

County of Warren, Virginia

Financial Report Year Ended June 30, 2012



COUNTY OF WARREN, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

COUNTY OF WARREN, VIRGINIA

Board of Supervisors

Archie A. Fox, Chair
Linda P. Glavis, Vice-Chair
Tony F. Carter
Daniel J. Murray
Richard H. Traczyk

County School Board

Roy K. Boyles, Chair
Catherine R. Bower, Vice-Chair
Kimberly M. Athey
Joanne F. Cherefko
James S. Wells

Advisory Board for Warren County Social Services

Staige Miller, Chair
Christine Hartman, Vice-Chair
Bill Crawford
Mary Ellen South
Robert Cullers

Other Officials

Judge of Circuit Court..... Dennis L. Hupp
Judge of Circuit Court..... John E. Wetsel, Jr.
Judge of Circuit Court..... Thomas J. Wilson, IV
Judge of Circuit Court..... James V. Lane
Clerk of Circuit Court Jennifer R. Sims
Chief Judge of General District Court Richard A. Claybrook, Jr.
Judge of Juvenile and Domestic William W. Sharp
Judge of Juvenile and Domestic Ronald L. Napier
Commonwealth's Attorney Brian M. Madden
Commissioner of Revenue John H. Smedley, Sr.
Treasurer Wanda F. Bryant
Sheriff Daniel T. McEathron
Superintendent of Schools..... Pamela M. McInnis
Director of Social Services..... Helen Elizabeth Reavis
County Attorney..... Blair D. Mitchell
County Administrator Douglas P. Stanley
Director of Finance Carolyn W. Stimmel

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FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

**To The Honorable Members of the Board of Supervisors
County of Warren, Virginia
Front Royal, Virginia**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Warren, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Warren, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Warren, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Industrial Development Authority which represent 37 percent of the assets, 36 percent of the net assets and 2 percent of total operating revenues of the aggregated discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Industrial Development Authority, is based on the report of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, on our consideration of the County of Warren, 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* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Warren, Virginia's financial statements as a whole. The combining fund financial statements and schedules, and other statistical information, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining fund financial statements and 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other 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.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 5, 2012

Management's Discussion and Analysis

As management of the County of Warren, we offer readers of the County of Warren's financial statements this narrative overview and analysis of the financial activities of the County of Warren for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

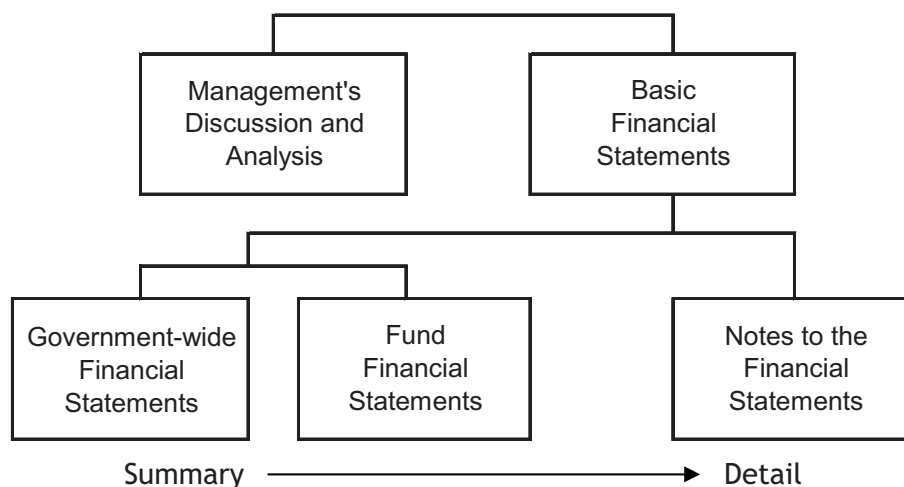
- The assets of the County of Warren exceeded its liabilities at the close of the fiscal year by \$78,414,014 (net assets), an increase of \$2,331,057.
- As of the close of the current fiscal year, the County of Warren's governmental funds (excluding the School Bond Construction Fund) reported combined ending fund balances of \$37,631,083, a decrease of \$4,305,764 from the prior year. The majority of the balance or \$37,158,332 is available for spending at the government's discretion (unassigned, assigned or committed).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,757,149.
- The County of Warren's total debt decreased by \$3,825,378 during the current fiscal year. The County refinanced some existing bonds to take advantage of reduced interest rates.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to County of Warren's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County of Warren.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Pages 11 through 13) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The next statements (Pages 14 through 22) are Fund Financial Statements. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the County's individual funds.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The second category is the component unit. Although legally separate from the County, the Industrial Development Authority is important to the County because the County exercises control over the Board by appointing its members. The Industrial Development Authority issues separate financial statements.

Although the School Board is a component unit, approximately 55% of the budget for the County of Warren is designated for the public schools. The members of the School Board are elected.

The government-wide financial statements are on Pages 11 through 13 of this report.

Fund Financial Statements

The fund financial statements (Pages 14 through 22) provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Warren, like all other governmental entities in Virginia, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements. All of the funds of County of Warren are categorized as governmental funds.

Fund Financial Statements: (Continued)

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County of Warren adopts an annual budget for its General Fund. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the appropriation resolution and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 23 through 56 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County of Warren's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 57 through 59 of this report.

Government-Wide Financial Analysis

The presentation of government-wide financial statements for the fiscal year ended June 30, 2003, was the beginning of a new era in financial reporting for the County of Warren, and many other units of government across the United States. Prior to that year, the County of Warren maintained their governmental fund groups as separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the County of Warren. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the County of Warren's financial reports as well as those of many other units of government. While the County of Warren was required to implement these changes for the fiscal year ended June 30, 2003, other units were not required to implement until 2004.

Government-Wide Financial Analysis: (Continued)

The County of Warren's Net Assets

Figure 2

	Governmental Activities	
	2012	2011
Current and other assets	\$ 58,910,354	\$ 75,563,761
Capital assets	151,908,991	146,078,468
Total assets	<u>\$ 210,819,345</u>	<u>\$ 221,642,229</u>
Long-term liabilities outstanding	\$ 117,501,936	\$ 121,327,314
Other liabilities	14,903,395	24,231,958
Total liabilities	<u>\$ 132,405,331</u>	<u>\$ 145,559,272</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 39,807,455	\$ 33,051,889
Restricted	472,751	404,906
Unrestricted	38,133,808	42,626,162
Total net assets	<u><u>\$ 78,414,014</u></u>	<u><u>\$ 76,082,957</u></u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the County of Warren exceeded liabilities by \$78,414,014 as of June 30, 2012, compared to \$76,082,957 as of June 30, 2011. Fifty-one percent of net assets reflects the County's investment in capital assets (e.g. land, buildings, machinery, vehicles, and equipment) less any related debt still outstanding that was issued to acquire those items. The County of Warren uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County of Warren's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets (\$38,133,808) may be used to meet the government's ongoing obligations to citizens and creditors.

Several particular aspects of the County's financial operations influenced the total unrestricted governmental net assets:

- Capital asset additions (expenditures capitalized) exceeded depreciation expense by \$5.8 million.
- Collection of real property and personal property taxes exceeded the amount budgeted by \$309,349 and \$535,346, respectively.
- Revenue from use of money came in under the budgeted amount by \$490,703 in FY 2012, due to continued lower interest rates experienced in the economic downturn.
- Receipts from machinery and tools tax exceeded budget by \$7,085.
- Sales tax revenue was more than projected by \$81,603 due to a modest increase in sales.
- Revenue from building permits came in under budget by \$130,105 due to the continued faltering housing sector of the economy.
- With the stagnant condition of home sales, recordation taxes was under budget by \$70,588.
- Revenue from business licenses was over budget by \$106,752, mainly due to the start of construction of the Dominion power plant.

Government-Wide Financial Analysis: (Continued)

County of Warren Changes in Net Assets

Figure 3

	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 5,105,524	\$ 4,748,930
Operating grants and contributions	7,984,270	8,784,738
Capital grants and contributions	295,688	630,340
General revenues:		
Property taxes	34,768,063	33,922,049
Other taxes	6,811,776	6,069,185
Grants and contributions not restricted to specific programs	5,781,049	5,312,483
Other	1,041,702	4,658,954
Total revenues	\$ 61,788,072	\$ 64,126,679
Expenses:		
General government	\$ 4,608,569	\$ 3,911,301
Judicial administration	1,409,961	1,377,697
Public safety	12,298,117	11,302,344
Public works	4,770,471	5,226,893
Health and welfare	7,693,313	7,072,800
Parks, recreation and cultural	3,154,449	3,681,010
Community development	1,257,830	1,200,522
Non-departmental	155,420	136,821
Education	19,409,698	20,702,750
Interest and other fiscal charges	4,699,187	5,535,466
Total expenses	\$ 59,457,015	\$ 60,147,604
Increase in net assets	\$ 2,331,057	\$ 3,979,075
Net assets, July 1	76,082,957	72,103,882
Net assets, June 30	\$ 78,414,014	\$ 76,082,957

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of the County of Warren's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County of Warren's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

The general fund is the chief operating fund of the County of Warren. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,757,149, an increase of \$190,443 from last year. Included in the original budget for FY2011-2012, there were miscellaneous capital items to be funded from this unreserved fund balance which would have meant that this balance would have decreased by \$640,000. Due to sound fiscal management, fund balance for the general fund experienced an increase of \$190,443 instead of the \$640,000 projected and budgeted decrease.

At June 30, 2012, the governmental funds of County of Warren reported a combined fund balance of \$37,885,313, a decrease of \$8,641,330 from last year. This change mainly resulted from the payment of construction costs of the public safety building and continued planned use of set aside funds for school debt service.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original appropriation resolution once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were less than budgeted primarily due to a continued slump in residential construction which resulted in fewer building license fees (\$130,105 less than budgeted) and a decrease in recordation taxes (\$70,588 less than budgeted) due to fewer home sales.

Revenue from the use of money was under budget by \$490,703 due to the continuing decline in interest rates paid by financial institutions.

Due to modest a modest increase in retail sales, sales tax revenue came in more than budgeted by \$81,603.

Capital Asset and Debt Administration

Capital assets. The County of Warren's investment in capital assets for its governmental activities as of June 30, 2012, totals \$151,908,991 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, a new high school, renovation of an existing school for a second high school, renovation of the former high school for a middle school and a new public safety building.

Capital Asset and Debt Administration: (Continued)

County of Warren's Capital Assets

Figure 4

County of Warren Capital Assets (net of depreciation)

	Governmental Activities	
	2012	2011
Land	\$ 11,322,771	\$ 10,830,169
Buildings and improvements	123,501,606	100,819,236
Machinery and equipment	1,468,572	1,758,737
Non-depreciable capital assets	387,070	387,070
Construction in progress	15,228,972	32,283,256
Total	\$ 151,908,991	\$ 146,078,468

Additional information on the County's capital assets can be found in Note 6 - Capital Assets of the Basic Financial Statements.

Long-term Debt. As of June 30, 2012, the County of Warren had total bonded debt outstanding of \$107,990,065. General obligation bond debt is backed by the full faith and credit of the County. The table below includes both revenue and general obligation bonds.

County of Warren's Outstanding Debt General Obligation and Revenue Bonds

Figure 3

	Governmental Activities	
	2012	2011
General obligation and lease revenue bonds	\$ 107,990,065	\$ 115,396,197
Total	\$ 107,990,065	\$ 115,396,197

As part of a multi-year school construction funding plan, in FY 2004, the County was reviewed by the three national municipal bond rating agencies: Moody's Investors Service, Standard & Poor's and FITCH IBCA, Inc. Discussions with each of the agencies covered financial, economic, debt-related and management-related issues among others. Without exception, all three agencies were favorably impressed with the fiscal health of the County, the diligence and stability of Staff and elected officials and the overall vibrancy of the County economy as evidenced by the strong investment grade General Obligation bond ratings secured from the agencies. (Moody's: A2, S&P: A+ (recently upgraded to AA-), FITCH: A+) These credit ratings helped the County secure favorable long-term financing for the Phase 1 school projects and will help to ensure that the County is able to maximize its borrowing ability in the future. Given the magnitude of recent and future proposed borrowings, the County Board of Supervisors has formally adopted a series of Fiscal Policy Guidelines so as to better manage and measure fiscal matters.

Additional information regarding the County of Warren's long-term debt can be found in Note 7 - Long-Term Obligations of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- Unemployment. Warren County's unemployment rate as of October 2012 was 5.0%, lower than the State average of 5.4%.
- New jobs. The County added approximately 100 new jobs last year.
- Commercial development. The County currently has two shopping centers (Crooked Run and Riverton Commons) where stores have been opening since July 2007. The Crooked Run Shopping Center has been completed with Target as the anchor store. The County has approved Phase II of the Crooked Run Shopping Center and Cedarville Center for additional retail and restaurant pads. The Riverton Commons Shopping Center includes a Wal-Mart Supercenter and Lowe's as anchors. The strip center is at approximately 80% occupancy and all but three of the pad sites have been completed.
- Industrial development. The County, in conjunction with the Front Royal-Warren County Economic Development Authority, continues to market the community to several large industrial prospects. It is anticipated that the County will be able to attract some additional significant industrial investment into the County in the 2012-2013 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: The FY 2012-2013 budget process again proved to be a difficult one given the slowdown in construction in the area and continued State budget cuts. Projected revenues for the General Fund and School Operating Fund (excluding use of Fund Balance) are slightly more (3.76%) than those of FY 2011-2012. The increase results from an expected increase in state and federal funding for schools and an expected increase in property taxes and sales tax due to the construction of the Dominion Power Plant. The FY2013 Budget was adopted with no increase in the real estate tax rate. Other tax rates remained the same as well. The County is funding a salary increase equivalent to 2.00% of total salaries for the School Board and County staff from fund balance. In the FY 2013-2014 budget and out years, this will be funded by anticipated revenue from the Dominion Power Plant.

Budgeted expenditures in the General Fund (excluding the local appropriation to the school fund) amounted to \$39,831,406.

The General Fund budget also includes \$1,414,770 for Enterprise Zone Grants. This amount includes the total estimated amount of real estate and machinery and tools taxes to be paid by qualifying businesses. The unused portion will be used by the County to fund school capital improvements, including debt service on the 2004 bonds.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the County Administrator, County of Warren, 220 N. Commerce Avenue, Front Royal, VA 22630.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2012

	Primary Government	Component Unit	
	Governmental Activities	School Board	Industrial Development Authority
ASSETS			
Cash and cash equivalents	\$ 35,130,146	\$ 9,646,500	\$ 682,793
Investments in property	-	-	9,022,742
Receivables (net of allowance for uncollectibles):			
Taxes receivable	15,491,334	-	-
Accounts receivable	420,634	-	110
Notes receivable	-	-	330,928
Interest receivable	118,558	-	-
Due from other funds	574,542	-	-
Due from component unit	3,328,775	-	-
Due from other governmental units	1,380,292	1,721,612	-
Prepaid expenses	-	-	24,120
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	726,981	-	2,205
Other assets:			
Unamortized bond issue costs	1,739,092	-	2,031
Capital assets (net of accumulated depreciation):			
Land	11,322,771	1,656,064	128,578
Non-depreciable assets	387,070	-	-
Buildings and improvements	122,093,827	2,890,895	641,873
Improvements other than buildings	1,407,779	-	-
Machinery and equipment	1,468,572	2,654,446	-
Construction in progress	15,228,972	-	-
Total assets	<u>\$ 210,819,345</u>	<u>\$ 18,569,517</u>	<u>\$ 10,835,380</u>
LIABILITIES			
Accounts payable	\$ 1,973,141	\$ 345,763	\$ 15,516
Accrued liabilities	174,237	4,948,234	8,630
Customers' deposits	12,380	-	7,400
Accrued interest payable	1,040,566	-	9,509
Due to primary government	-	3,328,775	-
Unearned revenue	11,703,071	-	900
Long-term liabilities:			
Due within one year	5,094,096	249,747	2,270,970
Due in more than one year	112,407,840	2,055,654	4,275,671
Total liabilities	<u>\$ 132,405,331</u>	<u>\$ 10,928,173</u>	<u>\$ 6,588,596</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 39,807,455	\$ 6,903,527	\$ 3,246,552
Restricted for:			
Scholarships	-	-	2,205
Public safety	61,845	-	-
Proffers	410,906	-	-
Unrestricted (deficit)	38,133,808	737,817	998,027
Total net assets	<u>\$ 78,414,014</u>	<u>\$ 7,641,344</u>	<u>\$ 4,246,784</u>

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

COUNTY OF WARREN, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,608,569	\$ 477,385	\$ 281,450	\$ 6,700
Judicial administration	1,409,961	332,962	630,064	-
Public safety	12,298,117	2,299,296	3,041,116	104,454
Public works	4,770,471	891,139	34,147	156,356
Health and welfare	7,693,313	293,177	3,979,473	-
Education	19,409,698	-	-	-
Parks, recreation, and cultural	3,154,449	570,267	-	-
Community development	1,257,830	241,298	18,020	28,178
Nondepartmental	155,420	-	-	-
Interest on long-term debt	4,699,187	-	-	-
Total governmental activities	\$ 59,457,015	\$ 5,105,524	\$ 7,984,270	\$ 295,688
Total primary government	\$ 59,457,015	\$ 5,105,524	\$ 7,984,270	\$ 295,688
COMPONENT UNITS:				
School Board	\$ 46,875,100	\$ 1,331,523	\$ 27,750,683	\$ -
Industrial Development Authority	845,029	120,122	55,511	100,555
Total component units	\$ 47,720,129	\$ 1,451,645	\$ 27,806,194	\$ 100,555
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Business licenses				
Meals tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Payment from Warren County				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government	Component Unit	
Governmental Activities	School Board	Industrial Development Authority

\$ (3,843,034) \$
 (446,935)
 (6,853,251)
 (3,688,829)
 (3,420,663)
 (19,409,698)
 (2,584,182)
 (970,334)
 (155,420)
 (4,699,187)
\$ (46,071,533) \$
 \$

(17,792,894) \$ -
 - (568,841)
(17,792,894) \$ (568,841)

\$ 34,768,063	\$ -	-
3,281,603	-	-
687,180	-	-
906,752	-	-
724,799	-	-
1,211,442	-	-
392,301	-	25,178
649,401	236,499	154,779
-	17,042,675	421,097
5,781,049	-	-
<u>\$ 48,402,590</u>	<u>\$ 17,279,174</u>	<u>\$ 601,054</u>
\$ 2,331,057	\$ (513,720)	\$ 32,213
76,082,957	8,155,064	4,214,571
<u>\$ 78,414,014</u>	<u>\$ 7,641,344</u>	<u>\$ 4,246,784</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 June 30, 2012

	General	Special Projects	School Bond Construction	Total Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 10,392,443	\$ 22,740,508	\$ -	\$ 663,245	\$ 33,796,196
Receivables (net of allowance for uncollectibles):					
Taxes receivable	14,340,516	-	-	1,150,818	15,491,334
Accounts receivable	420,634	-	-	-	420,634
Interest receivable	118,558	-	-	-	118,558
Due from other funds	574,862	-	-	-	574,862
Due from component unit	3,328,775	-	-	-	3,328,775
Due from other governmental units	1,380,292	-	-	-	1,380,292
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	-	-	254,230	472,751	726,981
Total assets	<u>\$ 30,556,080</u>	<u>\$ 22,740,508</u>	<u>\$ 254,230</u>	<u>\$ 2,286,814</u>	<u>\$ 55,837,632</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,969,480	\$ -	\$ -	\$ 2,836	\$ 1,972,316
Customers' deposits	14,180	-	-	-	14,180
Due to other funds	-	-	-	320	320
Deferred revenue	14,815,271	-	-	1,150,232	15,965,503
Total liabilities	<u>\$ 16,798,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,153,388</u>	<u>\$ 17,952,319</u>
Fund balances:					
Restricted for:					
Construction	\$ -	\$ -	\$ 254,230	\$ 410,906	\$ 665,136
Public safety	-	-	-	61,845	61,845
Committed for:					
Capital improvements (Note 14)	-	22,740,508	-	-	22,740,508
Sanitary districts - roads, etc.	-	-	-	464,710	464,710
Assigned to:					
Capital improvements	-	-	-	195,965	195,965
Unassigned	13,757,149	-	-	-	13,757,149
Total fund balances	<u>\$ 13,757,149</u>	<u>\$ 22,740,508</u>	<u>\$ 254,230</u>	<u>\$ 1,133,426</u>	<u>\$ 37,885,313</u>
Total liabilities and fund balances	<u>\$ 30,556,080</u>	<u>\$ 22,740,508</u>	<u>\$ 254,230</u>	<u>\$ 2,286,814</u>	<u>\$ 55,837,632</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2012

