

COUNTY OF ALLEGHANY, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

COUNTY OF ALLEGHANY, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

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Introductory Section

COUNTY OF ALLEGHANY, VIRGINIA

BOARD OF SUPERVISORS

Stephen A. Bennett, Chairman	
Carolyn T. Barnette, Vice Chairman	Suzanne T. Adcock
Paige R. Morgan	G. Matt Garten
Shannon P. Cox	Cletus W. Nicely

COUNTY SCHOOL BOARD

Stacey P. Bryant, Chairman	
T. Troy Barbour, Vice Chairman	R. Joe Anderson
William W. Angle	Robert A. Fridley
Patsy G. McKinney	Norman L. Persinger

SOCIAL SERVICES BOARD

Sherry W. Stull, Chairman	
Carole T. Gibson, Vice Chairman	David Bryant
Stephanie Clark	Shannon Cox
John G. Hudson	

OTHER OFFICIALS

Clerk of the Circuit Court.....	Debra N. Byer
Commissioner of the Revenue.....	Valerie Bruffey
Treasurer	Wanda Simpson
Sheriff	Kevin Hall
Superintendent of Schools	Dr. Sarah T. Campbell
Finance Director.....	Susan Myers
Director of Social Services	Suzanne T. Adcock
County Administrator	John Strutner
County Attorney	Jim Guynn

Financial Section

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Members of the Board of Supervisors
County of Alleghany, Virginia
Covington, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Alleghany, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining funding information of the County of Alleghany, 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 November 19, 2012, on our consideration of the County of Alleghany, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Alleghany, Virginia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 and individual nonmajor 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 introductory section and statistical information have 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 them.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
November 19, 2012

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

The management of the County of Alleghany, Virginia presents this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. This document should be used in conjunction with the financial statements and notes to the financial statements that are included in this document.

GOVERNMENT-WIDE STATEMENTS

In the past, the primary focus for local government financial statements has been summarized fund type information on a modified accrual basis of accounting. However, with the implementation of Statement No. 34 of the Governmental Accounting Standards Board (GASB) for June 30, 2003, there are now government-wide statements in addition to the fund statements. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the County as a whole and about its activities in a way that may help answer this question. These statements include all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements report the County's net assets and the changes in them. One can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets can be one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors will need to be considered, however, such as changes in the County's property tax base and the condition of the County's infrastructure, to assess the overall health of the County.

For the purposes of the government-wide statements, the County financial records are divided into two types of activities:

Governmental Activities - Most of the County's basic services are reported here: Parks and Recreation, Law Enforcement, General Administration, Judicial Administration, Fire and Rescue, Buildings and Grounds, Health and Welfare, Education, and Community Development. Property taxes, other local taxes, and state and federal grants finance most of these activities.

Business-type Activities - The operation of the County's water and sanitary systems are reported here as the County charges a fee to customers to help cover all or most of the cost of the services it provides. The County adopts county-wide rates for water and sewer customers. Approximately one third of County households have public water and/or sewer.

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COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

FUND FINANCIAL STATEMENTS

The fund financial statements provide more information about the County's most significant funds. The fund financial statements focus on the individual parts of the County government, reporting the County's operations in more detail than the government-wide statements. The Funds are accounting mechanisms that the County uses to keep track of specific sources of funds and spending for a particular purpose. Some funds are required to be established by State and Federal law and by bond covenants. Other funds are established to control and manage money for particular purposes or to demonstrate that the government is properly using certain taxes and grants.

The County has three types of funds:

Governmental Funds - Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the County's programs.

Proprietary Funds - Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

In fact, the County's Enterprise Fund (one type of proprietary fund) is the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The County's Enterprise Fund accounts for the operation of the County's water and wastewater utility.

Fiduciary Funds - The County is the trustee, or fiduciary, for Agency Funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its own operations.

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**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

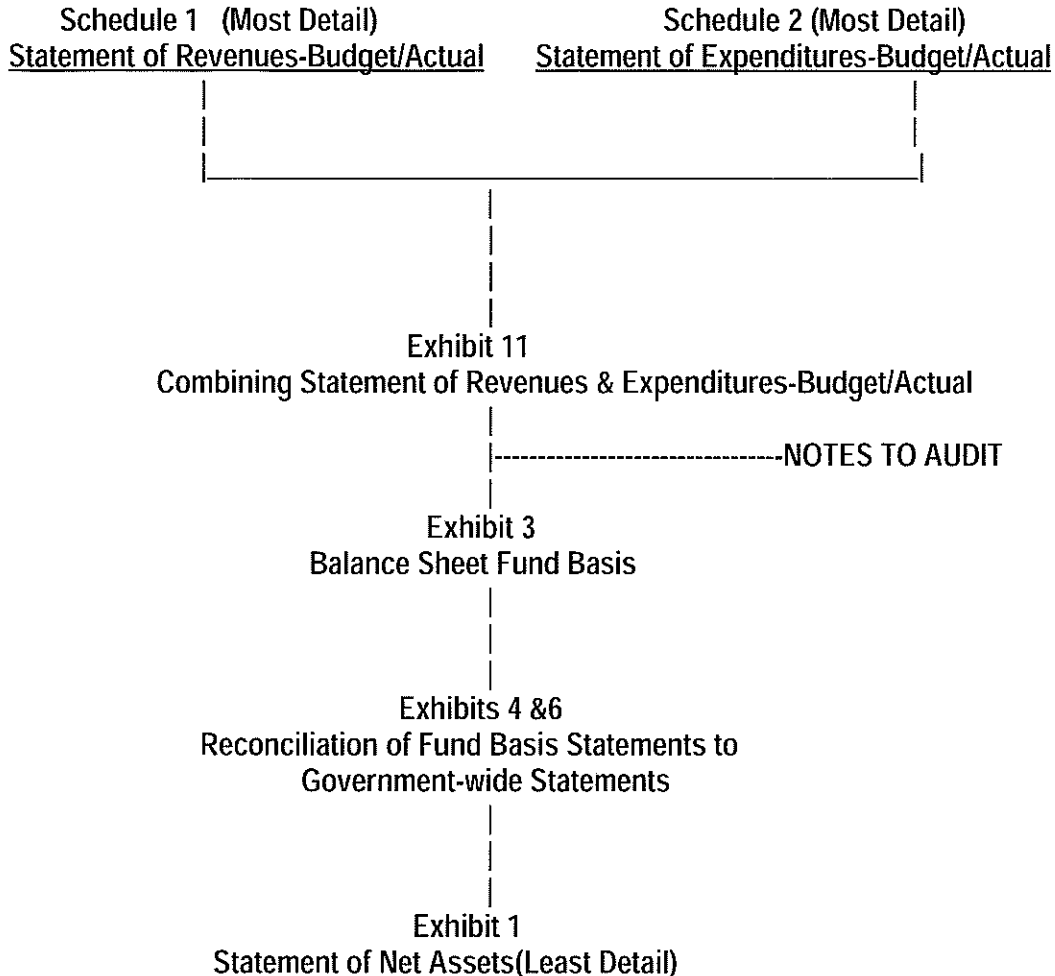
AUDIT REPORT STRUCTURE

Reading and interpreting the audit report can be a daunting task at times. Hopefully, the following guideline will help first-time users of this document.

- I. Introduction
 - A. A listing of County Officials.
- II. Financial Section
 - A. Management Discussion and Analysis-The document you are currently reading. The purpose of this document is to disclose significant financial information in a more "user friendly" manner.
 - B. Government-wide statements-The new statements required by GASB No. 34. These are the Statements of Net Assets and the Statement of Activities.
 - C. Fund Basis Statements-These are the traditional financial statements included in governmental audits.
 - D. Reconciliation of Fund Basis Statements to Government-wide Statements.
 - E. Proprietary Fund Statements-For Alleghany County, this means the results of the operation of the Water and Sanitary Fund.
- III. Notes to the Financial Statements
 - A. The Notes to the financial statements are perhaps the most informative part of the audit. The notes include information on accounting methods, details of debt, amounts due from other governmental units, details of capital assets, and a number of other schedules that explain where and how certain figures are obtained.
- IV. Required Supplementary Information
 - A. Combining & Individual Fund Statements and Schedules- These are where the detail is kept that rolls forward into the Basic Financial Statements.
 - B. Statistical Sections- Where comparative charts are presented showing the increases and decreases of revenues, expenditures, debts, assessed property values, and tax rates over a ten-year period.
 - C. Compliance- Required under OMB Circular A-133, it basically reports all money received from the Federal Government including State pass through funds. A judgment is passed on whether the County has materially met the requirements of each major grant.

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

How to follow Schedules/Exhibits in the Audit Report:



This means that you can follow money that comes in for Real Estate Taxes all the way through to where it becomes part of net assets or that you can follow where money is spent for the Board of Supervisors through to where it affects net assets.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

This is the ninth year that the County of Alleghany has presented its financial statements under the new reporting model required by GASB Statement No. 34. This reporting model changes significantly both the recording and presentation of financial data.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Statement of Net Assets

The following table reflects the condensed Net Assets:

	Summary of Net Assets			
	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
<u>Assets</u>				
Current and Other Assets	\$12,998,651	\$22,468,501	\$2,254,838	\$3,049,700
Capital Assets	30,863,110	31,308,948	42,758,839	39,743,978
Total Assets	\$43,861,761	\$53,777,449	\$45,013,677	\$42,793,678
<u>Liabilities</u>				
Current Liabilities	\$3,048,831	\$2,984,735	\$416,675	\$1,724,659
Long-term Liabilities	13,723,179	22,462,805	10,920,483	8,654,048
Total Liabilities	\$16,772,010	\$25,447,540	\$11,337,158	\$10,378,707
<u>Net Assets</u>				
Invested in Capital Assets				
Net of Related Debt	\$17,479,170	\$9,192,271	\$31,907,317	\$31,151,776
Restricted Net Assets	744,662	1,201,119	9,614	9,614
Unrestricted Net Assets	8,865,919	17,936,519	1,759,588	1,253,581
Total Net Assets	\$27,089,751	\$28,329,909	\$33,676,519	\$32,414,971

Financial Highlights of the Statement of Net Assets

At the close of the fiscal year, the assets of the County exceeded liabilities by \$60,766,270 (Exhibit 1). Of this amount \$10,625,507 may be used to meet the government's ongoing obligations to creditors and citizens within each respective activity.

*Net assets of the County Governmental activities for the government-wide statements were \$27,089,751. Of this amount \$8,865,919 was unrestricted (Exhibit 1). This means that 32.73% of total assets are unrestricted. This is a decrease from FY11.

*Net assets of the County's business-type activities as of June 30, 2012 were \$33,676,519. Of this amount, \$1,759,588 is unrestricted (Exhibit 1). This means that 5.22% of the total assets are unrestricted.

There are differences in the amount of assets that are unrestricted in FY12. This change is primarily the result of paying off the 2004 bond which significantly reduced cash reserves.

Highlights of the Statement of Activities

The Statement of Activities reveals some interesting facts. Probably the most thought provoking is the original schedule that matches revenues to expenditures for a specific activity (Exhibit 2). It shows the specific activity

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

versus how much revenue is generated specifically for or by that activity and how much of the general revenues are used to finance the activity. This is diametrically opposite of how traditional fund accounting has presented revenue. Fund accounting has always presented revenue by source (local, state, federal). The following table presents the program revenue generated by each major activity and the general revenue required to meet operational cost of the respective activities.

**Activities - Program Revenue vs. Reliance on General Revenue
as of June 30, 2011 and June 30, 2012**

Activity	Program Revenue		Reliance on General Revenue	
	2011	2012	2011	2012
General Administration	\$448,501	\$451,144	\$1,705,280	\$2,048,286
Judicial Administration	733,209	731,274	714,779	758,510
Public Safety	2,063,199	2,578,488	3,171,162	2,593,225
Public Works	339,360	387,024	2,434,597	2,577,348
Health & Welfare	2,374,642	2,828,835	973,751	639,336
Education	2,759,194	2,558,088	9,461,842	9,957,352
Parks, Recreation & Cultural	149,832	236,270	816,979	859,011
Community Development	-	-	441,036	404,069
Interest on Long-Term Debt	-	-	993,168	1,623,370
Business-Type Activities	15,836,205	5,700,249	-	-
Totals	\$24,704,142	\$15,471,372	\$20,712,594	\$21,460,507

As can be expected General Government Administration is 81.95% supported by General Revenues. This category includes general and financial administration, taxing and collection functions, and voting functions. The 18.05% program revenue is mostly from the Commonwealth of Virginia support of the voting function, tax collection and assessment functions.

Judicial Administration is supported 49.09% by program revenues, which consist of either revenue from the Commonwealth of Virginia or fines, forfeitures and fees. Activities included in this category are the court system, serving of legal documents, prosecution, magistrate, and maintaining legal records.

Public Safety is funded by the Commonwealth of Virginia for 49.86% of the total program costs. This leaves the General revenue providing 50.14% of the funding for public safety. This function includes law enforcement, correction and detention, probation, fire and rescue, animal protection, and emergency services.

On the Statement of Activities (Exhibit 2) local education effort is separated from the School Board activities. This chart only represents the amount of general money vs. program money that the general revenues are used to fund the local effort.

Public Works is funded by general revenue (86.94 %). These activities include refuse collection and disposal, general property upkeep, recycling, and general engineering.

Community Development activities were funded by 100% by local sources. Items included in this activity are

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

contributions to the Alleghany Highlands Economic Development Corporation and contributions to a number of organizations that contribute to development of the community as a whole.

Parks, Recreation and Cultural Activities is supported almost entirely by general revenues (78.43 %). These activities include parks and recreation, senior citizens services, and contributions to various organizations that sponsor cultural activities.

Health and Welfare is primarily supported by State and Federal resources (81.57%) and includes support of the Health Department and Department of Social Services.

The financial statements show no revenue was received to help pay the cost of interest on long term debt, which includes interest on school debt, general obligation debt, and revenue debt.

All of the revenue received for the Water and Sanitary activities was entirely generated by the existence of the activity. There were both charges for services and some grants; however, they were all generated due to the existence of the Water & Sanitary System. This chart also clearly shows that revenues increased over the prior year, due to the ongoing Lower Jackson River project.

The Statement of Activities (Exhibit 2) also demonstrates very clearly how the difference between expenditures and revenue leads to either an increase or decrease in net assets between years.

