



COUNTY OF HIGHLAND, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

COUNTY OF HIGHLAND, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

County of Highland, Virginia

Board of Supervisors

David W. Blanchard, Chairman
Lee Blagg, Chariman
Kevin Wagner, Member

County School Board

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

Welfare Board Members

David Johnston, Chairman
Jim White
Lori Botkin

Other Officials

Clerk of the Circuit Court.....	Lois Ralston
Commissioner of the Revenue	Darlene Crummett
Commonwealth's Attorney	Melissa Ann Dowd
Sheriff.....	Herbert R. Lightner
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.....	Sharon W. Sponaugle
Zoning Administrator	James H. Whitelaw
County Administrator.....	Roberta A. Lambert
Superintendent of Schools.....	William R. Crawford

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	10
Statement of Activities	2	11-12
Fund Financial Statements:		
Balance Sheet-Governmental Funds	3	13-14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	15
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	5	16-17
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	18
Statement of Net Position-Proprietary Funds	7	19
Statement of Revenues, Expenses, and Changes in Net Position- Proprietary Funds	8	20
Statement of Cash Flows-Proprietary Funds	9	21
Notes to Financial Statements		22-48

Required Supplementary Information:

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

General Fund	10	49
Special Revenue Fund-Virginia Public Assistance Fund	11	50
Special Revenue Fund-E-911 Fund	12	51
Schedule of Pension Funding Progress	13	52

Table of Contents (Continued)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information:		
Combining and Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual:		
County Capital Improvements Fund	14	53
School Capital Projects Fund	15	54
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Nonmajor Special Revenue Funds	16	55
Discretely Presented Component Unit-School Board:		
Combining Balance Sheet	17	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	18	57
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual	19	58-59
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues-Budget and Actual-Governmental Funds	1	60-64
Schedule of Expenditures-Budget and Actual-Governmental Funds	2	65-68
	<u>Table</u>	<u>Page</u>
Statistical Information:		
Net Position by Component	1	69-70
Changes in Net Position.....	2	71-74
Governmental Activities Tax Revenues by Source	3	75
Fund Balances of Governmental Funds	4	76-77
Changes in Fund Balances of Governmental Funds.....	5	78-79
General Governmental Tax Revenues by Source.....	6	80
Assessed Value and Estimated Actual Value of Taxable Property.....	7	81-82
Property Tax Rates	8	83
Principal Property Taxpayers	9	84
Property Tax Levies and Collections	10	85
Ratios of Outstanding Debt by Type	11	86

Table of Contents (Continued)

	<u>Table</u>	<u>Page</u>
Statistical Information: (Continued)		
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita ...	12	87
Pledged-Revenue Coverage.....	13	88
Demographic and Economic Statistics	14	89
Full-time Equivalent County Government Employees by Function	15	90
Capital Assets Statistics by Function	16	91
 Compliance:		
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 <i>Government Auditing Standards</i>		92-93
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133		94-95
Schedule of Expenditures of Federal Awards		96-97
Schedule of Findings and Questioned Costs		98-99
Summary Schedule of Prior Audit Findings		100

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 the County of Highland, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, and the aggregate remaining fund information of the County of Highland, Virginia, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, budgetary comparison information, and schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 introductory section, other supplementary information and supporting schedules, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other Information (continued)

The other supplementary information and supporting schedules 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 supporting schedules 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 25, 2013, 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, Farmer, Cox Associates

Staunton, Virginia
November 25, 2013

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2013.

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 \$8,089,710 (net position). Of this amount, \$5,670,703 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was \$2,697,324 of which \$(25,564) is unrestricted. (See Exhibit 1.)

The Government's net position decreased by \$(41,134) while the School Board's net position decreased by \$(13,984). (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,548,282, or 81.8 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2013 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2013.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$4,997,805, a decrease of \$(207,925) 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 \$8,089,710 at the end of the fiscal year.

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

County of Highland's Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 6,464,406	\$ 6,737,141	\$ 781,827	\$ 730,845	\$ 7,246,233	\$ 7,467,986
Capital assets	2,062,952	2,199,155	906,324	790,801	2,969,276	2,989,956
Total	<u>\$ 8,527,358</u>	<u>\$ 8,936,296</u>	<u>\$ 1,688,151</u>	<u>\$ 1,521,646</u>	<u>\$ 10,215,509</u>	<u>\$ 10,457,942</u>
Long-term liabilities	\$ 559,982	\$ 724,758	\$ 170,619	\$ 173,487	\$ 730,601	\$ 898,245
Other liabilities	105,541	1,410,287	33,079	18,566	138,620	1,428,853
Total	<u>\$ 665,523</u>	<u>\$ 2,135,045</u>	<u>\$ 203,698</u>	<u>\$ 192,053</u>	<u>\$ 869,221</u>	<u>\$ 2,327,098</u>
Unavailable revenue-property						
taxes	\$ 1,256,578	\$ -	\$ -	\$ -	\$ 1,256,578	\$ -
Total	<u>\$ 1,256,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,256,578</u>	<u>\$ -</u>
Net investment in capital						
assets	\$ 1,674,606	\$ 1,667,119	\$ 744,401	\$ 624,487	\$ 2,419,007	\$ 2,291,606
Unrestricted	4,930,651	5,134,132	740,052	705,106	5,670,703	5,839,238
Total net position	<u>\$ 6,605,257</u>	<u>\$ 6,801,251</u>	<u>\$ 1,484,453</u>	<u>\$ 1,329,593</u>	<u>\$ 8,089,710</u>	<u>\$ 8,130,844</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 29.9 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 \$5,670,703 or 70.1 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 both categories of net position.

During the current fiscal year, the government's net position decreased by \$(41,134).

Governmental Activities

Governmental activities decreased the County's net position by (\$195,994).

County of Highland's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 27,149	\$ 26,045	\$ 378,237	\$ 387,175	\$ 405,386	\$ 413,220
Operating grants and contributions	1,151,731	1,235,107	51,694	47,916	1,203,425	1,283,023
Capital grants and contributions	118,208	440,362	35,408	25,082	153,616	465,444
General revenues:						
General property taxes	2,771,902	2,731,729	-	-	2,771,902	2,731,729
Other local taxes	375,560	368,844	-	-	375,560	368,844
Use of money and property	43,762	54,728	1,761	2,697	45,523	57,425
Other	74,892	118,328	-	-	74,892	118,328
Grants and contributions not restricted to specific programs	246,160	234,776	-	-	246,160	234,776
Total Revenues	\$ 4,809,364	\$ 5,209,919	\$ 467,100	\$ 462,870	\$ 5,276,464	\$ 5,672,789
Expenses:						
General government	\$ 897,659	\$ 1,059,513	\$ -	\$ -	\$ 897,659	\$ 1,059,513
Judicial administration	247,397	246,808	-	-	247,397	246,808
Public safety	912,046	789,037	-	-	912,046	789,037
Public works	128,759	137,181	-	-	128,759	137,181
Health and welfare	384,612	413,864	-	-	384,612	413,864
Education	2,095,450	1,823,472	-	-	2,095,450	1,823,472
Parks, recreational, and cultural	87,396	75,516	-	-	87,396	75,516
Community development	143,030	134,348	-	-	143,030	134,348
Interest on long-term debt	23,583	32,464	-	-	23,583	32,464
Recreation Commission	-	-	50,491	58,943	50,491	58,943
Landfill	-	-	278,003	267,858	278,003	267,858
Water	-	-	69,172	60,185	69,172	60,185
Total	\$ 4,919,932	\$ 4,712,203	\$ 397,666	\$ 386,986	\$ 5,317,598	\$ 5,099,189
Increase in net position before transfers	\$ (110,568)	\$ 497,716	\$ 69,434	\$ 75,884	\$ (41,134)	\$ 573,600
Transfers	\$ (85,426)	\$ 24,850	\$ 85,426	\$ (24,850)	\$ -	\$ -
Increase / decrease in net position	\$ (195,994)	\$ 522,566	\$ 154,860	\$ 51,034	\$ (41,134)	\$ 573,600
Net position, beginning	6,801,251	6,278,685	1,329,593	1,278,559	8,130,844	7,557,244
Net position, ending	\$ 6,605,257	\$ 6,801,251	\$ 1,484,453	\$ 1,329,593	\$ 8,089,710	\$ 8,130,844

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. Unreserved 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 \$4,997,805.

The general fund is the chief operating fund of the County. As of June 30, 2013, total fund balance of the general fund was \$4,204,184, of which \$3,548,282 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 81.8 percent and total fund balance represents 97 percent of total general fund expenditures, which includes contributions to the School Board component unit of \$1,976,386.

The fund balance of the County's general fund decreased by \$(199,998) 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 \$740,052. 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 \$135,907 increase, which is 3.2 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were \$2,500, which is 0.06 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, 2013 is \$2,969,276 (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	
	2013	2012	2013	2012	2013	2012
Land	\$ 197,365	\$ 197,365	\$ 3,816	\$ 3,816	\$ 201,181	\$ 201,181
Buildings and system	1,478,553	1,598,669	-	-	1,478,553	1,598,669
Machinery and equipment	384,982	268,648	-	21,231	384,982	289,879
Utility plant and equipment	-	-	768,960	765,754	768,960	765,754
Construction in progress	2,052	134,473	133,548	-	135,600	134,473
Total	<u>\$ 2,062,952</u>	<u>\$ 2,199,155</u>	<u>\$ 906,324</u>	<u>\$ 790,801</u>	<u>\$ 2,969,276</u>	<u>\$ 2,989,956</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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 388,346	\$ 532,036	\$ -	\$ -	\$ 388,346	\$ 532,036
Landfill closure/ post-closure liability	52,437	51,560	-	-	52,437	51,560
Revenue Bonds	-	-	161,923	166,314	161,923	166,314
Compensated absences	119,199	141,162	8,696	7,173	127,895	148,335
Total	<u>\$ 559,982</u>	<u>\$ 724,758</u>	<u>\$ 170,619</u>	<u>\$ 173,487</u>	<u>\$ 730,601</u>	<u>\$ 898,245</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 5.3 percent, which is a decrease from the rate of 6.1 percent a year ago. This compares favorably to the state's average unemployment rate of 5.5 percent and the national average rate of 7 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 2014 fiscal year.

During fiscal year 2013, unassigned fund balance in the general fund decreased \$(209,574). 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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 4,538,667	\$ 698,419	\$ 5,237,086	\$ 333,712
Investments	-	21,520	21,520	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,348,788	-	1,348,788	-
Accounts receivable	12,335	26,480	38,815	-
Notes receivable	30,000	-	30,000	-
Due from component unit	308,490	-	308,490	-
Due from other governmental units	215,655	35,408	251,063	288,168
Inventories	-	-	-	16,860
Prepaid items	10,471	-	10,471	32,488
Capital assets (net of accumulated depreciation):				
Land	197,365	3,816	201,181	13,035
Buildings and improvements	1,478,553	-	1,478,553	2,645,284
Machinery and equipment	384,982	-	384,982	64,569
Utility plant and equipment	-	768,960	768,960	-
Construction in progress	2,052	133,548	135,600	-
Total assets	<u>\$ 8,527,358</u>	<u>\$ 1,688,151</u>	<u>\$ 10,215,509</u>	<u>\$ 3,394,116</u>
LIABILITIES				
Accounts payable	\$ 61,219	\$ 27,324	\$ 88,543	\$ 6,818
Accrued liabilities	-	-	-	333,712
Accrued interest payable	10,639	280	10,919	-
Due to primary government	-	-	-	308,490
Unearned revenue	33,683	5,475	39,158	-
Long-term liabilities:				
Due within one year	147,611	4,609	152,220	-
Due in more than one year	412,371	166,010	578,381	47,772
Total liabilities	<u>\$ 665,523</u>	<u>\$ 203,698</u>	<u>\$ 869,221</u>	<u>\$ 696,792</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 1,256,578	\$ -	\$ 1,256,578	\$ -
Total deferred inflows of resources	<u>\$ 1,256,578</u>	<u>\$ -</u>	<u>\$ 1,256,578</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 1,674,606	\$ 744,401	\$ 2,419,007	\$ 2,722,888
Unrestricted	4,930,651	740,052	5,670,703	(25,564)
Total net position	<u>\$ 6,605,257</u>	<u>\$ 1,484,453</u>	<u>\$ 8,089,710</u>	<u>\$ 2,697,324</u>

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

County of Highland, Virginia

Statement of Activities

For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 897,659	\$ 466	\$ 147,207	\$ -
Judicial administration	247,397	3,092	218,515	-
Public safety	912,046	23,591	502,353	-
Public works	128,759	-	21,100	118,208
Health and welfare	384,612	-	262,556	-
Education	2,095,450	-	-	-
Parks, recreation, and cultural	87,396	-	-	-
Community development	143,030	-	-	-
Interest on long-term debt	23,583	-	-	-
Total governmental activities	<u>\$ 4,919,932</u>	<u>\$ 27,149</u>	<u>\$ 1,151,731</u>	<u>\$ 118,208</u>
Business-type activities:				
Refuse Disposal	\$ 278,003	\$ 309,354	\$ 8,419	\$ -
McDowell Water System	69,172	34,711	-	35,408
Recreation Commission	50,491	34,172	43,275	-
Total business-type activities	<u>\$ 397,666</u>	<u>\$ 378,237</u>	<u>\$ 51,694</u>	<u>\$ 35,408</u>
Total primary government	<u>\$ 5,317,598</u>	<u>\$ 405,386</u>	<u>\$ 1,203,425</u>	<u>\$ 153,616</u>
COMPONENT UNIT:				
School Board	\$ 3,912,855	\$ 48,244	\$ 1,720,668	\$ -
Total component unit	<u>\$ 3,912,855</u>	<u>\$ 48,244</u>	<u>\$ 1,720,668</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