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 37,885,313

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 173,641,949	
Less: accumulated depreciation	<u>(21,732,958)</u>	151,908,991

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Deferred revenue	\$ 4,262,429	
Unamortized bond issue costs	<u>1,739,092</u>	6,001,521

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

1,160,691

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:

Bonds & loans payable, net of discount, premium & deferred loss on refunding	(113,598,709)	
Interest payable	(1,040,566)	
Capital lease obligations	(496,150)	
Compensated absences	(1,114,085)	
Landfill closure & postclosure liability	(584,492)	
Other post employment benefits liability	<u>(1,708,500)</u>	<u>(118,542,502)</u>

Net assets of governmental activities \$ 78,414,014

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

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

	General	Special Projects	School Bond Construction	Total Nonmajor Governmental Funds	Total
REVENUES					
General property taxes	\$ 32,658,661	\$ -	\$ -	\$ 1,431,390	\$ 34,090,051
Other local taxes	6,811,776	-	-	-	6,811,776
Permits, privilege fees, and regulatory licenses	527,806	-	-	-	527,806
Fines and forfeitures	24,776	-	-	-	24,776
Revenue from the use of money and property	386,991	-	5,310	-	392,301
Charges for services	2,408,251	-	-	-	2,408,251
Miscellaneous	584,048	-	-	65,356	649,404
Recovered costs	14,514	-	-	-	14,514
Intergovernmental revenues:					
Commonwealth	11,927,657	-	-	26,396	11,954,053
Federal	2,106,954	-	-	-	2,106,954
Total revenues	\$ 57,451,434	\$ -	\$ 5,310	\$ 1,523,142	\$ 58,979,886
EXPENDITURES					
Current:					
General government administration	\$ 2,671,164	\$ -	\$ -	\$ -	\$ 2,671,164
Judicial administration	1,448,578	-	-	-	1,448,578
Public safety	10,440,453	-	-	12,758	10,453,211
Public works	3,021,086	-	-	1,178,345	4,199,431
Health and welfare	6,706,491	-	-	-	6,706,491
Education	18,643,244	-	-	-	18,643,244
Parks, recreation, and cultural	2,828,558	-	-	-	2,828,558
Community development	734,419	-	-	-	734,419
Nondepartmental	249,404	-	-	-	249,404
Capital projects	11,558,861	-	201,591	-	11,760,452
Debt service:					
Principal retirement	3,458,550	-	-	-	3,458,550
Interest, issuance costs, other fiscal charges	6,758,827	-	-	-	6,758,827
Total expenditures	\$ 68,519,635	\$ -	\$ 201,591	\$ 1,191,103	\$ 69,912,329
Excess (deficiency) of revenues over (under) expenditures	\$ (11,068,201)	\$ -	\$ (196,281)	\$ 332,039	\$ (10,932,443)
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 10,872,140	\$ 1,702,373	\$ 200,532	\$ 30,402	\$ 12,805,447
Transfers out	(1,460,042)	(6,220,749)	(4,339,817)	(340,272)	(12,360,880)
Issuance of lease revenue refunding bonds	77,000,000	-	-	-	77,000,000
Premium on issuance of refunding bonds	10,859,925	-	-	-	10,859,925
Payments to refunding bond escrow agent	(86,013,379)	-	-	-	(86,013,379)
Total other financing sources (uses)	11,258,644	(4,518,376)	(4,139,285)	(309,870)	2,291,113
Net change in fund balances	\$ 190,443	\$ (4,518,376)	\$ (4,335,566)	\$ 22,169	\$ (8,641,330)
Fund balances - beginning	13,566,706	27,258,884	4,589,796	1,111,257	46,526,643
Fund balances - ending	\$ 13,757,149	\$ 22,740,508	\$ 254,230	\$ 1,133,426	\$ 37,885,313

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

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, 2012

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

Net change in fund balances - total governmental funds	\$	(8,641,330)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital asset additions	\$	9,269,524	
Depreciation expense		<u>(3,439,001)</u>	5,830,523

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

678,009

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 issuance costs, 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.

Issuance of long-term debt including premiums	\$	(87,859,925)	
(Increase) decrease in landfill closure & postclosure liability		(13,699)	
Payment to refunding bond escrow agent		86,013,379	
Bond issue costs capitalized		1,655,746	
Principal payments, discount and premium amortization		<u>4,758,286</u>	4,553,787

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following are the details of these adjustments:

Amortization of bond issue costs	(20,611)	
(Increase) decrease accrued interest payable	669,768	
(Increase) decrease in other post employment benefits liability	(449,800)	
(Increase) decrease in compensated absences	<u>(10,130)</u>	189,227

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Insurance premiums, internal service fund - reported as charges for services on Exhibit 2	2,144,691	
Insurance claims, internal service fund - reported as expense in the respective function on Exhibit 2	(1,979,283)	
Transfer out, internal service fund - reported as expense in the respective fund on Exhibit 2	<u>(444,567)</u>	(279,159)

Change in net assets of governmental activities	\$	<u><u>2,331,057</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
Internal Service Fund
June 30, 2012

	<u>Health Insurance Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,333,953
Total assets	<u>\$ 1,333,953</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 825
Claims and judgments - Incurred but not reported	<u>172,437</u>
Total liabilities	<u>\$ 173,262</u>
NET ASSETS	
Unrestricted	\$ 1,160,691
Total net assets	<u><u>\$ 1,160,691</u></u>

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

Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Fund
For the Year Ended June 30, 2012

	<u>Health Insurance Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 2,144,691
Total operating revenues	<u>\$ 2,144,691</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 1,979,283
Total operating expenses	<u>\$ 1,979,283</u>
Operating income (loss)	<u>\$ 165,408</u>
Income before contributions and transfers	165,408
Transfers out	\$ (444,567)
Change in net assets	<u>\$ (279,159)</u>
Total net assets - beginning	1,439,850
Total net assets - ending	<u><u>\$ 1,160,691</u></u>

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

Statement of Cash Flows
Internal Service Fund
For the Year Ended June 30, 2012

	<u>Health Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 2,144,691
Payments for claims	<u>(1,960,690)</u>
Net cash provided by (used for) operating activities	<u>\$ 184,001</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>(444,567)</u>
Net cash provided by (used for) noncapital financing activities	<u>(444,567)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (260,566)</u>
Cash and cash equivalents - beginning	<u>1,594,519</u>
Cash and cash equivalents - ending	<u><u>\$ 1,333,953</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 165,408</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in IBNR	\$ 17,768
Increase (decrease) in accounts payable	<u>825</u>
Total adjustments	<u>\$ 18,593</u>
Net cash provided by (used for) operating activities	<u><u>\$ 184,001</u></u>

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

	Private- Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 222,906	\$ 50,634
Due from other governments	-	700,587
Total assets	<u>\$ 222,906</u>	<u>\$ 751,221</u>
LIABILITIES		
Accounts payable	\$ -	\$ 6,445
Amounts held for social services clients	-	21,043
Due to other funds	-	574,542
Due to other governmental units	-	131,045
Amounts held for others	-	18,146
Total liabilities	<u>\$ -</u>	<u>\$ 751,221</u>
NET ASSETS		
Held in trust for scholarships	<u>\$ 222,906</u>	

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

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 For the Year Ended June 30, 2012

	Private- Purpose Trust
ADDITIONS	
Revenue from the use of money	\$ 10,333
Miscellaneous	<u>5,631</u>
Total additions	<u>\$ 15,964</u>
DEDUCTIONS	
Scholarships	<u>\$ 17,500</u>
Total deductions	<u>\$ 17,500</u>
Change in net assets	\$ (1,536)
Net assets - beginning	<u>224,442</u>
Net assets - ending	<u><u>\$ 222,906</u></u>

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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The County of Warren, Virginia operates under a traditional form of government with a Board of Supervisors, county administrator, and elected constitutional officers. It provides its citizens with services relating to public safety, public works, health and welfare services, education, community and economic development, and judicial and general administrative services.

The financial statements of the County of Warren, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

These financial statements present the County (primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Warren County Public Schools:

Warren County Public Schools (the "Schools") is responsible for elementary and secondary education within the County. The Schools are fiscally dependent on the County because the Schools' operational and capital budgets are approved by the County Board of Supervisors. In addition, the Schools are prohibited from issuing bonded debt without the approval of the County Board of Supervisors.

The Schools report four special revenue funds (school operating, cafeteria, textbook, and vocational building funds), one capital projects fund (school capital improvements fund), all of which are accounted for as governmental funds. The Schools report one internal service fund (self-insurance fund) as a proprietary fund.

Industrial Development Authority of the Town of Front Royal and the County of Warren, Virginia:

The Industrial Development Authority of the Town of Front Royal and the County of Warren, Virginia (the "Authority") was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Town Council of the Town of Front Royal and the Board of Supervisors of the County to be effective on December 21, 1967 pursuant to the provisions of the Economic Development and Revenue Bond Act. The Authority is governed by seven directors appointed by the Town of Front Royal and the County. The Authority is fiscally dependent on the County. County contributions accounted for approximately 48% percent of the Industrial Development Authority's revenues during fiscal year 2012. The Authority is accounted for as a proprietary fund and uses the accrual basis of accounting.

Complete financial statements of the Industrial Development Authority of the Town of Front Royal and the County of Warren, Virginia may be obtained at the Authority's administrative offices.

A. Government-wide and Fund Financial Statements

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

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

A. Government-wide and Fund Financial Statements: (Continued)

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

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. 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.

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

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual report including the government's original budget to the current comparison of final budget and actual results.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

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

B. Other Related Organizations

Included in the County's Financial Report

None

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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 within two months 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 either recognized when earned, at the time other specific expenditures are recognized or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Proprietary funds (internal service 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 internal service funds are insurance premiums. Operating expenses include insurance claims and other expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the general fund as a major governmental fund.

The general fund is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the component unit school board. The General Fund is considered a major fund for government-wide reporting purposes.

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

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

1. Governmental Funds: (Continued)

Capital Projects Funds - The Capital Projects Funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County reports the special projects and school bond construction funds as major capital projects funds and the general capital projects fund as a non-major capital project fund.

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds consist of the following funds: Drug Forfeitures, Proffers, and Sanitary District. All of the above funds are reported as non-major funds.

Fiduciary Funds - (Trust and Agency Funds) - account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include private purpose trust and agency funds. Private purpose trust funds utilize the accrual basis of accounting as described in the proprietary funds presentation. Agency funds utilize the accrual basis of accounting described in the governmental fund presentation. Fiduciary funds are not included in the government-wide financial statements. The following private-purpose trust funds are reported: Woodward Cook Scholarship Fund, the Elizabeth Denny Scholarship Fund, the Warren County Education Foundation Fund, the Louise Bolling Scholarship Fund, the Winnie Nicholls Scholarship Fund, and the Thompson Scholarship Fund. The following agency funds are reported: Special Welfare Fund, Undistributed Local Sales Tax Fund, Flexible Spending Fund, Northern Warren Fire Department Building Fund, and the Shenandoah Farms Volunteer Fire Department Fund.

Proprietary Funds - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds of the County consist of Internal Service Funds.

Internal Service Funds - account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal Service Funds consist of Health Insurance Funds reported by the Primary Government and the Component Unit-School Board.

D. Budgets and Budgetary Accounting:

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements.

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

3. The budget is legally enacted through passage of appropriation resolutions.
4. The appropriations resolutions place legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County Departments.
7. Both the original and amended budget are presented in the accompanying financial statements.

The following General Fund departments reported actual expenditures in excess of appropriations:

- Sheriff
- Various capital projects

Additionally the following nonmajor and Component Unit funds reported actual expenditures in excess of appropriations:

- Drug forfeiture fund
- School bond construction fund
- School Cafeteria Fund
- School Textbook Fund
- School Vocational Fund

E. Cash and Cash Equivalents:

The County's cash and cash equivalents consist of demand deposits and certificates of deposits with an initial maturity date of less than three months.

F. Allowance for Uncollectible Accounts:

The County calculates its allowance for uncollectible accounts using the historical collection data and, in certain cases, specific account analysis. The allowance attributed to property taxes amounted to \$1,194,699 at June 30, 2012.

G. Capital Assets:

Capital assets, which include property, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$5,000 and an estimated useful life of multiple years. Such assets are recorded at historical cost or estimated historical cost using the consumer price inflationary index.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

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

G. Capital Assets: (Continued)

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

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

Buildings and improvements	50 years
Vehicles	5 years
School buses	12 years
Equipment	5 to 7 years

H. Deferred Charges:

Deferred charges, primarily bond-related costs, are amortized over the life of the related bond issue using the straight-line method.

I. Compensated Absences:

County and school employees earn vacation and sick leave at various rates up to a specified amount of days. Accumulated vacation and sick leave is paid upon termination. All vacation and sick pay is accrued when incurred in the government-wide financial statements. At June 30, 2012, leave liabilities of the County amounted to \$647,247 of outstanding vacation accruals, \$294,660 of outstanding compensatory time and \$172,178 of outstanding sick accruals, representing a net increase of \$10,130. At June 30, 2012, leave liabilities of the Schools amounted to \$744,847 of outstanding vacation accruals, \$386,930 of personal leave time and \$410,046 of outstanding sick accruals, representing a net increase of \$105,333.

J. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond issuance costs in the current period.

K. Net Assets/Fund Equity:

Net assets in the government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other government or imposed by law through state statute.

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

K. Net Assets/Fund Equity: (Continued)

GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

The County establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. 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).

L. Property Taxes Receivable:

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in one installment on December 5th. The County bills and collects its own property taxes.

M. Restricted Assets:

The County reports restricted net assets in the amount of \$472,751 (Exhibit 1). The net assets are restricted for specific capital projects as a result of proffers received and for public safety. The restricted amounts are reported in separate funds in the fund financial statements.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

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

M. Restricted Assets:

The Industrial Development Authority reports restricted net assets in the amount of \$2,205. The net assets are restricted by outside donors to be used for scholarships.

The County reports restricted assets from unspent bond proceeds in the amount of \$254,230 to be used for construction.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”), Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by 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).

The County does not have an investment policy that addresses the various types of risks related to investments.

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2012 were rated by Standard and Poor’s and the ratings are presented below using Standard and Poor’s rating scale.

Locality's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>				
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>A1</u>	<u>Unrated</u>
Local Government Investment Pool	\$ 1,455,366	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 1,455,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)**External Investment Pools**

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

NOTE 3—INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund balances at June 30, 2012 were as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
Major funds:		
General	\$ 574,862	\$ -
Nonmajor governmental funds:		
Sanitary districts	-	320
Agency funds:		
Undistributed local sales tax fund	-	569,542
Flexible spending fund	-	5,000
Total	<u>\$ 574,862</u>	<u>\$ 574,862</u>

Interfund transfers for the year ended June 30, 2012 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major funds:		
General	\$ 10,872,140	\$ 1,460,042
Special projects	1,702,373	6,220,749
School bond construction fund	200,532	4,339,817
Nonmajor governmental funds:		
Proffers	-	25,000
Sanitary districts	30,402	315,272
Internal service fund:		
County health insurance fund	-	444,567
Total	<u>\$ 12,805,447</u>	<u>\$ 12,805,447</u>

Transfers between major funds and other nonmajor governmental funds were primarily to support operations of the funds.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 4—DUE FROM/TO AND TRANSFERS FROM/TO PRIMARY GOVERNMENT AND COMPONENT UNITS:

Due from/to balances between the County and its component units at June 30, 2012, were as follows:

	<u>Due From</u>	<u>Due To</u>
Primary government:		
General	\$ <u> -</u>	\$ <u>3,328,775</u>
Component units:		
Warren County School Board	\$ <u>3,328,775</u>	\$ <u> -</u>

Contributions from the Primary Government to the School Board Component Unit for the year ended June 30, 2012 were as follows:

	<u>Contributions To</u>	<u>Contributions From</u>
Primary government:		
General	\$ -	\$ 18,606,064
School Board component unit:		
Operating fund	<u>18,606,064</u>	<u> -</u>
	\$ <u>18,606,064</u>	\$ <u>18,606,064</u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from/to other governmental units are as follows at June 30, 2012:

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>General Fund</u>	<u>Agency Fund</u>	<u>School Board</u>
Commonwealth of Virginia:			
Virginia Public Assistance funds	\$ 126,862	\$ -	\$ -
State sales tax	-	-	1,017,328
Constitutional officer reimbursements	287,546	-	-
Recordation tax refunds	34,152	-	-
Miscellaneous grants	17,301	-	4,938
Comprehensive services act	314,505	-	-
Fire program grants	61,845	-	-
Rolling stock	2,723	-	-
Aviation grant	246	-	-
Confinement reimbursement	85,260	-	-
Communication tax	155,247	-	-
Local sales tax	-	700,587	-
Federal Government:			
Virginia Public Assistance funds	126,741	-	-
Highway planning and construction	140,599	-	-
Crimes victims assistance	22,038	-	-
Highway safety grants	5,227	-	-
School fund grants	-	-	526,266
School food	-	-	173,080
Total due from other governments	\$ <u>1,380,292</u>	\$ <u>700,587</u>	\$ <u>1,721,612</u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 6—CAPITAL ASSETS:

Primary Government:

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 10,830,169	\$ 492,602	\$ -	\$ 11,322,771
Construction in progress	32,283,256	8,507,287	25,561,571	15,228,972
Other non-depreciable assets	<u>387,070</u>	<u>-</u>	<u>-</u>	<u>387,070</u>
Total capital assets not being depreciated	\$ <u>43,500,495</u>	\$ <u>8,999,889</u>	\$ <u>25,561,571</u>	\$ <u>26,938,813</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 113,492,160	\$ 25,561,571	\$ -	\$ 139,053,731
Improvements other than buildings	1,788,136	-	-	1,788,136
Machinery, equipment and vehicles	<u>5,591,634</u>	<u>269,635</u>	<u>-</u>	<u>5,861,269</u>
Total capital assets being depreciated	\$ <u>120,871,930</u>	\$ <u>25,831,206</u>	\$ <u>-</u>	\$ <u>146,703,136</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 14,170,110	\$ 2,789,794	\$ -	\$ 16,959,904
Improvements other than buildings	290,950	89,407	-	380,357
Machinery, equipment and vehicles	<u>3,832,897</u>	<u>559,800</u>	<u>-</u>	<u>4,392,697</u>
Total accumulated depreciation	\$ <u>18,293,957</u>	\$ <u>3,439,001</u>	\$ <u>-</u>	\$ <u>21,732,958</u>
Net capital assets primary government	\$ <u><u>146,078,468</u></u>	\$ <u><u>31,392,094</u></u>	\$ <u><u>25,561,571</u></u>	\$ <u><u>151,908,991</u></u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Component Unit—School Board: (Continued)

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 1,656,064	\$ -	\$ -	\$ 1,656,064
Total capital assets not being depreciated	\$ 1,656,064	\$ -	\$ -	\$ 1,656,064
Capital assets being depreciated:				
Buildings and improvements	\$ 6,405,041	\$ -	\$ -	\$ 6,405,041
Machinery, equipment and vehicles	6,862,037	185,672	-	7,047,709
Total capital assets being depreciated	\$ 13,267,078	\$ 185,672	\$ -	\$ 13,452,750
Less accumulated depreciation for:				
Buildings and improvements	\$ 3,432,000	\$ 82,146	\$ -	\$ 3,514,146
Machinery, equipment and vehicles	3,802,180	591,083	-	4,393,263
Total accumulated depreciation	\$ 7,234,180	\$ 673,229	\$ -	\$ 7,907,409
Net capital assets component unit school board	\$ 7,688,962	\$ (487,557)	\$ -	\$ 7,201,405

- 1) Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia 1950, as amended, has changed the reporting of local 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 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 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 Warren, Virginia for the year ended June 30, 2012, is that school financed assets in the amount of \$106,251,513 are reported in the Primary Government for financial reporting purposes.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:

General government	\$	207,683
Judicial administration		66,195
Public safety		430,129
Public works		82,079
Health and welfare		7,286
Education		2,398,618
Parks, recreation and cultural		143,641
Community Development		<u>103,370</u>
Total Governmental activities	\$	<u><u>3,439,001</u></u>
Component Unit School Board	\$	<u><u>673,229</u></u>

Component Unit-Industrial Development Authority:

A summary of changes in the industrial development authority's capital assets is as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ <u>128,578</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>128,578</u>
Total capital assets not being depreciated	\$ <u>128,578</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>128,578</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 705,321	\$ 74,705	\$ -	\$ 780,026
Equipment	<u>129,246</u>	<u>-</u>	<u>-</u>	<u>129,246</u>
Total capital assets being depreciated	\$ <u>834,567</u>	\$ <u>74,705</u>	\$ <u>-</u>	\$ <u>909,272</u>
Less accumulated depreciation	\$ <u>231,881</u>	\$ <u>35,518</u>	\$ <u>-</u>	\$ <u>267,399</u>
Net capital assets component unit industrial development authority	\$ <u><u>731,264</u></u>	\$ <u><u>39,187</u></u>	\$ <u><u>-</u></u>	\$ <u><u>770,451</u></u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government:

The following is a summary of changes in general obligation and lease revenue bonds payable, loans payable, and other long-term liabilities for the primary government and school board for the year ended June 30, 2012.