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**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

**Statement of Activities (Condensed)
as of June 30, 2011 and June 30, 2012**

	Governmental Activities		Business-Type Activities	
	2011	2012	2011	2012
Program Revenues	\$8,867,937	\$9,771,123	\$15,836,205	\$5,700,249
General Revenues:				
General property taxes	15,432,192	15,492,843	-	-
Other local taxes	2,288,458	2,190,182	-	-
Use of Money & Property	122,851	42,449	22,096	7,827
Miscellaneous	580,811	236,187	17,876	15,600
Unrestricted grants	2,250,850	2,293,952	-	-
Net Transfers	-	(35,264)	-	35,264
Gain(loss) on disposal of Assets	10,801	-	-	-
Total Revenue	29,553,900	29,991,472	15,876,177	5,758,940
Total Expenditures	29,580,531	31,231,630	2,914,811	4,497,392
Change in Net Assets	(26,631)	(1,240,158)	12,961,366	1,261,548
Beginning Net Assets	28,356,540	28,329,909	19,453,605	32,414,971
Ending Net Assets	\$28,329,909	\$27,089,751	\$32,414,971	\$33,676,519

The above chart shows that governmental activities net assets decreased by \$1,240,158. This is due to the early payoff of the 2004 Refunding Bond Issue.

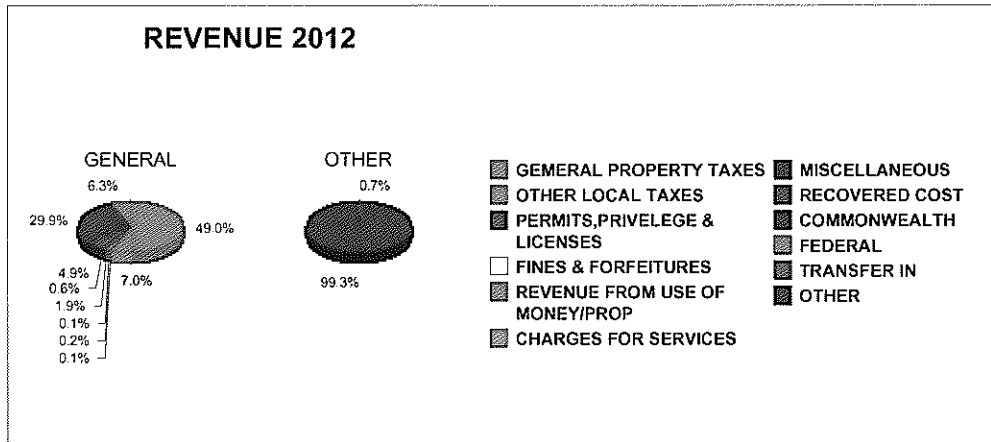
There was a \$1,261,548 increase in net assets of the Water and Sanitary (business-type) activities. The majority of the increase comes from the construction of the Lower Jackson River Sewer Plant.

Highlights of the Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds. This will be a more familiar view to traditional users of government financial statements. However, there are still significant changes in these statements to meet the requirements of GASB No. 34. Except for major funds as defined by GASB No. 34, all other special funds have been included in the general fund.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

**Fund Revenue by Source
for June 30, 2012**



For the General funds, local revenue sources were 63.1% of the total revenue received, while the Commonwealth of Virginia contributed 29.9% and the Federal government contributed 6.3%. These revenue figures are presented on a source basis using modified accrual accounting as opposed to the method that is being used in the government wide statements.

Between what was originally budgeted in the General Fund and the actual collections, there is a difference of \$6,356. This means that \$6,356 more was collected in revenue than was budgeted. This is somewhat misleading, as there were many variations, both positive and negative. The following is a brief list of both the positive and the negative.

- Overall Property Taxes exceeded the budget by \$25,577.
- Several revenue items were received later than expected; therefore, they will appear in next years revenue. These were mainly grant projects that tend to progress erratically.
- There are a number of deviations in the shared expenses with the Commonwealth. Some were caused by the County being mandated to return \$188,491 in revenue to the Commonwealth.
- Once again the expenditure driven line items for Social Services did not reach the anticipated budget level. However, this means that the money was not expended for Social Services; therefore, the effect is negated by the effect on the expenditure side of the budget.
- Payments in lieu of tax exceeded the budget by \$74,920. This represents a substantial increase over previous years.
- Other local taxes exceeded the budget by \$115,682.
- There was a decrease in other local taxes from FY11. This is mainly due to the decision to no longer require motor vehicle decals.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

This chart shows a comparison between FY11 and FY12 revenues for the General Operating Fund. There was an overall increase in revenue of \$229,325. This equates to a .7% increase in revenues. There are two other percentages that need to be mentioned. The first is the decrease in taxes. This was caused by the decrease in the real estate tax rate and a decrease in the Machinery & Tools tax caused by legislative changes. There is a large decrease in the amount of money received from interest on investments due to the County having less funds to invest and the continuing low interest rates.

General Fund Revenue	2011	2012	Difference	% Change
General Property Taxes	\$15,524,223	\$15,412,777	(\$111,446)	-0.72%
Other Local Taxes	2,288,458	2,190,182	(98,276)	-4.29%
Permits, Privilege Fees and Licenses	38,554	28,259	(10,295)	-26.70%
Fines and Forfeitures	81,829	61,002	(20,827)	-25.45%
Revenue from the Use of Money and Prop	114,937	40,435	(74,502)	-64.82%
Charges for Services	500,783	585,023	84,240	16.82%
Miscellaneous	533,601	186,737	(346,864)	-65.00%
Recovered Costs	1,548,227	1,548,345	118	0.01%
Commonwealth	9,141,562	9,406,850	265,288	2.90%
Federal	1,394,613	1,983,941	589,328	42.26%
Transfers in (out)	-	(35,264)	(35,264)	
Other	12,175	-	(12,175)	-100.00%
Totals	\$31,178,962	\$31,408,287	\$229,325	

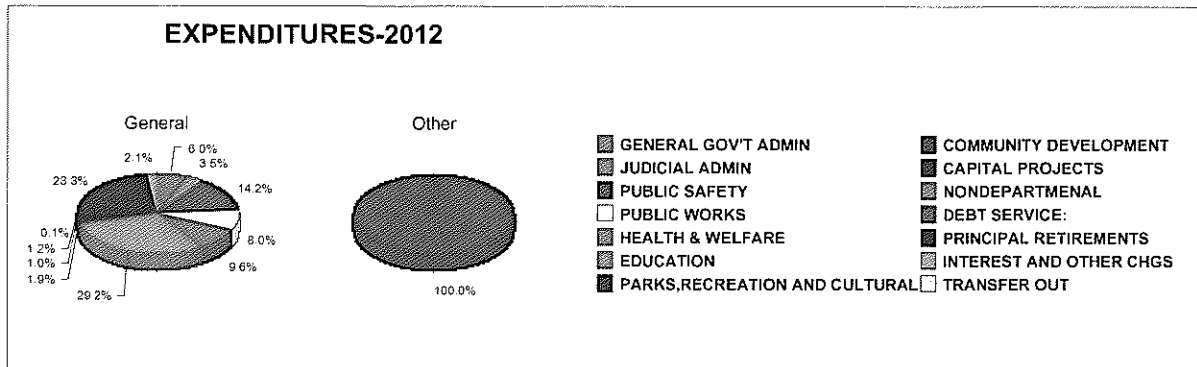
There was an increase in the revenue for Other Governmental Funds.

Other Governmental Funds	2011	2012	Difference	% Change
Revenue from the Use of Money and Prop	\$870	\$339	(\$531)	-61.03%
Miscellaneous	47,210	49,450	2,240	4.74%
Totals	\$48,080	\$49,789	\$1,709	

The fund basis statements are presented on a functional basis as opposed to an activity basis as in the government-wide statements. This leads to several differences. For example, principal retirement and transfers out are included in these statements. Also, these statements are still being presented on a modified accrual basis as opposed to full accrual on the government-wide statements.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

**Fund Expenditures by Function
for June 30, 2012
Graphical Representation
Schedule 5**



Public Education (29.2%), Public Safety (14.2%), and Health & Welfare (9.6%) still remain the regular categories where the most money is expended. General Administration (6%), Judicial Administration (3.5%), Public Works (8.0%), Parks and Recreation (1.9%), Community Development (1%), Capital Projects (1.2%). Debt Service (25.5%) increased significantly this year due to the early payoff of a bond issue.

The General fund spent \$5.7 million less than the amended budget (See Schedule 2). In fact, the overall expenditures for the General Fund over \$9.6 million from FY11 to FY12. The following are some of the reasons:

- For capital budgeting and cash flow purposes, Alleghany County allows individual functions to "carry forward" unexpended budget funding in order to finance incremental parts of anticipated large purchases. This lessens the impact on tax rates in a single year.
- The School Board is now retaining any excess funds at year end. These were previously returned to the County, thereby, reducing expenditures.
- A new law was mandated by the legislature requiring the County to provide Line of Duty Coverage for Volunteers.
- The County paid off the 2004 Refunding Bond Issue (\$8,187,312.22).
- The County refunded the remaining funds received for the Kimstan Landfill (\$119,728).
- The County purchased the CF development property (\$249,006.50).

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>General Fund Expenditures</u>	<u>2011</u>	<u>2012</u>	<u>Difference</u>	<u>% Change</u>
General Gov't Administration	\$2,254,023	\$2,422,769	\$168,746	7.49%
Judicial Administration	1,401,529	1,429,307	27,778	1.98%
Public Safety	5,419,873	5,753,464	333,591	6.15%
Public Works	2,643,170	3,246,772	603,602	22.84%
Health and Welfare	3,867,309	3,917,532	50,223	1.30%
Education	11,573,076	11,867,480	294,404	2.54%
Parks, Recreation and Cultural	727,485	760,351	32,866	4.52%
Community Development	331,195	399,258	68,063	20.55%
Capital Projects	365,524	475,968	110,444	30.22%
Nondepartmental	5,567	28,856	23,289	418.34%
Debt Service:				
Principal Retirements	1,474,351	9,482,512	8,008,161	543.17%
Interest and Other Charges	867,922	851,376	(16,546)	-1.91%
Transfers in (out)	-	(35,264)	(35,264)	0.00%
Totals	<u>\$30,931,024</u>	<u>\$40,600,381</u>	<u>\$9,669,357</u>	

A summary of general fund expenditures follows:

<u>Other Governmental Funds</u>	<u>2011</u>	<u>2012</u>	<u>Difference</u>	<u>% Change</u>
Public Safety	\$17,085	\$22,393	\$5,308	31.07%
Totals	<u>\$17,085</u>	<u>\$22,393</u>	<u>\$5,308</u>	

Under Other Governmental Funds there was an increase in the amount spent.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS AND LONG TERM DEBT

As of June 30, 2012, Alleghany County had an investment in capital assets for its governmental activities of \$30,863,110. Included in the governmental activities are School Board buildings and improvements for which Alleghany County has or will pay the associated debt. In addition, the School Board had assets of \$8,579,028 that are not owned by Alleghany County. The Water and Sanitary Fund had \$42,758,839 in capital assets. These assets are predominately water and sewer lines, pump stations, and other related infrastructure. The assets in the Water and Sanitary Fund increased due to the completion of the new waste water treatment plant and the work on the collection system. The primary government long term debt (excluding Compensated Absences) decreased during fiscal year 2012 (See Note 7). This was mainly due to the early payoff of the 2004 Refinancing Bond. The Water & Sanitary Fund debt increased due to the East End Sewer Project.

Capital Assets				
	<u>Governmental</u>		<u>Business-Type</u>	<u>Component Unit</u>
Land	\$ 3,646,215	\$	-	\$ 1,018,272
Buildings and Systems	37,392,532		-	13,627,572
Machinery and Equipment	4,755,724		119,872	4,707,992
Infrastructure	-		50,108,836	-
Construction in Progress	-		787,675	-
Subtotal	\$ 45,794,471	\$	51,016,383	\$ 19,353,836
Less Accumulated Depreciation	\$ (14,931,361)	\$	(8,257,544)	\$ (10,774,808)
Total	\$ 30,863,110	\$	42,758,839	\$ 8,579,028

Governmental Debt				
	Balance June 30, 2011	Issuances	Retirements	Balance June 30, 2012
GO Bonds	\$ 6,059,231	\$ -	\$ (375,556)	\$ 5,683,675
Premium on VPSA	56,430	-	(6,635)	49,795
Literary Loans	8,250,000	-	(750,000)	7,500,000
Revenue Bonds	157,426	-	(6,956)	150,470
Lease Revenue Bond	8,350,000	-	(8,350,000)	-
Less: Deferred Amounts	(756,410)	-	756,410	-
Totals	\$ 22,116,677	\$ -	\$ (8,732,737)	\$ 13,383,940

Water and Sanitary Debt				
Revenue Bonds	\$ 8,592,202	\$ 2,574,342	\$ (315,022)	\$ 10,851,522

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A number of factors and trends will need to be evaluated and considered with regard to the FY12-13 budget. Those are elaborated upon in the paragraphs which follow.

The Alleghany County unemployment rate was 5.9% in August 2008, but had risen to 9.5% in January 2009 and has stayed at a high level since then as evidenced by the fact that it was 8.5% in January 2012. While this represents a slight decline (mirroring similar small decreases in the national and state rates), the continuing high rates are evidence that the local, state and national economies continue to be relatively weak. The Commonwealth is anticipating again, as it did last year, that it will realize some improvement in its revenue situation. There are some early indications from Richmond that perhaps the amount of reductions in State Aid payments to local governments for support of Constitutional Offices will be lessened in the coming year compared to the last several years.

The Alleghany Highlands region continues to experience only marginal success in replacing the jobs this area has lost since December 2005. The County and region, in partnership with the Alleghany Highlands Economic Development Corporation (AHEDC) and the Roanoke Regional Partnership, must continue in its efforts to improve employment opportunities, both through support of existing employers and the attraction and cultivation of new employers. There is a viable effort underway, spearheaded by the Alleghany Highlands Chamber of Commerce under the provisions of a Tourism and Marketing Services Agreement between it and the County, to expand and enhance our tourism sector. The development of a potential site for a data security and storage center in Low Moor is still being actively pursued and marketed by the AHEDC. We also will continue to focus upon those industries that historically have provided the largest number of jobs in the Alleghany Highlands - wood and paper products, household and personal goods manufacturing, and health care. However, until the recession subsides and the economy recovers, we do not realistically expect to be able to generate much in the way of new business prospect activity or the expansion of existing businesses. In fact, the AHEDC's Executive Director has stated that economic prospect activity in early 2011 was slower than at any other time since he assumed his position in August 2007. However, there also has been some strong prospect activity on the former LKM building in the Alleghany Regional Commerce Center which could result in the creation of 50+ new jobs in the next year.