Bank stock taxes

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	
\$ (749,986)	\$ -	\$ (749,986)	\$	-
(25,790)	-	(25,790)		-
(386,102)	-	(386,102)		-
10,549	-	10,549		-
(122,056)	-	(122,056)		-
(2,095,450)	-	(2,095,450)		-
(87,396)	-	(87,396)		-
(143,030)	-	(143,030)		-
(23,583)	-	(23,583)		-
<u>\$ (3,622,844)</u>	<u>\$ -</u>	<u>\$ (3,622,844)</u>	<u>\$</u>	<u>-</u>
\$ -	\$ 39,770	\$ 39,770	\$	-
-	947	947		-
-	26,956	26,956		-
<u>\$ -</u>	<u>\$ 67,673</u>	<u>\$ 67,673</u>	<u>\$</u>	<u>-</u>
<u>\$ (3,622,844)</u>	<u>\$ 67,673</u>	<u>\$ (3,555,171)</u>	<u>\$</u>	<u>-</u>
\$ -	\$ -	\$ -	\$	(2,143,943)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>(2,143,943)</u>
\$ 2,771,902	\$ -	\$ 2,771,902	\$	-
111,989	-	111,989		-
138,706	-	138,706		-
53,113	-	53,113		-
34,597	-	34,597		-
14,371	-	14,371		-
22,784	-	22,784		-
43,762	1,761	45,523		-
74,892	-	74,892		49,259
246,160	-	246,160		2,080,700
(85,426)	85,426	-		-
<u>\$ 3,426,850</u>	<u>\$ 87,187</u>	<u>\$ 3,514,037</u>	<u>\$</u>	<u>2,129,959</u>
<u>\$ (195,994)</u>	<u>\$ 154,860</u>	<u>\$ (41,134)</u>	<u>\$</u>	<u>(13,984)</u>
6,801,251	1,329,593	8,130,844		2,711,308
<u>\$ 6,605,257</u>	<u>\$ 1,484,453</u>	<u>\$ 8,089,710</u>	<u>\$</u>	<u>2,697,324</u>

THIS PAGE LEFT BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

County of Highland, Virginia

Balance Sheet
Governmental Funds
June 30, 2013

	General	Virginia Public Assistance	E-911	County Capital Improvements	School Capital Projects
ASSETS					
Cash and cash equivalents	\$ 3,754,214	\$ 16	\$ 172,776	\$ 395,574	\$ 190,924
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,348,788	-	-	-	-
Accounts receivable	12,335	-	-	-	-
Notes receivable	30,000	-	-	-	-
Due from other funds	-	23,140	-	-	-
Due from component unit	308,490	-	-	-	-
Due from other governmental units	191,656	17,214	6,785	-	-
Prepaid items	1,830	-	-	8,641	-
Total assets	<u>\$ 5,647,313</u>	<u>\$ 40,370</u>	<u>\$ 179,561</u>	<u>\$ 404,215</u>	<u>\$ 190,924</u>
LIABILITIES					
Accounts payable	\$ 22,778	\$ 32,199	1,551	\$ 4,691	\$ -
Due to other funds	23,140	-	-	-	-
Unearned revenue - other	25,512	8,171	-	-	-
Total liabilities	<u>\$ 71,430</u>	<u>\$ 40,370</u>	<u>\$ 1,551</u>	<u>\$ 4,691</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 1,371,699	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>\$ 1,371,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Nonspendable:					
Prepaid items	\$ 1,830	\$ -	\$ -	\$ 8,641	\$ -
Notes receivable	30,000	-	-	-	-
Restricted:					
Fire prevention programs	1,600	-	-	-	-
Recording equipment	768	-	-	-	-
Law library	6,776	-	-	-	-
Courthouse maintenance	26,710	-	-	-	-
E911	-	-	178,010	-	-
Forfeited assets	-	-	-	-	-
Committed:					
Assessor	83,000	-	-	-	-
Equipment replacement	99,430	-	-	-	-
Recreation commission	10,000	-	-	-	-
Auditor	4,333	-	-	-	-
Emergency food & shelter	4,529	-	-	-	-
Regional jail	72,000	-	-	-	-
Comprehensive plan	15,000	-	-	-	-
Bus reserve	15,000	-	-	-	-
Transportation enhancement project	272,822	-	-	-	-
Veteran's memorial	6,342	-	-	-	-
Assigned:					
Fire prevention programs	2,291	-	-	-	-
Gypsy moth spraying	3,471	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	390,883	190,924
Unassigned, reported in:					
General fund	3,548,282	-	-	-	-
Total fund balances	<u>\$ 4,204,184</u>	<u>\$ -</u>	<u>\$ 178,010</u>	<u>\$ 399,524</u>	<u>\$ 190,924</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,647,313</u>	<u>\$ 40,370</u>	<u>\$ 179,561</u>	<u>\$ 404,215</u>	<u>\$ 190,924</u>

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

Exhibit 3

<u>Other</u>			
<u>Governmental</u>			
<u>Funds</u>		<u>Total</u>	
\$	25,163	\$	4,538,667
-		1,348,788	
-		12,335	
-		30,000	
-		23,140	
-		308,490	
-		215,655	
-		10,471	
\$	<u>25,163</u>	\$	<u>6,487,546</u>
\$	-	\$	61,219
-		23,140	
-		33,683	
\$	<u>-</u>	\$	<u>118,042</u>
\$	-	\$	1,371,699
\$	<u>-</u>	\$	<u>1,371,699</u>
\$	-	\$	10,471
-		30,000	
-		1,600	
-		768	
-		6,776	
-		26,710	
-		178,010	
20,235		20,235	
-		83,000	
-		99,430	
-		10,000	
-		4,333	
-		4,529	
-		72,000	
-		15,000	
-		15,000	
-		272,822	
-		6,342	
-		2,291	
-		3,471	
4,928		4,928	
-		581,807	
-		3,548,282	
\$	<u>25,163</u>	\$	<u>4,997,805</u>
\$	<u>25,163</u>	\$	<u>6,487,546</u>

THIS PAGE LEFT BLANK INTENTIONALLY

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 4,997,805
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,062,952
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	115,121
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(570,621)</u>
Net position of governmental activities	\$ <u><u>6,605,257</u></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

For the Year Ended June 30, 2013

	General	Virginia Public Assistance	E-911	County Capital Improvements
REVENUES				
General property taxes	\$ 2,792,621	\$ -	\$ -	\$ -
Other local taxes	340,963	-	34,597	-
Permits, privilege fees, and regulatory licenses	9,444	-	-	-
Fines and forfeitures	461	-	-	-
Revenue from the use of money and property	43,762	-	-	-
Charges for services	17,244	-	-	-
Miscellaneous	58,906	7,845	-	-
Intergovernmental revenues:				
Commonwealth	1,018,130	99,987	25,816	-
Federal	203,318	162,569	-	-
Total revenues	<u>\$ 4,484,849</u>	<u>\$ 270,401</u>	<u>\$ 60,413</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
General government administration	\$ 876,547	\$ -	\$ -	\$ -
Judicial administration	243,248	-	-	-
Public safety	790,766	-	24,806	-
Public works	113,702	-	-	-
Health and welfare	95,803	337,610	-	-
Education	1,976,386	-	-	-
Parks, recreation, and cultural	50,882	-	-	-
Community development	143,030	-	-	-
Nondepartmental	47,220	-	-	-
Capital projects	206	-	-	61,706
Debt service:				
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>\$ 4,337,790</u>	<u>\$ 337,610</u>	<u>\$ 24,806</u>	<u>\$ 61,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 147,059</u>	<u>\$ (67,209)</u>	<u>\$ 35,607</u>	<u>\$ (61,706)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 86,428	\$ 93,845	\$ -	\$ 136,000
Transfers out	(433,485)	(26,636)	-	(103,426)
Total other financing sources (uses)	<u>\$ (347,057)</u>	<u>\$ 67,209</u>	<u>\$ -</u>	<u>\$ 32,574</u>
Net change in fund balances	\$ (199,998)	\$ -	\$ 35,607	\$ (29,132)
Fund balances - beginning	4,404,182	-	142,403	428,656
Fund balances - ending	<u>\$ 4,204,184</u>	<u>\$ -</u>	<u>\$ 178,010</u>	<u>\$ 399,524</u>

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

Exhibit 5

School Capital Projects	Other Governmental Funds	Total	
\$ -	\$ -	\$ 2,792,621	
-	-	375,560	
-	-	9,444	
-	-	461	
-	-	43,762	
-	-	17,244	
-	8,141	74,892	
-	6,279	1,150,212	
-	-	365,887	
<u>\$ -</u>	<u>\$ 14,420</u>	<u>\$ 4,830,083</u>	
\$ -	\$ -	\$ 876,547	
-	-	243,248	
-	4,570	820,142	
-	-	113,702	
-	-	433,413	
-	-	1,976,386	
-	-	50,882	
-	-	143,030	
-	-	47,220	
14,750	-	76,662	
143,690	-	143,690	
27,660	-	27,660	
<u>\$ 186,100</u>	<u>\$ 4,570</u>	<u>\$ 4,952,582</u>	
<u>\$ (186,100)</u>	<u>\$ 9,850</u>	<u>\$ (122,499)</u>	
\$ 172,640	\$ -	\$ 488,913	
-	(10,792)	(574,339)	
<u>\$ 172,640</u>	<u>\$ (10,792)</u>	<u>\$ (85,426)</u>	
\$ (13,460)	\$ (942)	\$ (207,925)	
204,384	26,105	5,205,730	
<u>\$ 190,924</u>	<u>\$ 25,163</u>	<u>\$ 4,997,805</u>	

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

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

Net change in fund balances - total governmental funds	\$ (207,925)
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	(136,203)
---	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(20,719)
--	----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 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.	142,813
--	---------

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>26,040</u>
--	---------------

Change in net position of governmental activities	<u><u>\$ (195,994)</u></u>
---	----------------------------

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

Statement of Net Position
 Proprietary Funds
 June 30, 2013

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 81,925	\$ 501,233	\$ 115,261	\$ 698,419
Investments	-	-	21,520	21,520
Accounts receivable	5,596	20,884	-	26,480
Due from other governmental units	35,408	-	-	35,408
Total current assets	<u>\$ 122,929</u>	<u>\$ 522,117</u>	<u>\$ 136,781</u>	<u>\$ 781,827</u>
Noncurrent assets:				
Capital assets:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Utility plant and equipment	1,156,243	78,215	20,801	1,255,259
Accumulated depreciation	(413,798)	(69,825)	(2,676)	(486,299)
Construction in progress	37,708	95,840	-	133,548
Total net capital assets	<u>\$ 783,969</u>	<u>\$ 104,230</u>	<u>\$ 18,125</u>	<u>\$ 906,324</u>
Total assets	<u>\$ 906,898</u>	<u>\$ 626,347</u>	<u>\$ 154,906</u>	<u>\$ 1,688,151</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 12,480	\$ 11,880	\$ 2,964	\$ 27,324
Accrued interest payable	280	-	-	280
Unearned revenue	-	-	5,475	5,475
Revenue bonds - current portion	4,609	-	-	4,609
Total current liabilities	<u>\$ 17,369</u>	<u>\$ 11,880</u>	<u>\$ 8,439</u>	<u>\$ 37,688</u>
Noncurrent liabilities:				
Revenue bonds - net of current portion	\$ 157,314	\$ -	\$ -	\$ 157,314
Compensated absences	-	8,696	-	8,696
Total noncurrent liabilities	<u>\$ 157,314</u>	<u>\$ 8,696</u>	<u>\$ -</u>	<u>\$ 166,010</u>
Total liabilities	<u>\$ 174,683</u>	<u>\$ 20,576</u>	<u>\$ 8,439</u>	<u>\$ 203,698</u>
NET POSITION				
Net investment in capital assets	\$ 622,046	\$ 104,230	\$ 18,125	\$ 744,401
Unrestricted	110,169	501,541	128,342	740,052
Total net position	<u>\$ 732,215</u>	<u>\$ 605,771</u>	<u>\$ 146,467</u>	<u>\$ 1,484,453</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2013

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 34,711	\$ -	\$ -	\$ 34,711
Refuse disposal	-	292,231	-	292,231
Recycling revenues	-	4,822	-	4,822
Tire disposal	-	3,433	-	3,433
Program income	-	-	27,304	27,304
Operating grants	-	-	43,275	43,275
Other revenues	-	8,868	6,868	15,736
Total operating revenues	\$ 34,711	\$ 309,354	\$ 77,447	\$ 421,512
OPERATING EXPENSES				
Personal services	\$ 9,595	\$ 75,664	\$ -	\$ 85,259
Fringe benefits	734	16,618	-	17,352
Contractual services	11,550	162,966	60	174,576
Rentals and leases	-	-	397	397
Depreciation	28,378	6,830	1,836	37,044
Supplies	-	-	16,722	16,722
Staff expenses	-	-	3,295	3,295
Utilities	-	-	6,467	6,467
Other charges	11,473	15,925	21,714	49,112
Total operating expenses	\$ 61,730	\$ 278,003	\$ 50,491	\$ 390,224
Operating income (loss)	\$ (27,019)	\$ 31,351	\$ 26,956	\$ 31,288
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue (expense)	\$ -	\$ 8,419	\$ -	\$ 8,419
Investment earnings	179	-	1,582	1,761
NWS grant	35,408	-	-	35,408
Interest expense	(7,442)	-	-	(7,442)
Total nonoperating revenues (expenses)	\$ 28,145	\$ 8,419	\$ 1,582	\$ 38,146
Income before transfers	\$ 1,126	\$ 39,770	\$ 28,538	\$ 69,434
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 7,586	\$ 95,840	\$ -	\$ 103,426
Transfers out	-	(18,000)	-	(18,000)
Total other financing sources (uses)	\$ 7,586	\$ 77,840	\$ -	\$ 85,426
Change in net position	\$ 8,712	\$ 117,610	\$ 28,538	\$ 154,860
Total net position - beginning	\$ 723,503	\$ 488,161	\$ 117,929	\$ 1,329,593
Total net position - ending	\$ 732,215	\$ 605,771	\$ 146,467	\$ 1,484,453