	Amounts Payable at July 1, 2011	Increases	Decreases	Amounts Payable at June 30, 2012	Amounts Due Within One Year
Governmental Obligations:					
Primary Government:					
General obligation and lease revenue bonds	\$ 115,396,197	\$ 77,000,000	\$ 84,406,132	\$ 107,990,065	\$ 4,466,536
Claims, judgments and compensated absences payable	1,103,955	10,130	-	1,114,085	111,408
Other post employment benefits	1,258,700	600,200	150,400	1,708,500	-
Landfill postclosure costs	570,793	13,699	-	584,492	-
Loans payable	482,652	-	28,507	454,145	29,642
Capital leases	742,336	-	246,186	496,150	188,205
Totals	\$ 119,554,633	\$ 77,624,029	\$ 84,831,225	\$ 112,347,437	\$ 4,795,791
Discount on bonds	\$ (33,966)	-	\$ (33,966)	-	-
Premium on bonds	1,806,647	10,859,925	1,418,173	11,248,399	611,543
Deferred amount on refunding	-	(6,093,900)	-	(6,093,900)	(313,238)
Total for financial statement presentation - Primary Government	\$ 121,327,314	\$ 82,390,054	\$ 86,215,432	\$ 117,501,936	\$ 5,094,096
Component Unit - School Board:					
Capital lease	\$ 389,899	-	\$ 92,021	\$ 297,878	\$ 95,565
Compensated absences payable	1,436,490	105,333	-	1,541,823	154,182
Other post employment benefits	353,200	265,800	153,300	465,700	-
Total School Board	\$ 2,179,589	\$ 371,133	\$ 245,321	\$ 2,305,401	\$ 249,747
Total Governmental Obligations	\$ 123,506,903	\$ 82,761,187	\$ 86,460,753	\$ 119,807,337	\$ 5,343,843

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of the primary government's debt at June 30, 2012 are as follows:

	<u>Amount Outstanding</u>
<u>General obligation bonds</u>	
\$3,692,300 general obligation refunding bonds issued December 16, 2009 to completely defease the outstanding balance of the \$3.5 million general obligation bonds issued on December 15, 1998 and provide financing for courthouse improvements. The refunding general obligation bonds are payable in variable amounts; interest rate of 3.09% through December 2023.	\$ 3,281,800
\$7,500,000 public facility bonds through Build America Bonds, issued May 25, 2010. The bonds were issued in anticipation of a literary loan to finance school construction. Interest is payable through March 2014 when the outstanding balance (\$7.5 million) is payable. Interest is payable at 4.02%. The County will receive a Build America Bond subsidy to effectively reduce interest to a rate of 2.61%.	7,500,000
\$23,620,000 general obligation school bonds issued September 12, 1995, payable in variable amounts; interest rate of 5.75% through July 15, 2015.	<u>4,740,000</u>
Total general obligation bonds	\$ <u>15,521,800</u>
<u>Lease Revenue Bonds and Notes:</u>	
\$68,265,000 school lease revenue bonds series 2004B, issued October 1, 2004, payable in variable amounts and interest rates (3.00% to 5.00%) through 2035. During FY 2012 the bonds were partially refunded in the amount of \$58,785,000. The outstanding balance will be paid over the original bond financing agreement through 2015.	\$ 4,990,000
\$13,416,124 (including premium of \$686,698) general obligation school bonds issued November 8, 2007, payable in variable amounts; interest rate of 5.1% through July 15, 2028.	10,478,265
\$45,700,000 lease revenue refunding bonds Series 2011B, issued November 16, 2011, payable in variable amounts; with variable interest rates of 2.125% to 5.125%, through October 1, 2028. The bonds were issued to partially refund Series 2004B lease revenue bonds and refund the outstanding balance of the Series 2009 lease revenue refunding bonds for an economic gain of \$3,013,688.	45,700,000
\$31,300,000 lease revenue refunding bonds Series 2012A, issued June 13, 2012, payable in variable amounts; with variable interest rates of 4.524% to 5.125%, through April 1, 2035. The bonds were issued to partially refund the Series 2004B lease revenue bonds for an economic gain of \$2,342,981.	<u>31,300,000</u>
Total lease revenue bonds and notes	\$ <u>92,468,265</u>
Total general obligation and lease revenue bonds	<u>\$ 107,990,065</u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>Loans payable</u>	
\$650,000 note payable, issued January 17, 2004, payable in monthly installments of \$3,908.11, included interest at a rate of 3.91% through July 2014 at which time the entire remaining balance of principal and accrued interest are payable in full.	\$ <u>454,145</u>
Total loans payable	\$ <u><u>454,145</u></u>

Annual requirements to amortize general obligation bonds and related interest are as follows:

Year Ending June 30,	County Obligations					
	Bonds Payable		Loans Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 4,466,536	4,689,542	\$ 29,642	\$ 17,256	\$ 188,205	8,838
2014	12,071,028	4,672,453	424,503	17,361	63,275	1,508
2015	4,700,114	4,150,924	-	-	53,493	318
2016	4,869,310	3,892,544	-	-	31,863	-
2017	3,803,443	3,714,381	-	-	159,314	-
2018-2022	20,807,630	16,201,791	-	-	-	-
2023-2027	24,184,684	11,146,578	-	-	-	-
2028-2032	20,787,320	5,402,276	-	-	-	-
2033-2036	12,300,000	945,243	-	-	-	-
Total	\$ <u><u>107,990,065</u></u>	\$ <u><u>54,815,732</u></u>	\$ <u><u>454,145</u></u>	\$ <u><u>34,617</u></u>	\$ <u><u>496,150</u></u>	\$ <u><u>10,664</u></u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term debt of the Component Unit—School Board for the year ended June 30, 2012 are as follows:

Year Ending June 30,	School Board Obligations	
	Capital Lease	
	Principal	Interest
2013	\$ 95,565	\$ 11,472
2014	99,246	7,791
2015	103,067	3,970
Total	\$ 297,878	\$ 23,233

The following is a summary of changes in long-term debt for the Component Unit Industrial Development Authority for the year ended June 30, 2012:

	Amounts Payable at July 1, 2011	Increases	Decreases	Amounts Payable at June 30, 2012	Amounts Due Within One Year
Industrial Development Authority:					
Notes payable	\$ 5,728,843	\$ 991,201	\$ 173,403	\$ 6,546,641	\$ 2,270,970
Total IDA	\$ 5,728,843	\$ 991,201	\$ 173,403	\$ 6,546,641	\$ 2,270,970

NOTE 8—LEASES:

Primary Government:

Capital leases

The County has entered into various lease agreements as the lessee for financing the acquisition of vehicles for use in the sheriff's department, recreation and parks, and the general government; equipment for county administration and the recreation and parks department; and lease purchase of a building. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The school board has entered into a lease agreement for financing the acquisition of school buses.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 8—LEASES: (CONTINUED)

Primary Government: (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2012 were as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Component Unit School Board</u>
2013	\$ 197,043	\$ 107,037
2014	64,783	107,037
2015	53,811	107,037
2016	31,863	-
2017	159,314	-
Total minimum lease payments	\$ 506,814	\$ 321,111
Less: amount representing interest	10,664	23,233
Present value of minimum lease payments	<u>\$ 496,150</u>	<u>\$ 297,878</u>

NOTE 9—DEFINED PENSION BENEFIT OBLIGATION:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 9—DEFINED PENSION BENEFIT OBLIGATION:

A. Plan Description: (Continued)

- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> 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. 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 contribution rate for the fiscal year ended 2012 was 9.85% of annual covered payroll. The School Board's contribution rates for fiscal year 2012 were 6.33% for professional employees and 8.24% for non-professional employees. The County and School Board contribution rates do not include the employee's share of 5.00%.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 9—DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)**B. Funding Policy: (Continued)**

For the three years ended June 30, 2012, 2011 and 2010, total employer contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$1,616,050, \$1,003,596 and \$2,343,739 and represented 6.33%, 3.93% and 8.81% (rate was 8.81% for July 2010 - March 2010 and 0% April 2010 - June 2010) of annual covered payroll, respectively, and 100% of the required contributions for 2012, 2011 and 2010.

C. Annual Pension Cost

For fiscal year 2012, the County's and School Board's (non-professional) annual pension cost, not including the employee share was \$854,891 (employee share paid by County was \$433,954) and \$237,503 (employee share paid by School Board was \$144,116) which were equal to the County and School Board's required and actual contributions, respectively.

Three-Year Trend Information for County - Primary Government

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) [']</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 741,264	\$ 100%	-
June 30, 2011	871,030	100%	-
June 30, 2012	854,891	100%	-

['] Employer portion only.

Three-Year Trend Information for School Board - Non-professional

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) [']</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 214,598	\$ 100%	-
June 30, 2011	227,414	100%	-
June 30, 2012	237,503	100%	-

['] Employer portion only.

NOTE 9—DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)

C. Annual Pension Cost: (Continued)

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

County

As of June 30, 2011, the most recent actuarial valuation date, the plan was 78.70% funded. The actuarial accrued liability for benefits was \$31,826,557, and the actuarial value of assets was \$25,047,978, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,778,579. The covered payroll (annual payroll of active employees covered by the plan) was \$8,879,673, and ratio of the UAAL to the covered payroll was 76.34%.

School Board

As of June 30, 2011, the most recent actuarial valuation date, the plan was 85.30% funded. The actuarial accrued liability for benefits was \$8,014,204, and the actuarial value of assets was \$6,835,886, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,178,318. The covered payroll (annual payroll of active employees covered by the plan) was \$2,859,402, and ratio of the UAAL to the covered payroll was 41.21%.

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

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 10—DEFERRED REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$15,965,503 is comprised of the following:

Primary Government-Deferred Property Taxes - Deferred revenue representing deferred property tax revenues totaled \$14,945,508.

General fund:

Delinquent taxes not collected within 60 days	\$ 3,856,688
2nd half property tax assessments	9,966,366

Sanitary districts:

Delinquent taxes not collected within 60 days	405,742
2nd half property tax assessments	<u>716,712</u>

Total	<u><u>\$ 14,945,508</u></u>
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Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled \$981,549 in the General Fund and \$27,778 in the Sanitary districts fund at June 30, 2012.

Miscellaneous Revenue - Revenue received in advance as of June 30, 2012 totaled \$10,668 reported in the General fund.

NOTE 11—COMMITMENTS AND CONTINGENCIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

At June 30, 2012 the County had the following material construction contracts outstanding:

<u>Project</u>	<u>Outstanding at June 30, 2012</u>
Warren County Middle School roof	\$ 1,448,013

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 11—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

Series 1996 Bond - Route 340/522 Water and Sewer Project - Support Agreement

The Industrial Development Authority of the Town of Front Royal and the County of Warren, Virginia ("IDA") issued revenue bonds dated November 26, 1996 in the amount of \$4,125,000 to finance construction of a water and sewer project located near Route 340/522. The bonds were subsequently refinanced with the issuance of the Refunding Bonds on March 1, 2005 in the amount of \$3,300,000. The Town of Front Royal ("Town") is the owner and operator of the water and sewer assets constructed.

The County and Town entered into a debt support agreement with the IDA whereby pledging financial support to satisfy the annual bond debt service payments. The County and Town agreed to provide support equal to 80% and 20%, respectively, of the annual debt service. In accordance with the Support Agreement and Bond Documents, the County is to budget annually the payment to the IDA. However, in any year the County does not budget and provide the annual financial support, the IDA is liable for 100% of the bond debt service payment. Therefore, the County has not recorded the annual support agreement as a long-term liability in the financial statements.

Details of the IDA bond, including the County's related support obligation are as follows:

Fiscal Year	IDA Long-term Debt		County Commitment - 80%	
	Principal	Interest	Principal	Interest
2013	\$ 285,000	\$ 50,170	\$ 228,000	\$ 40,136
2014	300,000	39,670	240,000	31,736
2015	305,000	28,810	244,000	23,048
2016	320,000	17,591	256,000	14,073
2017	330,000	5,924	264,000	4,739

NOTE 12—SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

The County has closed a previously operated solid waste landfill and transfer station in such a manner as to comply with laws and regulations administered by the United States Environmental Protection Agency and Virginia Department of Waste Management 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 after closure. The \$584,492 reported as landfill closure care, postclosure care and corrective action liability at June 30, 2012, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has demonstrated financial assurance requirements for postclosure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code. The County intends to fund these costs from accumulated funds held in the general fund. The liability the County provides financial assurance is different than the actual liability reported in the financial statements due to actual costs expended.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 13—SURETY BONDS:

	<u>Amount</u>
VA Department of General Services:	
Jennifer Sims, Clerk of the Circuit Court	\$ 400,000
Wanda Bryant, Treasurer	400,000
John Smedley, Commissioner of the Revenue	3,000
Daniel T. McEathron, Sheriff	30,000
All Social Service Employees - Blanket Bond	100,000
Virginia School Board Association Pool:	
All School Board Employees - Blanket Bond	50,000
Fidelity and Deposit Company of Maryland:	
Pamela M. McInnis, Superintendent, Deputy Clerk of the School Board	10,000
Robert H. Ballentine, Finance Director, Clerk of the School Board	10,000

NOTE 14—COMMITTED FUND BALANCE—SPECIAL PROJECTS FUND:

	<u>Amount</u>
Permanent Reserves (Twice-a-year billing)	\$ 6,855,824
Public Safety Building	3,186,369
Historic Tax Credits	2,754,562
Enterprise Zone Set Aside (School Capital Improvements)	2,139,194
School Capital Improvements	1,215,903
Police, Fire and Rescue	1,002,219
RSW Regional Jail	986,224
Buildings & Grounds - Improvements	840,622
Sanitary Districts	683,684
VDOT (Revenue Sharing)	674,833
Miscellaneous	505,355
Sanitation	463,318
Elections	240,882
E-911 System	174,436
Social Services	167,000
Vehicles	149,509
Groundwater Study	137,500
Reassessment	124,500
Gypsy Moth Program	94,539
Planning	88,948
Juvenile Detention Facility	77,369
Parks & Recreation	76,335
Circuit Court Equipment	70,000
Courthouse Security	31,383
Total Special Projects Fund	\$ <u>22,740,508</u>

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 15—RISK MANAGEMENT:

Primary Government

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 carries a broad range of insurance coverage, which management considers prudent for the protection of the County's assets and operations. Coverage currently includes \$5,000,000 commercial general liability, \$5,000,000 automobile liability, and \$3,000,000 public officials liability. The property policy provides insurance coverage for all of the County's real and personal property up to the replacement cost value of the asset.

Effective July 1, 2005, the County established a self-insurance health care benefit for all County employees. Claims expenses paid on behalf of each employee during a single policy year are covered by excess loss insurance with a specific stop-loss limit of \$80,000. The maximum annual liability to 115% of the expected annual liability through the purchase of aggregate stop loss insurance. Claims processing and payments for all health care claims are made through a third-party administrator. The County uses information provided by the third-party administrator and a health care administrator and a health care benefits consultant to aid in the determination of self-insurance liabilities. The computed liability as of June 30, 2012 is \$172,437, and calculated as follows:

<u>Fiscal Year</u>		<u>Liability beginning of year</u>	<u>Current year claims and changes in estimates</u>	<u>Claims payments</u>	<u>Liability end of year</u>
2010	\$	151,733	\$ 1,664,307	\$ 1,685,166	\$ 130,874
2011		130,874	1,885,308	1,861,513	154,669
2012		154,669	1,978,458	1,960,690	172,437

Schools Component Unit

Effective October 1, 1993, Warren County Public Schools established a self-insurance health care benefit for all school employees. Claims expenses paid on behalf of each employee during a single policy year are covered by excess loss insurance with a specific stop-loss limit of \$100,000. The maximum annual liability to 115% of the expected annual liability through the purchase of aggregate stop loss insurance. Claims processing and payments for all health care claims are made through a third-party administrator. The Schools use information provided by the third-party administrator and a health care administrator and a health care benefits consultant to aid in the determination of self-insurance liabilities. The computed liability as of June 30, 2012 is \$337,000, and calculated as follows:

<u>Fiscal Year</u>		<u>Liability beginning of year</u>	<u>Current year claims and changes in estimates</u>	<u>Claims payments</u>	<u>Liability end of year</u>
2010	\$	365,315	\$ 4,790,060	\$ 4,824,654	\$ 330,721
2011		365,315	4,875,229	4,933,394	307,150
2012		307,150	4,143,675	4,113,825	337,000

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 15—RISK MANAGEMENT: (CONTINUED)

The Schools are exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries a broad range of insurance coverage, which management considers prudent for the protection of the Schools assets and operations. Coverage currently includes \$2,000,000 commercial general liability, \$2,000,000 automobile liability, and \$2,000,000 public official liability. The property policy provides insurance coverage for all of the Schools' real and personal property up to the replacement cost value of the asset.

NOTE 16—OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

Background

In fiscal year 2009, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health-care and non-pension benefits, such as the County's retiree health benefit subsidy. Historically, the County's subsidy was funded on a pay-as-you go basis, but GASB Statement No. 45 requires that the County accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

County:

A. Plan Description:

In addition to the pension benefits described in Note 9, the County provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits. Individuals who retire from County service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service) and 10 years of service with the County, will receive a subsidy contribution from 50% - 100% based on years of service, for their health insurance premium until age 65 when they become eligible for Medicare, at which time benefits cease. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

B. Funding Policy:

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees the County pays 50%, 75%, or 100% of the health insurance premium for retirees with 10-14, 15-19, or 20 plus years of service, respectively. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 16—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$600,200 for fiscal year 2012. The County has paid \$150,400 towards this obligation during the fiscal year. The County is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments, County contributions and credit for the implicit rate subsidy made during the year for the retirees by the County. The following table shows the components of the County's annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the County's net OPEB obligation.