Additionally, Alleghany County is still experiencing a decline in population. The VEC has projected a decline in population from 2000 (17,171) to 2030 (15,290), and that downward trend continues to manifest itself in the County's school enrollments and enrollment projections. The local workforce population is also projected to decline at a faster pace over the next 30 years, while the number of older adults is expected to increase significantly. Income levels in the Alleghany Highlands continue to lag behind both the region and the Commonwealth.

Preliminary projections by the Commissioner of Revenue are that the total assessed value for real estate will grow by less than 1% (around \$5.4 million) in FY12-13, while personal property assessed values will only increase enough to realize an estimated increase of \$65,000 in additional tax revenue at the current tax rate. Interest income earned by the County's funds on deposit is also expected to continue to decline significantly due to low interest rates.

The Commonwealth's weak fiscal situation is also impacting the local budget picture. It is quickly becoming apparent that both State and Federal funding as a share of the total County general operations budget is continuing to decrease. State and Federal funding for the local school system also continues to decline.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

The County paid off the 2004 Refunding Bond during the fiscal year. This required the use of \$9-million from the County's unrestricted fund balance, which effectively reduced that fund balance by 50%. The early payoff will save \$770,000 in annual debt service payments. While the remaining fund balance is considered to be "healthy" for a county of our size and budget, we will need to continue to be judicious in utilizing it, and endeavor to nurture and maintain it for use in future lean economic times, to cover extreme and unforeseen emergencies, and to fund major capital projects.

In essence, another difficult season is anticipated for FY12-13, with hard decisions and choices to be made.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Alleghany County Administrator, 9212 Winterberry Avenue, Covington, VA 24426.

Basic Financial Statements

County of Alleghany, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		School Board
ASSETS				
Cash and cash equivalents	\$ 10,646,577	\$ 2,118,558	\$ 12,765,135	\$ 4,321,739
Cash in custody of others	-	-	-	373,872
Receivables (net of allowance for uncollectibles)				
Taxes receivable	376,760	-	376,760	-
Accounts receivable	236,542	484,993	721,535	-
Internal balances	424,360	(424,360)	-	-
Due from primary government	-	-	-	2,280,977
Due from other governmental units	1,305,796	50,883	1,356,679	332,728
Inventories	8,616	-	8,616	15,089
Prepaid expenses	-	-	-	288,821
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	15,150	15,150	-
Cash and cash equivalents - debt reserve funds	-	9,614	9,614	-
Capital assets (net of accumulated depreciation)				
Land	3,646,215	-	3,646,215	1,018,272
Buildings and improvements	25,452,392	-	25,452,392	5,785,291
Machinery and equipment	1,764,503	63,000	1,827,503	1,775,465
Infrastructure	-	41,908,164	41,908,164	-
Construction in progress	-	787,675	787,675	-
Total assets	\$ 43,861,761	\$ 45,013,677	\$ 88,875,438	\$ 16,192,254
LIABILITIES				
Accounts payable	\$ 470,080	\$ 334,338	\$ 804,418	\$ 82,866
Accrued liabilities	68,147	25,773	93,920	2,313,529
Customers' deposits	-	15,150	15,150	-
Accrued interest payable	196,003	41,414	237,417	-
Due to component unit	2,280,977	-	2,280,977	-
Unearned revenue	12,820	-	12,820	-
Amounts held for others	20,804	-	20,804	-
Long-term liabilities:				
Due within one year	1,393,236	597,953	1,991,189	101,919
Due in more than one year	12,329,943	10,322,530	22,652,473	411,848
Total liabilities	\$ 16,772,010	\$ 11,337,158	\$ 28,109,168	\$ 2,910,162
NET ASSETS				
Invested in capital assets, net of related debt	\$ 17,479,170	\$ 31,907,317	\$ 49,386,487	\$ 8,579,028
Restricted:				
Jail Operations	150,333	-	150,333	-
CDBG Housing	10,827	-	10,827	-
Law Library	18,053	-	18,053	-
Asset Forfeiture Funds	91,010	-	91,010	-
Courthouse Security	67,891	-	67,891	-
Indoor Plumbing Rehab	68,209	-	68,209	-
Emergency Repair Fund	48,336	-	48,336	-
Debt Service Reserves	77,506	9,614	87,120	-
Health insurance	212,497	-	212,497	-
Unrestricted (deficit)	8,865,919	1,759,588	10,625,507	4,703,064
Total net assets	\$ 27,089,751	\$ 33,676,519	\$ 60,766,270	\$ 13,282,092

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

County of Alleghany, Virginia
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 2,499,430	\$ 138,703	\$ 312,441	\$ -	\$ (2,048,286)	\$ -	\$ (2,048,286)
Judicial administration	1,489,784	10,015	721,259	-	(758,510)	-	(758,510)
Public safety	5,171,713	113,340	2,465,148	-	(2,593,225)	-	(2,593,225)
Public works	2,964,372	364,620	22,404	-	(2,577,348)	-	(2,577,348)
Health and welfare	3,463,171	-	2,828,835	-	(634,336)	-	(634,336)
Education	12,515,440	-	2,558,088	-	(9,957,352)	-	(9,957,352)
Parks, recreation, and cultural	1,100,281	47,606	5,000	183,664	(864,011)	-	(864,011)
Community development	404,069	-	-	-	(404,069)	-	(404,069)
Interest on long-term debt	1,623,370	-	-	-	(1,623,370)	-	(1,623,370)
Total governmental activities	\$ 31,231,630	\$ 674,284	\$ 8,913,175	\$ 183,664	\$ (21,460,507)	\$ -	\$ (21,460,507)
Business-type activities:							
Water and Sewer Fund	\$ 4,497,392	\$ 3,995,336	\$ -	\$ 1,704,913	\$ -	\$ 1,202,857	\$ 1,202,857
Total primary government	\$ 35,729,022	\$ 4,669,620	\$ 8,913,175	\$ 1,888,577	\$ (21,460,507)	\$ 1,202,857	\$ (20,257,650)
COMPONENT UNIT:							
School Board	\$ 30,054,791	\$ 749,822	\$ 17,066,550	\$ -	\$ -	\$ -	\$ (12,238,419)
Total component unit	\$ 30,054,791	\$ 749,822	\$ 17,066,550	\$ -	\$ -	\$ -	\$ (12,238,419)
General revenues:							
General property taxes	\$ 15,492,843	\$ -	\$ -	\$ -	\$ 15,492,843	\$ -	\$ -
Other local taxes							
Local sales and use taxes	712,952	-	-	-	712,952	-	-
Consumers' utility taxes	290,727	-	-	-	290,727	-	-
Business license taxes	349,044	-	-	-	349,044	-	-
Utility consumption taxes	222,499	-	-	-	222,499	-	-
Motor vehicle licenses	8,426	-	-	-	8,426	-	-
Restaurant food taxes	321,589	-	-	-	321,589	-	-
Other local taxes	284,945	-	-	-	284,945	-	-
Unrestricted revenues from use of money and property	42,449	-	-	-	42,449	7,827	50,276
Miscellaneous	236,187	-	-	-	236,187	15,600	251,787
Payments from the County of Allegheny	-	-	-	-	-	-	427,459
Grants and contributions not restricted to specific programs	2,293,952	-	-	-	2,293,952	-	11,858,250
Transfers	(35,264)	-	-	-	35,264	-	-
Total general revenues and transfers	\$ 20,220,349	\$ 58,691	\$ 20,279,040	\$ -	\$ 20,279,040	\$ -	\$ 12,292,399
Change in net assets	\$ (1,240,158)	\$ 1,261,548	\$ 21,390	\$ -	\$ 21,390	\$ -	\$ 53,980
Net assets - beginning, as restated	28,329,909	32,414,971	60,744,880	-	60,744,880	-	13,228,112
Net assets - ending	\$ 27,089,751	\$ 33,676,519	\$ 60,766,270	\$ -	\$ 60,766,270	\$ -	\$ 13,282,092

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

County of Alleghany, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Special Law</u> <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 9,989,262	\$ 148,509	\$ 10,137,771
Receivables (net of allowance for uncollectibles):			
Taxes receivable	376,760	-	376,760
Accounts receivable	233,679	2,863	236,542
Due from other funds	524,360	-	524,360
Due from other governmental units	1,305,796	-	1,305,796
Inventories	8,616	-	8,616
Total assets	<u>\$ 12,438,473</u>	<u>\$ 151,372</u>	<u>\$ 12,589,845</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 272,732	\$ 1,039	\$ 273,771
Accrued liabilities	68,147	-	68,147
Due to component unit	2,280,977	-	2,280,977
Deferred revenue	328,872	-	328,872
Amounts held for others	20,804	-	20,804
Total liabilities	<u>\$ 2,971,532</u>	<u>\$ 1,039</u>	<u>\$ 2,972,571</u>
Fund balances:			
Nonspendable			
Inventory	\$ 8,616	\$ -	\$ 8,616
Restricted			
Jail Operations	-	150,333	150,333
CDBG Housing	10,827	-	10,827
Law Library	18,053	-	18,053
Asset Forfeiture Funds	91,010	-	91,010
Courthouse Security	67,891	-	67,891
Indoor Plumbing Rehab	68,209	-	68,209
Emergency Repair Fund	48,336	-	48,336
Debt Service Reserves	77,506	-	77,506
Assigned			
Capital projects	853,370	-	853,370
Unassigned	8,223,123	-	8,223,123
Total fund balances	<u>\$ 9,466,941</u>	<u>\$ 150,333</u>	<u>\$ 9,617,274</u>
Total liabilities and fund balances	<u>\$ 12,438,473</u>	<u>\$ 151,372</u>	<u>\$ 12,589,845</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 9,617,274
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,863,110
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	316,052
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.	212,497
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. This amount is net of any corresponding unamortized bond issuance costs and deferred amounts on refundings.	(13,919,182)
Net assets of governmental activities	<u>\$ 27,089,751</u>

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

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

	<u>General</u>	<u>Special Law Fund</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 15,412,777	\$ -	\$ 15,412,777
Other local taxes	2,190,182	-	2,190,182
Permits, privilege fees, and regulatory licenses	28,259	-	28,259
Fines and forfeitures	61,002	-	61,002
Revenue from the use of money and property	40,435	339	40,774
Charges for services	585,023	-	585,023
Miscellaneous	186,737	49,450	236,187
Recovered costs	1,548,345	-	1,548,345
Intergovernmental revenues:			
Commonwealth	9,406,850	-	9,406,850
Federal	1,983,941	-	1,983,941
Total revenues	<u>\$ 31,443,551</u>	<u>\$ 49,789</u>	<u>\$ 31,493,340</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,422,769	\$ -	\$ 2,422,769
Judicial administration	1,429,307	-	1,429,307
Public safety	5,753,464	22,393	5,775,857
Public works	3,246,772	-	3,246,772
Health and welfare	3,917,532	-	3,917,532
Education	11,867,480	-	11,867,480
Parks, recreation, and cultural	760,351	-	760,351
Community development	399,258	-	399,258
Nondepartmental	28,856	-	28,856
Capital projects	475,968	-	475,968
Debt service:			
Principal retirement	9,482,512	-	9,482,512
Interest and other fiscal charges	851,376	-	851,376
Total expenditures	<u>\$ 40,635,645</u>	<u>\$ 22,393</u>	<u>\$ 40,658,038</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,192,094)</u>	<u>\$ 27,396</u>	<u>\$ (9,164,698)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (35,264)	\$ -	\$ (35,264)
Total other financing sources (uses)	<u>\$ (35,264)</u>	<u>\$ -</u>	<u>\$ (35,264)</u>
Net change in fund balances	\$ (9,227,358)	\$ 27,396	\$ (9,199,962)
Fund balances - beginning	18,694,299	122,937	18,817,236
Fund balances - ending	<u>\$ 9,466,941</u>	<u>\$ 150,333</u>	<u>\$ 9,617,274</u>

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

County of Alleghany, Virginia
 Reconciliation of the 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	\$ (9,199,962)
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.	(445,838)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	80,066
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.	9,482,512
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.	(765,105)
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.	(391,831)
Change in net assets of governmental activities	<u>\$ (1,240,158)</u>

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

County of Alleghany, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,118,558	\$ 508,806
Accounts receivable, net of allowance for uncollectibles	484,993	-
Due from other governmental units	50,883	-
Total current assets	<u>\$ 2,654,434</u>	<u>\$ 508,806</u>
Noncurrent assets:		
Restricted cash and cash equivalents:		
Customers deposits	\$ 15,150	\$ -
Debt service reserves	9,614	-
Total restricted assets	<u>\$ 24,764</u>	<u>\$ -</u>
Capital assets:		
Infrastructure and equipment	\$ 50,108,836	\$ -
Less accumulated depreciation	(8,200,672)	-
Machinery and equipment	119,872	-
Less accumulated depreciation	(56,872)	-
Construction in progress	787,675	-
Total capital assets	<u>\$ 42,758,839</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 42,783,603</u>	<u>\$ -</u>
Total assets	<u>\$ 45,438,037</u>	<u>\$ 508,806</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 334,338	\$ 196,309
Payroll liabilities	25,773	-
Customers' deposits	15,150	-
Accrued interest payable	41,414	-
Due to other funds	424,360	100,000
Compensated absences - current portion	51,721	-
Bonds payable - current portion	546,232	-
Total current liabilities	<u>\$ 1,438,988</u>	<u>\$ 296,309</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 10,305,290	\$ -
Compensated absences - net of current portion	17,240	-
Total noncurrent liabilities	<u>\$ 10,322,530</u>	<u>\$ -</u>
Total liabilities	<u>\$ 11,761,518</u>	<u>\$ 296,309</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 31,907,317	\$ -
Restricted for debt service	9,614	-
Restricted for health claims	-	212,497
Unrestricted	1,759,588	-
Total net assets	<u>\$ 33,676,519</u>	<u>\$ 212,497</u>