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2013

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 34,681	\$ 311,042	\$ 76,054	\$ 421,777
Payments to suppliers	(13,109)	(182,731)	(14,215)	(210,055)
Payments to employees	(10,329)	(90,759)	-	(101,088)
Other receipts (payments)	(35,408)	-	(24,608)	(60,016)
Net cash provided by (used for) operating activities	\$ (24,165)	\$ 37,552	\$ 37,231	\$ 50,618
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ -	\$ (18,000)	\$ -	\$ (18,000)
Transfers from other funds	7,586	95,840	-	103,426
Intergovernmental revenues	-	8,419	-	8,419
Net cash provided by (used for) noncapital financing activities	\$ 7,586	\$ 86,259	\$ -	\$ 93,845
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital grants	\$ 35,408	\$ -	\$ -	\$ 35,408
Principal payments on bonds	(4,391)	-	-	(4,391)
Interest payments	(7,442)	-	-	(7,442)
Purchase of capital assets	(42,777)	(95,840)	(13,950)	(152,567)
Net cash provided by (used for) capital and related financing activities	\$ (19,202)	\$ (95,840)	\$ (13,950)	\$ (128,992)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	\$ 179	\$ -	\$ 1,109	\$ 1,288
Net cash provided by (used for) investing activities	\$ 179	\$ -	\$ 1,109	\$ 1,288
Net increase (decrease) in cash and cash equivalents	\$ (35,602)	\$ 27,971	\$ 24,390	\$ 16,759
Cash and cash equivalents - beginning	117,527	473,262	90,871	681,660
Cash and cash equivalents - ending	\$ 81,925	\$ 501,233	\$ 115,261	\$ 698,419
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (27,019)	\$ 31,351	\$ 26,956	\$ 31,288
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	\$ 28,378	\$ 6,830	\$ 1,836	\$ 37,044
(Increase) decrease in accounts receivable	(30)	1,688	-	1,658
(Increase) decrease in intergovernmental receivables	(35,408)	-	-	(35,408)
Increase (decrease) in accounts payable	9,924	(3,840)	2,964	9,048
Increase (decrease) in unearned revenue	-	-	5,475	5,475
Increase (decrease) in accrued interest payable	(10)	-	-	(10)
Increase (decrease) in compensated absences	-	1,523	-	1,523
Total adjustments	\$ 2,854	\$ 6,201	\$ 10,275	\$ 19,330
Net cash provided by (used for) operating activities	\$ (24,165)	\$ 37,552	\$ 37,231	\$ 50,618

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

THIS PAGE LEFT BLANK INTENTIONALLY

County of Highland, Virginia

Notes to Financial Statements June 30, 2013

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, 2013 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 columns in the financial statements include the financial data of the County's discretely presented component units. They are reported in separate columns to emphasize that they are 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 units, are reported at fair value.

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 non-current 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 5th and December 5th. 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 \$3,446, at June 30, 2013 and is comprised solely of property taxes. This allowance represents 0.021% 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 or business-type activities 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 liabilities 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, other 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, 2013.

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

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

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

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

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

Note 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 (\$570,621) and (\$47,772) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
General obligation bonds	\$ (388,346)	\$ -
Landfill accrued post-closure monitoring costs	(52,437)	-
Accrued interest payable	(10,639)	-
Compensated absences	(119,199)	(47,772)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ (570,621)	\$ (47,772)

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 (\$136,203), and (\$11,110), differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlay	\$ 120,821	\$ 21,737
Depreciation expense	(152,710)	(137,161)
Allocation of debt financed school assets based on current year repayments	(104,314)	104,314
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>	\$ (136,203)	\$ (11,110)

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 \$142,813 difference in the primary government are as follows:

	Primary Government
Increase in accrued landfill closure and post-closure monitoring costs	\$ (877)
Principal repayments:	
General obligation debt	143,690
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>	\$ 142,813

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 \$26,040 and (\$11,246) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Compensated absences	\$ 21,963	\$ (11,246)
Accrued interest payable	4,077	-
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>	\$ 26,040	\$ (11,246)

County of Highland, Virginia

Notes to Financial Statements June 30, 2013 (Continued)

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.

A. Excess of expenditures over appropriations at June 30, 2013:

Fund	Function	Excess of Expenditures over Appropriations
Sheriff's grants fund	Drug enforcement	\$ 2,000
E-911 fund	Administration	270
Total Primary Government		\$ 2,270
School Operating Fund	Education	\$ 5,499
School Cafeteria Fund	Education	6,223
Total Component Unit - School Board		\$ 11,722
Total All Funds		\$ 13,992

County of Highland, Virginia

Notes to Financial Statements June 30, 2013 (Continued)

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, 2013 were rated by Moody's and/or an equivalent national rating organization and the ratings are presented below using the Moody's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
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, 2013 (Continued)

Note 5—Due from Other Governmental Units:

	Primary Government	Component Unit
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 45,819
Local sales taxes	19,699	-
Communication taxes	12,210	-
DMV select	427	-
Recordation tax	1,417	-
Public assistance and welfare administration	5,604	-
Wireless	6,785	-
Commonwealth attorney	5,788	-
Clerk of Circuit Court	11,145	-
Treasurer	5,986	-
Commissioner of Revenue	4,936	-
Sheriff	40,309	-
Fire programs	1,600	-
FEMA Reimbursement	-	155
Stormwater Program Reimbursement	607	-
Juror Reimbursement	570	-
NWS grant reimbursement	35,408	-
Federal Government:		
School grants	-	242,194
DEQ Rents and Royalties	-	-
ISTEA Grant	86,962	-
Public assistance and welfare administration	11,610	-
Total	<u>\$ 251,063</u>	<u>\$ 288,168</u>

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	\$ -	\$ 23,140	\$ -	\$ 308,490
VPA Fund	23,140	-	-	-
Sub-total	<u>\$ 23,140</u>	<u>\$ 23,140</u>	<u>\$ -</u>	<u>\$ 308,490</u>
Component Unit-School Board				
School Operating Fund	\$ -	\$ -	\$ 308,490	\$ -
Total	<u>\$ 23,140</u>	<u>\$ 23,140</u>	<u>\$ 308,490</u>	<u>\$ 308,490</u>

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, 2013 (Continued)

Note 7—Interfund Transfers:

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 86,428	\$ 433,485
Virginia Public Assistance Fund	93,845	26,636
Refuse Disposal Fund	95,840	18,000
McDowell Water System	7,586	-
County Capital Improvements Fund	136,000	103,426
School Capital Projects Fund	172,640	-
Sheriff's grants	-	10,792
Total	<u>\$ 592,339</u>	<u>\$ 592,339</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 Activity Indebtedness:

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

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General obligation bonds	\$ 532,036	\$ -	\$ 143,690	\$ 388,346
Landfill closure/post-closure costs	51,560	877	-	52,437
Compensated absences	141,162	-	21,963	119,199
Total Long-Term Liabilities	<u>\$ 724,758</u>	<u>\$ 877</u>	<u>\$ 165,653</u>	<u>\$ 559,982</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>
2014	\$ 147,611	\$ 18,638
2015	151,794	9,356
2016	44,208	3,492
2017	44,733	1,168
Total	<u>\$ 388,346</u>	<u>\$ 32,654</u>

County of Highland, Virginia

Notes to Financial Statements
June 30, 2013 (Continued)

Note 8—Long-Term Obligations: (continued)

Primary Government-Governmental Activity Obligations: (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General obligation bonds:</u>		
\$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%	\$ 212,456	\$ 104,372
\$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%	<u>175,890</u>	<u>43,239</u>
Total general obligations bonds	\$ <u>388,346</u>	\$ <u>147,611</u>
Landfill accrued post-closure monitoring costs	\$ <u>52,437</u>	\$ -
Compensated absences (payable from the General Fund)	\$ <u>119,199</u>	\$ -
Total long-term obligations	<u>\$ 559,982</u>	<u>\$ 147,611</u>

The following is a summary of long-term obligation transactions of the enterprise funds for the year ended June 30, 2013:

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
Revenue Bonds	\$ 166,314	\$ -	\$ 4,391	\$ 161,923
Compensated absences	7,173	1,523	-	8,696
Total Long-Term Liabilities	<u>\$ 173,487</u>	<u>\$ 1,523</u>	<u>\$ 4,391</u>	<u>\$ 170,619</u>

This space left blank intentionally.

County of Highland, Virginia

Notes to Financial Statements
June 30, 2013 (Continued)

Note 8—Long-Term Obligations: (continued)

Primary Government-Enterprise Activity Obligations:

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

Years Ending June 30,	Revenue Bonds	
	Principal	Interest
2014	\$ 4,609	\$ 7,235
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	1,263	9
Total	\$ <u>161,923</u>	\$ <u>102,346</u>

County of Highland, Virginia

Notes to Financial Statements
June 30, 2013 (Continued)

Note 8—Long-Term Obligations: (continued)

Primary Government-Enterprise Activity Obligations: (continued)

Details of long-term debt:

	Total Amount	Amount Due Within One Year
<u>McDowell Water System:</u>		
Revenue Bonds:		
\$58,000 loan from Farmers Home Administration, \$283 payable monthly at a rate of 5%	\$ 35,933	\$ 1,634
\$40,000 loan from Farmers Home Administration, \$192 payable monthly at a rate of 5%	24,874	1,120
\$44,300 loan from Rural Development, \$202 payable monthly at a rate of 4.5%	34,301	902
\$71,000 loan from Rural Development, \$307 payable monthly at a rate of 4.125%	66,815	953
Total revenue bonds	\$ 161,923	\$ 4,609
<u>Refuse Disposal Fund:</u>		
Compensated Absences	\$ 8,696	\$ -
Total long-term obligations	\$ 170,619	\$ 4,609

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, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Compensated absences	\$ 36,526	\$ 11,246	\$ -	\$ 47,772
Total Long-Term Liabilities	\$ 36,526	\$ 11,246	\$ -	\$ 47,772

Note 9—Defined Benefit Pension Plan:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

Note 9—Defined Benefit Pension Plan:

A. Plan Description (continued)

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

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

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% 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 their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's contribution rate for the fiscal year ended 2013 were 12.69% and 11.57%, respectively, of annual covered payroll.

The School Board's contributions for professional employees were \$272,000, \$114,033, and \$71,313, to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012 and 2011, respectively and these contributions represented 15.66%, 6.33%, and 3.93% respectively, of current covered payroll.

County of Highland, Virginia

Notes to Financial Statements June 30, 2013 (Continued)

Note 9—Defined Benefit Pension Plan: (continued)

C. Annual Pension Cost

For fiscal year 2013, the County's annual pension cost of \$145,674 was equal to the County's required and actual contributions.

For fiscal year 2013, the County School Board's annual pension cost for the board's non-professional employees was \$39,018 which was equal to the Board's required and actual contributions.

Three-Year Trend Information for the County and School Board

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County			
June 30, 2013	\$ 145,674	100%	\$ -
June 30, 2012	135,000	100%	-
June 30, 2011	135,217	100%	-
School Board Non Professional			
June 30, 2013	\$ 39,018	100%	\$ -
June 30, 2012	23,156	100%	-
June 30, 2011	21,794	100%	-

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the County School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and the 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, 2012, the most recent actuarial valuation date, the County's plan was 71.90% funded. The actuarial accrued liability for benefits was \$5,998,911, and the actuarial value of assets was \$4,312,960, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,685,951. The covered payroll (annual payroll of active employees covered by the plan) was \$1,084,123, and ratio of the UAAL to the covered payroll was 155.51%.

Note 9—Defined Benefit Pension Plan: (continued)

D. Funded Status and Funding Progress: (continued)

As of June 30, 2012, the most recent actuarial valuation date, the County School Board's plan was 58.13% funded. The actuarial accrued liability for benefits was \$1,117,495, and the actuarial value of assets was \$649,630, resulting in an unfunded actuarial accrued liability (UAAL) of \$467,865. The covered payroll (annual payroll of active employees covered by the plan) was \$200,136, and ratio of the UAAL to the covered payroll was 233.77%.

The schedule of funding progress, presented as Required Supplementary Information following the note to the financial statements presents multiyear trend information about whether the actuarial value of the 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, 2013, 2012 and 2011 were \$19,280, \$10,809, and \$10,878, respectively and equaled the required contributions for each year.

County of Highland, Virginia

Notes to Financial Statements June 30, 2013 (Continued)

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.

