096		170,496	842,592	1.14%	380
2010		808,810		174,498	983,308	1.32%	433
2009		942,396		178,310	1,120,706	1.70%	493
2008		1,073,124		181,906	1,255,030	1.73%	500
2007		1,201,300		113,682	1,314,982	1.81%	524
2006		1,326,984		116,282	1,443,266	2.18%	601
2005		1,450,177		118,795	1,568,972	2.37%	654

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 14.

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

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2014	\$ 240,733	\$ -	\$ 240,733	0.03%	107
2013	388,346	-	388,346	0.05%	170
2012	532,036	-	532,036	0.07%	219
2011	672,096	-	672,096	0.10%	303
2010	808,810	-	808,810	0.12%	356
2009	942,396	(46,372)	988,768	0.15%	435
2008	1,073,124	101,896	971,228	0.15%	387
2007	1,201,300	72,558	1,128,742	0.17%	450
2006	1,326,984	128,831	1,198,153	0.19%	499
2005	1,450,177	98,320	1,351,857	0.42%	563

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7.

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

Pledged-Revenue Coverage  
Last Ten Fiscal Years

Water Revenue Bonds						
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2014 \$	40,604 \$	58,039 \$	(17,435) \$	4,602 \$	7,242	-147.21%
2013	34,711	61,730	(27,019)	4,390	7,442	-228.36%
2012	33,181	52,233	(19,052)	4,182	7,662	-160.86%
2011	35,333	42,374	(7,041)	4,002	7,842	-59.45%
2010	34,771	38,716	(3,945)	3,813	8,032	-33.31%
2009	34,992	38,176	(3,184)	3,597	10,831	-22.07%
2008	37,834	39,045	(1,211)	2,776	5,384	-14.84%
2007	27,241	41,310	(14,069)	2,602	5,558	-172.41%
2006	19,044	36,630	(17,586)	2,510	5,650	-215.51%
2005	18,153	33,506	(15,353)	2,265	5,893	-188.20%

Demographic and Economic Statistics  
Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age (1)</b>	<b>School Enrollment</b>	<b>Unemploy- ment Rate</b>
2014	2,245	\$ 87,004,975	\$ 38,755	57	189	5.61%
2013	2,288	68,648,522	28,297	54	193	6.10%
2012	2,426	68,648,522	28,297	53	228	6.10%
2011	2,215	74,052,000	31,673	53	226	6.20%
2010	2,273	74,774,000	31,497	51	232	8.10%
2009	2,273	65,998,828	29,036	49	243	9.60%
2008	2,510	72,549,040	28,904	49	272	3.30%
2007	2,510	72,549,040	28,904	49	285	3.00%
2006	2,400	66,189,600	27,579	49	305	3.30%
2005	2,400	66,189,600	27,579	-	310	3.30%

Source: Weldon Cooper Center, Annual school report - prepared by the School Board, [www.fedstats.gov](http://www.fedstats.gov)

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

Function	Fiscal Year				
	2010	2011	2012	2013	2014
General government administration	15	16	16	16	16
Judicial administration	5	5	5	5	5
Public safety:					
Sheriff's department	15	15	15	15	15
Building inspections	1	1	2	2	2
Animal control	1	1	1	1	1
Public works:					
General maintenance	3	3	3	3	3
Landfill	6	6	7	7	7
Health and welfare:					
Department of social services	4	4	4	4	4
Culture and recreation:					
Library	2	2	2	2	2
Totals	<u>52</u>	<u>53</u>	<u>55</u>	<u>55</u>	<u>55</u>

Source: Individual county departments

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government administration:										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	1	1	1	1	1	1	2	2	2	2
Public safety:										
Sheriffs department:										
Patrol units	9	9	9	9	9	9	9	9	9	9
Building inspections:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works:										
General maintenance:										
Trucks/vehicles	-	-	-	-	-	-	-	1	1	1
Landfill:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Equipment	2	2	2	2	2	2	2	2	2	2
Sites	1	1	1	1	1	1	1	1	1	1
Component Unit - School Board										
Education:										
Schools	2	2	2	2	2	2	2	2	2	2
School buses	12	12	12	12	12	12	10	10	9	9

Source: Individual county departments

## **COMPLIANCE**



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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### TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF HIGHLAND, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund and the aggregate remaining fund information of County of Highland, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Highland, Virginia's basic financial statements, and have issued our report thereon dated November 28, 2014.