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

County of Alleghany, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 1,749,990	\$ -
Sewer revenues	2,207,057	-
Penalty	38,289	-
Insurance premiums	-	1,770,835
Miscellaneous	15,600	-
Total operating revenues	<u>\$ 4,010,936</u>	<u>\$ 1,770,835</u>
OPERATING EXPENSES		
Salaries and wages	\$ 541,122	\$ -
Fringe benefits	267,240	2,164,341
Professional services	409,187	-
Utilities	253,432	-
Materials and supplies	410,953	-
Insurance	18,814	-
Travel	3,583	-
Dues and memberships	400	-
Permits	16,971	-
Rentals and leases	3,160	-
Repairs and maintenance	112,833	-
Purchased services	1,043,532	-
Depreciation	385,774	-
Total operating expenses	<u>\$ 3,467,001</u>	<u>\$ 2,164,341</u>
Operating income (loss)	<u>\$ 543,935</u>	<u>\$ (393,506)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 7,827	\$ 1,675
Capital contributions to others	(602,822)	-
Loss on disposal of assets	(335,277)	-
Connection fees	19,460	-
Interest expense	(92,292)	-
Total nonoperating revenues (expenses)	<u>\$ (1,003,104)</u>	<u>\$ 1,675</u>
Income before contributions and transfers	<u>\$ (459,169)</u>	<u>\$ (391,831)</u>
Capital contributions and construction grants	1,685,453	-
Transfers in	35,264	-
Change in net assets	<u>\$ 1,261,548</u>	<u>\$ (391,831)</u>
Total net assets - beginning	32,414,971	604,328
Total net assets - ending	<u>\$ 33,676,519</u>	<u>\$ 212,497</u>

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

County of Alleghany, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 3,912,272	\$ 1,770,835
Payments to suppliers	(2,252,512)	-
Payments to and for employees	(797,713)	(2,134,942)
Net cash provided by (used for) operating activities	<u>\$ 862,047</u>	<u>\$ (364,107)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	\$ 35,264	\$ -
Transfers to other funds	(390,663)	-
Net cash provided by (used for) noncapital financing activities	<u>\$ (355,399)</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (5,673,888)	\$ -
Principal payments on bonds	(315,022)	-
Connection fees	19,460	-
Contributions in aid of construction	2,648,277	-
Proceeds from indebtedness	2,574,342	-
Interest payments	(88,546)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (835,377)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	\$ 7,827	-
Net cash provided by (used for) investing activities	<u>\$ 7,827</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	\$ (320,902)	(364,107)
Cash and cash equivalents - beginning - including restricted	2,464,224	871,238
Cash and cash equivalents - ending - including restricted	<u>\$ 2,143,322</u>	<u>507,131</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 543,935	(393,506)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 385,774	\$ -
(Increase) decrease in accounts receivable	(98,201)	-
Increase (decrease) in customer deposits	(463)	-
Increase (decrease) in operating accounts payable	20,353	29,399
Increase (decrease) in compensated absences	7,115	-
Increase (decrease) in payroll liabilities	3,534	-
Total adjustments	<u>\$ 318,112</u>	<u>\$ 29,399</u>
Net cash provided by (used for) operating activities	<u>\$ 862,047</u>	<u>\$ (364,107)</u>

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

County of Alleghany, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 465,038
Total assets	<u>\$ 465,038</u>
LIABILITIES	
Accounts payable	\$ 6,351
Amounts held for Alleghany Highlands Economic Development Corporation	19,954
Amounts held for social services clients	323
Amounts held for Friends of Youth	3,398
Amounts held for Human and Leisure Activity	777
Amounts held for Jackson River Vocational Center	227,915
Amounts held for United Fire and Rescue Association	201,189
Amounts held for Humane Society	5,131
Total liabilities	<u>\$ 465,038</u>

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

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

The following is a summary of the more significant policies:

A. Financial Reporting Entity

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

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Alleghany County School Board operates the elementary and secondary public schools in the County. School Board members are appointed. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

Related Organizations - The County Board appoints board members to outside organizations, but the County's accountability for these organizations does not extend beyond making the appointments.

Jointly Governed Organizations - None

B. Government-wide and fund financial statements

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 units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1-Summary of Significant Accounting Policies: (Continued)

B. Government-wide and fund financial statements (Continued)

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.

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

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 un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues.

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

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

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

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Law Library, Employee Function, IPR, Emergency Repair, Drug Asset Forfeiture, Kimstan Diversion Ditch, Courthouse Security, Fire and Rescue, CCWD and CDBG Funds. Such funds have been merged for financial reporting purposes.

The *special law fund* accounts for and reports revenues generated by the Jail that are restricted as to use.

The County reports the following major proprietary funds:

The County operates a sewage collection and treatment system and water distribution system. The activities of these systems are accounted for in the Water and Sewer Fund.

The *Internal Service Fund* accounts for the financing of goods and services provided by one department or agency to other departments or agencies of the County government. The self-insured health insurance plan is accounted for in this fund.

Additionally, the County reports the following fund types:

Fiduciary funds (Trust and Agency Funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Friends of Youth, Humane Society Capital Improvement, Human and Leisure Service, Jackson River Vocational Center, United Fire and Rescue Association and the Alleghany Highlands Economic Development Corporation Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non operating* 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. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

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

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$157,099 at June 30, 2012 and is comprised of \$85,899 in property taxes and \$71,200 in water and sewer billings.

5. Use of Estimates

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

6. Capital Assets

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

6. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20 - 40
Structures, lines, and accessories	20 - 65
Machinery and equipment	5 - 12

7. Compensated Absences

Vested or accumulated vacation, sick, and holiday pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive benefits. All vacation, sick, and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements to the extent of amounts that are paid out to employees upon termination.

8. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

9. Fund Equity

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This new standard (implemented in 2011) has not affected the total amount of reported fund balances but has substantially changed the categories and terminology used to describe their components. GASB Statement No. 54 requires that fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The County of Alleghany, Virginia evaluated its funds at June 30, 2012 and classified fund balance into the following five categories:

Non-spendable -items that cannot be spent because they are not in spendable form (such as prepaid items and inventory) or are required to be maintained intact (corpus of a permanent fund);

Restricted -items that are restricted by external parties such as creditors or imposed by grants, law or legislation;

Committed -items that have been committed (modified or rescinded) by formal action by the entity's "highest level of decision-making authority"; which the County of Alleghany, Virginia considers to be the Board of Supervisors.

Assigned -items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County of Alleghany, Virginia considers this level of authority to be the Board of Supervisors or any Committee granted such authority by the Board of Supervisors.

Unassigned -this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the general fund.

10. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 2-Reconciliation of Government-Wide and Fund Financial Statements:**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$13,919,182) and (\$513,767) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
General obligation bonds payable	\$ (5,683,675)	\$ -
Unamortized premium	(49,795)	-
Accrued interest payable	(196,003)	-
Literary loans payable	(7,500,000)	-
Revenue bonds payable	(150,470)	-
Compensated absences	(339,239)	(135,892)
OPEB obligation	-	(377,875)
	<hr/>	<hr/>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (13,919,182)	\$ (513,767)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these (\$445,838) and (\$349,991) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Capital outlays	\$ 939,556	\$ 377,620
Depreciation expenses	(1,385,394)	(727,611)
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (445,838)	\$ (349,991)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)**

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

Another element of that reconciliation states "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." The details of this \$9,482,512 for the primary government are as follows:

	<u>Primary Government</u>
Principal repayments:	
General obligation bond	\$ 375,556
Lease revenue bond	8,350,000
Revenue bond	6,956
Literary loans	750,000
Total principal repayments	<u>\$ 9,482,512</u>
 Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 9,482,512</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)**

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these (\$765,105) and (\$74,832) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
(Increase) Decrease in Compensated absences	\$ 6,889	\$ (5,086)
(Increase) Decrease in Accrued interest	33,792	-
(Increase) Decrease in OPEB obligation	-	(69,746)
Amortization of deferred amount on refunding	(756,410)	-
Amortization of bond premium	6,635	-
Amortization of bond issuance costs	(56,011)	-
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (765,105)</u>	<u>\$ (74,832)</u>

Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County 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. All non-fiduciary funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except the School Operating Fund). The School Operating Fund is integrated only at the level of legal adoption.

Note 3-Stewardship, Compliance, and Accountability: (Continued)

A. Budgetary information (Continued)

5. The Appropriations Resolution places legal restrictions on expenditures at the department level. Only the Board of Supervisors can revise the appropriation for each department. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is part of the County's accounting system.

B. Deficit fund equity

At June 30, 2012, there were no funds with deficit fund equity.

Note 4-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies 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).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 4-Deposits and Investments: (Continued)**Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2012 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAA-m</u>
LGIP	\$ 1,435

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

Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>	<u>Business-Type Activities</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>			
State sales tax	\$ 393,601	\$ -	\$ -
Categorical aid, shared expenses	286,163	-	-
Other categorical aid	102,647	-	-
Non-categorical aid	173,060	-	-
Virginia public assistance funds	55,449	-	-
<u>Federal government:</u>			
Virginia public assistance funds	88,826	-	-
Categorical aid	206,050	50,883	332,728
	<u>\$ 1,305,796</u>	<u>\$ 50,883</u>	<u>\$ 332,728</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 6-Interfund/Component-Unit Obligations:**

The following balances represent amounts due between the primary government and its component unit as of June 30, 2012:

<u>Fund</u>	<u>Payable</u>	<u>Receivable</u>
Primary Government:		
General Fund	\$ 2,280,977	\$ -
Component Unit - School Board:		
School Fund	\$ -	\$ 2,280,977
Totals	<u>\$ 2,280,977</u>	<u>\$ 2,280,977</u>

The composition of interfund balances as of June 30, 2012 is as follows:

<u>Fund</u>	<u>Payable</u>	<u>Receivable</u>
General Fund	\$ -	\$ 524,360
Internal Service Fund	100,000	
Water/Sewer Fund	424,360	-
Totals	<u>\$ 524,360</u>	<u>\$ 524,360</u>

Note 7-Long-Term Obligation:**Primary Government - Governmental Activity Indebtedness:**

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2012.

	<u>Balance July 1, 2011</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
General obligation bonds	\$ 6,059,231	\$ -	(375,556)	\$ 5,683,675
Plus: Premium on issuance	56,430	-	(6,635)	49,795
Literary loans	8,250,000	-	(750,000)	7,500,000
Revenue bond	157,426	-	(6,956)	150,470
Lease revenue bond	8,350,000	-	(8,350,000)	-
Less deferred amounts:				
on refunding	(756,410)	-	756,410	-
Compensated absences	346,128	252,707	(259,596)	339,239
Total	<u>\$ 22,462,805</u>	<u>\$ 252,707</u>	<u>\$ (8,992,333)</u>	<u>\$ 13,723,179</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012Note 7-Long-Term Obligation: (Continued)Primary Government - Governmental Activity Indebtedness: (Continued)

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

Year Ending June 30,	Literary Fund Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 750,000	\$ 150,000	\$ 388,807	\$ 268,035
2014	750,000	135,000	407,228	248,042
2015	750,000	120,000	425,828	226,799
2016	750,000	105,000	444,617	181,443
2017	750,000	90,000	463,604	158,037
2018-2022	3,750,000	225,000	2,612,742	541,858
2023-2027		-	940,849	109,151
Totals	\$ 7,500,000	\$ 825,000	\$ 5,683,675	\$ 1,733,365

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2013	7,025	1,487
2014	7,096	1,417
2015	7,167	1,346
2016	7,239	1,274
2017	7,311	1,201
2018-2022	37,670	4,892
2023-2027	39,597	2,965
2028-2032	37,365	940
Totals	\$ 150,470	\$ 15,522

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 7-Long-Term Obligation: (Continued)****Primary Government - Governmental Activity Indebtedness: (Continued)**

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$5,000,000 General Obligation Bond (Alleghany Highlands School Project) issued March 20, 2001 bearing interest at a rate of 5.60% payable semi-annually on July 15 and January 15 through 2021. Principal payments are due annually in installments varying from \$140,000 to \$405,000.	\$ 3,145,000	\$ 245,000
 \$3,205,141 General Obligation Bond bearing interest at a rate between 4.225% and 5.1% payable semi-annually on July 15 and January 15 through 2026. Principal payments are due annually in installments varying from \$122,176 to \$197,459.	 2,538,675	 143,807
Total General Obligation Bonds	\$ 5,683,675	\$ 388,807
 Literary Loans:		
\$7,500,000 State Literary Loan issued January 15, 2002 due in annual principal installments of \$375,000 through December 1, 2022 with interest payable at 2.00%.	\$ 3,750,000	\$ 375,000
 \$7,500,000 State Literary Loan issued January 15, 2002 due in annual principal installments of \$375,000 through December 1, 2022 with interest payable at 2.00%.	 3,750,000	 375,000
Total Literary Loans	\$ 7,500,000	\$ 750,000

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 7-Long-Term Obligation: (Continued)****Primary Government - Governmental Activity Indebtedness: (Continued)**

Details of long-term indebtedness: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bond:		
\$217,000 Virginia Resource Authority bond issued November 28, 2000 for the construction of a water tank at Boiling Springs Elementary School. The bond bears interest at a rate of 1.00% payable in annual principal and interest installments of \$8,367 beginning January 1, 2003 through January 1, 2032.	\$ 150,470	\$ 7,025
Other Obligations		
Compensated Absences	\$ 339,239	\$ 254,429
Plus: Unamortized Premium on Issuance	49,795	-
Total Other Obligations	\$ 389,034	\$ 254,429
Total Long-term Debt	\$ 13,723,179	\$ 1,400,261

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 7-Long-Term Obligation: (Continued)**Primary Government - Enterprise Activity Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Revenue bonds	\$ 8,592,202	\$ 2,574,342	\$ (315,022)	\$ 10,851,522
Compensated absences	61,846	53,499	(46,384)	68,961
Total	\$ 8,654,048	\$ 2,627,841	\$ (361,406)	\$ 10,920,483