Note 12—Unearned/Unavailable Revenue:

The following is a summary of unearned/unavailable revenue for the year ended June 30, 2013:

	Government- wide Statements Governmental Activities	Balance Sheet Governmental Funds
Primary Government:		
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	\$ -	\$ 115,121
Unearned revenue representing uncollected property tax billings for the second half of calendar year 2013. The uncollected tax billings are not available for the funding of current expenditures	1,210,856	1,210,856
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	45,722	45,722
Total primary government unavailable revenue	1,256,578	1,371,699
Unearned revenue:		
Excess CSA funds received from the state which will be applied to future CSA reimbursement requests	8,171	8,171
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	\$ 33,683	\$ 33,683

County of Highland, Virginia

Notes to Financial Statements
June 30, 2013 (Continued)

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
Jerry A. Rexrode	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

Note 14—Capital Assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 197,365	\$ -	\$ -	\$ 197,365
Construction in progress	134,473	38,747	(171,168)	2,052
Total capital assets not being depreciated	\$ 331,838	\$ 38,747	\$ (171,168)	\$ 199,417
Capital assets being depreciated:				
Buildings and improvements	\$ 2,110,084	\$ 42,723	\$ (143,690)	\$ 2,009,117
Machinery and equipment	843,602	210,519	(60,312)	993,809
Total capital assets being depreciated	\$ 2,953,686	\$ 253,242	\$ (204,002)	\$ 3,002,926
Accumulated depreciation:				
Buildings and improvements	\$ (511,415)	\$ (58,525)	\$ 39,376	\$ (530,564)
Machinery and equipment	(574,954)	(94,185)	60,312	(608,827)
Total accumulated depreciation	\$ (1,086,369)	\$ (152,710)	\$ 99,688	\$ (1,139,391)
Total capital assets being depreciated, net	\$ 1,867,317	\$ 100,532	\$ (104,314)	\$ 1,863,535
Governmental activities capital assets, net	\$ 2,199,155	\$ 139,279	\$ (275,482)	\$ 2,062,952

County of Highland, Virginia

Notes to Financial Statements
June 30, 2013 (Continued)

Note 14—Capital Assets: (continued)

Business-Type Activities

McDowell Water System

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 95,840	\$ -	\$ 95,840
Total capital assets not being depreciated	\$ -	\$ 95,840	\$ -	\$ 95,840
Other capital assets being depreciated:				
Utility plant and equipment	\$ 78,215	\$ -	\$ -	\$ 78,215
Accumulated depreciation	(62,995)	(6,830)	-	(69,825)
Net total other capital assets	\$ 15,220	\$ (6,830)	\$ -	\$ 8,390
Net capital assets	\$ 15,220	\$ 89,010	\$ -	\$ 104,230

Refuse Disposal Fund

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Construction in progress	-	37,708	-	37,708
Total capital assets not being depreciated	\$ 3,816	\$ 37,708	\$ -	\$ 41,524
Other capital assets:				
Utility plant and equipment	\$ 1,151,174	\$ 5,069	\$ -	\$ 1,156,243
Accumulated depreciation	(385,420)	(28,378)	-	(413,798)
Net total other capital assets	\$ 765,754	\$ (23,309)	\$ -	\$ 742,445
Net capital assets	\$ 769,570	\$ 14,399	\$ -	\$ 783,969

Recreation Commission Fund

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Other capital assets being depreciated:				
Furniture and equipment	\$ 6,851	\$ 13,950	\$ -	\$ 20,801
Accumulated depreciation	(840)	(1,836)	-	(2,676)
Net total other capital assets	\$ 6,011	\$ 12,114	\$ -	\$ 18,125
Net capital assets	\$ 6,011	\$ 12,114	\$ -	\$ 18,125

County of Highland, Virginia

Notes to Financial Statements
June 30, 2013 (Continued)

Note 14—Capital Assets: (continued)

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

Governmental activities:	
General government administration	\$ 15,514
Judicial administration	3,968
Public safety	81,627
Public works	16,337
Parks and Recreation	35,264
Total depreciation expense - governmental activities	<u>\$ 152,710</u>
Business-type activities:	
McDowell Water System	\$ 28,378
Refuse disposal	6,830
Recreation Commission	1,836
Total depreciation expense - business type activities	<u>\$ 37,044</u>

Component Unit: School Board

Capital asset activity for the School Board for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 13,035	\$ -	\$ -	\$ 13,035
Construction in progress	21,395	10,663	(32,058)	-
Total capital assets not being depreciated	<u>\$ 34,430</u>	<u>\$ 10,663</u>	<u>\$ (32,058)</u>	<u>\$ 13,035</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,862,588	\$ 181,118	\$ -	\$ 4,043,706
Furniture, equipment and vehicles	600,938	5,704	-	606,642
Total capital assets being depreciated	<u>\$ 4,463,526</u>	<u>\$ 186,822</u>	<u>\$ -</u>	<u>\$ 4,650,348</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,254,580)	\$ (143,842)	\$ -	\$ (1,398,422)
Furniture, equipment and vehicles	(509,378)	(32,695)	-	(542,073)
Total accumulated depreciation	<u>\$ (1,763,958)</u>	<u>\$ (176,537)</u>	<u>\$ -</u>	<u>\$ (1,940,495)</u>
Total capital assets being depreciated, net	<u>\$ 2,699,568</u>	<u>\$ 10,285</u>	<u>\$ -</u>	<u>\$ 2,709,853</u>
School Board capital assets, net	<u>\$ 2,733,998</u>	<u>\$ 20,948</u>	<u>\$ (32,058)</u>	<u>\$ 2,722,888</u>

County of Highland, Virginia

Notes to Financial Statements June 30, 2013 (Continued)

Note 14—Capital Assets: (continued)

Depreciation expense was charged to education in the amount of \$137,161.

- 1) 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, 2013, is that school financed assets in the amount of \$388,345 are reported in the Primary Government for financial reporting purposes.

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 \$52,437 at June 30, 2013. 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.

County of Highland, Virginia

Notes to Financial Statements June 30, 2013 (Continued)

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 balances of these loans at June 30, 2013 were \$5,000 and \$25,000, respectively.

Note 18—Litigation:

At June 30, 2013, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 19—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 20—Litigation:

At June 30, 2013, 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.

THIS PAGE LEFT BLANK INTENTIONALLY

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
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 2,722,236	\$ 2,724,736	\$ 2,792,621	\$ 67,885
Other local taxes	330,800	330,800	340,963	10,163
Permits, privilege fees, and regulatory licenses	11,650	11,650	9,444	(2,206)
Fines and forfeitures	500	500	461	(39)
Revenue from the use of money and property	52,600	52,600	43,762	(8,838)
Charges for services	11,325	11,325	17,244	5,919
Miscellaneous	35,200	35,200	58,906	23,706
Intergovernmental revenues:				
Commonwealth	985,152	985,152	1,018,130	32,978
Federal	44,000	44,000	203,318	159,318
Total revenues	<u>\$ 4,193,463</u>	<u>\$ 4,195,963</u>	<u>\$ 4,484,849</u>	<u>\$ 288,886</u>
EXPENDITURES				
Current:				
General government administration	\$ 900,180	\$ 896,405	\$ 876,547	\$ 19,858
Judicial administration	252,656	242,746	243,248	(502)
Public safety	724,158	795,189	790,766	4,423
Public works	36,554	138,856	113,702	25,154
Health and welfare	96,965	97,640	95,803	1,837
Education	2,000,829	2,001,484	1,976,386	25,098
Parks, recreation, and cultural	52,106	50,906	50,882	24
Community development	169,958	145,533	143,030	2,503
Nondepartmental	47,618	47,966	47,220	746
Capital projects	-	206	206	-
Total expenditures	<u>\$ 4,281,024</u>	<u>\$ 4,416,931</u>	<u>\$ 4,337,790</u>	<u>\$ 79,141</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (87,561)</u>	<u>\$ (220,968)</u>	<u>\$ 147,059</u>	<u>\$ 368,027</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 87,561	\$ 220,968	\$ 86,428	\$ (134,540)
Transfers out	-	-	(433,485)	(433,485)
Total other financing sources (uses)	<u>\$ 87,561</u>	<u>\$ 220,968</u>	<u>\$ (347,057)</u>	<u>\$ (568,025)</u>
Net change in fund balances	\$ -	\$ -	\$ (199,998)	\$ (199,998)
Fund balances - beginning	-	-	4,404,182	4,404,182
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,204,184</u>	<u>\$ 4,204,184</u>

Special Revenue Fund-Virginia Public Assistance Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 7,845	\$ 7,845
Intergovernmental revenues:				
Commonwealth	171,201	67,069	99,987	32,918
Federal	212,835	212,835	162,569	(50,266)
Total revenues	<u>\$ 384,036</u>	<u>\$ 279,904</u>	<u>\$ 270,401</u>	<u>\$ (9,503)</u>
EXPENDITURES				
Health and welfare	\$ 529,474	\$ 354,597	\$ 337,610	\$ 16,987
Total expenditures	<u>\$ 529,474</u>	<u>\$ 354,597</u>	<u>\$ 337,610</u>	<u>\$ 16,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (145,438)</u>	<u>\$ (74,693)</u>	<u>\$ (67,209)</u>	<u>\$ 7,484</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 145,438	\$ 74,693	\$ 93,845	\$ 19,152
Transfers out	-	-	(26,636)	(26,636)
Total other financing sources (uses)	<u>\$ 145,438</u>	<u>\$ 74,693</u>	<u>\$ 67,209</u>	<u>\$ (7,484)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Other local taxes	\$ -	\$ -	\$ 34,597	\$ 34,597
Intergovernmental revenues:				
Commonwealth	-	-	25,816	25,816
Total revenues	\$ -	\$ -	\$ 60,413	\$ 60,413
EXPENDITURES				
Public safety	\$ -	\$ 24,536	\$ 24,806	\$ (270)
Total expenditures	\$ -	\$ 24,536	\$ 24,806	\$ (270)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (24,536)	\$ 35,607	\$ 60,143
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 24,536	\$ -	\$ (24,536)
Total other financing sources (uses)	\$ -	\$ 24,536	\$ -	\$ (24,536)
Net change in fund balances	\$ -	\$ -	\$ 35,607	\$ 35,607
Fund balances - beginning	-	-	142,403	142,403
Fund balances - ending	\$ -	\$ -	\$ 178,010	\$ 178,010

Schedule of Pension Funding Progress
As of June 30, 2013

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)
06/30/12	\$ 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%
06/30/08	4,194,214	4,908,118	713,904	85.45%	1,000,677	71.34%

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)
06/30/12	\$ 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%
06/30/08	726,325	875,689	149,364	82.94%	200,711	74.42%

OTHER SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

County Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES				
Capital projects	\$ 136,000	\$ 207,916	\$ 61,706	\$ 146,210
Total expenditures	<u>\$ 136,000</u>	<u>\$ 207,916</u>	<u>\$ 61,706</u>	<u>\$ 146,210</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (136,000)</u>	<u>\$ (207,916)</u>	<u>\$ (61,706)</u>	<u>\$ 146,210</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 136,000	\$ 207,916	\$ 136,000	\$ (71,916)
Transfers out	-	-	(103,426)	(103,426)
Total other financing sources (uses)	<u>\$ 136,000</u>	<u>\$ 207,916</u>	<u>\$ 32,574</u>	<u>\$ (175,342)</u>
Net change in fund balances	\$ -	\$ -	\$ (29,132)	\$ (29,132)
Fund balances - beginning	-	-	428,656	428,656
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 399,524</u>	<u>\$ 399,524</u>

School Capital Projects Fund

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

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current:				
Education	\$ -	\$ 81,584	\$ -	\$ 81,584
Capital projects	1,290	28,458	14,750	13,708
Debt service:				
Principal retirement	143,690	143,690	143,690	-
Interest and other fiscal charges	27,660	27,660	27,660	-
Total expenditures	<u>\$ 172,640</u>	<u>\$ 281,392</u>	<u>\$ 186,100</u>	<u>\$ 95,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (172,640)</u>	<u>\$ (281,392)</u>	<u>\$ (186,100)</u>	<u>\$ 95,292</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 172,640</u>	<u>\$ 281,392</u>	<u>\$ 172,640</u>	<u>\$ (108,752)</u>
Total other financing sources (uses)	<u>\$ 172,640</u>	<u>\$ 281,392</u>	<u>\$ 172,640</u>	<u>\$ (108,752)</u>
Net change in fund balances	\$ -	\$ -	\$ (13,460)	\$ (13,460)
Fund balances - beginning	-	-	204,384	204,384
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,924</u>	<u>\$ 190,924</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2013

	Sheriff's Grants Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 8,141	\$ 8,141
Intergovernmental revenues:				
Commonwealth	-	-	6,279	6,279
Total revenues	\$ -	\$ -	\$ 14,420	\$ 14,420
EXPENDITURES				
Public safety	\$ -	\$ 2,570	\$ 4,570	\$ (2,000)
Total expenditures	\$ -	\$ 2,570	\$ 4,570	\$ (2,000)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (2,570)	\$ 9,850	\$ 12,420
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 2,570	\$ -	\$ (2,570)
Transfers out	-	-	(10,792)	(10,792)
Total other financing sources (uses)	\$ -	\$ 2,570	\$ (10,792)	\$ (13,362)
Net change in fund balances	\$ -	\$ -	\$ (942)	\$ (942)
Fund balances - beginning	-	-	26,105	26,105
Fund balances - ending	\$ -	\$ -	\$ 25,163	\$ 25,163

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

School Operating Fund – The School Operating fund is a special revenue fund that accounts for 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, 2013