#### Internal Control over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Finner, Cox Associates*

Staunton, Virginia  
November 28, 2014

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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### TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF HIGHLAND, VIRGINIA

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

We have audited County of Highland, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Highland, Virginia's major federal programs for the year ended June 30, 2014. County of Highland, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

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

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

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

In our opinion, County of Highland, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control over Compliance

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

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

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

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 28, 2014

County of Highland, Virginia

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

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	Not Available	\$ 11,752
Temporary Assistance for Needy Families (TANF)	93.558	Not Available	29,401
Refugee and Entrant Assistance - State Administered Programs	93.566	Not Available	208
Low-Income Home Energy Assistance	93.568	Not Available	3,319
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Not Available	4,450
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not Available	243
Foster Care - Title IV-E	93.658	Not Available	11,105
Adoption Assistance	93.659	Not Available	9,396
Social Services Block Grant	93.667	Not Available	23,552
Chafee Foster Care Independence Program	93.674	Not Available	280
Children's Health Insurance Program	93.767	Not Available	1,013
Medical Assistance Program	93.778	Not Available	40,758
Total Department of Health and Human Services			\$ 135,477
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Food Distribution - School Nutrition Program	10.555	Not Available	\$ 12,243
Department of Education:			
National School Lunch Program	10.555	Not Available	64,950
Subtotal	10.555		\$ 77,193
School Breakfast Program	10.553	Not Available	17,632
Schools and Roads - Grants to States	10.665	Not Available	52,269
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Available	50,192
Total Department of Agriculture			\$ 197,286
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Planning and Construction	20.205	Not Available	\$ 3,807
Total Department of Transportation			\$ 3,807
Department of Homeland Security			
Pass Through Payments:			
Department of Emergency Services:			
Disaster Assistance Projects	97.088	Not Available	\$ 1,032
Total Department of Homeland Security			\$ 1,032
Department of Justice			
Pass Through Payments:			
Department of Criminal Justice Services:			
Equitable Sharing Program	16.922	Not Available	\$ 2,706
Total Department of Justice			\$ 2,706
Environmental Protection Agency:			
Pass Through Payments:			
Department of Environmental Quality:			
DEQ Royalty Grants	66.000	Not Available	\$ 284
Total Environmental Protection Agency			\$ 284

**County of Highland, Virginia**

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

<b>Federal Grantor/State Pass - Through Grantor/Program Title or Cluster</b>	<b>Federal CFDA Number</b>	<b>Pass-through Identifying Number</b>	<b>Federal Expenditures</b>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	Not Available	\$ 25,326
Special Education Cluster:			
Special Education-Grants to States	84.027	Not Available	67,090
Special Education-Preschool Grants	84.173	Not Available	1,968
Improving Teacher Quality State Grants	84.367	Not Available	30,383
Career and Technical Education - Basic Grants to States	84.048	Not Available	<u>4,743</u>
Total Department of Education			\$ <u>129,510</u>
Total Expenditures of Federal Awards			\$ <u><u>470,102</u></u>

Notes to Schedule of Expenditures of Federal Awards:

**NOTE A - BASIS OF PRESENTATION**

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

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**NOTE C - FOOD DISTRIBUTION**

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

**NOTE D - RELATIONSHIP TO FINANCIAL STATEMENTS**

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

Primary government:	
Governmental funds	\$ 280,102
School Board funds	277,636
Payments in lieu of tax received from the Department of the Interior not included above	<u>(87,636)</u>
Total primary government	\$ <u><u>470,102</u></u>

**COUNTY OF HIGHLAND, VIRGINIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

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**Section I-Summary of Auditors' Results**

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Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        yes   x   no  
- Significant deficiency(ies) identified?        yes   x   none reported

Non compliance material to financial statements noted?        yes   x   no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        yes   x   no  
- Significant deficiency(ies) identified?        yes   x   none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?        yes   x   no

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
	Child Nutrition Cluster:
10.553	..... School Breakfast Program
10.555	..... National School Lunch Program
10.555	..... Food Distribution - School Nutrition Program
10.665	..... Schools and Roads - Grants to States

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

Auditee qualified as low-risk auditee?   x   yes        no

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**Section II-Financial Statement Findings**

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There are no financial statement findings to report.

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

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

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**Section IV-Prior Year Findings**

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**Finding: 2013-1                      Department of Social Services**

Status: The finding has been remedied by the following:

- (i) Staff vacancies have since been filled by trained personnel and reimbursement requests are being completed accurately and filed timely.