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2013	\$ 546,232	\$ 110,106
2014	555,056	76,123
2015	556,734	74,445
2016	558,461	72,718
2017	560,240	70,939
2018-2022	2,726,051	326,113
2023-2027	2,329,644	273,736
2028-2032	1,450,723	222,756
2033-2037	437,777	166,363
2038-2042	410,951	105,256
2043-2047	418,032	58,548
2048-2052	301,621	11,756
Totals	\$ 10,851,522	\$ 1,568,859

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 7-Long-Term Obligation: (Continued)****Primary Government - Enterprise Activity Indebtedness: (Continued)**

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:		
\$384,563 Virginia Revolving Loan Fund issued June 9, 1992, with payments due on April 1 and October 1 of \$9,654 through October 1, 2012. This is a non-interest bearing loan.	\$ 9,654	\$ 9,654
\$463,000 Rural Development Bond issued February 13, 2001, bearing interest at 4.50%. Monthly principal and interest payments of \$2,126 begin on August 6, 2002 and continue through 2039.	385,852	7,720
\$2,153,232 Water and Sewer System Revenue Bond issued December 17, 1999 with semi-annual installments on February 1 and August 1 in the amount of \$51,866 through February 1, 2021. This is a non-interest bearing loan.	933,586	103,732
\$2,429,000 Rural Development Bond issued November 9, 2010, at an interest rate of 2.25% with interest only payments due November 9, 2011 and 2012 and principal and interest payments of \$7,943 due monthly starting December 9, 2012 and continuing until October 9, 2050.	2,426,604	23,854
\$4,385,649 interest free Virginia Resource Authority Bond issued in 2011 with semi-annual principal payments of \$109,641 beginning August 1, 2012 and continuing until August 1, 2019.	4,102,958	219,282

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 7-Long-Term Obligation: (Continued)****Primary Government - Enterprise Activity Indebtedness: (Continued)**

Details of long-term indebtedness: (Continued)

	<u>Amount</u>	<u>Within One Year</u>
Revenue Bonds (Continued)		
2005 Revenue Bond not to exceed \$250,000 issued February 1, 2005, at an interest rate of 3.00%, with an interest only payment due August 1, 2005 and principal and interest payments of \$8,514 due every February 1 and August 1 beginning February 1, 2006 until February 1, 2032.	\$ 181,123	\$ 11,581
\$5,887,182 interest free Virginia Resource Authority bond issued in 2007 with semi-annual principal payments of \$85,204 due until September 1, 2028. The outstanding balance at June 30, 2012 is \$2,811,745.	<u>2,811,745</u>	<u>170,409</u>
Total Revenue Bonds	<u>\$ 10,851,522</u>	<u>\$ 546,232</u>
Other Obligations:		
Compensated Absences	<u>\$ 68,961</u>	<u>\$ 51,721</u>
Total Long-term Obligations	<u>\$ 10,920,483</u>	<u>\$ 597,953</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 8-Long-term Obligation-Component Unit School Board:**Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
OPEB obligation	\$ 308,129	\$ 157,545	\$ (87,799)	\$ 377,875
Compensated absences	130,806	103,190	(98,104)	135,892
Total	\$ 438,935	\$ 260,735	\$ (185,903)	\$ 513,767

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
OPEB obligation	\$ 377,875	\$ -
Compensated absences	135,892	101,919
Total Long-Term Obligations	\$ 513,767	\$ 101,919

Note 9-Employee Retirement System and Defined Benefit Pension Plans:**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 at age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or at age 50 with at least 10 years of service credit.

Note 9-Employee Retirement System and Pension Plans: (Continued)

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.

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Note 9-Employee Retirement System and Pension Plans: (Continued)**B. Funding Policy**Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of this 5.00% member contribution may be assumed by the employer. In addition, the County of Alleghany, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Alleghany, Virginia's contribution rate for the fiscal year ended 2012 was 11.67% of annual covered payroll.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of this 5.00% member contribution may be assumed by the employer. In addition, the County of Alleghany, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Alleghany, Virginia's contribution rate for the fiscal year ended 2012 was 5.47% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the County of Alleghany, Virginia's annual pension cost of \$753,692 and \$102,371 was equal to the County of Alleghany, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2012	\$ 753,692	100.00%	\$ -
	6/30/2011	724,765	100.00%	-
	6/30/2010	680,621	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 102,371	100.00%	\$ -
	6/30/2011	103,401	100.00%	-
	6/30/2010	54,792	100.00%	-

¹ Employer portions

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9-Employee Retirement System and Pension Plans: (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 payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 71.38% funded. The actuarial accrued liability for benefits was \$30,692,223, and the actuarial value of assets was \$21,909,233, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,782,990. The covered payroll (annual payroll of active employees covered by the plan) was \$6,274,929, and ratio of the UAAL to the covered payroll was 139.97%.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

As of June 30, 2011, the most recent actuarial valuation date, the plan was 88.45% funded. The actuarial accrued liability for benefits was \$9,375,448, and the actuarial value of assets was \$8,292,640, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,082,808. The covered payroll (annual payroll of active employees covered by the plan) was \$1,893,559, and ratio of the UAAL to the covered payroll was 57.18%.

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

E. Discretely Presented Component Unit School Board (Professional Employees):

Plan Description

The Alleghany County School Board contributes to the Virginia Retirement System (VRS), a cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. 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.

Note 9-Employee Retirement System and Pension Plans: (Continued)

E. Discretely Presented Component Unit School Board (Professional Employees): (Continued)

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of this 5.00% member contribution may be assumed by the employer.

In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$832,414, \$519,276, and \$893,563, for the fiscal years ended 2012, 2011, and 2010, respectively. Required employer contributions represented 6.33% of covered payroll for 2012, 3.93% for 2011, and 8.81% for July 2009 through March 2010 and 0.00% for April through June 2010, respectively.

Note 10-Other Postemployment Benefits (OPEB):

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the School Board recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the School Board's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Component Unit: School Board

A. Plan Description

The County of Alleghany's Component Unit - School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have a minimum of 15 years of service with the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action. The Plan does not issue a publicly available financial report.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 10-Other Postemployment Benefits (OPEB): (Continued)****B. Funding Policy**

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 436 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates for 2012 were as follows:

Participants	KA Expanded Premium	KA-1000 Premium
Single	\$ 591	\$ 474
Dual	1,093	877
Family	1,596	1,280

C. Annual OPEB Cost

The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Board's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Board's net OPEB obligation to the plan:

Annual required contribution	\$ 157,800
Interest on net OPEB obligation	12,325
Adjustment to annual required contribution	(12,580)
Annual OPEB cost (expense)	157,545
Contributions made	(87,799)
Increase in net OPEB obligation	69,746
Net OPEB obligation - beginning of year	308,129
Net OPEB obligation - ending of year	\$ 377,875

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 157,545	56%	\$ 377,795
6/30/2011	152,256	50%	308,129
6/30/2010	162,282	44%	232,573

Note 10-Other Postemployment Benefits (OPEB): (Continued)**D. Funded Status and Funding Progress**

The funded status of the Plan as of June 30, 2011 (the most recent valuation date), was as follows:

Actuarial accrued liability (AAL)	\$	1,588,200
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	1,588,200
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (active plan members)	\$	15,818,400
UAAL as a percentage of covered payroll		10.04%

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

E. Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan 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.

In the June 30, 2011 actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 3.75%, an investment rate of return at 4.00%, and a health care trend rate of 6.3% graded to 4.70% over 80 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2011, was 28 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 11-Capital Assets:**

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,390,078	\$ 256,137	\$ -	\$ 3,646,215
Total capital assets not being depreciated	\$ 3,390,078	\$ 256,137	\$ -	\$ 3,646,215
Capital assets, being depreciated:				
Buildings and improvements	\$ 37,384,932	\$ 7,600	\$ -	\$ 37,392,532
Machinery and equipment	4,229,297	675,819	(149,392)	4,755,724
Total capital assets being depreciated	\$ 41,614,229	\$ 683,419	\$ (149,392)	\$ 42,148,256
Less: accumulated depreciation for:				
Buildings and improvements	\$ (10,823,389)	\$ (1,116,751)	\$ -	\$ (11,940,140)
Machinery and equipment	(2,871,970)	(268,643)	149,392	(2,991,221)
Total accumulated depreciation	\$ (13,695,359)	\$ (1,385,394)	\$ 149,392	\$ (14,931,361)
Total capital assets being depreciated, net	\$ 27,918,870	\$ (701,975)	\$ -	\$ 27,216,895
Governmental activities capital assets, net	\$ 31,308,948	\$ (445,838)	\$ -	\$ 30,863,110

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 11-Capital Assets: (Continued)**

Primary Government: (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 26,036,410	\$ 4,318,787	\$ (29,567,522)	\$ 787,675
Total capital assets not being depreciated	<u>\$ 26,036,410</u>	<u>\$ 4,318,787</u>	<u>\$ (29,567,522)</u>	<u>\$ 787,675</u>
Capital assets, being depreciated:				
Infrastructure	\$ 21,698,010	\$ 28,984,647	\$ (573,821)	\$ 50,108,836
Machinery and equipment	119,872	-	-	119,872
Total capital assets being depreciated	<u>\$ 21,817,882</u>	<u>\$ 28,984,647</u>	<u>\$ (573,821)</u>	<u>\$ 50,228,708</u>
Less: accumulated depreciation for:				
Infrastructure	\$ (8,059,877)	\$ (379,339)	\$ 238,544	\$ (8,200,672)
Machinery and equipment	(50,437)	(6,435)	-	(56,872)
Total accumulated depreciation	<u>\$ (8,110,314)</u>	<u>\$ (385,774)</u>	<u>\$ 238,544</u>	<u>\$ (8,257,544)</u>
Total capital assets being depreciated, net	<u>\$ 13,707,568</u>	<u>\$ 28,598,873</u>	<u>\$ (335,277)</u>	<u>\$ 41,971,164</u>
Business-type activities capital assets, net	<u>\$ 39,743,978</u>	<u>\$ 32,917,660</u>	<u>\$ (29,902,799)</u>	<u>\$ 42,758,839</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 11-Capital Assets: (Continued)**

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

Governmental activities:

General government administration	\$ 452,155
Judicial administration	11,984
Public safety	155,138
Public works	90,667
Health and welfare	6,814
Education	647,960
Parks, recreation, and culture	18,677
Community development	1,999

Total depreciation expense-governmental activities	<u>\$ 1,385,394</u>
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Business-type activities:

Water and sewer fund	<u>\$ 385,774</u>
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Total depreciation expense-primary government	<u>\$ 1,771,168</u>
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Capital asset activity for the School Board for the year ended June 30, 2012 was as follows:

Discretely Presented Component Unit:

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,018,272	\$ -	\$ -	\$ 1,018,272
Total capital assets not being depreciated	<u>\$ 1,018,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,018,272</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,449,284	\$ 178,288	\$ -	\$ 13,627,572
Machinery and equipment	4,638,143	199,332	(129,483)	4,707,992
Total capital assets being depreciated	<u>\$ 18,087,427</u>	<u>\$ 377,620</u>	<u>\$ (129,483)</u>	<u>\$ 18,335,564</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (7,420,300)	\$ (421,981)	\$ -	\$ (7,842,281)
Machinery and equipment	(2,756,380)	(305,630)	129,483	(2,932,527)
Total accumulated depreciation	<u>\$ (10,176,680)</u>	<u>\$ (727,611)</u>	<u>\$ 129,483</u>	<u>\$ (10,774,808)</u>
Total capital assets being depreciated, net	<u>\$ 7,910,747</u>	<u>\$ (349,991)</u>	<u>\$ -</u>	<u>\$ 7,560,756</u>
Governmental activities capital assets, net	<u>\$ 8,929,019</u>	<u>\$ (349,991)</u>	<u>\$ -</u>	<u>\$ 8,579,028</u>

Note 12-Risk Management:

The County and its component unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit - School Board participate with other localities in a public entity risk pool for their coverage of general liability and public officials liability with the Virginia Association of Counties group self insurance risk pool and VaCoRP. Each member of each of these risk pools jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit - School Board pay VACO and VaCoRP contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pools, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pools may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13-Contingent Liabilities:

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

Note 14-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland - Surety:

Debra N. Byer, Clerk of the Circuit Court	\$ 103,000
Wanda Simpson, Treasurer	400,000
Valerie Bruffey, Commissioner of the Revenue	3,000
Kevin Hall, Sheriff	30,000
All Constitutional Office employees: blanket bond	50,000
Additional Treasurer's Office bond	100,000
All Social Services employees: blanket bond	100,000
<u>Virginia Association of Counties Group Self Insurance Risk Pool:</u>	
County Administrator's Employees	\$ 250,000

Component Unit - School Board:

VACoRP:

All School Board employees: blanket bond	\$ 250,000
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 15-Commitments and Contingencies:**

The County was involved in major construction projects during the fiscal year as presented below:

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount</u>
		<u>Outstanding at June 30, 2012</u>
Dolly Ann Water Project	\$ 692,905	\$ 241,069
Jackson River Trail, Phase 2	561,609	235,190

Note 16-Deferred/Unearned Revenue:

Deferred (unearned) 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 \$328,872 is comprised of the following:

Property Taxes - Property tax revenue representing uncollected tax billings not available for funding current expenditures of \$316,052 and prepaid taxes of \$12,280.