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 321,765	\$ 11,947	\$ 333,712
Due from other governmental units	283,420	4,748	288,168
Inventories	-	16,860	16,860
Prepaid items	31,888	600	32,488
Total assets	<u>\$ 637,073</u>	<u>\$ 34,155</u>	<u>\$ 671,228</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,818	\$ -	\$ 6,818
Accrued liabilities	321,765	11,947	333,712
Due to primary government	308,490	-	308,490
Total liabilities	<u>\$ 637,073</u>	<u>\$ 11,947</u>	<u>\$ 649,020</u>
Fund balances:			
Nonspendable:			
Inventories	\$ -	\$ 16,860	16,860
Prepaid items	31,888	600	32,488
Assigned:			
School cafeteria	-	4,748	4,748
Unassigned	(31,888)	-	(31,888)
Total fund balances	<u>\$ -</u>	<u>\$ 22,208</u>	<u>\$ 22,208</u>
Total liabilities and fund balances	<u>\$ 637,073</u>	<u>\$ 34,155</u>	<u>\$ 671,228</u>

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

Total fund balances per above	\$ 22,208
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,722,888
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(47,772)</u>
Net position of governmental activities	<u>\$ 2,697,324</u>

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

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Charges for services	\$ -	\$ 48,244	\$ 48,244
Miscellaneous	49,259	-	49,259
Intergovernmental revenues:			
Local government	1,932,130	44,256	1,976,386
Commonwealth	1,447,306	3,691	1,450,997
Federal	171,821	97,850	269,671
Total revenues	<u>\$ 3,600,516</u>	<u>\$ 194,041</u>	<u>\$ 3,794,557</u>
EXPENDITURES			
Education	<u>\$ 3,600,516</u>	<u>\$ 185,669</u>	<u>\$ 3,786,185</u>
Total expenditures	<u>\$ 3,600,516</u>	<u>\$ 185,669</u>	<u>\$ 3,786,185</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 8,372	\$ 8,372
Net change in fund balances	\$ -	\$ 8,372	\$ 8,372
Fund balances - beginning	-	13,836	13,836
Fund balances - ending	<u>\$ -</u>	<u>\$ 22,208</u>	<u>\$ 22,208</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			\$ 8,372
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.			(11,110)
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>(11,246)</u>
Change in net position of governmental activities			<u>\$ (13,984)</u>

County of Highland, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	49,259	49,259
Intergovernmental revenues:				
Local government	2,000,829	2,001,484	1,932,130	(69,354)
Commonwealth	1,420,533	1,420,533	1,447,306	26,773
Federal	173,000	173,000	171,821	(1,179)
Total revenues	<u>\$ 3,594,362</u>	<u>\$ 3,595,017</u>	<u>\$ 3,600,516</u>	<u>\$ 5,499</u>
EXPENDITURES				
Education	<u>\$ 3,594,362</u>	<u>\$ 3,595,017</u>	<u>\$ 3,600,516</u>	<u>\$ (5,499)</u>
Total expenditures	<u>\$ 3,594,362</u>	<u>\$ 3,595,017</u>	<u>\$ 3,600,516</u>	<u>\$ (5,499)</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 19

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 45,000	\$ 45,000	\$ 48,244	\$ 3,244
-	-	-	-
-	-	44,256	44,256
3,971	3,971	3,691	(280)
75,000	75,000	97,850	22,850
<u>\$ 123,971</u>	<u>\$ 123,971</u>	<u>\$ 194,041</u>	<u>\$ 70,070</u>
\$ 173,972	\$ 179,446	\$ 185,669	\$ (6,223)
<u>\$ 173,972</u>	<u>\$ 179,446</u>	<u>\$ 185,669</u>	<u>\$ (6,223)</u>
\$ (50,001)	\$ (55,475)	\$ 8,372	\$ 63,847
\$ (50,001)	\$ (55,475)	\$ 8,372	\$ 63,847
50,001	55,475	13,836	(41,639)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,208</u>	<u>\$ 22,208</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,480,186	\$ 2,487,186	\$ 2,537,179	\$ 49,993
Real and personal public service corporation taxes	54,000	54,000	60,009	6,009
Personal property taxes	166,000	161,500	163,119	1,619
Mobile home taxes	2,000	2,000	1,682	(318)
Machinery and tools taxes	375	375	152	(223)
Merchants Capital taxes	2,675	2,675	2,802	127
Penalties	11,000	11,000	16,380	5,380
Interest	6,000	6,000	11,298	5,298
Total general property taxes	\$ 2,722,236	\$ 2,724,736	\$ 2,792,621	\$ 67,885
Other local taxes:				
Local sales and use taxes	\$ 98,000	\$ 98,000	\$ 111,989	\$ 13,989
Consumers' utility taxes	142,500	142,500	138,706	(3,794)
Consumption taxes	6,400	6,400	6,454	54
Motor vehicle licenses	51,500	51,500	53,113	1,613
Bank stock taxes	12,400	12,400	14,371	1,971
Taxes on recordation and wills	20,000	20,000	16,330	(3,670)
Total other local taxes	\$ 330,800	\$ 330,800	\$ 340,963	\$ 10,163
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,800	\$ 2,800	\$ 2,523	\$ (277)
Transfer fees	150	150	164	14
Permits and other licenses	8,700	8,700	6,757	(1,943)
Total permits, privilege fees, and regulatory licenses	\$ 11,650	\$ 11,650	\$ 9,444	\$ (2,206)
Fines and forfeitures:				
Court fines and forfeitures	\$ 500	\$ 500	\$ 461	\$ (39)
Total fines and forfeitures	\$ 500	\$ 500	\$ 461	\$ (39)
Revenue from use of money and property:				
Revenue from use of money	\$ 44,600	\$ 44,600	\$ 37,971	\$ (6,629)
Revenue from use of property	8,000	8,000	5,791	(2,209)
Total revenue from use of money and property	\$ 52,600	\$ 52,600	\$ 43,762	\$ (8,838)
Charges for services:				
Charges for law enforcement and traffic control	\$ 11,025	\$ 11,025	\$ 14,147	\$ 3,122
Charges for courthouse maintenance	-	-	2,116	2,116
Charges for Commonwealth's Attorney	100	100	296	196
Charges for other services	200	200	466	266
Charges for law library	-	-	219	219
Total charges for services	\$ 11,325	\$ 11,325	\$ 17,244	\$ 5,919
Miscellaneous revenue:				
Miscellaneous	\$ 35,200	\$ 35,200	\$ 58,456	\$ 23,256
Donations	-	-	450	450
Total miscellaneous revenue	\$ 35,200	\$ 35,200	\$ 58,906	\$ 23,706
Total revenue from local sources	\$ 3,164,311	\$ 3,166,811	\$ 3,263,401	\$ 96,590

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 500	\$ 500	\$ 4,361	\$ 3,861
Taxes on deeds	5,000	5,000	4,578	(422)
Motor vehicle carriers' tax	100	100	607	507
State recordation tax	9,000	9,000	5,552	(3,448)
Personal property tax relief funds	167,052	167,052	167,052	-
Total noncategorical aid	<u>\$ 181,652</u>	<u>\$ 181,652</u>	<u>\$ 182,150</u>	<u>\$ 498</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 68,000	\$ 68,000	\$ 65,882	\$ (2,118)
Sheriff	450,000	450,000	444,579	(5,421)
Commissioner of revenue	54,000	54,000	59,391	5,391
Treasurer	58,000	58,000	62,569	4,569
Registrar/electoral board	30,000	30,000	25,247	(4,753)
Clerk of the Circuit Court	135,500	135,500	152,633	17,133
Total shared expenses	<u>\$ 795,500</u>	<u>\$ 795,500</u>	<u>\$ 810,301</u>	<u>\$ 14,801</u>
Other categorical aid:				
Two-for-life grant	\$ 3,000	\$ 3,000	\$ 2,938	\$ (62)
Fire prevention program	-	-	16,000	16,000
Other state grants	5,000	5,000	6,741	1,741
Total other categorical aid	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 25,679</u>	<u>\$ 17,679</u>
Total categorical aid	<u>\$ 803,500</u>	<u>\$ 803,500</u>	<u>\$ 835,980</u>	<u>\$ 32,480</u>
Total revenue from the Commonwealth	<u>\$ 985,152</u>	<u>\$ 985,152</u>	<u>\$ 1,018,130</u>	<u>\$ 32,978</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	<u>\$ 44,000</u>	<u>\$ 44,000</u>	<u>\$ 64,010</u>	<u>\$ 20,010</u>
Categorical aid:				
ISTEA grant	\$ -	\$ -	\$ 117,902	\$ 117,902
DEQ royalty grants	-	-	306	306
Disaster relief public assistance grant	-	-	21,100	21,100
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,308</u>	<u>\$ 139,308</u>
Total revenue from the federal government	<u>\$ 44,000</u>	<u>\$ 44,000</u>	<u>\$ 203,318</u>	<u>\$ 159,318</u>
Total General Fund	<u>\$ 4,193,463</u>	<u>\$ 4,195,963</u>	<u>\$ 4,484,849</u>	<u>\$ 288,886</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous reimbursements and refunds	\$ -	\$ -	\$ 7,845	\$ 7,845
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,845</u>	<u>\$ 7,845</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (continued)				
Virginia Public Assistance Fund: (continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 38,069	\$ 38,069	\$ 84,694	\$ 46,625
Comprehensive Services Act program	133,132	29,000	15,293	(13,707)
Total categorical aid	<u>\$ 171,201</u>	<u>\$ 67,069</u>	<u>\$ 99,987</u>	<u>\$ 32,918</u>
Total revenue from the Commonwealth	<u>\$ 171,201</u>	<u>\$ 67,069</u>	<u>\$ 99,987</u>	<u>\$ 32,918</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 212,835	\$ 212,835	\$ 162,569	\$ (50,266)
Total revenue from the federal government	<u>\$ 212,835</u>	<u>\$ 212,835</u>	<u>\$ 162,569</u>	<u>\$ (50,266)</u>
Total Virginia Public Assistance Fund	<u><u>\$ 384,036</u></u>	<u><u>\$ 279,904</u></u>	<u><u>\$ 270,401</u></u>	<u><u>\$ (9,503)</u></u>
E-911 Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 tax	\$ -	\$ -	\$ 34,597	\$ 34,597
Total other local taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,597</u>	<u>\$ 34,597</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,597</u>	<u>\$ 34,597</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
E-911 grant	\$ -	\$ -	\$ 25,816	\$ 25,816
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,816</u>	<u>\$ 25,816</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,816</u>	<u>\$ 25,816</u>
Total E-911 fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 60,413</u></u>	<u><u>\$ 60,413</u></u>
Sheriff's Grants Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 8,141	\$ 8,141
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,141</u>	<u>\$ 8,141</u>
Revenue from the Commonwealth:				
Categorical aid:				
VA Juvenile Community Crime Control Act grant	\$ -	\$ -	\$ 6,279	\$ 6,279
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,279</u>	<u>\$ 6,279</u>
Total Sheriff's Grants fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,420</u></u>	<u><u>\$ 14,420</u></u>
Total Primary Government	<u><u>\$ 4,577,500</u></u>	<u><u>\$ 4,475,867</u></u>	<u><u>\$ 4,830,083</u></u>	<u><u>\$ 354,216</u></u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 49,259	\$ 49,259
Total miscellaneous revenue	\$ -	\$ -	\$ 49,259	\$ 49,259
Total revenue from local sources	\$ -	\$ -	\$ 49,259	\$ 49,259
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 2,000,829	\$ 2,001,484	\$ 1,932,130	\$ (69,354)
Total revenues from local governments	\$ 2,000,829	\$ 2,001,484	\$ 1,932,130	\$ (69,354)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 251,359	\$ 251,359	\$ 254,252	\$ 2,893
Basic school aid	811,183	811,183	867,085	55,902
Gifted and talented	1,726	1,726	1,806	80
Remedial education	6,317	6,317	7,336	1,019
Textbook payment	3,295	3,295	3,175	(120)
Vocational standards of quality payments	55,137	55,137	57,636	2,499
Vocational adult education	-	-	2,266	2,266
Social security fringe benefits	17,148	17,148	17,944	796
Retirement fringe benefits	28,642	28,642	29,971	1,329
Group life insurance instructional	1,065	1,065	1,114	49
State lottery payments	-	-	273	273
Early reading intervention	1,793	1,793	1,228	(565)
Vocational education - equipment	2,436	2,436	-	(2,436)
ISAEP - GED prep program	7,859	7,859	7,859	-
Technology	102,000	102,000	102,000	-
Standards of Learning algebra readiness	1,279	1,279	1,279	-
At risk funding	13,444	13,444	14,000	556
English as a second language	239	239	239	-
Foster care	77,904	77,904	40,490	(37,414)
Other state funds	37,707	37,707	37,353	(354)
Total categorical aid	\$ 1,420,533	\$ 1,420,533	\$ 1,447,306	\$ 26,773
Total revenue from the Commonwealth	\$ 1,420,533	\$ 1,420,533	\$ 1,447,306	\$ 26,773