Annual required contribution	\$	601,300
Interest on net OPEB obligation		50,300
Adjustment to annual required contribution		<u>(51,400)</u>
Annual OPEB cost (expense)	\$	600,200
Estimated contributions made		<u>(150,400)</u>
Increase in net OPEB obligation	\$	449,800
Net OPEB obligation, beginning of year		<u>1,258,700</u>
Net OPEB obligation, end of year	\$	<u><u>1,708,500</u></u>

For 2012, the County's expected cash payment of \$150,400 was \$449,800 less than the OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 659,880	40%	\$ 826,800
June 30, 2011	573,500	25%	1,258,700
June 30, 2012	600,200	25%	1,708,500

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 16—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

County: (Continued)

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

Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 5,539,200
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	5,539,200
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	8,234,200
UAAL as a percentage of covered payroll	67.27%

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

Actuarial Methods and Assumptions

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

Cost Method

The entry age normal cost method is used to determine the plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

Under these methods, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 16—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

County: (Continued)

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

Cost Method: (Continued)

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method.

Assumptions

Discount rate (unfunded)	4.00%
Amortization payment increase rate	2.50%
Amortization period	30 years
Health care trend rates	9% - 5%

The unfunded accrued actuarial liability is being amortized as a level percent of projected payroll on an open basis. The remaining amortization period at the date of the valuation was 30 years.

School Board:

A. Plan Description:

In addition to the pension benefits described in Note 9, the School Board provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits. Individuals who retire from the School Board with full VRS benefits (i.e. 50 years of age and 30 years of continuous service) including 5 years of service with the School Board are eligible for health insurance benefits under the School Board's plan for active employees. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

B. Funding Policy:

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Retirees pay the full premium for health insurance coverage. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 16—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**School Board: (Continued)****C. Annual OPEB Cost and Net OPEB Obligation:**

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$265,800 for fiscal year 2012. The School Board has paid \$153,300 towards this obligation during the fiscal year. The School Board is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retirees by the School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the School Board's net OPEB obligation.

Annual required contribution	\$	266,100
Interest on net OPEB obligation		14,100
Adjustment to annual required contribution		<u>(14,400)</u>
Annual OPEB cost (expense)	\$	265,800
Estimated contributions made		<u>(153,300)</u>
Increase in net OPEB obligation		112,500
Net OPEB obligation, beginning of year		<u>353,200</u>
Net OPEB obligation, end of year	\$	<u><u>465,700</u></u>

For 2012, the School Board's expected cash payment of \$153,300 was \$112,500 less than the OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 186,720	40%	\$ 233,200
June 30, 2011	257,100	47%	353,200
June 30, 2012	265,800	58%	465,700

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 16—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board: (Continued)

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

Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 2,735,200
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	2,735,200
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	17,607,400
UAAL as a percentage of covered payroll	15.53%

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

Actuarial Methods and Assumptions

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

Cost Method

The entry age normal cost method is used to determine the plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

Under these methods, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts.

COUNTY OF WARREN, VIRGINIA

Notes to Financial Statements
June 30, 2012 (Continued)

NOTE 16—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board: (Continued)

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

Cost Method: (Continued)

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method.

Discount rate (unfunded)	4.00%
Amortization payment increase rate	2.50%
Amortization period	30 years
Healthcare Trend Rate	9% - 5%

The unfunded accrued actuarial liability is being amortized as a level percent of projected payroll on an open basis. The remaining amortization period at the date of the valuation was 30 years.

Health Insurance Credit Program

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 benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

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.

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 .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$153,180, \$153,221 and \$207,504, respectively and equaled the required contributions for each year.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 31,227,400	\$ 31,519,642	\$ 32,658,661	\$ 1,139,019
Other local taxes	6,625,000	6,674,799	6,811,776	136,977
Permits, privilege fees, and regulatory licenses	723,275	731,775	527,806	(203,969)
Fines and forfeitures	50,000	50,000	24,776	(25,224)
Revenue from the use of money and property	868,160	881,409	386,991	(494,418)
Charges for services	2,625,864	2,742,534	2,408,251	(334,283)
Miscellaneous	190,000	490,469	584,048	93,579
Recovered costs	20,000	20,000	14,514	(5,486)
Intergovernmental revenues:				
Commonwealth	12,132,939	12,455,493	11,927,657	(527,836)
Federal	1,973,190	2,031,194	2,106,954	75,760
Total revenues	<u>\$ 56,435,828</u>	<u>\$ 57,597,315</u>	<u>\$ 57,451,434</u>	<u>\$ (145,881)</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,779,639	\$ 2,759,550	\$ 2,671,164	\$ 88,386
Judicial administration	1,508,236	1,552,003	1,448,578	103,425
Public safety	9,961,348	10,343,249	10,215,547	127,702
Public works	3,317,161	3,267,385	3,021,086	246,299
Health and welfare	7,305,350	7,121,220	6,706,491	414,729
Education	19,516,299	19,197,455	18,643,244	554,211
Parks, recreation, and cultural	2,804,058	2,873,454	2,828,558	44,896
Community development	1,837,452	808,940	734,419	74,521
Nondepartmental	400,610	254,080	249,404	4,676
Capital projects	2,673,086	10,982,068	11,783,767	(801,699)
Debt service:				
Principal retirement	3,464,714	3,458,550	3,458,550	-
Interest and other fiscal charges	1,568,306	4,931,098	6,758,827	(1,827,729)
Total expenditures	<u>\$ 57,136,259</u>	<u>\$ 67,549,052</u>	<u>\$ 68,519,635</u>	<u>\$ (970,583)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (700,431)</u>	<u>\$ (9,951,737)</u>	<u>\$ (11,068,201)</u>	<u>\$ (1,116,464)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 60,431	\$ 10,859,630	\$ 10,872,140	\$ 12,510
Transfers out	-	(1,460,042)	(1,460,042)	-
Issuance of lease revenue refunding bonds	-	-	77,000,000	77,000,000
Premium on refunding bonds	-	-	10,859,925	10,859,925
Payments to refunding bond escrow agent	-	-	(86,013,379)	(86,013,379)
Total other financing sources and uses	<u>\$ 60,431</u>	<u>\$ 9,399,588</u>	<u>\$ 11,258,644</u>	<u>\$ 1,859,056</u>
Net change in fund balances	\$ (640,000)	\$ (552,149)	\$ 190,443	\$ 742,592
Fund balances - beginning	640,000	552,149	13,566,706	13,014,557
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,757,149</u>	<u>\$ 13,757,149</u>

Required Supplementary Information

Schedule of Pension Funding Progress for the Virginia Retirement System

Last Three Fiscal Years

County:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c) (b) - (a)	Funded Ratio (d) (a) / (b)	Annual Annual Covered Payroll (e)	UAAL as % of Payroll (f) (c) / (e)
6/30/2011	\$ 25,047,978	\$ 31,826,557	\$ 6,778,579	78.70%	\$ 8,879,673	76.34%
6/30/2010	23,933,504	29,561,953	5,628,449	80.96%	8,729,573	64.48%
6/30/2009	23,387,173	26,922,454	3,535,281	86.87%	8,849,900	39.95%

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c) (b) - (a)	Funded Ratio (d) (a) / (b)	Annual Annual Covered Payroll (e)	UAAL as % of Payroll (f) (c) / (e)
6/30/2011	\$ 6,835,886	\$ 8,014,204	\$ 1,178,318	85.30%	\$ 2,859,402	41.21%
6/30/2010	6,585,346	7,594,774	1,009,428	86.71%	2,861,402	35.28%
6/30/2009	6,462,071	6,794,443	332,372	95.11%	2,890,208	11.50%

Required Supplementary Information
Schedule of Funding Progress for Other Post-Employment Benefits
Last Two Valuation Periods

County:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c) (b) - (a)	Funded Ratio (d) (a) / (b)	Annual Covered Payroll (e)	UAAL as % of Payroll (f) (c) / (e)
1/1/2009	\$ -	\$ 4,510,000	\$ 4,510,000	0.00%	\$ 7,942,800	56.78%
1/1/2011	-	5,099,000	5,099,000	0.00%	8,234,200	61.92%
1/1/2011	-	5,539,200	5,539,200	0.00%	8,234,200	67.27%

School Board:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c) (b) - (a)	Funded Ratio (d) (a) / (b)	Annual Covered Payroll (e)	UAAL as % of Payroll (f) (c) / (e)
1/1/2009	\$ -	\$ 2,363,000	\$ 2,363,000	0.00%	\$ 19,310,900	12.24%
1/1/2011	-	2,613,800	2,613,800	0.00%	17,607,400	14.84%
1/1/2011	-	2,735,200	2,735,200	0.00%	17,607,400	15.53%

Notes

An updated valuation was not required for fiscal year 2012. Information was rolled forward for fiscal year 2012.

OTHER SUPPLEMENTARY INFORMATION

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Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Bond Construction Fund
For the Year Ended June 30, 2012

	School Bond Construction Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 5,310	\$ 5,310
Total revenues	\$ -	\$ -	\$ 5,310	\$ 5,310
EXPENDITURES				
Capital projects	\$ -	\$ 200,532	\$ 201,591	\$ (1,059)
Total expenditures	\$ -	\$ 200,532	\$ 201,591	\$ (1,059)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (200,532)	\$ (196,281)	\$ 4,251
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 200,532	\$ 200,532	\$ -
Transfers out	-	-	(4,339,817)	(4,339,817)
Total other financing sources (uses)	\$ -	\$ 200,532	\$ (4,139,285)	\$ (4,339,817)
Net change in fund balances	\$ -	\$ -	\$ (4,335,566)	\$ (4,335,566)
Fund balances - beginning	-	-	4,589,796	4,589,796
Fund balances - ending	\$ -	\$ -	\$ 254,230	\$ 254,230

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 467,280	\$ 195,965	\$ 663,245
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,150,818	-	1,150,818
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	472,751	-	472,751
Total assets	<u>\$ 2,090,849</u>	<u>\$ 195,965</u>	<u>\$ 2,286,814</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,836	\$ -	\$ 2,836
Due to other funds	320	-	320
Deferred revenue	1,150,232	-	1,150,232
Total liabilities	<u>\$ 1,153,388</u>	<u>\$ -</u>	<u>\$ 1,153,388</u>
Fund balances:			
Restricted for:			
Construction	\$ 410,906	\$ -	\$ 410,906
Public safety	61,845	-	61,845
Committed for:			
Sanitary districts - roads, etc.	464,710	-	464,710
Assigned to:			
Capital improvements	-	195,965	195,965
Total fund balances	<u>\$ 937,461</u>	<u>\$ 195,965</u>	<u>\$ 1,133,426</u>
Total liabilities and fund balances	<u>\$ 2,090,849</u>	<u>\$ 195,965</u>	<u>\$ 2,286,814</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
General property taxes	\$ 1,431,390	\$ -	\$ 1,431,390
Miscellaneous	65,356	-	65,356
Intergovernmental revenues:			
Commonwealth	26,396	-	26,396
Total revenues	<u>\$ 1,523,142</u>	<u>\$ -</u>	<u>\$ 1,523,142</u>
EXPENDITURES			
Current:			
Public safety	\$ 12,758	\$ -	\$ 12,758
Public works	1,178,345	-	1,178,345
Total expenditures	<u>\$ 1,191,103</u>	<u>\$ -</u>	<u>\$ 1,191,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 332,039</u>	<u>\$ -</u>	<u>\$ 332,039</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 30,402	\$ -	\$ 30,402
Transfers out	(340,272)	-	(340,272)
Total other financing sources (uses)	<u>\$ (309,870)</u>	<u>\$ -</u>	<u>\$ (309,870)</u>
Net change in fund balances	\$ 22,169	\$ -	\$ 22,169
Fund balances - beginning	915,292	195,965	1,111,257
Fund balances - ending	<u>\$ 937,461</u>	<u>\$ 195,965</u>	<u>\$ 1,133,426</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	Drug Forfeiture	Proffers	Sanitary Districts	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 467,280	\$ 467,280
Receivables (net of allowance for uncollectibles):				
Taxes receivable	-	-	1,150,818	1,150,818
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	61,845	410,906	-	472,751
Total assets	<u>\$ 61,845</u>	<u>\$ 410,906</u>	<u>\$ 1,618,098</u>	<u>\$ 2,090,849</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 2,836	\$ 2,836
Due to other funds	-	-	320	320
Deferred revenue	-	-	1,150,232	1,150,232
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,153,388</u>	<u>\$ 1,153,388</u>
Fund balances:				
Restricted for:				
Construction	\$ -	\$ 410,906	\$ -	\$ 410,906
Public safety	61,845	-	-	61,845
Committed for:				
Sanitary districts - roads, etc.	-	-	464,710	464,710
Total fund balances	<u>\$ 61,845</u>	<u>\$ 410,906</u>	<u>\$ 464,710</u>	<u>\$ 937,461</u>
Total liabilities and fund balances	<u>\$ 61,845</u>	<u>\$ 410,906</u>	<u>\$ 1,618,098</u>	<u>\$ 2,090,849</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

	Drug Forfeiture	Proffers	Sanitary Districts	Total
REVENUES				
General property taxes	\$ -	\$ -	\$ 1,431,390	\$ 1,431,390
Miscellaneous	-	31,000	34,356	65,356
Intergovernmental revenues:				
Commonwealth	26,396	-	-	26,396
Total revenues	<u>\$ 26,396</u>	<u>\$ 31,000</u>	<u>\$ 1,465,746</u>	<u>\$ 1,523,142</u>
EXPENDITURES				
Current:				
Public safety	\$ 12,758	\$ -	\$ -	\$ 12,758
Public works	-	-	1,178,345	1,178,345
Total expenditures	<u>\$ 12,758</u>	<u>\$ -</u>	<u>\$ 1,178,345</u>	<u>\$ 1,191,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 13,638</u>	<u>\$ 31,000</u>	<u>\$ 287,401</u>	<u>\$ 332,039</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 30,402	\$ 30,402
Transfers out	-	(25,000)	(315,272)	(340,272)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ (284,870)</u>	<u>\$ (309,870)</u>
Net change in fund balances	\$ 13,638	\$ 6,000	\$ 2,531	\$ 22,169
Fund balances - beginning	48,207	404,906	462,179	915,292
Fund balances - ending	<u>\$ 61,845</u>	<u>\$ 410,906</u>	<u>\$ 464,710</u>	<u>\$ 937,461</u>

COUNTY OF WARREN, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

	Drug Forfeiture			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
General property taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Intergovernmental revenues:				
Commonwealth	-	-	26,396	26,396
Total revenues	\$ -	\$ -	\$ 26,396	\$ 26,396
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ 12,758	\$ (12,758)
Public works	-	-	-	-
Total expenditures	\$ -	\$ -	\$ 12,758	\$ (12,758)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 13,638	\$ 13,638
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ 13,638	\$ 13,638
Fund balances - beginning	-	-	48,207	48,207
Fund balances - ending	\$ -	\$ -	\$ 61,845	\$ 61,845

Proffers				Sanitary Districts			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 1,340,261	\$ 1,434,154	\$ 1,431,390	\$ (2,764)
-	-	31,000	31,000	-	30,871	34,356	3,485
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ 31,000	\$ 31,000	\$ 1,340,261	\$ 1,465,025	\$ 1,465,746	\$ 721
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,279,830	1,310,232	1,178,345	131,887
\$ -	\$ -	\$ -	\$ -	\$ 1,279,830	\$ 1,310,232	\$ 1,178,345	\$ 131,887
\$ -	\$ -	\$ 31,000	\$ 31,000	\$ 60,431	\$ 154,793	\$ 287,401	\$ 132,608
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,402	\$ 30,402	\$ -
-	-	(25,000)	(25,000)	(60,431)	(302,762)	(315,272)	(12,510)
\$ -	\$ -	\$ (25,000)	\$ (25,000)	\$ (60,431)	\$ (272,360)	\$ (284,870)	\$ (12,510)
\$ -	\$ -	\$ 6,000	\$ 6,000	\$ -	\$ (117,567)	\$ 2,531	\$ 120,098
-	-	404,906	404,906	-	117,567	462,179	344,612
\$ -	\$ -	\$ 410,906	\$ 410,906	\$ -	\$ -	\$ 464,710	\$ 464,710

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Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2012

	General Capital Projects	Total
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 195,965	\$ 195,965
Total assets	\$ <u>195,965</u>	\$ <u>195,965</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	\$ -	\$ -
Total liabilities	\$ <u>-</u>	\$ <u>-</u>
Fund balances:		
Assigned to:		
Capital projects	\$ 195,965	\$ 195,965
Total fund balances	\$ <u>195,965</u>	\$ <u>195,965</u>
Total liabilities and fund balances	\$ <u>195,965</u>	\$ <u>195,965</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Fund
For the Year Ended June 30, 2012

	General Capital Projects	Total
REVENUES		
Revenue from the use of money and property	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES		
Capital projects	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)		
Transfers out	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -
Fund balances - beginning	195,965	195,965
Fund balances - ending	<u><u>\$ 195,965</u></u>	<u><u>\$ 195,965</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Capital Projects Fund
For the Year Ended June 30, 2012

	General Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	195,965	195,965
Fund balances - ending	\$ -	\$ -	\$ 195,965	\$ 195,965

Combining Statement of Fiduciary Net Assets
Private-purpose Trust Funds
June 30, 2012

Private-purpose Trust Funds							
	Woodward Cook	Louise Bolling	Elizabeth P. Denny	Warren County Education Foundation	Thompson Scholarship	Winnie Nicholls	Total
ASSETS							
Cash and cash equivalents	\$ 1,428	\$ 8,780	\$ 57,618	\$ 146,492	\$ 4,057	\$ 4,531	\$ 222,906
Total assets	<u>\$ 1,428</u>	<u>\$ 8,780</u>	<u>\$ 57,618</u>	<u>\$ 146,492</u>	<u>\$ 4,057</u>	<u>\$ 4,531</u>	<u>\$ 222,906</u>
NET ASSETS							
Held in trust for:							
Reserved for scholarships	\$ 1,428	\$ 8,780	\$ 57,618	\$ 146,492	\$ 4,057	\$ 4,531	\$ 222,906
Total net assets	<u>\$ 1,428</u>	<u>\$ 8,780</u>	<u>\$ 57,618</u>	<u>\$ 146,492</u>	<u>\$ 4,057</u>	<u>\$ 4,531</u>	<u>\$ 222,906</u>

Combining Statement of Changes in Fiduciary Net Assets
Private-purpose Trust Funds
June 30, 2012

Private-purpose Trust Funds							
	Woodward Cook	Louise Bolling	Elizabeth P. Denny	Warren County Education Foundation	Thompson Scholarship	Winnie Nicholls	Total
ADDITIONS							
Revenue from the use of money	\$ -	\$ -	\$ -	\$ 26	\$ 10,307	\$ -	\$ 10,333
Miscellaneous	-	-	-	100	-	5,531	5,631
Total additions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126</u>	<u>\$ 10,307</u>	<u>\$ 5,531</u>	<u>\$ 15,964</u>
DEDUCTIONS							
Scholarships	\$ 500	\$ 500	\$ 4,000	\$ 3,000	\$ 9,000	\$ 500	\$ 17,500
Total deductions	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 4,000</u>	<u>\$ 3,000</u>	<u>\$ 9,000</u>	<u>\$ 500</u>	<u>\$ 17,500</u>
Change in net assets	\$ (500)	\$ (500)	\$ (4,000)	\$ (2,874)	\$ 1,307	\$ 5,031	\$ (1,536)
Total net assets - beginning	1,928	9,280	61,618	149,366	2,750	(500)	224,442
Total net assets - ending	<u>\$ 1,428</u>	<u>\$ 8,780</u>	<u>\$ 57,618</u>	<u>\$ 146,492</u>	<u>\$ 4,057</u>	<u>\$ 4,531</u>	<u>\$ 222,906</u>