Note 17-Litigation:

At June 30, 2012, there were no matter of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

Note 18-Restatement of Beginning Net Assets:

	<u>Component-unit School Board</u>
Net assets as previously reported	\$ 13,074,241
Addition to capital assets	261,851
Additional deprecation	(107,979)
Net assets, as restated	\$ 13,228,113

Required Supplementary Information

County of Alleghany, Virginia
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	\$ 15,387,200	\$ 15,387,200	\$ 15,412,777	\$ 25,577
Other local taxes	2,074,500	2,074,500	2,190,182	115,682
Permits, privilege fees, and regulatory licenses	35,210	35,210	28,259	(6,951)
Fines and forfeitures	81,200	81,200	61,002	(20,198)
Revenue from the use of money and property	86,300	86,300	40,435	(45,865)
Charges for services	545,899	545,899	585,023	39,124
Miscellaneous	601,328	601,328	186,737	(414,591)
Recovered costs	1,836,087	1,836,087	1,548,345	(287,742)
Intergovernmental revenues:				
Commonwealth	9,377,399	9,377,399	9,406,850	29,451
Federal	1,412,072	1,412,072	1,983,941	571,869
Total revenues	\$ 31,437,195	\$ 31,437,195	\$ 31,443,551	\$ 6,356
EXPENDITURES				
Current:				
General government administration	\$ 2,284,321	\$ 2,879,452	\$ 2,422,769	\$ 456,683
Judicial administration	1,448,040	1,474,651	1,429,307	45,344
Public safety	5,559,656	5,958,643	5,753,464	205,179
Public works	2,975,812	3,546,919	3,246,772	300,147
Health and welfare	4,542,978	5,064,883	3,917,532	1,147,351
Education	11,873,388	11,873,388	11,867,480	5,908
Parks, recreation, and cultural	766,330	1,087,884	760,351	327,533
Community development	390,133	504,283	399,258	105,025
Nondepartmental	287,522	1,470,253	28,856	1,441,397
Capital projects	500,000	2,187,633	475,968	1,711,665
Debt service:				
Principal retirement	1,462,139	9,474,467	9,482,512	(8,045)
Interest and other fiscal charges	850,876	851,376	851,376	-
Total expenditures	\$ 32,941,195	\$ 46,373,832	\$ 40,635,645	\$ 5,738,187
Excess (deficiency) of revenues over (under) expenditures	\$ (1,504,000)	\$ (14,936,637)	\$ (9,192,094)	\$ 5,744,543
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (35,264)	\$ (35,264)
Total other financing sources (uses)	\$ -	\$ -	\$ (35,264)	\$ (35,264)
Net change in fund balances	\$ (1,504,000)	\$ (14,936,637)	\$ (9,227,358)	\$ 5,709,279
Fund balances - beginning	1,504,000	14,936,637	18,694,299	3,757,662
Fund balances - ending	\$ -	\$ -	\$ 9,466,941	\$ 9,466,941

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

	Special Law Fund				
	Budgeted Amounts				Variance with Final Budget Positive (Negative)
	Original	Final	Actual		
REVENUES					
Revenue from the use of money and property	\$ -	\$ 700	\$ 339	\$	(361)
Miscellaneous	43,000	42,300	49,450		7,150
Total revenues	\$ 43,000	\$ 43,000	\$ 49,789	\$	6,789
EXPENDITURES					
Current:					
Public safety	\$ 43,000	\$ 43,000	\$ 22,393	\$	20,607
Total expenditures	\$ 43,000	\$ 43,000	\$ 22,393	\$	20,607
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 27,396	\$	27,396
OTHER FINANCING SOURCES (USES)					
Net change in fund balances	\$ -	\$ -	\$ 27,396	\$	27,396
Fund balances - beginning	-	-	122,937		122,937
Fund balances - ending	\$ -	\$ -	\$ 150,333	\$	150,333

County of Alleghany, Virginia

Schedules of Funding Progress for VRS and OPEB
For the Year Ended June 30, 2012

Primary Government: County Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2011	\$ 21,909,233	\$ 30,692,223	\$ 8,782,990	71.38%	\$ 6,274,929	139.97%
June 30, 2010	21,529,425	29,234,583	7,705,158	73.64%	6,239,036	123.50%
June 30, 2009	21,302,574	26,339,976	5,037,402	80.88%	6,250,856	80.59%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2011	\$ 8,292,640	\$ 9,375,448	\$ 1,082,808	88.45%	\$ 1,893,559	57.18%
June 30, 2010	\$ 8,240,578	\$ 9,146,285	\$ 905,707	90.10%	\$ 1,882,429	48.11%
June 30, 2009	8,403,848	8,517,572	113,724	98.66%	1,914,831	5.94%

School Board Retirees Medical Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2011	\$ -	\$ 1,588,200	\$ 1,588,200	0.00%	\$ 15,818,400	10.04%
June 30, 2009	-	1,531,000	1,531,000	0.00%	17,181,200	8.91%
June 30, 2008	-	2,402,777	2,402,777	0.00%	16,482,278	14.58%

Other Supplementary Information

FIDUCIARY FUNDS

Friends of Youth - The Friends of Youth fund accounts for those funds belonging to the youth in the area for health and welfare purposes.

Human and Leisure - The Human and Leisure fund accounts for those funds from patrons for prepayments of recreational activities.

Humane Society Capital Improvements - The Humane Society Capital Improvements fund accounts for those funds held in a fiduciary capacity for the Humane Society for capital improvements.

Jackson River Vocational Center - The Jackson River Vocational Center fund accounts for those funds held in a fiduciary capacity for the Jackson River Vocational Center.

Special Welfare - The Special Welfare fund accounts for those funds belonging to individuals entrusted to the local social services agency, such as foster care children.

United Fire and Rescue Association - The United Fire and Rescue fund accounts for those funds held for local fire and rescue agencies.

Alleghany Highlands Economic Development Corporation - The Alleghany Highlands Economic Development Corporation fund accounts for those funds held in a fiduciary capacity for the Alleghany Highlands Economic Development Corporation.

County of Alleghany, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds						
	Friends of Youth	Human & Leisure Service	Humane Society Capital Improvements	Jackson River Vocational Center	Special Welfare	United Fire & Rescue Association	Alleghany Highlands Economic Development Corporation
ASSETS							Total
Cash and cash equivalents	\$ 3,398	\$ 777	\$ 5,131	\$ 227,915	\$ 323	\$ 201,189	\$ 26,305
Total assets	\$ 3,398	\$ 777	\$ 5,131	\$ 227,915	\$ 323	\$ 201,189	\$ 26,305
							\$ 465,038
							\$ 465,038
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,351
Amounts held for AHEDC	-	-	-	-	-	-	19,954
Amounts held for social services clients	-	-	-	-	323	-	-
Amounts held for Friends of Youth	3,398	-	-	-	-	-	-
Amounts held for Human and Leisure Activity	-	777	-	-	-	-	-
Amounts held for Jackson River Vocational Center	-	-	-	227,915	-	-	-
Amounts held for United Fire and Rescue Association	-	-	-	-	-	201,189	-
Amounts held for Humane Society	-	-	5,131	-	-	-	-
Total liabilities	\$ 3,398	\$ 777	\$ 5,131	\$ 227,915	\$ 323	\$ 201,189	\$ 26,305
							\$ 465,038

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Alleghany, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	School Operating <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,194,360	\$ 127,379	\$ 4,321,739
Cash in custody of others	373,872	-	373,872
Due from primary government	2,280,977	-	2,280,977
Due from other governmental units	332,728	-	332,728
Inventories	15,089	-	15,089
Prepaid items	288,821	-	288,821
Total assets	<u>\$ 7,485,847</u>	<u>\$ 127,379</u>	<u>\$ 7,613,226</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 82,866	\$ -	\$ 82,866
Accrued liabilities	2,285,940	27,589	2,313,529
Total liabilities	<u>\$ 2,368,806</u>	<u>\$ 27,589</u>	<u>\$ 2,396,395</u>
Fund balance:			
Nonspendable	\$ 303,910	\$ -	\$ 303,910
Committed	4,813,131	99,790	4,912,921
Total fund balances	<u>\$ 5,117,041</u>	<u>\$ 99,790</u>	<u>\$ 5,216,831</u>
Total liabilities and fund balances	<u>\$ 7,485,847</u>	<u>\$ 127,379</u>	<u>\$ 7,613,226</u>

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

Total fund balances per above	\$ 5,216,831
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,579,028
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(513,767)
Net assets of governmental activities	<u>\$ 13,282,092</u>

County of Alleghany, Virginia
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	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 6,690	\$ -	\$ 6,690
Charges for services	604,125	145,697	749,822
Miscellaneous	185,299	242,160	427,459
Recovered costs	224,853	12,392	237,245
Intergovernmental revenues:			
Local government	11,858,250	-	11,858,250
Commonwealth	13,688,475	83,371	13,771,846
Federal	3,294,704	-	3,294,704
Total revenues	<u>\$ 29,862,396</u>	<u>\$ 483,620</u>	<u>\$ 30,346,016</u>
EXPENDITURES			
Current:			
Education	\$ 29,337,265	\$ 479,830	\$ 29,817,095
Capital projects	50,118	-	50,118
Total expenditures	<u>\$ 29,387,383</u>	<u>\$ 479,830</u>	<u>\$ 29,867,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 475,013</u>	<u>\$ 3,790</u>	<u>\$ 478,803</u>
Net change in fund balances	\$ 475,013	\$ 3,790	\$ 478,803
Fund balances - beginning	4,642,028	96,000	4,738,028
Fund balances - ending	<u>\$ 5,117,041</u>	<u>\$ 99,790</u>	<u>\$ 5,216,831</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because

Net change in fund balances - total governmental funds - per above \$ 478,803

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. (349,991)

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 (74,832)

Change in net assets of governmental activities \$ 53,980

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 10,000	\$ 10,000	\$ 6,690	\$ (3,310)
Charges for services	14,400	14,400	604,125	589,725
Miscellaneous	107,699	107,699	185,299	77,600
Recovered costs	103,377	103,377	224,853	121,476
Intergovernmental revenues:				
Local government	11,864,158	11,864,158	11,858,250	(5,908)
Commonwealth	13,928,930	13,928,930	13,688,475	(240,455)
Federal	2,258,955	2,258,955	3,294,704	1,035,749
Total revenues	<u>\$ 28,287,519</u>	<u>\$ 28,287,519</u>	<u>\$ 29,862,396</u>	<u>\$ 1,574,877</u>
EXPENDITURES				
Current:				
Education	\$ 29,168,066	\$ 29,168,066	\$ 29,337,265	\$ (169,199)
Capital projects	410,000	410,000	50,118	359,882
Total expenditures	<u>\$ 29,578,066</u>	<u>\$ 29,578,066</u>	<u>\$ 29,387,383</u>	<u>\$ 190,683</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,290,547)</u>	<u>\$ (1,290,547)</u>	<u>\$ 475,013</u>	<u>\$ 1,765,560</u>
Net change in fund balances	\$ (1,290,547)	\$ (1,290,547)	\$ 475,013	\$ 1,765,560
Fund balances - beginning	1,290,547	1,290,547	4,642,028	3,351,481
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,117,041</u>	<u>\$ 5,117,041</u>

County of Alleghany, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
June 30, 2012

	Alleghany Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 53,643	\$ 73,736	\$ 127,379
Total assets	<u>\$ 53,643</u>	<u>\$ 73,736</u>	<u>\$ 127,379</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 27,589	\$ -	\$ 27,589
Total liabilities	<u>\$ 27,589</u>	<u>\$ -</u>	<u>\$ 27,589</u>
Fund balances:			
Committed	\$ 26,054	\$ 73,736	\$ 99,790
Total liabilities and fund balances	<u>\$ 53,643</u>	<u>\$ 73,736</u>	<u>\$ 127,379</u>

County of Alleghany, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	Alleghany Highlands Fund	Governor's School Fund	Total
REVENUES			
Charges for services	\$ -	\$ 145,697	\$ 145,697
Miscellaneous	242,160	-	242,160
Recovered costs	12,392	-	12,392
Intergovernmental revenues:			
Commonwealth	-	83,371	83,371
Total revenues	<u>\$ 254,552</u>	<u>\$ 229,068</u>	<u>\$ 483,620</u>
EXPENDITURES			
Current:			
Education	<u>\$ 288,947</u>	<u>\$ 190,883</u>	<u>\$ 479,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (34,395)</u>	<u>\$ 38,185</u>	<u>\$ 3,790</u>
Net change in fund balances	\$ (34,395)	\$ 38,185	\$ 3,790
Fund balances - beginning	60,449	35,551	96,000
Fund balances - ending	<u><u>\$ 26,054</u></u>	<u><u>\$ 73,736</u></u>	<u><u>\$ 99,790</u></u>

Supporting Schedules

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

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,193,407	\$ 6,193,407	\$ 6,309,607	\$ 116,200
Real and personal public service corporation taxes	675,201	675,201	705,205	30,004
Personal property taxes	2,002,527	2,002,527	1,837,183	(165,344)
Mobile home taxes	21,162	21,162	26,269	5,107
Machinery and tools taxes	6,393,703	6,393,703	6,407,018	13,315
Penalties	72,200	72,200	89,470	17,270
Interest	29,000	29,000	38,025	9,025
Total general property taxes	\$ 15,387,200	\$ 15,387,200	\$ 15,412,777	\$ 25,577
Other local taxes:				
Local sales and use taxes	\$ 698,000	\$ 698,000	\$ 712,952	\$ 14,952
Consumers' utility taxes	272,000	272,000	290,727	18,727
Probate taxes	3,000	3,000	3,170	170
Business license taxes	350,000	350,000	349,044	(956)
Utility consumption taxes	200,000	200,000	222,499	22,499
Motor vehicle licenses	-	-	8,426	8,426
Taxes on recordation and wills	49,000	49,000	53,992	4,992
Tax on deeds	-	-	13,173	13,173
Hotel and motel room taxes	187,500	187,500	214,610	27,110
Restaurant food taxes	315,000	315,000	321,589	6,589
Total other local taxes	\$ 2,074,500	\$ 2,074,500	\$ 2,190,182	\$ 115,682
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 9,000	\$ 9,000	\$ 6,805	\$ (2,195)
Land use application fees	200	200	240	40
Transfer fees	475	475	504	29
Zoning and subdivision fees	2,425	2,425	2,225	(200)
Erosion and sediment control	260	260	919	659
Permits and other licenses	22,850	22,850	17,566	(5,284)
Total permits, privilege fees, and regulatory licenses	\$ 35,210	\$ 35,210	\$ 28,259	\$ (6,951)
Fines and forfeitures:				
Court fines and forfeitures	\$ 81,200	\$ 81,200	\$ 61,002	\$ (20,198)
Total fines and forfeitures	\$ 81,200	\$ 81,200	\$ 61,002	\$ (20,198)
Revenue from use of money and property:				
Revenue from use of money	\$ 81,100	\$ 81,100	\$ 34,560	\$ (46,540)
Revenue from use of property	5,200	5,200	5,875	675
Total revenue from use of money and property	\$ 86,300	\$ 86,300	\$ 40,435	\$ (45,865)
Charges for services:				
Charges for law enforcement and traffic control	\$ 10,324	\$ 10,324	\$ 18,824	\$ 8,500
Charges for courthouse maintenance	18,000	18,000	18,369	369
Sale of publications and maps	100	100	36	(64)
Charges for gasoline	139,700	139,700	127,039	(12,661)
Charges for Commonwealth's Attorney	1,300	1,300	4,088	2,788
Miscellaneous jail and inmate fees	5,000	5,000	5,255	255
Charges for sanitation and waste removal	230,000	230,000	264,355	34,355
Charges for copies	4,100	4,100	2,439	(1,661)
Charges for parks and recreation	41,000	41,000	47,606	6,606
Charges for law library	4,500	4,500	5,927	1,427
Charges for courthouse security	81,475	81,475	81,896	421
Charges for other services	10,400	10,400	9,189	(1,211)
Total charges for services	\$ 545,899	\$ 545,899	\$ 585,023	\$ 39,124