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ -	\$ -	\$ 55,088	\$ 55,088
Title I	64,000	64,000	51,272	(12,728)
Jobs fund - recovery act	-	-	971	971
Title VI-B, special education flow-through	67,000	67,000	36,033	(30,967)
Title VI-B, special education pre-school	9,000	9,000	1,973	(7,027)
Drug free schools	-	-	985	985
Improving teacher quality	14,000	14,000	17,526	3,526
Perkins carryover	-	-	5,167	5,167
Rural education achievement program	19,000	19,000	-	(19,000)
Developmental disabilities basic support grant	-	-	1,522	1,522
Technology resource assistant	-	-	1,284	1,284
Total categorical aid	<u>\$ 173,000</u>	<u>\$ 173,000</u>	<u>\$ 171,821</u>	<u>\$ (1,179)</u>
Total revenue from the federal government	<u>\$ 173,000</u>	<u>\$ 173,000</u>	<u>\$ 171,821</u>	<u>\$ (1,179)</u>
Total School Operating Fund	<u>\$ 3,594,362</u>	<u>\$ 3,595,017</u>	<u>\$ 3,600,516</u>	<u>\$ 5,499</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 45,000	\$ 45,000	\$ 48,244	\$ 3,244
Total revenue from local sources	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 48,244</u>	<u>\$ 3,244</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ -	\$ -	\$ 44,256	\$ 44,256
Total revenues from local governments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,256</u>	<u>\$ 44,256</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 3,971	\$ 3,971	\$ 3,691	\$ (280)
Total revenue from the Commonwealth	<u>\$ 3,971</u>	<u>\$ 3,971</u>	<u>\$ 3,691</u>	<u>\$ (280)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 75,000	\$ 75,000	\$ 88,298	\$ 13,298
USDA commodities received	-	-	9,552	9,552
Total categorical aid	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 97,850</u>	<u>\$ 22,850</u>
Total revenue from the federal government	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 97,850</u>	<u>\$ 22,850</u>
Total School Cafeteria Fund	<u>\$ 123,971</u>	<u>\$ 123,971</u>	<u>\$ 194,041</u>	<u>\$ 70,070</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 3,718,333</u>	<u>\$ 3,718,988</u>	<u>\$ 3,794,557</u>	<u>\$ 75,569</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 21,265	\$ 14,485	\$ 14,482	\$ 3
Total legislative	\$ 21,265	\$ 14,485	\$ 14,482	\$ 3
General and financial administration:				
County administrator	\$ 108,192	\$ 108,192	\$ 106,417	\$ 1,775
Legal services	50,000	47,250	48,093	(843)
Independent Auditor	25,000	24,955	24,936	19
Commissioner of revenue	114,485	111,335	110,657	678
Assessor	25,000	8,400	3,270	5,130
Treasurer	123,506	123,506	121,365	2,141
Central Purchasing	381,400	406,950	396,666	10,284
Total general and financial administration	\$ 827,583	\$ 830,588	\$ 811,404	\$ 19,184
Board of elections:				
Electoral board and officials	\$ 10,752	\$ 10,752	\$ 10,848	\$ (96)
Registrar	40,580	40,580	39,813	767
Total board of elections	\$ 51,332	\$ 51,332	\$ 50,661	\$ 671
Total general government administration	\$ 900,180	\$ 896,405	\$ 876,547	\$ 19,858
Judicial administration:				
Courts:				
Circuit court	\$ 995	\$ 1,085	\$ 1,650	\$ (565)
Clerk of the circuit court	169,592	160,192	160,133	59
Total courts	\$ 170,587	\$ 161,277	\$ 161,783	\$ (506)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 82,069	\$ 81,469	\$ 81,465	\$ 4
Total commonwealth's attorney	\$ 82,069	\$ 81,469	\$ 81,465	\$ 4
Total judicial administration	\$ 252,656	\$ 242,746	\$ 243,248	\$ (502)
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 593,211	\$ 580,501	\$ 576,221	\$ 4,280
Total law enforcement and traffic control	\$ 593,211	\$ 580,501	\$ 576,221	\$ 4,280
Fire and rescue services:				
Volunteer emergency operations	\$ 10,445	\$ 44,195	\$ 44,172	\$ 23
Total fire and rescue services	\$ 10,445	\$ 44,195	\$ 44,172	\$ 23
Correction and detention:				
Sheriff	\$ 50,000	\$ 62,710	\$ 62,705	\$ 5
Total correction and detention	\$ 50,000	\$ 62,710	\$ 62,705	\$ 5
Inspections:				
Building	\$ 55,575	\$ 60,000	\$ 59,990	\$ 10
Total inspections	\$ 55,575	\$ 60,000	\$ 59,990	\$ 10

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 13,227	\$ 29,452	\$ 29,449	\$ 3
Medical examiner	200	110	20	90
Emergency management grants	1,500	825	813	12
Emergency services (civil defense)	-	17,396	17,396	-
Total other protection	\$ 14,927	\$ 47,783	\$ 47,678	\$ 105
Total public safety	\$ 724,158	\$ 795,189	\$ 790,766	\$ 4,423
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration - ISTEAFunds	\$ -	\$ 102,902	\$ 77,759	\$ 25,143
Total maintenance of highways, streets, bridges & sidewalks	\$ -	\$ 102,902	\$ 77,759	\$ 25,143
Maintenance of general buildings and grounds:				
General properties	\$ 36,554	\$ 35,954	\$ 35,943	\$ 11
Total maintenance of general buildings and grounds	\$ 36,554	\$ 35,954	\$ 35,943	\$ 11
Total public works	\$ 36,554	\$ 138,856	\$ 113,702	\$ 25,154
Health and welfare:				
Health:				
Supplement of local health department	\$ 55,083	\$ 55,083	\$ 54,217	\$ 866
Total health	\$ 55,083	\$ 55,083	\$ 54,217	\$ 866
Mental health and mental retardation:				
Community services board	\$ 5,932	\$ 6,607	\$ 6,586	\$ 21
Total mental health and mental retardation	\$ 5,932	\$ 6,607	\$ 6,586	\$ 21
Welfare:				
Valley Program for the Aging	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
State and local hospitalization	950	950	-	950
Total welfare	\$ 35,950	\$ 35,950	\$ 35,000	\$ 950
Total health and welfare	\$ 96,965	\$ 97,640	\$ 95,803	\$ 1,837
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 2,000,829	\$ 2,001,484	\$ 1,976,386	\$ 25,098
Total education	\$ 2,000,829	\$ 2,001,484	\$ 1,976,386	\$ 25,098
Parks, recreation, and cultural:				
Library:				
Library Administration	\$ 52,106	\$ 50,906	\$ 50,882	\$ 24
Total library	\$ 52,106	\$ 50,906	\$ 50,882	\$ 24
Total parks, recreation, and cultural	\$ 52,106	\$ 50,906	\$ 50,882	\$ 24
Community development:				
Planning and community development:				
Planning	\$ 16,190	\$ 14,290	\$ 12,440	\$ 1,850
Community development	30,321	44,171	44,148	23
Swimming pool	66,322	56,772	56,739	33
Industrial Development Authority	7,000	2,575	2,000	575
Total planning and community development	\$ 119,833	\$ 117,808	\$ 115,327	\$ 2,481

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (continued)				
Cooperative extension program:				
Extension office	\$ 50,125	\$ 27,725	\$ 27,703	\$ 22
Total cooperative extension program	\$ 50,125	\$ 27,725	\$ 27,703	\$ 22
Total community development	\$ 169,958	\$ 145,533	\$ 143,030	\$ 2,503
Nondepartmental:				
Miscellaneous	\$ 47,618	\$ 47,966	\$ 47,220	\$ 746
Total nondepartmental	\$ 47,618	\$ 47,966	\$ 47,220	\$ 746
Capital projects:				
Capital outlay	\$ -	\$ 206	\$ 206	\$ -
Total capital projects	\$ -	\$ 206	\$ 206	\$ -
Total General Fund	\$ 4,281,024	\$ 4,416,931	\$ 4,337,790	\$ 79,141
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 314,597	\$ 314,597	\$ 306,683	\$ 7,914
Comprehensive services	214,877	40,000	30,927	9,073
Total welfare and social services	\$ 529,474	\$ 354,597	\$ 337,610	\$ 16,987
Total health and welfare	\$ 529,474	\$ 354,597	\$ 337,610	\$ 16,987
Total Virginia Public Assistance Fund	\$ 529,474	\$ 354,597	\$ 337,610	\$ 16,987
E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	\$ -	\$ 24,536	\$ 24,806	\$ (270)
Total public safety	\$ -	\$ 24,536	\$ 24,806	\$ (270)
Total E-911 Fund	\$ -	\$ 24,536	\$ 24,806	\$ (270)
Sheriff's Grants Fund:				
Public safety:				
Other protection:				
Drug enforcement and crime control	\$ -	\$ 2,570	\$ 4,570	\$ (2,000)
Total Sheriff's Grants Fund	\$ -	\$ 2,570	\$ 4,570	\$ (2,000)
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County courthouse and other capital outlay	\$ 136,000	\$ 199,797	\$ 53,587	\$ 146,210
E-911 center and jail renovation	-	8,119	8,119	-
Total County Capital Improvements Fund	\$ 136,000	\$ 207,916	\$ 61,706	\$ 146,210

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Capital Projects Fund:				
Education:				
Other instructional costs:				
Other	\$ -	\$ 81,584	\$ -	\$ 81,584
Total education	\$ -	\$ 81,584	\$ -	\$ 81,584
Capital projects expenditures:				
Building services	\$ 1,290	\$ 28,458	\$ 14,750	\$ 13,708
Total capital projects	\$ 1,290	\$ 28,458	\$ 14,750	\$ 13,708
Debt service:				
Principal retirement	\$ 143,690	\$ 143,690	\$ 143,690	\$ -
Interest and other fiscal charges	27,660	27,660	27,660	-
Total debt service	\$ 171,350	\$ 171,350	\$ 171,350	\$ -
Total School Capital Projects Fund	\$ 172,640	\$ 281,392	\$ 186,100	\$ 95,292
Total Primary Government	\$ 5,119,138	\$ 5,287,942	\$ 4,952,582	\$ 335,360
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 6,718	\$ 6,718	\$ 6,631	\$ 87
Executive administration services	147,915	147,915	161,949	(14,034)
Total administration of schools	\$ 154,633	\$ 154,633	\$ 168,580	\$ (13,947)
Instruction costs:				
Elementary and secondary schools	\$ 2,295,183	\$ 2,295,183	\$ 2,274,657	\$ 20,526
Guidance services	49,603	49,603	50,771	(1,168)
Media services	268,976	268,976	271,867	(2,891)
Office of the principal	182,321	182,321	250,367	(68,046)
Total instruction costs	\$ 2,796,083	\$ 2,796,083	\$ 2,847,662	\$ (51,579)
Operating costs:				
Pupil transportation	\$ 257,614	\$ 257,614	\$ 261,447	\$ (3,833)
Operation and maintenance of school plant	386,032	386,687	322,827	63,860
Total operating costs	\$ 643,646	\$ 644,301	\$ 584,274	\$ 60,027
Total education	\$ 3,594,362	\$ 3,595,017	\$ 3,600,516	\$ (5,499)
Total School Operating Fund	\$ 3,594,362	\$ 3,595,017	\$ 3,600,516	\$ (5,499)
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 173,972	\$ 179,446	\$ 185,669	\$ (6,223)
Total school food services	\$ 173,972	\$ 179,446	\$ 185,669	\$ (6,223)
Total education	\$ 173,972	\$ 179,446	\$ 185,669	\$ (6,223)
Total School Cafeteria Fund	\$ 173,972	\$ 179,446	\$ 185,669	\$ (6,223)
Total Discretely Presented Component Unit - School Board	\$ 3,768,334	\$ 3,774,463	\$ 3,786,185	\$ (11,722)

STATISTICAL INFORMATION

County of Highland, Virginia

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 77,457	\$ 199,582	\$ 326,986	\$ 707,028
Unrestricted	2,159,813	2,009,168	3,546,379	3,913,617
Total governmental activities net position	<u>\$ 2,237,270</u>	<u>\$ 2,208,750</u>	<u>\$ 3,873,365</u>	<u>\$ 4,620,645</u>
Business-type activities				
Net investment in capital assets	\$ 583,361	\$ 567,220	\$ 600,955	\$ 607,726
Unrestricted	178,710	387,482	274,262	272,742
Total business-type activities net position	<u>\$ 762,071</u>	<u>\$ 954,702</u>	<u>\$ 875,217</u>	<u>\$ 880,468</u>
Primary government				
Net investment in capital assets	\$ 660,818	\$ 766,802	\$ 927,941	\$ 1,314,754
Unrestricted	2,338,523	2,396,650	3,820,641	4,186,359
Total primary government net position	<u>\$ 2,999,341</u>	<u>\$ 3,163,452</u>	<u>\$ 4,748,582</u>	<u>\$ 5,501,113</u>

Table 1

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 673,965	\$ 1,079,506	\$ 1,039,441	\$ 1,043,630	\$ 1,667,119	\$ 1,674,606
<u>4,279,522</u>	<u>4,595,275</u>	<u>5,130,351</u>	<u>5,235,055</u>	<u>5,134,132</u>	<u>4,930,651</u>
<u>\$ 4,953,487</u>	<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>
\$ 520,366	\$ 504,096	\$ 541,856	\$ 620,438	\$ 624,487	\$ 744,401
<u>333,345</u>	<u>382,659</u>	<u>414,814</u>	<u>658,121</u>	<u>705,106</u>	<u>740,052</u>
<u>\$ 853,711</u>	<u>\$ 886,755</u>	<u>\$ 956,670</u>	<u>\$ 1,278,559</u>	<u>\$ 1,329,593</u>	<u>\$ 1,484,453</u>
\$ 1,194,331	\$ 1,583,602	\$ 1,581,297	\$ 1,664,068	\$ 2,291,606	\$ 2,419,007
<u>4,612,867</u>	<u>4,977,934</u>	<u>5,545,165</u>	<u>5,893,176</u>	<u>5,839,238</u>	<u>5,670,703</u>
<u>\$ 5,807,198</u>	<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>