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2012

	Agency Funds					Total
	Special Welfare	Undistributed Local Sales Tax Fund	Flexible Spending Fund	Northern Warren Fire Department Building Fund	Shenandoah Farms Vol. Fire Department	
ASSETS						
Cash and cash equivalents	\$ 21,043	\$ -	\$ 10,626	\$ 18,965	\$ -	\$ 50,634
Due from other governments	-	700,587	-	-	-	700,587
Total assets	<u>\$ 21,043</u>	<u>\$ 700,587</u>	<u>\$ 10,626</u>	<u>\$ 18,965</u>	<u>\$ -</u>	<u>\$ 751,221</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 6,445	\$ 6,445
Amounts held for social services clients	21,043	-	-	-	-	21,043
Due to other funds	-	569,542	5,000	-	-	574,542
Due to other governmental units	-	131,045	-	-	-	131,045
Amounts held for others	-	-	5,626	18,965	(6,445)	18,146
Total liabilities	<u>\$ 21,043</u>	<u>\$ 700,587</u>	<u>\$ 10,626</u>	<u>\$ 18,965</u>	<u>\$ -</u>	<u>\$ 751,221</u>

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare Fund:				
ASSETS				
Cash and cash equivalents	\$ 29,227	\$ 9,260	\$ 17,444	\$ 21,043
Total assets	<u>\$ 29,227</u>	<u>\$ 9,260</u>	<u>\$ 17,444</u>	<u>\$ 21,043</u>
LIABILITIES				
Amounts held for social services clients	\$ 29,227	\$ 9,260	\$ 17,444	\$ 21,043
Total liabilities	<u>\$ 29,227</u>	<u>\$ 9,260</u>	<u>\$ 17,444</u>	<u>\$ 21,043</u>
Undistributed Local Sales Tax Fund:				
ASSETS				
Due from other governments	\$ 654,523	\$ 4,019,919	\$ 3,973,855	\$ 700,587
Total assets	<u>\$ 654,523</u>	<u>\$ 4,019,919</u>	<u>\$ 3,973,855</u>	<u>\$ 700,587</u>
LIABILITIES				
Due to other governmental units	\$ 126,159	\$ 735,277	\$ 730,391	\$ 131,045
Due to other funds	528,364	3,284,642	3,243,464	569,542
Total liabilities	<u>\$ 654,523</u>	<u>\$ 4,019,919</u>	<u>\$ 3,973,855</u>	<u>\$ 700,587</u>
Flexible spending fund:				
ASSETS				
Cash and cash equivalents	\$ 10,173	\$ 453	\$ -	\$ 10,626
Total assets	<u>\$ 10,173</u>	<u>\$ 453</u>	<u>\$ -</u>	<u>\$ 10,626</u>
LIABILITIES				
Due to other funds	\$ 5,000	\$ -	\$ -	\$ 5,000
Amounts held for others	5,173	453	-	5,626
Total liabilities	<u>\$ 10,173</u>	<u>\$ 453</u>	<u>\$ -</u>	<u>\$ 10,626</u>
Northern Warren Fire Department Building:				
ASSETS				
Cash and cash equivalents	\$ 6,465	\$ 12,500	\$ -	\$ 18,965
Total assets	<u>\$ 6,465</u>	<u>\$ 12,500</u>	<u>\$ -</u>	<u>\$ 18,965</u>
LIABILITIES				
Amounts held for others	\$ 6,465	\$ 12,500	\$ -	\$ 18,965
Total liabilities	<u>\$ 6,465</u>	<u>\$ 12,500</u>	<u>\$ -</u>	<u>\$ 18,965</u>
Shenandoah Farms Volunteer Fire Department:				
ASSETS				
Cash and cash equivalents	\$ -	\$ 90,145	\$ 90,145	\$ -
Total assets	<u>\$ -</u>	<u>\$ 90,145</u>	<u>\$ 90,145</u>	<u>\$ -</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 90,145	\$ 96,590	\$ (6,445)
Accounts payable	-	6,445	-	6,445
Total liabilities	<u>\$ -</u>	<u>\$ 96,590</u>	<u>\$ 96,590</u>	<u>\$ -</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 45,865	\$ 112,358	\$ 107,589	\$ 50,634
Due from other governments	654,523	4,019,919	3,973,855	700,587
Total assets	<u>\$ 700,388</u>	<u>\$ 4,132,277</u>	<u>\$ 4,081,444</u>	<u>\$ 751,221</u>
LIABILITIES				
Accounts payable	\$ -	\$ 6,445	\$ -	\$ 6,445
Amounts held for social services clients	29,227	9,260	17,444	21,043
Due to other funds	533,364	3,284,642	3,243,464	574,542
Due to other governmental units	126,159	735,277	730,391	131,045
Amounts held for others	11,638	103,098	96,590	18,146
Total liabilities	<u>\$ 700,388</u>	<u>\$ 4,138,722</u>	<u>\$ 4,087,889</u>	<u>\$ 751,221</u>

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

	School Operating Fund	School Cafeteria Fund	School Capital Improvements Fund	Vocational Building Fund	School Textbook Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 6,283,385	\$ 756,262	\$ -	\$ 95,694	\$ 401,992	\$ 7,537,333
Due from other funds	-	83,015	-	-	-	83,015
Due from other governmental units	1,721,612	-	-	-	-	1,721,612
Total assets	<u>\$ 8,004,997</u>	<u>\$ 839,277</u>	<u>\$ -</u>	<u>\$ 95,694</u>	<u>\$ 401,992</u>	<u>\$ 9,341,960</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 99,680	\$ 76,614	\$ -	\$ -	\$ 169,469	\$ 345,763
Accrued liabilities	4,493,527	117,707	-	-	-	4,611,234
Due to other funds	83,015	-	-	-	-	83,015
Due to primary government	3,328,775	-	-	-	-	3,328,775
Total liabilities	<u>\$ 8,004,997</u>	<u>\$ 194,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,469</u>	<u>\$ 8,368,787</u>
Fund balances:						
Committed for:						
Education - capital improvements	\$ -	\$ -	\$ -	\$ 95,694	\$ -	\$ 95,694
Assigned to:						
Education	-	644,956	-	-	232,523	877,479
Total fund balances	-	644,956	-	95,694	232,523	973,173
Total liabilities and fund balances	<u>\$ 8,004,997</u>	<u>\$ 839,277</u>	<u>\$ -</u>	<u>\$ 95,694</u>	<u>\$ 401,992</u>	<u>\$ 9,341,960</u>

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

Total fund balances per above \$ 973,173

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 15,108,814	
Less: accumulated depreciation	<u>(7,907,409)</u>	7,201,405

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

1,772,167

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Capital lease	\$ (297,878)	
Compensated absences	(1,541,823)	
Other post employment benefits liability	<u>(465,700)</u>	(2,305,401)

Net assets of governmental activities \$ 7,641,344

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

	School Operating Fund	School Cafeteria Fund	Capital Improvements Fund	Vocational Building Fund	School Textbook Fund	Total Governmental Funds
REVENUES						
Revenue from the use of money and property \$	-	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	1,331,523	-	-	-	1,331,523
Miscellaneous	236,502	-	-	-	-	236,502
Intergovernmental revenues:						
Local government	18,606,064	-	-	-	-	18,606,064
Commonwealth	23,027,391	-	-	-	-	23,027,391
Federal	4,723,292	-	-	-	-	4,723,292
Total revenues	\$ 46,593,249	\$ 1,331,523	\$ -	\$ -	\$ -	\$ 47,924,772
EXPENDITURES						
Current:						
Education	\$ 43,689,059	\$ 2,433,932	\$ -	\$ 7,375	\$ 197,820	\$ 46,328,186
Capital projects	-	-	1,254	-	-	1,254
Debt service:						
Principal retirement	1,340,350	-	-	-	-	1,340,350
Interest and other fiscal charges	330,076	-	-	-	-	330,076
Total expenditures	\$ 45,359,485	\$ 2,433,932	\$ 1,254	\$ 7,375	\$ 197,820	\$ 47,999,866
Excess (deficiency) of revenues over (under) expenditures	\$ 1,233,764	\$ (1,102,409)	\$ (1,254)	\$ (7,375)	\$ (197,820)	\$ (75,094)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 1,233,764	\$ -	\$ -	\$ -	\$ 1,233,764
Transfers out	(1,233,764)	-	-	-	-	(1,233,764)
Total other financing sources (uses)	\$ (1,233,764)	\$ 1,233,764	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ 131,355	\$ (1,254)	\$ (7,375)	\$ (197,820)	\$ (75,094)
Fund balances - beginning	-	513,601	1,254	103,069	430,343	1,048,267
Fund balances - ending	\$ -	\$ 644,956	\$ -	\$ 95,694	\$ 232,523	\$ 973,173

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	\$ (75,094)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are adjustments related to capital assets reported in the current period.

Capital asset additions	185,672	
Depreciation expense	(673,229)	(487,557)

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 issuance costs, 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.

Principal payments on capital leases	\$ 92,021	92,021
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

(Increase) decrease in other post employment benefits liability	(112,500)	
(Increase) decrease in compensated absences	(105,333)	(217,833)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Change in net assets of governmental activities	\$ 174,743	
	\$ (513,720)	

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	271,200	271,200	236,502	(34,698)
Intergovernmental revenues:				
Local government	19,479,119	19,160,275	18,606,064	(554,211)
Commonwealth	23,035,750	23,035,750	23,027,391	(8,359)
Federal	3,106,486	3,106,486	4,723,292	1,616,806
Total revenues	<u>\$ 45,892,555</u>	<u>\$ 45,573,711</u>	<u>\$ 46,593,249</u>	<u>\$ 1,019,538</u>
EXPENDITURES				
Current:				
Education	\$ 43,839,184	\$ 43,899,184	\$ 43,689,059	\$ 210,125
Capital projects	-	-	-	-
Debt service:				
Principal retirement	1,340,350	1,340,350	1,340,350	-
Interest and other fiscal charges	713,021	334,177	330,076	4,101
Total expenditures	<u>\$ 45,892,555</u>	<u>\$ 45,573,711</u>	<u>\$ 45,359,485</u>	<u>\$ 214,226</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,233,764</u>	<u>\$ 1,233,764</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	(1,233,764)	(1,233,764)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,233,764)</u>	<u>\$ (1,233,764)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

School Cafeteria Fund				School Capital Improvements Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 1,369,287	\$ 1,369,287	\$ 1,331,523	\$ (37,764)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
911,790	911,790	-	(911,790)	-	-	-	-
<u>\$ 2,281,077</u>	<u>\$ 2,281,077</u>	<u>\$ 1,331,523</u>	<u>\$ (949,554)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,281,077	\$ 2,281,077	\$ 2,433,932	\$ (152,855)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	1,254	(1,254)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,281,077</u>	<u>\$ 2,281,077</u>	<u>\$ 2,433,932</u>	<u>\$ (152,855)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,254</u>	<u>\$ (1,254)</u>
\$ -	\$ -	\$ (1,102,409)	\$ (1,102,409)	\$ -	\$ -	\$ (1,254)	\$ (1,254)
\$ -	\$ -	\$ 1,233,764	\$ 1,233,764	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,233,764</u>	<u>\$ 1,233,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 131,355	\$ 131,355	\$ -	\$ -	\$ (1,254)	\$ (1,254)
-	-	513,601	513,601	-	-	1,254	1,254
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 644,956</u>	<u>\$ 644,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	Vocational Building Fund				School Textbook Fund			
	Budgeted		Actual	Variance with Final Budget Positive (Negative)	Budgeted		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-	-	-	-	-
Intergovernmental revenues:								
Local government	-	-	-	-	-	-	-	-
Commonwealth	-	-	-	-	-	-	-	-
Federal	-	-	-	-	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES								
Current:								
Education	\$ -	\$ -	\$ 7,375	\$ (7,375)	\$ -	\$ -	\$ 197,820	\$ (197,820)
Capital projects	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	\$ -	\$ -	\$ 7,375	\$ (7,375)	\$ -	\$ -	\$ 197,820	\$ (197,820)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (7,375)	\$ (7,375)	\$ -	\$ -	\$ (197,820)	\$ (197,820)
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ (7,375)	\$ (7,375)	\$ -	\$ -	\$ (197,820)	\$ (197,820)
Fund balances - beginning	-	-	103,069	103,069	-	-	430,343	430,343
Fund balances - ending	\$ -	\$ -	\$ 95,694	\$ 95,694	\$ -	\$ -	\$ 232,523	\$ 232,523

Statement of Net Assets

Internal Service Fund - Discretely Presented Component Unit - School Board

June 30, 2012

	<u>Health Insurance Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,109,167
Total assets	<u>\$ 2,109,167</u>
LIABILITIES	
Current liabilities:	
Claims and judgments - Incurred but not reported	\$ 337,000
Total liabilities	<u>\$ 337,000</u>
NET ASSETS	
Unrestricted	\$ 1,772,167
Total net assets	<u><u>\$ 1,772,167</u></u>

Statement of Revenues, Expenses, and Changes in Net Assets
 Internal Service Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2012

	<u>Health Insurance Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 4,316,896
Total operating revenues	<u>\$ 4,316,896</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 4,143,675
Total operating expenses	<u>\$ 4,143,675</u>
Operating income (loss)	<u>\$ 173,221</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 1,522
Total nonoperating revenues (expenses)	<u>\$ 1,522</u>
Change in net assets	\$ 174,743
Total net assets - beginning	<u>1,597,424</u>
Total net assets - ending	<u><u>\$ 1,772,167</u></u>

Statement of Cash Flows

Internal Service Fund - Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2012

	Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 4,316,896
Payments for claims	(4,113,825)
Net cash provided by (used for) operating activities	<u>\$ 203,071</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 1,522
Net cash provided by (used for) investing activities	<u>\$ 1,522</u>
Net increase (decrease) in cash and cash equivalents	\$ 204,593
Cash and cash equivalents - beginning	1,904,574
Cash and cash equivalents - ending	<u><u>\$ 2,109,167</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 173,221
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease in IBNR)	29,850
Total adjustments	<u>\$ 29,850</u>
Net cash provided by (used for) operating activities	<u><u>\$ 203,071</u></u>