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2012

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 63,328	\$ 63,328	\$ 46,777	\$ (16,551)
Donations	20,000	20,000	16,783	(3,217)
Sale of surplus	18,000	18,000	2,605	(15,395)
Sale of supplies	-	-	1,787	1,787
Alleghany Foundation contributions	500,000	500,000	118,785	(381,215)
Total miscellaneous revenue	\$ 601,328	\$ 601,328	\$ 186,737	\$ (414,591)
Recovered costs:				
Care of prisoners	\$ 182,369	\$ 182,369	\$ 192,432	\$ 10,063
Co-payment for medical charges	4,600	4,600	10,316	5,716
Circuit court-joint operations	1,815	1,815	1,836	21
Program income IPR	2,375	2,375	1,664	(711)
LOA County reimbursement	25,952	25,952	16,116	(9,836)
Health department	1,500	1,500	1,500	-
Bath county-jail	70,000	70,000	91,184	21,184
Covington-magistrate, probation	6,030	6,030	3,155	(2,875)
Clifton Forge E911	76,120	76,120	74,142	(1,978)
Covington-welfare	698,365	698,365	504,006	(194,359)
AHSD resource officer	71,078	71,078	66,587	(4,491)
General government	674,843	674,843	564,586	(110,257)
General District Court postage	6,558	6,558	6,004	(554)
Title XX	2,000	2,000	-	(2,000)
Other recovered costs	12,482	12,482	14,817	2,335
Total recovered costs	\$ 1,836,087	\$ 1,836,087	\$ 1,548,345	\$ (287,742)
Total revenue from local sources	\$ 20,647,724	\$ 20,647,724	\$ 20,052,760	\$ (594,964)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 62,070	\$ 62,070	\$ 62,875	\$ 805
Mobile home titling tax	10,000	10,000	9,634	(366)
Communication taxes	418,000	418,000	415,273	(2,727)
Additional tax on deeds	29,251	29,251	20,442	(8,809)
Personal property tax relief funds	1,610,808	1,610,808	1,610,808	-
Total noncategorical aid	\$ 2,130,129	\$ 2,130,129	\$ 2,119,032	\$ (11,097)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 357,698	\$ 357,698	\$ 367,842	\$ 10,144
Sheriff	1,881,177	1,881,177	2,030,563	149,386
Commissioner of revenue	116,115	116,115	142,004	25,889
Treasurer	101,449	101,449	127,551	26,102
Registrar/electoral board	40,000	40,000	42,886	2,886
Clerk of the Circuit Court	282,713	282,713	353,417	70,704
Reduction in State Aid	-	-	(188,491)	(188,491)
Total shared expenses	\$ 2,779,152	\$ 2,779,152	\$ 2,875,772	\$ 96,620
Other categorical aid:				
Welfare administration and public assistance	\$ 719,521	\$ 719,521	\$ 636,542	\$ (82,979)
Comprehensive services act	734,222	734,222	1,052,473	318,251
Wireless E-911 grant	40,000	40,000	47,681	7,681
Drug asset forfeiture revenue	25,878	25,878	21,439	(4,439)

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Emergency medical services	\$ 18,000	\$ 18,000	\$ 21,882	\$ 3,882
Community development grant	70,775	70,775	-	(70,775)
IPR funds	5,624	5,624	4,000	(1,624)
Litter control grant	15,000	15,000	12,832	(2,168)
Fire services grant	35,000	35,000	33,020	(1,980)
Performing arts grant	5,000	5,000	5,000	-
State sales tax	2,589,098	2,589,098	2,558,088	(31,010)
Hold harmless reversion (actual distributed to shared expenses)	60,000	60,000	-	(60,000)
Criminal Justice Grant	-	-	1,517	1,517
VITA Grant	-	-	8,000	8,000
DEQ Grant	-	-	9,572	9,572
Other state grants	150,000	150,000	-	(150,000)
Total other categorical aid	<u>\$ 4,468,118</u>	<u>\$ 4,468,118</u>	<u>\$ 4,412,046</u>	<u>\$ (56,072)</u>
Total categorical aid	<u>\$ 7,247,270</u>	<u>\$ 7,247,270</u>	<u>\$ 7,287,818</u>	<u>\$ 40,548</u>
Total revenue from the Commonwealth	<u>\$ 9,377,399</u>	<u>\$ 9,377,399</u>	<u>\$ 9,406,850</u>	<u>\$ 29,451</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 174,920</u>	<u>\$ 74,920</u>
Categorical aid:				
Welfare administration and public assistance	\$ 1,312,072	\$ 1,312,072	\$ 1,135,820	\$ (176,252)
State and community highway safety (154 funds)	-	-	21,919	21,919
T-21 trail grant	-	-	183,664	183,664
COPS technology grant	-	-	467,618	467,618
Total categorical aid	<u>\$ 1,312,072</u>	<u>\$ 1,312,072</u>	<u>\$ 1,809,021</u>	<u>\$ 496,949</u>
Total revenue from the federal government	<u>\$ 1,412,072</u>	<u>\$ 1,412,072</u>	<u>\$ 1,983,941</u>	<u>\$ 571,869</u>
Total General Fund	<u>\$ 31,437,195</u>	<u>\$ 31,437,195</u>	<u>\$ 31,443,551</u>	<u>\$ 6,356</u>
Special Revenue Fund:				
Special Law Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 700	\$ 339	\$ (361)
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 700</u>	<u>\$ 339</u>	<u>\$ (361)</u>
Miscellaneous revenue:				
Vending machine collections	\$ 31,500	\$ 30,700	\$ 34,531	\$ 3,831
Jail commissary collections	7,000	7,100	14,769	7,669
Work release collections	4,500	4,500	150	(4,350)
Total miscellaneous revenue	<u>\$ 43,000</u>	<u>\$ 42,300</u>	<u>\$ 49,450</u>	<u>\$ 7,150</u>
Total revenue from local sources	<u>\$ 43,000</u>	<u>\$ 43,000</u>	<u>\$ 49,789</u>	<u>\$ 6,789</u>
Total Special Law Fund	<u>\$ 43,000</u>	<u>\$ 43,000</u>	<u>\$ 49,789</u>	<u>\$ 6,789</u>
Total Primary Government	<u>\$ 31,480,195</u>	<u>\$ 31,480,195</u>	<u>\$ 31,493,340</u>	<u>\$ 13,145</u>

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2012

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 10,000	\$ 10,000	\$ 6,690	\$ (3,310)
Total revenue from use of money and property	\$ 10,000	\$ 10,000	\$ 6,690	\$ (3,310)
Charges for services:				
Charges for education	\$ -	\$ -	\$ 5,497	\$ 5,497
Cafeteria sales	5,900	5,900	585,990	580,090
Use of buses and facilities	8,500	8,500	12,638	4,138
Total charges for services	\$ 14,400	\$ 14,400	\$ 604,125	\$ 589,725
Miscellaneous revenue:				
Other miscellaneous	\$ 107,699	\$ 107,699	\$ 185,299	\$ 77,600
Total miscellaneous revenue	\$ 107,699	\$ 107,699	\$ 185,299	\$ 77,600
Recovered costs:				
Erate	\$ 65,000	\$ 65,000	\$ 122,735	\$ 57,735
Other recovered costs	38,377	38,377	102,118	63,741
Total recovered costs	\$ 103,377	\$ 103,377	\$ 224,853	\$ 121,476
Total revenue from local sources	\$ 235,476	\$ 235,476	\$ 1,020,967	\$ 785,491
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Alleghany, Virginia	\$ 11,864,158	\$ 11,864,158	\$ 11,858,250	\$ (5,908)
Total revenues from local governments	\$ 11,864,158	\$ 11,864,158	\$ 11,858,250	\$ (5,908)
Categorical aid:				
Basic school aid	\$ 9,171,056	\$ 9,171,056	\$ 9,036,174	\$ (134,882)
Remedial summer education	34,151	34,151	47,811	13,660
Regular foster care	93,378	93,378	59,051	(34,327)
GED prep program	7,859	7,859	7,859	-
Gifted and talented	94,836	94,836	93,942	(894)
Remedial education	236,035	236,035	233,812	(2,223)
Special education	1,256,044	1,256,044	1,244,213	(11,831)
Textbook payment	85,478	85,478	105,814	20,336
Vocational standards of quality payments	240,250	240,250	237,987	(2,263)
Vocational adult education	-	-	4,177	4,177
Social security fringe benefits	569,013	569,013	563,654	(5,359)
Retirement fringe benefits	514,219	514,219	509,376	(4,843)
Governor's school grant	176,861	176,861	83,371	(93,490)
Early reading intervention	33,388	33,388	33,388	-
School food	27,844	27,844	27,063	(781)
Mental health initiative	-	-	72,319	72,319
Special education - foster children	-	-	24,680	24,680
Homebound	35,296	35,296	23,759	(11,537)
At risk payments	222,003	222,003	219,969	(2,034)
Board certifications	-	-	10,000	10,000
Preschool pilot program	240,179	240,179	202,504	(37,675)
Technology	334,000	334,000	282,000	(52,000)
Standards of Learning algebra readiness	36,603	36,603	36,722	119
Group life insurance	21,075	21,075	20,876	(199)
Career and Technical Education	29,329	29,329	36,068	6,739
Mentor teacher program	2,155	2,155	2,407	252

County of Allegheny, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Primary class size	\$ 177,491	\$ 177,491	\$ 177,768	\$ 277
English as a second language	17,718	17,718	13,829	(3,889)
Other state funds	272,669	272,669	277,882	5,213
Total categorical aid	<u>\$ 13,928,930</u>	<u>\$ 13,928,930</u>	<u>\$ 13,688,475</u>	<u>\$ (240,455)</u>
Total revenue from the Commonwealth	<u>\$ 13,928,930</u>	<u>\$ 13,928,930</u>	<u>\$ 13,688,475</u>	<u>\$ (240,455)</u>
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 179,337	\$ 179,337	\$ 155,701	\$ (23,636)
Title I	619,570	619,570	665,306	45,736
Title VI-B, special education flow-through	611,714	611,714	634,219	22,505
Title VI-B, special education pre-school	20,666	20,666	20,734	68
Vocational education	43,471	43,471	45,739	2,268
Title II - Part A	136,823	136,823	128,920	(7,903)
Title I - ARRA	-	-	17,106	17,106
Special education - ARRA	-	-	119,611	119,611
Jobs funds - ARRA	-	-	754,275	754,275
School food program	643,100	643,100	739,598	96,498
Enhancing education through technology	4,274	4,274	13,495	9,221
Total categorical aid	<u>\$ 2,258,955</u>	<u>\$ 2,258,955</u>	<u>\$ 3,294,704</u>	<u>\$ 1,035,749</u>
Total revenue from the federal government	<u>\$ 2,258,955</u>	<u>\$ 2,258,955</u>	<u>\$ 3,294,704</u>	<u>\$ 1,035,749</u>
Total School Operating Fund	<u>\$ 28,287,519</u>	<u>\$ 28,287,519</u>	<u>\$ 29,862,396</u>	<u>\$ 1,574,877</u>
Non major Special Revenue funds:				
Allegheny Highlands Fund:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 242,160	\$ 242,160
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,160</u>	<u>\$ 242,160</u>
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 12,392	\$ 12,392
Total recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,392</u>	<u>\$ 12,392</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,552</u>	<u>\$ 254,552</u>
Total Allegheny Highlands Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,552</u>	<u>\$ 254,552</u>
Governor's School Fund:				
Revenue from local sources:				
Charges for services:				
Tuition	\$ -	\$ -	\$ 145,697	\$ 145,697
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,697</u>	<u>\$ 145,697</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,697</u>	<u>\$ 145,697</u>

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Non major Special Revenue funds: (Continued)				
Governor's School Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Governor's school grant	\$ -	\$ -	\$ 83,371	\$ 83,371
Total categorical aid	\$ -	\$ -	\$ 83,371	\$ 83,371
Total revenue from the Commonwealth	\$ -	\$ -	\$ 83,371	\$ 83,371
Total Governor's School Fund	\$ -	\$ -	\$ 229,068	\$ 229,068
Total Discretely Presented Component Unit - School Board	\$ 28,287,519	\$ 28,287,519	\$ 30,346,016	\$ 2,058,497

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 76,682	\$ 114,390	\$ 82,887	\$ 31,503
General and financial administration:				
County administrator	\$ 812,106	\$ 1,010,024	\$ 797,585	\$ 212,439
Personnel	18,700	26,448	16,191	10,257
Legal services	40,000	48,900	48,775	125
Special legal services	15,000	24,364	7,360	17,004
Commissioner of revenue	315,819	365,075	336,909	28,166
Reassessment	50,000	201,375	180,377	20,998
Automotive motor pool	395,279	410,279	411,176	(897)
Treasurer	379,909	388,909	352,896	36,013
Audit services	48,000	69,344	52,132	17,212
Technology department	11,300	87,330	11,076	76,254
Total general and financial administration:	\$ 2,086,113	\$ 2,632,048	\$ 2,214,477	\$ 417,571
Board of elections:				
Registrar	\$ 85,551	\$ 85,551	\$ 78,143	\$ 7,408
Electoral board and officials	35,975	47,463	47,262	201
Total board of elections	\$ 121,526	\$ 133,014	\$ 125,405	\$ 7,609
Total general government administration	\$ 2,284,321	\$ 2,879,452	\$ 2,422,769	\$ 456,683
Judicial administration:				
Courts:				
Circuit court	\$ 81,444	\$ 82,759	\$ 81,877	\$ 882
General district court	17,910	17,910	17,168	742
Special magistrates	3,750	3,750	2,263	1,487
Sheriff	423,177	423,177	409,505	13,672
Law library	4,500	4,500	3,352	1,148
Clerk of the circuit court	423,741	439,001	411,600	27,401
Total courts	\$ 954,522	\$ 971,097	\$ 925,765	\$ 45,332
Commonwealth's attorney:				
Commonwealth's attorney	\$ 493,518	\$ 503,554	\$ 503,542	\$ 12
Total commonwealth's attorney	\$ 493,518	\$ 503,554	\$ 503,542	\$ 12
Total judicial administration	\$ 1,448,040	\$ 1,474,651	\$ 1,429,307	\$ 45,344
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,745,475	\$ 1,871,847	\$ 1,803,305	\$ 68,542
Crime prevention	17,000	22,000	19,219	2,781
COPS Technology Grant	-	206,500	206,050	450
National forest patrol	9,151	9,151	8,827	324
DARE program	53,447	54,010	47,461	6,549
School resource officer	89,071	89,177	87,838	1,339
Crime stoppers	3,000	3,000	-	3,000
Radar transportation	15,204	15,204	15,204	-
Drug task force	1,000	1,000	-	1,000
Drug asset forfeiture	25,978	25,978	-	25,978
Total law enforcement and traffic control	\$ 1,959,326	\$ 2,297,867	\$ 2,187,904	\$ 109,963