County of Highland, Virginia

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental activities:					
General government administration	\$ 429,481	\$ 549,711	\$ 860,577	\$ 776,408	\$ 757,883
Judicial administration	200,535	260,244	219,832	241,760	245,520
Public safety	689,075	846,942	926,287	1,198,081	910,751
Public works	94,056	61,038	175,570	87,089	93,749
Health and welfare	475,387	322,873	330,460	333,795	335,396
Education	1,315,127	1,686,641	1,432,227	1,431,224	1,652,975
Parks, recreation and cultural	32,139	31,479	33,106	35,402	99,877
Community development	135,483	74,405	88,628	80,706	105,946
Interest on long-term debt	95,280	87,922	80,412	72,752	65,228
Total governmental activities expenses	<u>\$ 3,466,563</u>	<u>\$ 3,921,255</u>	<u>\$ 4,147,099</u>	<u>\$ 4,257,217</u>	<u>\$ 4,267,325</u>
Business-type activities:					
Refuse Disposal	\$ 244,679	\$ 232,607	\$ 250,209	\$ 247,289	\$ 239,734
McDowell Water System	38,253	39,399	42,280	46,868	47,085
Recreation Commission	-	-	-	-	-
Total business-type activities expenses	<u>\$ 282,932</u>	<u>\$ 272,006</u>	<u>\$ 292,489</u>	<u>\$ 294,157</u>	<u>\$ 286,819</u>
Total primary government expenses	<u>\$ 3,749,495</u>	<u>\$ 4,193,261</u>	<u>\$ 4,439,588</u>	<u>\$ 4,551,374</u>	<u>\$ 4,554,144</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ -	\$ -	\$ 654	\$ 375	\$ 238
Judicial administration	826	512	2,376	2,898	2,706
Public safety	32,282	28,864	23,421	16,411	23,996
Operating grants and contributions	1,172,722	1,171,560	1,125,305	1,089,220	1,117,621
Capital grants and contributions	-	-	194,716	-	71,817
Total governmental activities program revenues	<u>\$ 1,205,830</u>	<u>\$ 1,200,936</u>	<u>\$ 1,346,472</u>	<u>\$ 1,108,904</u>	<u>\$ 1,216,378</u>
Business-type activities:					
Charges for services:					
Refuse disposal	\$ 242,826	\$ 232,907	\$ 328,710	\$ 257,618	\$ 320,011
McDowell Water System	17,697	18,080	19,044	27,241	37,834
Recreation commission	-	-	-	-	-
Operating grants and contributions	-	5,375	7,662	6,307	7,592
Capital grants and contributions	356	-	-	-	-
Total business-type activities program revenues	<u>\$ 260,879</u>	<u>\$ 256,362</u>	<u>\$ 355,416</u>	<u>\$ 291,166</u>	<u>\$ 365,437</u>
Total primary government program revenues	<u>\$ 1,466,709</u>	<u>\$ 1,457,298</u>	<u>\$ 1,701,888</u>	<u>\$ 1,400,070</u>	<u>\$ 1,581,815</u>
Net (expense) / revenue					
Governmental activities	\$ (2,260,733)	\$ (2,720,319)	\$ (2,800,627)	\$ (3,148,313)	\$ (3,050,947)
Business-type activities	(22,053)	(15,644)	62,927	(2,991)	78,618
Total primary government net expense	<u>\$ (2,282,786)</u>	<u>\$ (2,735,963)</u>	<u>\$ (2,737,700)</u>	<u>\$ (3,151,304)</u>	<u>\$ (2,972,329)</u>

Table 2
Page 1 of 2

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 791,245	\$ 719,027	\$ 965,091	\$ 1,059,513	\$ 897,659
200,400	239,727	242,692	246,808	247,397
992,983	861,875	765,268	789,037	912,046
92,289	93,272	53,114	137,181	128,759
313,429	354,901	372,672	413,864	384,612
1,502,149	1,659,005	1,845,772	1,823,472	2,095,450
64,508	66,781	73,426	75,516	87,396
106,318	123,846	137,377	134,348	143,030
57,454	45,770	44,587	32,464	23,583
<u>\$ 4,120,775</u>	<u>\$ 4,164,204</u>	<u>\$ 4,499,999</u>	<u>\$ 4,712,203</u>	<u>\$ 4,919,932</u>
\$ 257,635	\$ 256,381	\$ 257,445	\$ 267,858	\$ 278,003
46,351	46,748	50,216	60,185	69,172
-	-	49,255	58,943	50,491
<u>\$ 303,986</u>	<u>\$ 303,129</u>	<u>\$ 356,916</u>	<u>\$ 386,986</u>	<u>\$ 397,666</u>
<u>\$ 4,424,761</u>	<u>\$ 4,467,333</u>	<u>\$ 4,856,915</u>	<u>\$ 5,099,189</u>	<u>\$ 5,317,598</u>
\$ 226	\$ 110,401	\$ 260	\$ 408	\$ 466
5,057	3,713	2,705	2,802	3,092
25,895	31,959	25,758	22,835	23,591
1,067,711	1,101,652	1,108,132	1,235,107	1,151,731
-	1,000	-	440,362	118,208
<u>\$ 1,098,889</u>	<u>\$ 1,248,725</u>	<u>\$ 1,136,855</u>	<u>\$ 1,701,514</u>	<u>\$ 1,297,088</u>
\$ 315,278	\$ 318,311	\$ 324,182	\$ 313,663	\$ 309,354
34,992	34,771	35,833	33,181	34,711
-	-	41,727	40,331	34,172
7,393	6,125	31,910	47,916	51,694
-	-	99,100	25,082	35,408
<u>\$ 357,663</u>	<u>\$ 359,207</u>	<u>\$ 532,752</u>	<u>\$ 460,173</u>	<u>\$ 465,339</u>
<u>\$ 1,456,552</u>	<u>\$ 1,607,932</u>	<u>\$ 1,669,607</u>	<u>\$ 2,161,687</u>	<u>\$ 1,762,427</u>
\$ (3,021,886)	\$ (2,915,479)	\$ (3,363,144)	\$ (3,010,689)	\$ (3,622,844)
53,677	56,078	175,836	73,187	67,673
<u>\$ (2,968,209)</u>	<u>\$ (2,859,401)</u>	<u>\$ (3,187,308)</u>	<u>\$ (2,937,502)</u>	<u>\$ (3,555,171)</u>

County of Highland, Virginia

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

	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 2,046,044	\$ 2,235,763	\$ 3,617,277	\$ 2,654,559	\$ 2,696,267
Local sales and use taxes	84,699	90,298	92,865	99,550	97,120
Consumer utility taxes	110,465	110,945	112,041	124,755	149,008
Motor vehicle licenses	42,573	44,778	43,918	1,783	34,003
E-911 taxes	21,671	25,351	30,507	30,280	36,429
Bank stock taxes	13,089	13,343	21,999	13,162	4,484
Other local taxes	19,593	38,233	40,676	34,547	36,309
Unrestricted grants and contributions	247,950	234,432	239,591	275,707	249,566
Unrestricted revenues from use of money and property	46,941	58,162	97,193	146,115	135,833
Miscellaneous	29,128	44,644	71,108	108,487	221,956
Transfers	(1,600)	(204,150)	142,568	(8,054)	105,550
Total governmental activities	\$ 2,660,553	\$ 2,691,799	\$ 4,509,743	\$ 3,480,891	\$ 3,766,525
Business-type activities:					
Unrestricted revenues from use of money and property	\$ 105	\$ 113	\$ 156	\$ 188	\$ 175
Miscellaneous	1,046	4,012	-	-	-
Transfers	1,600	204,150	(142,568)	8,054	(105,550)
Total business-type activities	\$ 2,751	\$ 208,275	\$ (142,412)	\$ 8,242	\$ (105,375)
Total primary government	\$ 2,663,304	\$ 2,900,074	\$ 4,367,331	\$ 3,489,133	\$ 3,661,150
Change in Net Position					
Governmental activities	\$ 399,820	\$ (28,520)	\$ 1,709,116	\$ 332,578	\$ 715,578
Business-type activities	(19,302)	192,631	(79,485)	5,251	(26,757)
Total primary government	\$ 380,518	\$ 164,111	\$ 1,629,631	\$ 337,829	\$ 688,821

Fiscal Year					
2009	2010	2011	2012	2013	
\$ 2,823,719	\$ 2,694,439	\$ 2,777,551	\$ 2,731,729	\$ 2,771,902	
93,017	95,657	97,125	107,600	111,989	
141,631	141,131	140,241	138,686	138,706	
47,859	55,842	51,219	53,724	53,113	
29,572	24,000	30,000	33,000	34,597	
12,487	12,481	12,656	13,806	14,371	
32,314	24,035	25,835	22,028	22,784	
100,362	73,747	217,784	234,776	246,160	
116,701	89,922	58,543	54,728	43,762	
324,768	213,004	83,641	118,328	74,892	
20,750	(13,768)	(71,075)	24,850	(85,426)	
<u>\$ 3,743,180</u>	<u>\$ 3,410,490</u>	<u>\$ 3,423,520</u>	<u>\$ 3,533,255</u>	<u>\$ 3,426,850</u>	
\$ 117	\$ 69	\$ 411	\$ 2,697	\$ 1,761	
-	-	1,186	-	-	
(20,750)	13,768	71,075	(24,850)	85,426	
<u>\$ (20,633)</u>	<u>\$ 13,837</u>	<u>\$ 72,672</u>	<u>\$ (22,153)</u>	<u>\$ 87,187</u>	
<u>\$ 3,722,547</u>	<u>\$ 3,424,327</u>	<u>\$ 3,496,192</u>	<u>\$ 3,511,102</u>	<u>\$ 3,514,037</u>	
\$ 721,294	\$ 495,011	\$ 60,376	\$ 522,566	\$ (195,994)	
33,044	69,915	248,508	51,034	154,860	
<u>\$ 754,338</u>	<u>\$ 564,926</u>	<u>\$ 308,884</u>	<u>\$ 573,600</u>	<u>\$ (41,134)</u>	

THIS PAGE LEFT BLANK INTENTIONALLY

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	Bank Stock Tax	Other Local Tax	Total
2013	\$ 2,771,902	\$ 111,989	\$ 138,706	\$ 53,113	\$ 34,597	\$ 14,371	\$ 22,784	\$ 3,147,462
2012	2,731,729	107,600	138,686	53,724	33,000	13,806	22,028	3,100,573
2011	2,777,551	97,125	140,241	51,219	30,000	12,656	25,835	3,134,627
2010	2,700,353	95,657	141,131	55,842	24,000	12,481	24,035	3,053,499
2009	2,812,841	93,017	141,631	47,859	29,572	12,487	32,314	3,169,721
2008	2,706,867	97,120	149,008	34,003	36,429	4,484	36,309	3,064,220
2007	2,654,559	99,550	124,755	1,783	30,280	13,162	34,547	2,958,636
2006	3,617,277	92,865	112,041	43,918	30,507	21,999	40,676	3,959,283
2005	2,235,763	90,298	110,945	44,778	25,351	13,343	38,233	2,558,711
2004	2,046,044	84,699	110,465	42,573	21,671	13,089	19,593	2,338,134

County of Highland, Virginia

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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General fund						
Unreserved	\$ 1,873,649	\$ 1,526,107	\$ 3,182,757	\$ 3,220,466	\$ 3,868,862	\$ 4,166,881
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total general fund	<u>\$ 1,873,649</u>	<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>
All other governmental funds						
Unreserved, reported in:						
Special revenue funds	\$ 147,411	\$ 260,612	\$ 227,588	\$ 568,502	\$ 131,621	\$ 111,228
Capital projects funds	264,781	299,039	256,542	248,895	410,182	422,554
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>\$ 412,192</u>	<u>\$ 559,651</u>	<u>\$ 484,130</u>	<u>\$ 817,397</u>	<u>\$ 541,803</u>	<u>\$ 533,782</u>

Table 4

Fiscal Year				
2010	2011	2012	2013	
\$ 4,273,643	\$ -	\$ -	\$ -	
-	50,785	50,950	31,830	
-	31,317	33,518	35,854	
-	510,933	557,696	582,456	
-	3,762	4,162	5,762	
-	3,951,635	3,757,856	3,548,282	
<u>\$ 4,273,643</u>	<u>\$ 4,548,432</u>	<u>\$ 4,404,182</u>	<u>\$ 4,204,184</u>	
\$ 77,649	\$ -	\$ -	\$ -	
889,686	-	-	-	
-	-	2,000	-	
-	-	8,186	8,641	
-	100,425	165,791	198,245	
-	-	717	4,928	
-	-	624,854	581,807	
-	1,235	-	-	
-	651,351	-	-	
<u>\$ 967,335</u>	<u>\$ 753,011</u>	<u>\$ 801,548</u>	<u>\$ 793,621</u>	