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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	\$ 21,631,410	\$ 21,967,922	\$ 22,277,271	\$ 309,349
Real and personal public service corporation taxes	375,000	375,000	604,450	229,450
Personal property taxes	7,897,490	7,897,490	8,432,836	535,346
Mobile home taxes	7,500	7,500	6,818	(682)
Machinery and tools taxes	725,000	680,730	687,815	7,085
Land redemptions	1,000	1,000	911	(89)
Rollback taxes	-	-	16,148	16,148
Mineral rights	-	-	2,223	2,223
Penalties	380,000	380,000	406,120	26,120
Interest	210,000	210,000	224,069	14,069
Total general property taxes	\$ 31,227,400	\$ 31,519,642	\$ 32,658,661	\$ 1,139,019
Other local taxes:				
Local sales and use taxes	\$ 3,200,000	\$ 3,200,000	\$ 3,281,603	\$ 81,603
Consumers' utility taxes	680,000	680,000	687,180	7,180
E-911 telephone taxes	45,000	45,000	43,333	(1,667)
Business license taxes	800,000	800,000	906,752	106,752
Motor vehicle licenses	675,000	675,000	680,642	5,642
Taxes on recordation and wills	500,000	500,000	429,412	(70,588)
Hotel and motel room taxes	50,000	50,000	58,055	8,055
Restaurant food taxes	675,000	724,799	724,799	-
Total other local taxes	\$ 6,625,000	\$ 6,674,799	\$ 6,811,776	\$ 136,977
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 35,000	\$ 35,000	\$ 33,363	\$ (1,637)
Building and related permits	300,000	308,500	178,395	(130,105)
Zoning, subdivision fees and rezoning permits	30,000	30,000	20,235	(9,765)
Land use application fees	-	-	350	350
Transfer fees	2,500	2,500	1,345	(1,155)
Weapon permits	2,500	2,500	16,533	14,033
Cable franchise fees	-	-	(1,796)	(1,796)
Parks and rec user fees	315,775	315,775	243,816	(71,959)
Septage fees	37,500	37,500	33,250	(4,250)
Waste decal fee	-	-	2,315	2,315
Total permits, privilege fees, and regulatory licenses	\$ 723,275	\$ 731,775	\$ 527,806	\$ (203,969)
Fines and forfeitures:				
Court fines and forfeitures	\$ 50,000	\$ 50,000	\$ 24,776	\$ (25,224)
Total fines and forfeitures	\$ 50,000	\$ 50,000	\$ 24,776	\$ (25,224)
Revenue from use of money and property:				
Revenue from use of money	\$ 700,000	\$ 700,000	\$ 209,297	\$ (490,703)
Revenue from use of property	168,160	181,409	177,694	(3,715)
Total revenue from use of money and property	\$ 868,160	\$ 881,409	\$ 386,991	\$ (494,418)
Charges for services:				
Excess fees of clerk	\$ 50,000	\$ 50,000	\$ 8,084	\$ (41,916)
Sheriff's fees	-	-	2,723	2,723
Courthouse security fees	85,000	85,000	77,071	(7,929)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Administrative fee	\$ 160,000	\$ 160,000	\$ 149,648	\$ (10,352)
Charges for Commonwealth's Attorney	1,000	1,000	3,672	2,672
Inmate phone usage	30,000	30,000	31,613	1,613
Airport hangar rental fees	113,874	113,874	131,511	17,637
Work release fees	230,000	230,000	136,147	(93,853)
Miscellaneous jail and inmate fees	-	-	3,840	3,840
Charges for sanitation and waste removal	1,000,000	1,000,000	799,975	(200,025)
Charges for other and sale of maps	-	-	23,267	23,267
Golf club membership dues, golf fees, shop sales	290,320	290,320	201,687	(88,633)
Charges for air show	-	-	36,405	36,405
Courthouse maintenance fees	57,500	57,500	57,088	(412)
Cost recovery	584,170	700,840	700,840	-
Charges for law library	24,000	24,000	17,920	(6,080)
Other court charges	-	-	26,760	26,760
Total charges for services	<u>\$ 2,625,864</u>	<u>\$ 2,742,534</u>	<u>\$ 2,408,251</u>	<u>\$ (334,283)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 150,000	\$ 431,716	\$ 452,626	\$ 20,910
Sale of recyclable materials	40,000	40,000	131,422	91,422
Total miscellaneous revenue	<u>\$ 190,000</u>	<u>\$ 471,716</u>	<u>\$ 584,048</u>	<u>\$ 112,332</u>
Recovered costs:				
Expenditure refunds	\$ 20,000	\$ 20,000	\$ 14,514	\$ (5,486)
Total recovered costs	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 14,514</u>	<u>\$ (5,486)</u>
Total revenue from local sources	<u>\$ 42,329,699</u>	<u>\$ 43,091,875</u>	<u>\$ 43,416,823</u>	<u>\$ 324,948</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 55,000	\$ 55,000	\$ 51,222	\$ (3,778)
Mobile home titling tax	7,500	7,500	945	(6,555)
State recordation tax	170,866	170,866	122,629	(48,237)
Personal property tax relief funds	4,541,219	4,541,219	4,541,220	1
Communication taxes	975,000	975,000	909,027	(65,973)
Total noncategorical aid	<u>\$ 5,749,585</u>	<u>\$ 5,749,585</u>	<u>\$ 5,625,043</u>	<u>\$ (124,542)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 349,431	\$ 349,431	\$ 344,721	\$ (4,710)
Sheriff	2,406,039	2,406,039	2,425,410	19,371
Commissioner of revenue	139,998	139,998	132,443	(7,555)
Treasurer	95,870	95,870	95,970	100
Registrar/electoral board	40,000	40,000	50,137	10,137
Clerk of the Circuit Court	274,005	274,005	272,964	(1,041)
Total shared expenses	<u>\$ 3,305,343</u>	<u>\$ 3,305,343</u>	<u>\$ 3,321,645</u>	<u>\$ 16,302</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Welfare administration and public assistance	\$ 1,473,874	\$ 1,473,874	\$ 1,312,020	\$ (161,854)
Comprehensive services act	1,091,298	1,091,298	1,031,079	(60,219)
Emergency medical services	40,000	43,950	42,319	(1,631)
Registrar equipment grant	-	6,700	6,700	-
Litter control grant	-	9,605	9,605	-
Care of prisoners	280,000	280,000	292,219	12,219
Rescue squad assistance grant	-	3,659	3,659	-
Technology trust funds	-	12,379	12,379	-
Abandoned vehicle program	20,000	20,000	2,900	(17,100)
VA domestic violence victims grant	40,000	40,000	38,861	(1,139)
Criminal justice information technology improvement grant	-	11,250	11,250	-
Fire programs funds	46,033	67,771	67,771	-
Juvenile crime control	33,806	33,806	34,591	785
Airport grant	-	5,520	5,520	-
Disaster relief	-	51,332	51,332	-
Other categorical aid	5,000	56,757	58,764	2,007
Total other categorical aid	\$ 3,030,011	\$ 3,207,901	\$ 2,980,969	\$ (226,932)
Total categorical aid	\$ 6,335,354	\$ 6,513,244	\$ 6,302,614	\$ (210,630)
Total revenue from the Commonwealth	\$ 12,084,939	\$ 12,262,829	\$ 11,927,657	\$ (335,172)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 45,000	\$ 45,000	\$ 50,481	\$ 5,481
Interest subsidy - Build America Bonds	105,525	105,525	105,525	-
Total noncategorical aid	\$ 150,525	\$ 150,525	\$ 156,006	\$ 5,481
Categorical aid:				
Welfare administration and public assistance	\$ 1,772,665	\$ 1,772,665	\$ 1,636,374	\$ (136,291)
State and community highway safety grant	-	11,576	5,705	(5,871)
Alcohol impaired driving countermeasures incentive grant	-	-	13,266	13,266
Highway planning and construction	-	140,599	140,599	-
Juvenile justice and delinquency prevention	-	7,000	7,000	-
Wildland fire management	-	15,315	15,315	-
Crime victims assistance	48,000	48,000	53,835	5,835
Ed Byrne memorial state and local law enforcement	50,000	50,000	50,676	676
Airport improvement program	-	28,178	28,178	-
Total categorical aid	\$ 1,870,665	\$ 2,073,333	\$ 1,950,948	\$ (122,385)
Total revenue from the federal government	\$ 2,021,190	\$ 2,223,858	\$ 2,106,954	\$ (116,904)
Total General Fund	\$ 56,435,828	\$ 57,578,562	\$ 57,451,434	\$ (127,128)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
Drug Forfeiture Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
Drug forfeiture funds	\$ -	\$ -	\$ 26,396	\$ 26,396
Total categorical aid	\$ -	\$ -	\$ 26,396	\$ 26,396
Total revenue from the Commonwealth	\$ -	\$ -	\$ 26,396	\$ 26,396
Total Drug Forfeiture Fund	\$ -	\$ -	\$ 26,396	\$ 26,396
Proffers Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 31,000	\$ 31,000
Total miscellaneous revenue	\$ -	\$ -	\$ 31,000	\$ 31,000
Total revenue from local sources	\$ -	\$ -	\$ 31,000	\$ 31,000
Total Proffers Fund	\$ -	\$ -	\$ 31,000	\$ 31,000
Sanitary District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,340,261	\$ 1,434,154	\$ 1,431,390	\$ (2,764)
Total general property taxes	\$ 1,340,261	\$ 1,434,154	\$ 1,431,390	\$ (2,764)
Miscellaneous revenue:				
New construction fee	\$ -	\$ 30,871	\$ 34,356	\$ 3,485
Total miscellaneous revenue	\$ -	\$ 30,871	\$ 34,356	\$ 3,485
Total revenue from local sources	\$ 1,340,261	\$ 1,465,025	\$ 1,465,746	\$ 721
Total Sanitary District Fund	\$ 1,340,261	\$ 1,465,025	\$ 1,465,746	\$ 721
School Bond Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5,310	\$ 5,310
Total revenue from use of money and property	\$ -	\$ -	\$ 5,310	\$ 5,310
Total revenue from local sources	\$ -	\$ -	\$ 5,310	\$ 5,310
Total School Bond Construction Fund	\$ -	\$ -	\$ 5,310	\$ 5,310
Total Primary Government	\$ 57,776,089	\$ 59,043,587	\$ 58,979,886	\$ (63,701)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 271,200	\$ 271,200	\$ 236,502	\$ (34,698)
Total miscellaneous revenue	\$ 271,200	\$ 271,200	\$ 236,502	\$ (34,698)
Total revenue from local sources	\$ 271,200	\$ 271,200	\$ 236,502	\$ (34,698)
Revenues from local governments:				
Contribution from Warren, Virginia	\$ 19,479,119	\$ 19,160,275	\$ 18,606,064	\$ (554,211)
Total revenues from local governments	\$ 19,479,119	\$ 19,160,275	\$ 18,606,064	\$ (554,211)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,357,737	\$ 5,357,737	\$ 5,496,399	\$ 138,662
Basic school aid	12,524,491	12,524,491	12,543,870	19,379
Remedial summer education	26,280	26,280	51,499	25,219
Adult secondary education	2,125	2,125	-	(2,125)
Gifted and talented	140,507	140,507	141,208	701
Remedial education	256,577	256,577	257,858	1,281
Special education	3,714	3,714	9,423	5,709
Textbook payment	123,890	123,890	155,555	31,665
Vocational SOQ payments	310,870	310,870	313,906	3,036
Social security fringe benefits	754,460	754,460	758,226	3,766
Retirement fringe benefits	684,206	684,206	687,622	3,416
Group life insurance benefits	27,490	27,490	27,628	138
State lottery payments	-	-	77,915	77,915
Early reading intervention	61,348	61,348	70,708	9,360
Jail education	35,724	35,724	19,384	(16,340)
GED program	15,717	15,717	15,717	-
School food	-	-	26,312	26,312
At risk payments	522,421	522,421	272,867	(249,554)
Technology	258,000	258,000	258,000	-
Standards of Learning algebra readiness	54,789	54,789	56,683	1,894
Mentor teacher program	2,963	2,963	12,634	9,671
English as a second language	69,972	69,972	60,162	(9,810)
K-3 initiative	204,172	204,172	83,304	(120,868)
Homebound education	1,151,543	1,151,543	1,157,292	5,749
Supplemental support for operations	401,152	401,152	330,722	(70,430)
Other state funds	45,602	45,602	142,497	96,895
Total categorical aid	\$ 23,035,750	\$ 23,035,750	\$ 23,027,391	\$ (8,359)
Total revenue from the Commonwealth	\$ 23,035,750	\$ 23,035,750	\$ 23,027,391	\$ (8,359)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ -	\$ -	\$ 1,527	\$ 1,527
State fiscal stabilization - ARRA	282,875	282,875	132,875	(150,000)
Title I; Grants to local educational agencies	707,483	707,483	966,633	259,150
Title VI-B; Special education grants to states	1,087,450	1,087,450	1,083,443	(4,007)
Title VI-B; Special education preschool grants	30,149	30,149	30,078	(71)
Vocational education	78,872	78,872	79,115	243
Title II, Part D; Enhancing state grants	220,141	220,141	-	(220,141)
English language acquisition grant	13,581	13,581	2,909	(10,672)
Title I; Grants to local educational agencies - ARRA	-	-	146,417	146,417
Title II Part A; Improving teacher quality state grants	-	-	217,770	217,770
National school lunch and breakfast program	-	-	1,217,521	1,217,521
Education jobs funds - ARRA	640,935	640,935	790,935	150,000
Other federal categorical	45,000	45,000	54,069	9,069
Total categorical aid	\$ 3,106,486	\$ 3,106,486	\$ 4,723,292	\$ 1,616,806
Total revenue from the federal government	\$ 3,106,486	\$ 3,106,486	\$ 4,723,292	\$ 1,616,806
Total School Operating Fund	\$ 45,892,555	\$ 45,573,711	\$ 46,593,249	\$ 1,019,538
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 1,369,287	\$ 1,369,287	\$ 1,331,523	\$ (37,764)
Total charges for services	\$ 1,369,287	\$ 1,369,287	\$ 1,331,523	\$ (37,764)
Total revenue from local sources	\$ 1,369,287	\$ 1,369,287	\$ 1,331,523	\$ (37,764)
Categorical aid:				
School food program grant	\$ 911,790	\$ 911,790	\$ -	\$ (911,790)
Total categorical aid	\$ 911,790	\$ 911,790	\$ -	\$ (911,790)
Total revenue from the federal government	\$ 911,790	\$ 911,790	\$ -	\$ (911,790)
Total School Cafeteria Fund	\$ 2,281,077	\$ 2,281,077	\$ 1,331,523	\$ (949,554)
School Board	\$ 48,173,632	\$ 47,854,788	\$ 47,924,772	\$ 69,984

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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	\$ 196,239	\$ 206,620	\$ 205,849	\$ 771
General and financial administration:				
County administrator	\$ 555,641	\$ 588,470	\$ 587,998	\$ 472
County attorney	288,242	293,645	288,138	5,507
Commissioner of revenue	642,719	667,052	658,542	8,510
Reassessment	125,000	500	199	301
Treasurer	449,231	455,235	445,541	9,694
Finance and purchasing	277,690	293,605	292,641	964
Total general and financial administration	\$ 2,338,523	\$ 2,298,507	\$ 2,273,059	\$ 25,448
Board of elections:				
Electoral board and officials	\$ 244,877	\$ 254,423	\$ 192,256	\$ 62,167
Total board of elections	\$ 244,877	\$ 254,423	\$ 192,256	\$ 62,167
Total general government administration	\$ 2,779,639	\$ 2,759,550	\$ 2,671,164	\$ 88,386
Judicial administration:				
Courts:				
Circuit court	\$ 59,200	\$ 59,200	\$ 36,305	\$ 22,895
General district court	9,645	11,906	11,579	327
Special magistrates	6,250	6,250	4,417	1,833
Clerk of the circuit court	453,210	472,270	451,646	20,624
Juvenile and domestic relations court	19,000	19,000	15,044	3,956
Sheriff - courts	282,903	290,862	257,725	33,137
Law library	24,000	24,000	10,620	13,380
Total courts	\$ 854,208	\$ 883,488	\$ 787,336	\$ 96,152
Commonwealth's attorney:				
Commonwealth's attorney	\$ 654,028	\$ 668,515	\$ 661,242	\$ 7,273
Total commonwealth's attorney	\$ 654,028	\$ 668,515	\$ 661,242	\$ 7,273
Total judicial administration	\$ 1,508,236	\$ 1,552,003	\$ 1,448,578	\$ 103,425
Public safety:				
Law enforcement and emergency services:				
Sheriff - law enforcement	\$ 3,680,982	\$ 3,884,122	\$ 3,891,668	\$ (7,546)
Work release program	277,156	317,151	282,206	34,945
E - 911 system	480,323	466,644	399,532	67,112
Total law enforcement and emergency services	\$ 4,438,461	\$ 4,667,917	\$ 4,573,406	\$ 94,511
Fire and rescue services:				
Cost recovery fees	\$ 31,500	\$ 55,998	\$ 55,998	\$ -
Cost recovery reimbursement to fire companies	120,000	79,329	79,329	-
Contributions to fire and rescue squads	896,879	827,849	827,846	3
Emergency services	1,691,556	1,819,943	1,819,653	290
Total fire and rescue services	\$ 2,739,935	\$ 2,783,119	\$ 2,782,826	\$ 293

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Jail	\$ 1,897,991	\$ 1,926,443	\$ 1,913,851	\$ 12,592
Probation office	55,290	55,290	49,628	5,662
Juvenile detention center	267,570	224,906	224,906	-
Total correction and detention	\$ 2,220,851	\$ 2,206,639	\$ 2,188,385	\$ 18,254
Inspections:				
Building	\$ 417,617	\$ 465,151	\$ 453,913	\$ 11,238
Total inspections	\$ 417,617	\$ 465,151	\$ 453,913	\$ 11,238
Other protection:				
Animal control	\$ 411,774	\$ 445,049	\$ 441,303	\$ 3,746
Medical examiner	280	280	620	(340)
Total other protection	\$ 412,054	\$ 445,329	\$ 441,923	\$ 3,406
Total public safety	\$ 10,228,918	\$ 10,568,155	\$ 10,440,453	\$ 127,702
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streets and highways	\$ 21,000	\$ 21,000	\$ 9,790	\$ 11,210
Total maintenance of highways, streets, bridges & sidewalks	\$ 21,000	\$ 21,000	\$ 9,790	\$ 11,210
Sanitation and waste removal:				
Refuse collection	\$ 639,394	\$ 727,725	\$ 727,725	\$ -
Refuse disposal	2,086,980	2,022,859	1,850,779	172,080
Total sanitation and waste removal	\$ 2,726,374	\$ 2,750,584	\$ 2,578,504	\$ 172,080
Maintenance of general buildings and grounds:				
General properties	\$ 569,787	\$ 495,801	\$ 432,792	\$ 63,009
Total maintenance of general buildings and grounds	\$ 569,787	\$ 495,801	\$ 432,792	\$ 63,009
Total public works	\$ 3,317,161	\$ 3,267,385	\$ 3,021,086	\$ 246,299
Health and welfare:				
Health:				
Local health department	\$ 294,940	\$ 294,940	\$ 294,940	\$ -
Total health	\$ 294,940	\$ 294,940	\$ 294,940	\$ -
Mental health and mental retardation:				
Northwestern community services	\$ 275,000	\$ 275,000	\$ 275,000	\$ -
Warren association for retarded citizens	2,500	2,500	2,500	-
Total mental health and mental retardation	\$ 277,500	\$ 277,500	\$ 277,500	\$ -

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 4,263,025	\$ 4,126,695	\$ 3,687,692	\$ 439,003
Shenandoah area agency on aging	40,000	40,000	40,000	-
Warren county council on domestic violence	18,050	18,050	18,050	-
Other social services	43,056	53,156	53,156	-
Property tax relief for the elderly and handicapped	-	-	291,049	(291,049)
Comprehensive Services Act	2,368,779	2,310,879	2,044,104	266,775
Total welfare	\$ 6,732,910	\$ 6,548,780	\$ 6,134,051	\$ 414,729
Total health and welfare	\$ 7,305,350	\$ 7,121,220	\$ 6,706,491	\$ 414,729
Education:				
Other instructional costs:				
Contribution to local school board	\$ 19,479,119	\$ 19,160,275	\$ 18,606,064	\$ 554,211
Contributions to community college	37,180	37,180	37,180	-
Total education	\$ 19,516,299	\$ 19,197,455	\$ 18,643,244	\$ 554,211
Parks, recreation, and cultural:				
Parks and recreation:				
Programs and operations	\$ 1,814,988	\$ 1,869,159	\$ 1,793,174	\$ 75,985
Golf club operations	290,320	308,295	339,384	(31,089)
Total parks and recreation	\$ 2,105,308	\$ 2,177,454	\$ 2,132,558	\$ 44,896
Cultural enrichment:				
Browntown community center	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Blue ridge arts council	10,000	10,000	10,000	-
Heritage society	4,750	-	-	-
4-H center	2,500	2,500	2,500	-
Other cultural enrichment	4,500	6,500	6,500	-
Total cultural enrichment	\$ 23,750	\$ 21,000	\$ 21,000	\$ -
Library:				
Contribution to Samuels Public Library	\$ 675,000	\$ 675,000	\$ 675,000	\$ -
Total library	\$ 675,000	\$ 675,000	\$ 675,000	\$ -
Total parks, recreation, and cultural	\$ 2,804,058	\$ 2,873,454	\$ 2,828,558	\$ 44,896
Community development:				
Planning and community development:				
Planning and zoning administration	\$ 349,072	\$ 361,078	\$ 348,062	\$ 13,016
Enterprise zone grant	1,146,838	128,188	128,188	-
Industrial development authority	78,457	78,457	78,457	-
Winchester regional airport authority	5,000	5,000	5,000	-
Other contributions	500	550	550	-
Total planning and community development	\$ 1,579,867	\$ 573,273	\$ 560,257	\$ 13,016

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (Continued)				
Environmental management:				
Contribution to soil and water conservation district	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Abandoned vehicle program	20,000	20,000	2,610	17,390
Gypsy moth program	21,040	21,040	191	20,849
Total environmental management	<u>\$ 51,040</u>	<u>\$ 51,040</u>	<u>\$ 12,801</u>	<u>\$ 38,239</u>
Airport:				
Air show	\$ -	\$ 7,500	\$ 30,153	\$ (22,653)
Airport Commission operations	113,200	80,056	54,056	26,000
Total airport	<u>\$ 113,200</u>	<u>\$ 87,556</u>	<u>\$ 84,209</u>	<u>\$ 3,347</u>
Cooperative extension program:				
VPI extension service	\$ 93,345	\$ 97,071	\$ 77,152	\$ 19,919
Total cooperative extension program	<u>\$ 93,345</u>	<u>\$ 97,071</u>	<u>\$ 77,152</u>	<u>\$ 19,919</u>
Total community development	<u>\$ 1,837,452</u>	<u>\$ 808,940</u>	<u>\$ 734,419</u>	<u>\$ 74,521</u>
Nondepartmental:				
Retiree medical, workers compensation and unemployment insurance	\$ 77,110	\$ 93,232	\$ 93,232	\$ -
Warren Co 175th Anniversary	-	18,984	18,984	-
Central equipment and maintenance	128,500	138,863	137,188	1,675
Other nondepartmental	195,000	3,001	-	3,001
Total nondepartmental	<u>\$ 400,610</u>	<u>\$ 254,080</u>	<u>\$ 249,404</u>	<u>\$ 4,676</u>
Capital projects:				
Economic development	\$ 129,827	\$ 228,827	\$ 259,645	\$ (30,818)
340/522 water and sewer project	272,250	272,250	272,250	-
Soccer fields	50,000	42,500	42,108	392
Fishnet property purchase	200,000	74,872	73,612	1,260
Public safety building	541,954	7,951,786	7,951,786	-
Bing crosby stadium renovations	25,000	120,000	113,931	6,069
Route 522 beautification project	-	11,866	11,866	-
Airport capital projects	1,000	32,631	345,098	(312,467)
Eastham Park	50,000	181,403	181,433	(30)
Revenue sharing projects	200,000	415,261	797,061	(381,800)
20 year capital improvement plan	50,000	1,130,509	1,130,509	-
Other capital projects	885,485	295,257	379,562	(84,305)
Total capital projects	<u>\$ 2,405,516</u>	<u>\$ 10,757,162</u>	<u>\$ 11,558,861</u>	<u>\$ (801,699)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 3,464,714	\$ 3,458,550	\$ 3,458,550	\$ -
Interest	1,568,306	4,912,345	5,103,081	(190,736)
Costs of issuance	-	-	1,655,746	(1,655,746)
Total debt service	\$ 5,033,020	\$ 8,370,895	\$ 10,217,377	\$ (1,846,482)
Total General Fund	\$ 57,136,259	\$ 67,530,299	\$ 68,519,635	\$ (989,336)
Special Revenue Funds:				
Drug Forfeiture Fund:				
Public safety				
Other protection				
Drug forfeiture	\$ -	\$ -	\$ 12,758	\$ (12,758)
Total other protection	\$ -	\$ -	\$ 12,758	\$ (12,758)
Total public safety	\$ -	\$ -	\$ 12,758	\$ (12,758)
Total Drug Forfeiture Fund	\$ -	\$ -	\$ 12,758	\$ (12,758)
Sanitary Districts Fund:				
Public works				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,279,830	\$ 1,310,232	\$ 1,178,345	\$ 131,887
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,279,830	\$ 1,310,232	\$ 1,178,345	\$ 131,887
Total public works	\$ 1,279,830	\$ 1,310,232	\$ 1,178,345	\$ 131,887
Total Sanitary District Fund	\$ 1,279,830	\$ 1,310,232	\$ 1,178,345	\$ 131,887
Capital Projects Fund:				
School Bond Construction Fund:				
Capital projects expenditures:				
School construction	\$ -	\$ 200,532	\$ 201,591	\$ (1,059)
Total capital projects	\$ -	\$ 200,532	\$ 201,591	\$ (1,059)
Total School Bond Construction Fund	\$ -	\$ 200,532	\$ 201,591	\$ (1,059)
Total Primary Government	\$ 58,416,089	\$ 69,041,063	\$ 69,912,329	\$ (871,266)
Discretely Presented Component Unit - School Board:				
Special revenue funds:				
School Operating Fund:				
Education:				
Instruction	\$ 32,641,660	\$ 32,701,660	\$ 32,680,995	\$ 20,665
Administration, attendance and health	1,749,421	1,749,421	1,746,550	2,871
Pupil transportation	2,261,910	2,261,910	2,177,501	84,409
Operation and maintenance	5,845,888	5,845,888	5,749,648	96,240
Technology	1,340,305	1,340,305	1,334,365	5,940
Total education	\$ 43,839,184	\$ 43,899,184	\$ 43,689,059	\$ 210,125

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special revenue funds: (Continued)				
School Operating Fund: (Continued)				
Debt service:				
Principal retirement	\$ 1,340,350	\$ 1,340,350	\$ 1,340,350	\$ -
Interest and other fiscal charges	713,021	334,177	330,076	4,101
Total debt service	<u>\$ 2,053,371</u>	<u>\$ 1,674,527</u>	<u>\$ 1,670,426</u>	<u>\$ 4,101</u>
 Total School Fund	 <u>\$ 45,892,555</u>	 <u>\$ 45,573,711</u>	 <u>\$ 45,359,485</u>	 <u>\$ 214,226</u>
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,281,077	\$ 2,281,077	\$ 2,433,932	\$ (152,855)
Total school food services	<u>\$ 2,281,077</u>	<u>\$ 2,281,077</u>	<u>\$ 2,433,932</u>	<u>\$ (152,855)</u>
 Total education	 <u>\$ 2,281,077</u>	 <u>\$ 2,281,077</u>	 <u>\$ 2,433,932</u>	 <u>\$ (152,855)</u>
 Total Cafeteria Fund	 <u>\$ 2,281,077</u>	 <u>\$ 2,281,077</u>	 <u>\$ 2,433,932</u>	 <u>\$ (152,855)</u>
Vocational Building Fund:				
Education:				
Vocational building	\$ -	\$ -	\$ 7,375	\$ (7,375)
Total education	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,375</u>	<u>\$ (7,375)</u>
 Total Vocational Building Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 7,375</u>	 <u>\$ (7,375)</u>
School Textbook Fund:				
Education:				
Textbook expenditures	\$ -	\$ -	\$ 197,820	\$ (197,820)
Total education	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,820</u>	<u>\$ (197,820)</u>
 Total School Textbook Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 197,820</u>	 <u>\$ (197,820)</u>
School Capital Improvements Fund:				
Capital projects expenditures:				
School capital projects	\$ -	\$ -	\$ 1,254	\$ (1,254)
Total capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,254</u>	<u>\$ (1,254)</u>
 Total School Capital Improvements Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,254</u>	 <u>\$ (1,254)</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 48,173,632</u>	 <u>\$ 47,854,788</u>	 <u>\$ 47,999,866</u>	 <u>\$ (145,078)</u>

Other Statistical Information

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.

1 - 6

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

7 - 10

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

11 - 12

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

13 - 14

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

COUNTY OF WARREN, VIRGINIA

Table 1

Net Assets by Component

Last Ten Fiscal Years

(*accrual basis of accounting*)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 9,634,395	\$ 10,216,305	\$ 17,397,255	\$ 18,877,770	\$ 22,451,670	\$ 23,611,594	\$ 23,980,653	\$ 28,433,137	\$ 33,051,889	\$ 39,807,455
Restricted	-	220,968	99,200	166,400	401,600	530,100	671,806	404,906	404,906	472,751
Unrestricted	15,768,398	19,050,328	19,511,473	26,349,543	31,777,104	28,187,733	28,306,617	43,265,839	42,626,162	38,133,808
Total governmental activities net assets	\$ 25,402,793	\$ 29,487,601	\$ 37,007,928	\$ 45,393,713	\$ 54,630,374	\$ 52,329,427	\$ 52,959,076	\$ 72,103,882	\$ 76,082,957	\$ 78,414,014
Primary government										
Invested in capital assets, net of related debt	\$ 9,634,395	\$ 10,216,305	\$ 17,397,255	\$ 18,877,770	\$ 22,451,670	\$ 23,611,594	\$ 23,980,653	\$ 28,433,137	\$ 33,051,889	\$ 39,807,455
Restricted	-	220,968	99,200	166,400	401,600	530,100	671,806	404,906	404,906	472,751
Unrestricted	15,768,398	19,050,328	19,511,473	26,349,543	31,777,104	28,187,733	28,306,617	43,265,839	42,626,162	38,133,808
Total primary government net assets	\$ 25,402,793	\$ 29,487,601	\$ 37,007,928	\$ 45,393,713	\$ 54,630,374	\$ 52,329,427	\$ 52,959,076	\$ 72,103,882	\$ 76,082,957	\$ 78,414,014

COUNTY OF WARREN, VIRGINIA

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

Expenses	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
General government	\$ 2,050,910	\$ 1,923,215	\$ 2,466,844	\$ 2,673,036	\$ 2,911,298	\$ 2,902,924	\$ 3,215,515	\$ 3,151,069	\$ 3,911,301	\$ 4,608,569
Judicial administration	671,845	928,883	1,009,922	1,082,540	1,339,218	1,551,450	1,349,421	1,422,107	1,377,697	1,409,961
Public safety	6,658,608	6,578,525	7,874,128	9,213,506	9,838,477	10,932,498	11,053,420	11,282,726	11,302,344	12,298,117
Public works	3,553,360	3,642,059	4,076,368	4,411,167	4,922,261	4,874,698	4,578,357	4,742,144	5,226,893	4,770,471
Health and welfare	5,590,815	5,903,567	6,379,449	6,890,563	7,161,649	7,904,706	7,814,495	7,701,920	7,072,800	7,693,313
Education	12,988,537	15,089,710	13,087,605	14,711,826	15,430,281	21,134,088	19,282,393	19,142,956	20,702,750	19,409,698
Parks, recreation and cultural	1,188,136	1,504,339	1,976,434	2,036,104	4,539,947	4,588,560	4,339,242	2,755,644	3,681,010	3,154,449
Community development	933,772	997,256	1,496,777	1,202,645	1,105,175	1,305,378	1,258,578	1,194,165	1,200,522	1,257,830
Non-departmental	188,581	204,876	102,283	132,142	122,559	123,071	123,990	139,412	136,821	155,420
Unallocated depreciation expense	47,574	47,574	-	-	-	-	-	-	-	-
Interest on long-term debt	1,127,551	1,029,468	3,689,200	4,759,007	4,631,534	4,426,329	5,329,882	5,407,080	5,535,466	4,699,187
Total governmental activities expenses	\$ 34,999,689	\$ 37,849,472	\$ 42,159,010	\$ 47,112,536	\$ 52,002,399	\$ 59,743,702	\$ 58,345,093	\$ 56,939,223	\$ 60,147,604	\$ 59,457,015
Total primary government expenses	\$ 34,999,689	\$ 37,849,472	\$ 42,159,010	\$ 47,112,536	\$ 52,002,399	\$ 59,743,702	\$ 58,345,093	\$ 56,939,223	\$ 60,147,604	\$ 59,457,015
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 94,173	\$ 164,271	\$ 204,773	\$ 231,981	\$ 460,606	\$ 365,131	\$ 401,650	\$ 459,098	\$ 489,180	\$ 477,385
Judicial administration	119,980	167,043	273,236	333,535	437,513	413,847	364,648	363,139	375,716	332,962
Public safety	703,139	628,397	1,007,107	1,053,699	1,691,282	1,986,541	1,924,180	1,901,618	1,919,051	2,299,296
Public works	375,427	672,582	1,192,016	1,398,722	1,172,961	1,481,020	1,123,668	1,068,864	951,891	891,139
Health and welfare	-	-	50,994	25,021	28,536	38,141	269,513	278,137	250,371	293,177
Parks, recreation and cultural	166,414	150,374	149,192	337,190	504,600	512,869	525,998	534,070	549,381	570,267
Community development	94,202	76,372	86,365	192,265	240,698	209,791	179,738	179,771	213,341	241,298
Operating grants and contributions	7,225,184	7,912,853	8,135,771	9,356,103	9,614,388	9,725,186	9,620,915	8,915,568	8,784,738	7,984,270
Capital grants and contributions	653,926	376,952	40,369	544,210	1,315,675	1,714,549	187,969	234,304	630,340	295,688
Total governmental activities program revenues	\$ 9,432,445	\$ 10,148,844	\$ 11,139,823	\$ 13,472,726	\$ 15,466,259	\$ 16,447,075	\$ 14,598,279	\$ 13,934,569	\$ 14,164,009	\$ 13,385,482
Total primary government program revenues	\$ 9,432,445	\$ 10,148,844	\$ 11,139,823	\$ 13,472,726	\$ 15,466,259	\$ 16,447,075	\$ 14,598,279	\$ 13,934,569	\$ 14,164,009	\$ 13,385,482
Net (expense) / revenue										
Governmental activities	\$ (25,567,244)	\$ (27,700,628)	\$ (31,019,187)	\$ (33,639,810)	\$ (36,536,140)	\$ (43,296,627)	\$ (43,746,814)	\$ (43,004,654)	\$ (45,983,595)	\$ (46,071,533)
Total primary government net expense	\$ (25,567,244)	\$ (27,700,628)	\$ (31,019,187)	\$ (33,639,810)	\$ (36,536,140)	\$ (43,296,627)	\$ (43,746,814)	\$ (43,004,654)	\$ (45,983,595)	\$ (46,071,533)

COUNTY OF WARREN, VIRGINIA

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 19,799,028	\$ 21,362,306	\$ 23,673,512	\$ 25,646,664	\$ 27,823,493	\$ 30,282,018	\$ 30,117,767	\$ 49,583,450	\$ 33,972,048	\$ 34,768,063
Local sales and use taxes	1,733,547	1,957,375	2,190,929	2,262,675	2,364,724	2,692,913	2,837,283	2,838,297	2,931,450	3,281,603
Taxes on recordation and wills	399,972	543,441	1,133,365	1,127,774	897,902	613,479	450,074	486,031	418,073	321,394
Communication taxes	-	-	-	-	438,269	1,022,051	928,624	-	-	-
Consumer utility taxes	1,008,958	974,898	1,034,003	1,070,406	854,830	666,366	681,492	670,372	683,604	687,180
Business licenses taxes	866,362	1,013,569	1,207,130	1,269,066	1,354,944	1,193,715	1,017,697	749,297	569,485	906,752
Meals tax (1)	-	-	-	-	-	-	628,516	667,916	690,672	724,799
Other local taxes	914,800	987,114	1,181,462	1,117,208	934,988	1,075,012	908,094	624,143	775,901	890,048
Unrestricted grants and contributions	4,061,081	4,449,359	4,520,582	5,636,350	4,803,851	4,754,973	4,541,517	5,458,531	5,312,483	5,781,049
Unrestricted revenues from use of money and property	144,174	162,299	1,378,994	3,065,850	6,074,437	1,518,252	1,088,900	861,058	459,208	392,301
Miscellaneous	284,533	335,075	262,875	1,383,413	225,363	349,774	1,176,499	210,365	4,199,746	649,401
Total governmental activities	\$ 29,212,455	\$ 31,785,436	\$ 36,582,852	\$ 42,579,406	\$ 45,772,801	\$ 44,168,553	\$ 44,376,463	\$ 62,149,460	\$ 49,962,670	\$ 48,402,590
Total primary government	\$ 29,212,455	\$ 31,785,436	\$ 36,582,852	\$ 42,579,406	\$ 45,772,801	\$ 44,168,553	\$ 44,376,463	\$ 62,149,460	\$ 49,962,670	\$ 48,402,590
Change in Net Assets										
Governmental activities	\$ 3,645,211	\$ 4,084,808	\$ 5,563,665	\$ 8,939,596	\$ 9,236,661	\$ 871,926	\$ 629,649	\$ 19,144,806	\$ 3,979,075	\$ 2,331,057
Total primary government	\$ 3,645,211	\$ 4,084,808	\$ 5,563,665	\$ 8,939,596	\$ 9,236,661	\$ 871,926	\$ 629,649	\$ 19,144,806	\$ 3,979,075	\$ 2,331,057

(1) Prior to fiscal year 2009 meals tax revenue is reported in "other local taxes"

(2) As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as unrestricted grants and contributions.

COUNTY OF WARREN, VIRGINIA

Table 3

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011 *	2012 *
General fund										
Unreserved	\$ 13,130,298	\$ 14,861,983	\$ 17,433,209	\$ 21,995,055	\$ 25,920,082	\$ 17,205,359	\$ 15,452,280	\$ 17,195,830		
Total general fund	<u>\$ 13,130,298</u>	<u>\$ 14,861,983</u>	<u>\$ 17,433,209</u>	<u>\$ 21,995,055</u>	<u>\$ 25,920,082</u>	<u>\$ 17,205,359</u>	<u>\$ 15,452,280</u>	<u>\$ 17,195,830</u>		
All other governmental funds										
Reserved	\$ -	\$ -	\$ 77,194,689	\$ 37,608,880	\$ 8,918,159	\$ 2,726,776	\$ 22,703,534	\$ 12,954,446		
Unreserved, reported in:										
Special revenue funds	272,673	433,601	442,567	327,243	363,359	126,553	26,645	(54,216)		
Capital projects funds	3,136,398	4,594,324	5,033,233	6,869,431	9,672,514	11,741,182	12,970,305	26,672,946		
Total all other governmental funds	<u>\$ 3,409,071</u>	<u>\$ 5,027,925</u>	<u>\$ 82,670,489</u>	<u>\$ 44,805,554</u>	<u>\$ 18,954,032</u>	<u>\$ 14,594,511</u>	<u>\$ 35,700,484</u>	<u>\$ 39,573,176</u>		
General fund									\$ 13,566,706	\$ 13,757,149
Unassigned									<u>\$ 13,566,706</u>	<u>\$ 13,757,149</u>
Total general fund										
All other governmental funds										
Restricted									\$ 4,994,702	\$ 726,981
Committed									27,769,270	23,205,218
Assigned									<u>195,965</u>	<u>195,965</u>
Total all other governmental funds									<u>32,959,937</u>	<u>24,128,164</u>
Total fund balance, governmental funds									<u>\$ 46,526,643</u>	<u>\$ 37,885,313</u>

* The County implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. The classification of fund balance commencing with fiscal year 2011 will report the fund balance in accordance with this reporting standard.

COUNTY OF WARREN, VIRGINIA

Table 4

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General property taxes	\$ 19,581,028	\$ 21,692,697	\$ 23,622,839	\$ 25,211,738	\$ 28,235,949	\$ 29,615,065	\$ 30,304,803	\$ 47,236,991	\$ 33,878,123	\$ 34,090,051
Other local taxes	4,771,486	5,432,715	6,746,889	6,847,128	6,883,177	7,263,536	7,451,780	6,036,056	6,069,186	6,811,776
Permits, privilege fees and regulatory licenses	878,896	860,766	1,041,773	1,094,150	917,128	648,763	508,254	506,320	555,982	527,806
Fines and forfeitures	37,775	65,231	93,745	102,119	93,529	62,110	42,395	48,014	49,216	24,776
Revenue from use of money and property	257,510	279,646	1,378,994	3,059,748	6,052,586	1,501,355	1,086,205	861,058	459,208	392,301
Charges for services	626,522	942,152	1,813,216	2,271,272	2,007,538	2,271,015	1,915,160	1,800,540	2,237,108	2,408,251
Miscellaneous	181,339	208,621	217,997	1,079,321	474,236	2,014,035	1,172,533	227,306	4,199,744	649,404
Recovered costs	-	-	59,825	102,821	632,889	576,439	677,069	553,957	317,422	14,514
Intergovernmental:										
Commonwealth	9,448,776	10,203,697	10,826,918	13,189,971	12,329,646	12,469,533	11,526,007	12,217,113	11,787,400	11,954,053
Federal	1,989,642	2,202,197	1,869,804	2,219,884	3,392,408	2,124,856	2,819,257	2,380,365	2,940,161	2,106,954
Total revenues	\$ 37,772,974	\$ 41,887,722	\$ 47,672,000	\$ 55,178,152	\$ 61,019,086	\$ 58,546,893	\$ 57,503,463	\$ 71,867,720	\$ 62,493,550	\$ 58,979,886
Expenditures										
General government administration	\$ 2,022,259	\$ 1,908,881	\$ 2,058,452	\$ 2,544,341	\$ 2,309,828	\$ 2,396,688	\$ 2,521,049	\$ 2,450,952	\$ 3,023,745	\$ 2,671,164
Judicial administration	608,421	811,180	959,252	1,017,171	1,127,029	1,196,882	1,152,773	1,208,840	1,387,022	1,448,578
Public safety	6,348,892	6,952,973	8,488,185	8,744,615	9,678,565	9,834,048	9,675,347	9,606,720	10,192,987	10,453,211
Public works	2,899,544	3,340,435	3,894,742	4,308,991	4,681,406	4,678,045	4,146,798	4,251,706	4,127,601	4,199,431
Health and welfare	5,577,382	5,870,910	6,394,223	6,691,125	7,163,028	7,448,551	7,351,875	7,280,066	6,688,564	6,706,491
Education	14,830,381	16,769,680	14,761,096	15,883,584	15,588,578	18,616,370	18,875,998	18,901,332	20,687,963	18,643,244
Parks, recreation and cultural	1,125,196	1,453,936	1,380,437	1,756,337	1,992,193	2,243,701	2,277,426	2,565,936	2,779,555	2,828,558
Community development	790,868	831,658	937,181	704,743	801,080	987,983	975,573	856,205	781,834	734,419
Non-departmental	181,790	204,876	102,283	114,462	389,752	475,784	172,356	182,337	197,336	249,404
Capital projects	720,375	1,143,112	15,141,486	41,729,898	34,411,243	14,279,414	8,887,092	19,454,905	13,537,702	11,760,452
Debt service										
Principal	225,550	449,240	684,518	1,113,143	1,149,551	1,165,548	1,525,382	3,711,768	4,490,955	3,458,550
Interest and other fiscal charges	239,488	234,470	1,866,039	4,060,595	4,022,879	3,813,327	4,819,350	4,964,661	5,231,529	6,758,827
Total expenditures	\$ 35,570,146	\$ 39,971,351	\$ 56,667,894	\$ 88,669,005	\$ 83,315,132	\$ 67,136,341	\$ 62,381,019	\$ 75,435,428	\$ 73,126,793	\$ 69,912,329
Excess of revenues over (under) expenditures	\$ 2,202,828	\$ 1,916,371	\$ (8,995,894)	\$ (33,490,853)	\$ (22,296,046)	\$ (8,589,448)	\$ (4,877,556)	\$ (3,567,708)	\$ (10,633,243)	\$ (10,932,443)
Other financing sources (uses)										
Transfers in	\$ 918,250	\$ 3,402,555	\$ 4,562,108	\$ 7,761,927	\$ 6,405,058	\$ 12,639,909	\$ 6,429,432	\$ 22,414,429	\$ 15,793,316	\$ 12,805,447
Transfers out	(918,250)	(3,402,555)	(4,562,108)	(7,761,927)	(6,405,058)	(12,673,070)	(6,429,432)	(22,375,833)	(15,721,064)	(12,360,880)
Issuance of bonds	-	-	83,265,000	-	-	12,730,401	46,775,450	11,192,300	-	77,000,000
Premium on bonds issued	-	-	1,973,716	-	-	686,698	-	-	-	10,859,925
Discount on bonds issued	-	-	-	-	-	-	(40,000)	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	(15,000,000)	(23,000,000)	(2,450,000)	-	(86,013,379)
Issuance capital leases	129,145	1,290,942	2,530,232	226,751	284,690	304,139	495,000	403,054	318,628	-
Total other financing sources (uses)	\$ 129,145	\$ 1,290,942	\$ 87,768,948	\$ 226,751	\$ 284,690	\$ (1,311,923)	\$ 24,230,450	\$ 9,183,950	\$ 390,880	\$ 2,291,113
Net change in fund balances	\$ 2,331,973	\$ 3,207,313	\$ 78,773,054	\$ (33,264,102)	\$ (22,011,356)	\$ (9,901,371)	\$ 19,352,894	\$ 5,616,242	\$ (10,242,363)	\$ (8,641,330)
Debt service as a percentage of noncapital expenditures	1.33%	1.76%	6.14%	11.02%	10.58%	8.06%	11.21%	11.66%	13.46%	15.15%

(1) As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as noncategorical aid from the Commonwealth of Virginia.