County of Highland, Virginia

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

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
General property taxes	\$ 2,078,808	\$ 2,228,621	\$ 3,621,834	\$ 2,644,502
Other local taxes	292,090	322,948	342,006	304,077
Permits, privilege fees and regulatory licenses	23,751	22,514	19,361	12,318
Fines and forfeitures	826	512	511	1,059
Revenue from use of money and property	46,941	58,162	97,193	146,115
Charges for services	8,531	6,350	6,579	6,307
Miscellaneous	29,128	44,644	71,108	108,487
Intergovernmental revenues:				
Commonwealth	1,166,217	1,183,203	1,095,016	1,521,614
Federal	255,908	222,789	464,596	253,751
Total revenues	<u>\$ 3,902,200</u>	<u>\$ 4,089,743</u>	<u>\$ 5,718,204</u>	<u>\$ 4,998,230</u>
Expenditures				
General government administration	\$ 378,783	\$ 459,264	\$ 606,853	\$ 557,066
Judicial administration	198,372	208,968	223,133	240,034
Public safety	659,609	838,493	884,776	1,370,500
Public works	93,629	75,233	174,324	87,089
Health and welfare	473,336	325,334	330,961	331,330
Education	1,181,866	1,556,971	1,278,049	1,386,156
Parks, recreation and cultural	28,740	30,677	31,533	35,402
Community development	135,483	74,405	86,728	80,706
Nondepartmental	26,356	46,520	26,098	27,523
Capital projects	79,428	257,661	430,138	301,444
Debt service				
Principal	118,739	120,850	123,193	125,684
Interest and other fiscal charges	98,511	91,300	83,857	76,266
Total expenditures	<u>\$ 3,472,852</u>	<u>\$ 4,085,676</u>	<u>\$ 4,279,643</u>	<u>\$ 4,619,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 429,348</u>	<u>\$ 4,067</u>	<u>\$ 1,438,561</u>	<u>\$ 379,030</u>
Other financing sources (uses)				
Transfers in	\$ 351,151	\$ 566,643	\$ 513,369	\$ 1,104,890
Transfers out	(352,751)	(770,793)	(370,801)	(1,112,944)
Total other financing sources (uses)	<u>\$ (1,600)</u>	<u>\$ (204,150)</u>	<u>\$ 142,568</u>	<u>\$ (8,054)</u>
Net change in fund balances	<u>\$ 427,748</u>	<u>\$ (200,083)</u>	<u>\$ 1,581,129</u>	<u>\$ 370,976</u>
Debt service as a percentage of noncapital expenditures	6.402%	5.542%	5.379%	4.677%

Table 5

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 2,706,867	\$ 2,812,841	\$ 2,700,353	\$ 2,720,255	\$ 2,726,798	\$ 2,792,621
357,353	356,880	353,146	357,076	368,844	375,560
14,809	12,504	18,593	13,069	11,660	9,444
729	2,386	1,006	148	271	461
135,833	100,362	73,747	58,543	54,728	43,762
11,402	16,288	126,474	15,506	14,114	17,244
221,956	116,701	89,922	83,641	118,328	74,892
1,170,907	1,150,594	1,110,210	1,104,672	1,235,521	1,150,212
268,097	241,885	205,446	221,244	674,724	365,887
\$ 4,887,953	\$ 4,810,441	\$ 4,678,897	\$ 4,574,154	\$ 5,204,988	\$ 4,830,083
\$ 498,386	\$ 470,406	\$ 486,392	\$ 734,770	\$ 885,180	\$ 876,547
242,188	263,146	237,262	240,966	241,077	243,248
844,971	924,520	846,162	744,614	825,203	820,142
92,760	91,210	92,620	52,035	564,859	113,702
337,223	313,429	354,901	372,672	400,767	433,413
1,621,412	1,454,487	1,654,434	1,845,195	1,806,451	1,976,386
37,318	39,220	38,305	39,621	39,236	50,882
105,946	106,318	123,846	137,377	134,348	143,030
52,818	37,874	37,379	40,442	41,052	47,220
208,093	648,833	66,863	53,372	193,907	76,662
128,176	130,728	133,586	136,715	140,061	143,690
68,674	61,022	53,064	44,835	36,389	27,660
\$ 4,237,965	\$ 4,541,193	\$ 4,124,814	\$ 4,442,614	\$ 5,308,530	\$ 4,952,582
\$ 649,988	\$ 269,248	\$ 554,083	\$ 131,540	\$ (103,542)	\$ (122,499)
\$ 715,354	\$ 636,234	\$ 879,660	\$ 603,532	\$ 958,542	\$ 488,913
(609,804)	(615,484)	(893,428)	(674,607)	(950,713)	(574,339)
\$ 105,550	\$ 20,750	\$ (13,768)	\$ (71,075)	\$ 7,829	\$ (85,426)
\$ 755,538	\$ 289,998	\$ 540,315	\$ 60,465	\$ (95,713)	\$ (207,925)
4.885%	4.926%	4.600%	4.136%	3.450%	3.514%

THIS PAGE LEFT BLANK INTENTIONALLY

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

Fiscal Year	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License	E-911 Tax	Bank Stock Tax	Other Local Tax	Total
2013	\$ 111,989	\$ 138,706	\$ 53,113	\$ 34,597	\$ 14,371	\$ 22,784	\$ 375,560
2012	107,600	138,686	53,724	33,000	13,806	22,028	368,844
2011	97,125	140,241	51,219	30,000	12,656	25,835	357,076
2010	95,657	141,131	55,842	24,000	12,481	24,035	353,146
2009	93,017	141,631	47,859	29,572	12,487	32,314	356,880
2008	97,120	149,008	34,003	36,429	4,484	36,309	357,353
2007	99,550	124,755	1,783	30,280	13,162	34,547	304,077
2006	92,865	112,041	43,918	30,507	21,999	40,676	342,006
2005	90,298	110,945	44,778	25,351	13,343	38,233	322,948
2004	84,699	110,465	42,573	21,671	13,089	19,593	292,090

County of Highland, Virginia

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Minerals/ Mineral Lands	Merchants' Capital
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
2004	285,474,000	21,677,710	81,960	114,700	236,400

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

Source: Commissioner of Revenue

Table 7

	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value (1)
\$	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%
	16,894,372	324,479,142	414,291,993	68.91%

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
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
2004	0.62	1.50	0.62	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 2013		Fiscal Year 2003	
		2013 Assessed Valuation	% of Total Assessed Valuation	2003 Assessed Valuation	% of Total Assessed Valuation
Karin Banks	Farm	\$ 7,381,400	1.085%	\$ 4,957,400	1.761%
Red Oak Ranch	Farm	2,509,700	0.369%	1,334,800	0.474%
Hayfields Ltd.	Farm	2,776,700	0.408%	1,039,700	0.369%
Dividing Waters Farm	Farm	2,776,700	0.408%	948,000	0.337%
Bull Pasture Mtn Ranch	Farm	2,028,600	0.298%	315,000	0.112%
		<u>\$ 17,473,100</u>	<u>2.568%</u>	<u>\$ 8,594,900</u>	<u>3.053%</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
2013	\$	2,962,159	\$ 2,856,212	96.42%	\$ -	\$ 2,856,212	96.42%
2012		2,940,562	2,800,386	95.23%	107,772	2,908,158	98.90%
2011		2,949,448	2,815,516	95.46%	111,213	2,926,729	99.23%
2010		2,913,404	2,783,033	95.53%	124,096	2,907,129	99.78%
2009		3,033,067	2,884,198	95.09%	146,635	3,030,833	99.93%
2008		2,856,079	2,780,175	97.34%	73,453	2,853,628	99.91%
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%
2004		2,203,604	2,179,593	98.91%	23,924	2,203,517	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				
2013	\$	388,346	\$	161,923	\$ 550,269	0.80%	241
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
2004		1,571,027		121,060	1,692,087	2.56%	705

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
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
2004	1,571,027	76,993	1,494,034	0.46%	623

(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

Fiscal Year	Water Revenue Bonds					
	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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%
2004	17,823	32,343	(14,520)	2,250	5,910	-177.94%

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age (1)	School Enrollment	Unemploy- ment Rate
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%
2004	2,400	66,189,600	27,579	-	298	2.10%

Source: Weldon Cooper Center, Annual school report - prepared by the School Board, www.fedstats.gov

Full-time Equivalent County Government Employees by Function
 Last Five Fiscal Years (1)

Function	Fiscal Year				
	2009	2010	2011	2012	2013
General government	15	15	16	16	16
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	15	15	15	15	15
Building inspections	1	1	1	2	2
Animal control	1	1	1	1	1
Public works					
General maintenance	3	3	3	3	3
Landfill	6	6	6	7	7
Health and welfare					
Department of social services	4	4	4	4	4
Culture and recreation					
Library	2	2	2	2	2
Totals	52	52	53	55	55

(1) Complete data only available for the past five fiscal years.

Source: Individual county departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	1	1	1	1	1	1	1	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
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	12	10	10	9

Source: Individual county departments

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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, 2013, and the related notes to the financial statements, which collectively comprise the County of Highland, Virginia's basic financial statements, and have issued our report thereon dated November 25, 2013.

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 opinion 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (Reference Finding 2013-1).

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*.

County of Highland, Virginia's Response to Findings

County of Highland, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Highland, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Farmer, Cox Associates

Staunton, Virginia
November 25, 2013

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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, 2013. 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, 2013.

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 25, 2013

County of Highland, Virginia

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

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	\$ 5,627
Temporary Assistance for Needy Families (TANF)	93.558	Not Available	17,428
Refugee and Entrant Assistance - State Administered Programs	93.566	Not Available	97
Low-Income Home Energy Assistance	93.568	Not Available	4,053
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Not Available	2,797
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not Available	83
Foster Care - Title IV-E	93.658	Not Available	16,736
Adoption Assistance	93.659	Not Available	9,602
Social Services Block Grant	93.667	Not Available	16,329
Chafee Foster Care Independence Program	93.674	Not Available	1,474
Children's Health Insurance Program	93.767	Not Available	1,011
Medical Assistance Program	93.778	Not Available	32,468
Total Department of Health and Human Services			\$ 107,705
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Education:			
Food Distribution - School Nutrition Program	10.555	Not Available	\$ 9,552
Department of Agriculture:			
National School Lunch Program	10.555	Not Available	79,771
Subtotal	10.555		\$ 89,323
School Breakfast Program	10.553	Not Available	2,398
Fresh Fruit and Vegetable Program	10.582	Not Available	6,129
Schools and Roads - Grants to States	10.665	Not Available	55,088
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Available	\$ 54,864
Total Department of Agriculture			\$ 207,802
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Planning and Construction	20.205	Not Available	\$ 117,902
Total Department of Transportation			\$ 117,902
Department of Homeland Security			
Pass Through Payments:			
Department of Emergency Services:			
Disaster Assistance Projects	97.088	Not Available	\$ 21,100
Total Department of Homeland Security			\$ 21,100
Environmental Protection Agency:			
Pass Through Payments:			
Department of Environmental Quality:			
DEQ Royalty Grants	66.000	Not Available	\$ 306
Total Environmental Protection Agency			\$ 306

County of Highland, Virginia

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

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	Not Available	\$ 51,272
Special Education Cluster:			
Special Education-Grants to States	84.027	Not Available	36,033
Special Education-Preschool Grants	84.173	Not Available	1,973
ARRA-Education Jobs Fund	84.410	Not Available	971
Safe and Drug-free Schools and Communities-State Grants	84.186	Not Available	985
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	Not Available	1,284
ARRA-Educational Technology Grants	84.386	Not Available	1,522
Improving Teacher Quality State Grants	84.367	Not Available	17,526
Career and Technical Education - Basic Grants to States	84.048	Not Available	5,167
Total Department of Education			\$ 116,733
Total Expenditures of Federal Awards			\$ 571,548

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, 2013. 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	\$ 365,887
School fund	269,671
Payments in lieu of tax received from the Department of the Interior not included above	(64,010)
Total primary government	\$ 571,548

COUNTY OF HIGHLAND, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified? x yes

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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
-------------------------	---

Child Nutrition Cluster:

10.553 School Breakfast Program
10.555 National School Lunch Program
10.555 Food Distribution - School Nutrition Program

Other:

10.665 Schools and Roads - Grants to States
20.205 Highway Planning and Construction

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

Auditee qualified as low-risk auditee? x yes no

COUNTY OF HIGHLAND, VIRGINIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

Section II-Financial Statement Findings

2013-1

Criteria:	To assure accuracy of costs being reported for reimbursement and compliance with federal and state requirements and regulations, local departments of social services are required to perform a monthly reconciliation and certification of costs reported for reimbursement.
Condition:	Requests for federal and state Department of Social Services program reimbursement for June 2013 was grouped with the reimbursement request for July and was not requested until September of 2013. Further, Department of Social Services staff was unable to identify the portion of the funds relating to the fiscal year ended June 30, 2013.
Context:	A reconciliation of reimbursement reports to the general ledger was performed and the reconciliation revealed that the June reimbursement had not been requested or received.
Effect:	Expenditures may be requested for reimbursement under more than one program or may not be allowable, resulting in questioned costs and the possibility that reimbursements are due back to the State or Federal government.
Cause:	Unexpected turnover of Department of Social Services staff led to vacancies in the Director, and Office Manager positions during the final months of the fiscal year. Reimbursement requests were not prepared or submitted because the Department lacked administrative staff to process the requests.
Recommendation:	Insure that reconciliations and certifications of costs reported for reimbursement are completed monthly.
Management's Response:	We acknowledge that the reimbursement requests were not processed in a timely manor due to Social Service administrative staff turnover and unexpected delays in filling the vacancies. These vacancies have been filled with trained staff and we anticipate that required reimbursement requests will be completed accurately and filed timely.

Section III-Federal Award Findings and Questioned Costs

None

COUNTY OF HIGHLAND, VIRGINIA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

There are no prior year audit findings which have not been resolved.

THIS PAGE LEFT BLANK INTENTIONALLY