COUNTY OF WARREN, VIRGINIA

Table 5

General Governmental Expenditures by Function (1)

Last Ten Fiscal Years

Fiscal Year	General Government Administration			Judicial Administration		Public Safety		Public Works		Health and Welfare		Education (2)		Parks, Recreation, and Cultural		Community Development		Non-departmental		Debt Service		Total
	Administration	Government		Administration		Safety		Works		Welfare		Education (2)		Cultural		Development		departmental		Service		
2002-03	\$	2,022,259	\$	608,421	\$	6,348,892	\$	2,899,544		5,577,382	\$	37,590,829	\$	1,135,255	\$	790,868	\$	-	\$	3,185,943	\$	60,159,393
2003-04		1,908,881		811,180		6,952,973		3,340,435		5,870,910		39,493,996		1,453,936		831,658		-		3,077,328		63,741,297
2004-05		2,058,452		959,252		8,488,185		3,894,742		6,394,223		41,797,866		1,380,437		937,181		-		4,696,099		70,606,437
2005-06		2,544,341		1,017,171		8,744,615		4,308,991		6,691,125		40,809,276		1,756,337		890,950		-		7,245,211		74,008,017
2006-07		2,309,828		1,127,029		9,678,565		4,681,406		7,163,028		43,935,553		1,992,193		801,080		-		7,174,053		78,862,735
2007-08		2,396,688		1,196,882		9,834,048		4,678,045		7,448,551		47,741,628		2,243,701		987,983		-		6,915,189		83,442,715
2008-09		2,521,049		1,152,773		9,675,347		4,146,798		7,351,875		48,022,270		2,277,426		975,573		172,356		8,217,033		84,512,500
2009-10		2,450,952		1,208,840		9,606,720		4,251,706		7,280,066		47,327,876		2,565,936		856,205		182,337		10,583,442		86,314,080
2010-11		3,023,745		1,387,022		10,192,987		4,127,601		6,688,564		47,736,047		2,779,555		781,834		197,336		11,356,255		88,270,946
2011-12		2,671,164		1,448,578		10,453,211		4,199,431		6,706,491		46,365,366		2,828,558		734,419		249,404		11,887,803		87,544,425

(1) Includes General and Special Revenue funds of the Primary Government and the Discretely Presented Component Unit - School Board.

(Does not include activity of the Discretely Presented Component Unit - Industrial Development Authority)

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) Activity of the school self-insurance fund is not reported in the above table beginning in fiscal year 2006.

COUNTY OF WARREN, VIRGINIA

Table 6

General Governmental Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2002-03	\$ 19,581,028	\$ 4,771,486	\$ 878,896	\$ 37,775	\$ 534,705	\$ 1,613,766	\$ 3,761,843	\$ -	\$ 32,330,545	\$ 63,510,044
2003-04	21,692,697	5,432,715	860,766	65,231	430,805	2,040,939	4,031,639	-	34,008,133	68,562,925
2004-05	23,622,839	6,746,889	1,041,773	93,745	551,501	3,005,579	3,872,864	59,825	37,275,360	76,270,375
2005-06	25,211,738	6,847,128	1,094,150	102,119	3,064,164	3,665,679	1,316,930	102,821	41,538,374	82,943,103
2006-07	28,235,949	6,883,177	917,128	93,529	6,073,046	3,328,318	818,470	632,889	44,465,619	91,448,125
2007-08	29,615,065	7,263,536	648,763	62,110	1,543,815	3,643,342	720,142	576,439	44,109,698	88,182,910
2008-09	30,304,803	7,451,780	508,254	42,395	1,086,849	3,310,229	1,577,659	677,069	43,622,251	88,581,289
2009-10	47,236,991	6,036,056	506,320	48,014	458,989	3,124,505	546,584	553,957	43,614,828	102,126,244
2010-11	33,878,123	6,069,186	555,982	49,216	424,507	3,509,824	4,452,764	17,463	42,024,470	90,981,535
2011-12	34,090,051	6,811,776	527,806	24,776	386,991	3,739,774	885,906	14,514	41,811,690	88,293,284

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board.

(2) Does not include activity of the Discretely Presented Component Unit - Industrial Development Authority)

(3) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(4) Activity of the school self-insurance fund is not reported in the above table beginning in fiscal year 2006.

(5) As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as noncategorical aid from the Commonwealth of Virginia.

COUNTY OF WARREN, VIRGINIA

Table 7

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	Recordation and Wills Tax	Business License Tax	Communication Tax	Meals Tax (1)	Other Local Taxes	Total
2003	\$ 19,799,028	\$ 1,733,547	\$ 1,008,958	\$ 399,972	\$ 866,362	\$ -	\$ -	\$ 914,800	\$ 24,722,667
2004	21,362,306	1,957,375	974,898	543,441	1,013,569	-	-	987,114	26,838,703
2005	23,673,512	2,190,929	1,034,003	1,133,365	1,207,130	-	-	1,181,462	30,420,401
2006	25,646,664	2,262,675	1,070,406	1,127,774	1,269,066	-	-	1,117,208	32,493,793
2007	27,823,493	2,364,724	854,830	897,902	1,354,944	438,269	-	1,373,257	35,107,419
2008	30,282,018	2,692,913	666,366	613,479	1,193,715	1,022,051	-	1,021,862	37,492,404
2009	30,117,767	2,837,283	681,492	450,074	1,017,697	928,624	628,516	908,094	37,569,547
2010	49,583,450	2,838,297	670,372	486,031	749,297	932,498	667,916	1,110,174	57,038,035
2011	33,922,049	2,931,450	683,604	313,489	569,485	927,882	690,672	880,485	40,919,116
2012	34,768,063	3,281,603	687,180	321,394	906,752	909,027	724,799	890,048	42,488,866

(1) Prior to fiscal year 2009 meals tax revenue is reported in "other local taxes"

(2) As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as noncategorical aid from the Commonwealth of Virginia.

COUNTY OF WARREN, VIRGINIA

Table 8

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

Fiscal Year	Real Estate	Personal Property and Mobile		Machinery and Tools	Public Service	Total Taxable		Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
		Homes				Assessed	Value		
2003	\$ 1,596,978,600	\$ 296,999,756	\$ 24,535,050	\$ 52,954,863	\$ 1,971,468,269	\$ 1,971,468,269	100.00%		
2004	2,024,030,300	326,324,172	23,889,510	52,954,863	2,427,198,845	2,427,198,845	100.00%		
2005	2,296,416,720	336,831,968	20,171,800	54,718,870	2,708,139,358	2,708,139,358	100.00%		
2006	2,232,709,900	275,486,114	24,482,595	45,019,071	2,577,697,680	2,577,697,680	100.00%		
2007	2,322,050,800	413,895,353	19,761,215	37,241,703	2,792,949,071	2,792,949,071	100.00%		
2008	4,618,588,000	426,788,783	54,714,951	67,587,582	5,167,679,316	5,167,679,316	100.00%		
2009	4,737,808,700	422,529,586	54,831,030	71,830,670	5,286,999,986	5,286,999,986	100.00%		
2010	4,805,941,500	362,529,370	57,578,180	84,239,604	5,310,288,654	5,310,288,654	100.00%		
2011	4,816,929,300	336,375,506	55,042,750	83,128,930	5,291,476,486	5,291,476,486	100.00%		
2012	3,783,054,400	338,756,346	51,946,980	95,214,200	4,268,971,926	4,268,971,926	100.00%		

Source: Commissioner of Revenue

Notes: The County implemented semi-annual tax billings in fiscal year 2010.
Fiscal Year 2010 is comprised of the 2009 calendar year assessment.
Fiscal Year 2011 is comprised of the 2010 calendar year assessment.
Fiscal Year 2012 is comprised of the 2011 calendar year assessment.

COUNTY OF WARREN, VIRGINIA

Table 9

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Direct Rates			
	Real Estate (3)	Personal Property (2)(3)	Mobile Homes (3)	Machinery and Tools (2)(3)
2003	0.86	3.15	0.86	2.25
2004	0.76	3.15	0.76	2.25
2005	0.79	3.15	0.79	2.25
2006	0.79	3.15	0.79	2.25
2007	0.82	3.15	0.82	2.25
2008	0.45	3.15	0.45	1.30
2009	0.45	3.15	0.45	1.30
2010	0.46/0.46	4.00/4.00	0.46/0.46	1.30/1.30
2011	0.46/0.59	4.00/4.00	0.46/0.59	1.30/1.30
2012	0.59/0.59	4.00/4.00	0.59/0.59	1.30/1.30

- (1) Per \$100 of assessed value
 (2) In fiscal year 1996, assessments for personal property changed from 40% to 100% of value base. Additionally, value base changed from retail to loan NADA value.
 (3) The County collects taxes semi-annually commencing fiscal year 2010.

COUNTY OF WARREN, VIRGINIA

Table 10

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax		Current Tax	Percent of Levy Collected	Delinquent Tax		Total Tax	Outstanding Delinquent Taxes (1,2)
	Levy (1,3,5)	Collections (1,4,5)			Collections (1)	Collections		
2002-03	\$	18,640,421	\$	95.25%	\$	736,771	\$	1,135,506
2003-04		20,678,868	19,815,413	95.82%		620,023	20,435,436	783,382
2004-05		22,942,829	21,857,551	95.27%		853,251	22,710,802	1,997,402
2005-06		29,431,720	29,247,722	99.37%		536,451	29,784,173	1,883,337
2006-07		32,091,748	31,437,990	97.96%		776,957	32,214,947	2,847,490
2007-08		34,384,133	33,113,731	96.31%		620,850	33,734,581	2,920,549
2008-09		35,112,209	33,368,512	95.03%		924,484	34,292,996	3,127,406
2009-10		55,429,700	50,060,893	90.31%		771,805	50,832,698	5,265,055
2010-11		37,294,301	35,493,841	95.17%		1,883,653	37,377,494	4,891,577
2011-12		37,303,539	35,949,106	96.37%		1,724,106	37,673,212	4,577,153

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years plus current tax year.

(3) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

(4) Includes personal property tax relief from the Commonwealth of Virginia.

(5) In fiscal year 2010 the County implemented semi-annual tax billings - tax levy includes calendar year 2009 and first half of 2010 assessment - tax collections includes personal property tax relief for calendar year 2009 only.

COUNTY OF WARREN, VIRGINIA

Table 11

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Years	Governmental Activities										Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)	
	General		Lease		Literary		Other		Capital					
	Obligation Bonds		Revenue Bonds		Fund Loans		Notes/ Bonds		Leases					
2003	\$	20,635,130	\$	-	\$	-	\$	20,054	\$	141,641	\$	20,796,825	2.26%	621
2004		19,308,772		-		-		14,847		1,133,550		20,457,169	2.05%	600
2005		17,919,015		83,265,000		-		55,476		3,093,633		104,333,124	9.48%	2,983
2006		16,522,681		83,265,000		-		25,677		2,397,040		102,210,398	8.55%	2,859
2007		15,114,663		83,265,000		-		584,846		1,753,666		100,718,175	9.15%	2,775
2008		26,429,273		68,265,000		-		560,780		1,091,323		96,346,376	6.97%	2,626
2009		24,468,064		92,040,450		-		535,424		805,767		117,849,705	8.52%	3,210
2010		31,207,549		89,592,428		-		510,067		729,453		122,039,497	8.60%	3,260
2011		28,075,211		87,320,985		-		482,652		742,336		116,621,184	8.22%	3,115
2012		15,521,800		92,468,265		-		454,145		496,150		108,940,360	7.67%	2,838

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

Amounts in table do not include premiums or discounts

(1) See the Schedule of Demographic and Economic Statistics - Table 13

COUNTY OF WARREN, VIRGINIA

Table 12

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

Fiscal Year	Gross Bonded Debt	Net Bonded Debt (3)	Ratio of Net General Obligation		Net Bonded Debt per Capita (1)
			Debt to Assessed Value (2)		
2003	\$ 20,635,130	\$ 20,635,130	1.05%	\$	616
2004	19,308,773	19,308,773	0.80%		567
2005	101,184,015	101,184,015	3.74%		2,893
2006	99,787,681	99,787,681	3.87%		2,791
2007	98,379,663	98,379,663	3.52%		2,813
2008	94,694,273	94,694,273	1.83%		2,581
2009	116,508,514	116,508,514	2.20%		3,173
2010	120,799,977	120,799,977	2.27%		3,227
2011	115,396,196	115,396,196	2.18%		3,082
2012	107,990,065	107,990,065	2.53%		2,814

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 8

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

COUNTY OF WARREN, VIRGINIA

Table 13

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	September 30 School Enrollment	Unemployment Rate
2003	33,498	918,957	27,433	38	5,104	3.90%
2004	34,074	1,000,185	28,995	38	5,076	3.20%
2005	34,977	1,100,204	31,455	38	5,174	2.90%
2006	35,752	1,196,000	33,452	38	5,268	2.80%
2007	36,300	1,256,000	34,600	38	5,332	3.10%
2008	36,695	1,382,000	37,661	38	5,273	4.20%
2009	36,713	1,384,000	37,697	38	5,319	6.60%
2010	37,439	1,419,574	37,917	39	5,339	6.61%
2011	37,688	1,419,574	37,666	39	5,340	6.20%
2012	38,381	1,419,574	36,986	39	5,394	5.00%

Source: Weldon Cooper Center, Annual school report - prepared by the County, www.fedstats.gov.
Updated Personal Income is not available. The 2010 number was used as an estimate.

COUNTY OF WARREN, VIRGINIA

Table 14

Principal Employers Current Year	202
Employer	Employees
Warren County School Board	1,000
Valley Health System	830
Family Dollar Services	530
Baugh Northeast, Inc.	500
E.I. DuPont De Nemours Company	435
Ferguson Enterprises, Inc.	400
Interbake Foods	350
County of Warren	280
Totals	4,325

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Warren, Virginia
Front Royal, Virginia

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Warren, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Warren, Virginia's basic financial statements and have issued our report thereon dated December 5, 2012. We did not audit the financial statements of the Industrial Development Authority. Those statements were audited by other auditors who report has been furnished to us and our opinion on the financial statements and this report on internal controls, compliance and other matters insofar as they relate to the Industrial Development Authority are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Robinson, Farmer Cox Associates
Charlottesville, Virginia
December 5, 2012

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable Members of the Board of Supervisors
County of Warren, Virginia
Front Royal, Virginia

Compliance

We have audited County of Warren, 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 Warren, Virginia's major federal programs for the year ended June 30, 2012. County of Warren, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Warren, Virginia's management. Our responsibility is to express an opinion on County of Warren, Virginia's compliance based on our audit.

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

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

Internal Control Over Compliance

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

Internal Control Over Compliance: (Continued)

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

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

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 5, 2012

COUNTY OF WARREN, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting safe and stable families	93.556	0950111/0950112	\$ 14,458
Temporary assistance for needy families	93.558	0400111/0400112	293,658
Refugee and entrant assistance - state administered programs	93.566	0500111/0500112	507
Low income home energy assistance	93.568	0600411/0600412	16,628
Child care and development fund cluster:			
Child care and development block grant	93.575	0770110/0770111	114,890
Child care mandatory and matching funds of the child care and development fund	93.596	0760110/0760111	121,328
Stephanie Tubbs Jones child welfare services program	93.645	0900111/0900112	838
Children's health insurance program	93.767	1100111/1100112	8,211
Foster care - Title IV-E	93.658	1100111/1100112	215,770
Adoption assistance	93.659	1120110/1120111	165,195
Social services block grant	93.667	1000111/1000112	224,986
Chafee education and training vouchers program	93.599	9160109/9160110	9,340
Chafee foster care independence program	93.674	9150111/9150112	7,616
Medical assistance program	93.778	1200111/1200112	167,497
Total Dept. Health & Human Services-pass through			\$ 1,360,922
Total Department Health and Human Services			\$ 1,360,922
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child nutrition cluster:			
Food distribution - Summer food service program	10.559	10.559/2011/2012	\$ 2,985
Food distribution - National school lunch program	10.555	10.555/2011/2012	126,566
Department of Education:			
National school lunch program	10.555	10.555/2011/2012	841,681
Subtotal CFDA 10.555			\$ 968,247
Department of Education:			
Child nutrition cluster:			
National school breakfast program	10.553	10.553/2011/2012	246,289
Schools and roads - Grants to states	10.665	10.665/2012	1,527
Department of Social Services:			
State administrative matching grants for the supplemental nutrition assistance program	10.561	00101119/0040110/0040111	275,451
Department of Forestry:			
ARRA - Wildland fire management	10.688	N/A	15,316
Total Department of Agriculture - pass-through payments			\$ 1,509,815
Total Department of Agriculture			\$ 1,509,815

COUNTY OF WARREN, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct payments:			
Edward Byrne memorial state and local law enforcement assistance	16.580		\$ 50,676
Total Department of Justice - direct payments			\$ 50,676
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime victims assistance	16.575	11VAGX0001	\$ 53,835
Juvenile justice and delinquency prevention	16.540	11JFFX0023	7,000
Total Department of Justice - pass-through			\$ 60,835
Total Department of Justice			\$ 111,511
Department of Transportation:			
Direct Payments:			
Airport improvement program	20.106		\$ 28,178
Highway planning and construction	20.205		140,600
Total Department of Transportation - direct payments			\$ 168,778
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
Alcohol impaired driving countermeasures incentive grant	20.601	K8-2012-52206-4584	\$ 13,266
State and community highway safety	20.600	SC-2011-51403-4345	5,704
Total Department of Transportation - pass-through payments			\$ 18,970
Total Department of Transportation			\$ 187,748
Department of Education:			
Pass Through Payments:			
Department of Education:			
ARRA - State fiscal stabilization fund - education state grants	84.394	S394A090047	\$ 132,875
Title I, Part A cluster:			
Title I: Grants to local educational agencies	84.010	S010A110046/S010A100046	966,633
ARRA - Title I: Grants to local educational agencies	84.389	S389A090046	146,417
Special education cluster:			
Title VI-B: Special education grants to states	84.027	H027A110107/H027A100107	1,083,443
Title VI-B: Special education preschool grants	84.173	H173A100112/H173A110112	30,078
Career and technical education: Basic grants to states	84.048	V048A110046	79,115
English language acquisition grants	84.365	S365A110046	2,909
ARRA - Education jobs fund	84.410	S365A110046	790,935
Title II, part A: Improving teacher quality state grants	84.367	S367A100044/S367A110044	217,770
Total Department of Education - pass-through payments			\$ 3,450,175
Total Department of Education			\$ 3,450,175
Total Expenditures of Federal Awards			\$ 6,620,171

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF WARREN, VIRGINIA

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

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General fund	\$	2,106,954
Less: Build America Bond interest subsidy		(105,525)
Total primary government	\$	<u>2,001,429</u>

Component Unit - Warren County Public Schools:

School operating fund	\$	4,723,292
Less: E-Rate		(54,069)
Department of the Interior - Payments in lieu of taxes	15.226	(50,481)
Total component unit public schools	\$	<u>4,618,742</u>

Total federal expenditures per basic financial statements	\$	<u><u>6,620,171</u></u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>6,620,171</u></u>
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COUNTY OF WARREN, VIRGINIA

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

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

CFDA #	Name of Federal Program or Cluster
93.558	Temporary assistance for needy families
84.394	ARRA - State fiscal stabilization fund - education state grants
84.410	ARRA - Education jobs fund
	Title I, Part A Cluster:
84.010	Title I: Grants to local educational agencies
84.389	ARRA - Title I: Grants to local educational agencies

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Audit Findings

None