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
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For the Year Ended June 30, 2012

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire departments	\$ 74,000	\$ 74,000	\$ 73,987	\$ 13
Volunteer fire departments	294,700	297,665	289,381	8,284
Emergency services	300	300	209	91
Ambulance and rescue services	282,692	286,580	285,635	945
Sara III Emergency Council	250	250	111	139
United fire and rescue association	269,700	300,750	284,684	16,066
Total fire and rescue services	<u>\$ 921,642</u>	<u>\$ 959,545</u>	<u>\$ 934,007</u>	<u>\$ 25,538</u>
Correction and detention:				
Sheriff-correction and detention	\$ 1,888,981	\$ 1,888,981	\$ 1,860,994	\$ 27,987
Probation	5,000	5,000	3,061	1,939
Courthouse security	82,075	82,075	75,604	6,471
VJCCA grant	3,617	3,617	3,617	-
Total correction and detention	<u>\$ 1,979,673</u>	<u>\$ 1,979,673</u>	<u>\$ 1,943,276</u>	<u>\$ 36,397</u>
Inspections:				
Building	\$ 120,968	\$ 122,295	\$ 121,250	\$ 1,045
Total inspections	<u>\$ 120,968</u>	<u>\$ 122,295</u>	<u>\$ 121,250</u>	<u>\$ 1,045</u>
Other protection:				
Animal control	\$ 55,333	\$ 63,210	\$ 61,480	\$ 1,730
Animal protection	76,872	77,303	77,303	-
Medical examiner	400	400	280	120
E-911	445,442	458,350	427,964	30,386
Total other protection	<u>\$ 578,047</u>	<u>\$ 599,263</u>	<u>\$ 567,027</u>	<u>\$ 32,236</u>
Total public safety	<u>\$ 5,559,656</u>	<u>\$ 5,958,643</u>	<u>\$ 5,753,464</u>	<u>\$ 205,179</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 781,345	\$ 943,061	\$ 772,868	\$ 170,193
Refuse disposal	1,235,927	1,302,136	1,185,300	116,836
General engineering	50,709	57,422	51,139	6,283
Multiflora Rose program	-	17,608	7,362	10,246
Kimstan diversion	-	-	119,728	(119,728)
Recycling program	58,471	56,471	56,313	158
Total sanitation and waste removal	<u>\$ 2,126,452</u>	<u>\$ 2,376,698</u>	<u>\$ 2,192,710</u>	<u>\$ 183,988</u>
Maintenance of general buildings and grounds				
General maintenance	\$ 250,805	\$ 251,135	\$ 237,152	\$ 13,983
General properties	598,555	919,086	816,910	102,176
Total maintenance of general buildings and grounds	<u>\$ 849,360</u>	<u>\$ 1,170,221</u>	<u>\$ 1,054,062</u>	<u>\$ 116,159</u>
Total public works	<u>\$ 2,975,812</u>	<u>\$ 3,546,919</u>	<u>\$ 3,246,772</u>	<u>\$ 300,147</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 163,917	\$ 166,917	\$ 161,245	\$ 5,672
Total health	<u>\$ 163,917</u>	<u>\$ 166,917</u>	<u>\$ 161,245</u>	<u>\$ 5,672</u>

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Total mental health and mental retardation	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Welfare:				
Administration	\$ 1,799,275	\$ 1,819,659	\$ 1,700,717	\$ 118,942
Public assistance	1,305,735	1,305,735	702,762	602,973
Emergency repair fund	11,548	11,548	5,254	6,294
Indoor plumbing rehabilitation fund	73,400	331,637	2,279	329,358
Free clinic	9,000	9,000	9,000	-
TAP	5,775	5,775	5,775	-
Tax relief for the elderly	110,000	131,000	126,806	4,194
Board of public welfare	3,600	3,600	3,600	-
Comprehensive services	965,310	1,173,289	1,111,954	61,335
Other welfare	8,390	8,390	8,140	250
CDBG-housing boiling springs	7,028	18,333	-	18,333
Total welfare	\$ 4,299,061	\$ 4,817,966	\$ 3,676,287	\$ 1,141,679
Total health and welfare	\$ 4,542,978	\$ 5,064,883	\$ 3,917,532	\$ 1,147,351
Education:				
Other instructional costs:				
Contributions to Dabney S. Lancaster Community College	\$ 9,230	\$ 9,230	\$ 9,230	\$ -
Contribution to County School Board	11,864,158	11,864,158	11,858,250	5,908
Total education	\$ 11,873,388	\$ 11,873,388	\$ 11,867,480	\$ 5,908
Parks, recreation, and cultural:				
Parks and recreation:				
Human and leisure services	\$ 544,892	\$ 684,101	\$ 556,902	\$ 127,199
Scenic trail	19,683	199,226	25,892	173,334
Clifton little league	9,000	9,000	9,000	-
Covington little league	9,000	9,000	9,000	-
Salvation Army community center	25,000	25,000	-	25,000
Iron gate recreation	2,000	2,000	-	2,000
Total parks and recreation	\$ 609,575	\$ 928,327	\$ 600,794	\$ 327,533
Cultural enrichment:				
Alleghany concert series	\$ 5,700	\$ 5,700	\$ 5,700	\$ -
Music in the mountains	5,000	5,000	5,000	-
Alleghany crafts	1,800	1,800	1,800	-
Arts grant	5,000	5,000	5,000	-
Total cultural enrichment	\$ 17,500	\$ 17,500	\$ 17,500	\$ -
Library:				
Contribution to regional library	\$ 119,000	\$ 121,802	\$ 121,802	\$ -
Contribution to Clifton library	20,255	20,255	20,255	-
Total library	\$ 139,255	\$ 142,057	\$ 142,057	\$ -
Total parks, recreation, and cultura	\$ 766,330	\$ 1,087,884	\$ 760,351	\$ 327,533

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Community development	\$ 72,993	\$ 72,993	\$ 74,263	\$ (1,270)
Economic development	112,148	226,298	138,569	87,729
Boards and commissions	22,198	22,198	14,876	7,322
Tourism initiative	120,000	120,000	120,000	-
Jackson River Enterprises	15,000	15,000	15,000	-
Clifton Armory contribution	2,000	2,000	2,000	-
Chamber Indust.	8,000	8,000	8,000	-
Total planning and community development	\$ 352,339	\$ 466,489	\$ 372,708	\$ 93,781
Environmental management:				
Contribution to soil and water district	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Total environmental management	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Cooperative extension program:				
Extension office	\$ 35,294	\$ 35,294	\$ 24,050	\$ 11,244
Total cooperative extension program	\$ 35,294	\$ 35,294	\$ 24,050	\$ 11,244
Total community development	\$ 390,133	\$ 504,283	\$ 399,258	\$ 105,025
Nondepartmental:				
Contingencies	\$ 287,522	\$ 1,470,253	\$ 28,856	\$ 1,441,397
Total nondepartmental	\$ 287,522	\$ 1,470,253	\$ 28,856	\$ 1,441,397
Capital projects:				
Other capital projects	\$ -	\$ 352,826	\$ 123,495	\$ 229,331
Bridge Construction	-	42,553	-	42,553
Jackson River Scenic Trail	500,000	1,787,111	352,473	1,434,638
Courthouse Heating/Cooling	-	1,900	-	1,900
Commerce Center Improvements	-	3,243	-	3,243
Total capital projects	\$ 500,000	\$ 2,187,633	\$ 475,968	\$ 1,711,665
Debt service:				
Principal retirement	\$ 1,462,139	\$ 9,474,467	\$ 9,482,512	\$ (8,045)
Interest and other fiscal charges	850,876	851,376	851,376	-
Total debt service	\$ 2,313,015	\$ 10,325,843	\$ 10,333,888	\$ (8,045)
Total General Fund	\$ 32,941,195	\$ 46,373,832	\$ 40,635,645	\$ 5,738,187
Special Revenue Fund:				
Special Law Fund:				
Public safety:				
Correction and detention:				
Sheriff	\$ 43,000	\$ 43,000	\$ 22,393	\$ 20,607
Total public safety	\$ 43,000	\$ 43,000	\$ 22,393	\$ 20,607
Total Special Law Fund	\$ 43,000	\$ 43,000	\$ 22,393	\$ 20,607
Total Primary Government	\$ 32,984,195	\$ 46,416,832	\$ 40,658,038	\$ 5,758,794

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

Schedule 2
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Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration	\$ 1,269,301	\$ 1,269,301	\$ 1,360,557	\$ (91,256)
Total administration of schools	<u>\$ 1,269,301</u>	<u>\$ 1,269,301</u>	<u>\$ 1,360,557</u>	<u>\$ (91,256)</u>
Instruction costs:				
Instruction costs	\$ 21,425,632	\$ 21,425,632	\$ 21,367,361	\$ 58,271
Total instruction costs	<u>\$ 21,425,632</u>	<u>\$ 21,425,632</u>	<u>\$ 21,367,361</u>	<u>\$ 58,271</u>
Operating costs:				
Attendance and health services				
Pupil transportation	\$ 1,916,216	\$ 1,916,216	\$ 1,891,198	\$ 25,018
Operation and maintenance of school plant	3,418,966	3,418,966	3,319,114	99,852
School food and other non-instructional costs ⁽¹⁾	1,137,951	1,137,951	1,399,035	(261,084)
Total operating costs	<u>\$ 6,473,133</u>	<u>\$ 6,473,133</u>	<u>\$ 6,609,347</u>	<u>\$ (136,214)</u>
Total education	<u>\$ 29,168,066</u>	<u>\$ 29,168,066</u>	<u>\$ 29,337,265</u>	<u>\$ (169,199)</u>
Capital projects:				
School capital projects	\$ 410,000	\$ 410,000	\$ 50,118	\$ 359,882
Total School Operating Fund	<u>\$ 29,578,066</u>	<u>\$ 29,578,066</u>	<u>\$ 29,387,383</u>	<u>\$ 190,683</u>
 ⁽¹⁾ Includes Cafeteria Funds held by the School System not subject to appropriation.				
Non major Special Revenue funds:				
Allegheny Highlands Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 288,682	\$ 288,682	\$ 288,947	\$ (265)
Total instruction costs	<u>\$ 288,682</u>	<u>\$ 288,682</u>	<u>\$ 288,947</u>	<u>\$ (265)</u>
Total education	<u>\$ 288,682</u>	<u>\$ 288,682</u>	<u>\$ 288,947</u>	<u>\$ (265)</u>
Total Allegheny Highlands Fund	<u>\$ 288,682</u>	<u>\$ 288,682</u>	<u>\$ 288,947</u>	<u>\$ (265)</u>
Governor's School Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 191,390	\$ 191,390	\$ 190,883	\$ 507
Total education	<u>\$ 191,390</u>	<u>\$ 191,390</u>	<u>\$ 190,883</u>	<u>\$ 507</u>
Total Governor's School Fund	<u>\$ 191,390</u>	<u>\$ 191,390</u>	<u>\$ 190,883</u>	<u>\$ 507</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 30,058,138</u>	<u>\$ 30,058,138</u>	<u>\$ 29,867,213</u>	<u>\$ 190,925</u>

Other Statistical Information

Table 1

County of Alleghany, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer Fund	Total
2011-12	\$ 2,499,430	\$ 1,489,784	\$ 5,171,713	\$ 2,964,372	\$ 3,463,171	\$ 12,515,440	\$ 1,100,281	\$ 404,069	\$ 1,623,370	\$ 4,497,392	\$ 35,729,022
2010-11	2,153,781	1,447,988	5,234,361	2,773,957	3,348,393	12,221,036	966,811	441,036	933,168	2,914,811	32,435,342
2009-10	2,030,763	1,306,191	4,968,106	4,351,861	3,427,771	12,104,165	1,096,976	444,648	1,038,864	2,894,787	33,664,132
2008-09	1,988,175	1,346,124	4,898,840	4,970,152	3,368,123	12,026,801	632,214	394,485	1,089,090	3,466,944	34,180,948
2007-08	1,139,917	1,254,663	5,159,785	3,095,922	3,850,210	9,418,334	871,908	398,708	1,127,499	2,753,856	29,070,802
2006-07	2,116,146	1,274,576	5,035,940	2,682,973	3,486,881	12,116,812	815,503	566,417	1,118,940	2,803,885	32,018,073
2005-06	1,906,198	1,148,669	4,291,821	2,608,586	3,708,541	12,138,025	685,254	346,712	1,059,960	2,693,096	30,586,862
2004-05	1,983,684	1,072,819	4,001,622	2,444,495	3,429,803	11,496,939	1,013,934	348,755	1,040,587	2,871,058	29,703,696
2003-04	1,725,097	1,022,758	3,547,689	2,863,864	3,355,734	15,456,561	678,133	237,173	1,144,992	2,760,325	32,792,326
2002-03	1,640,307	987,466	4,016,680	2,639,084	2,904,632	11,232,613	709,358	411,679	1,220,328	2,641,615	28,403,762

Table 2

County of Alleghany, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2011-12	\$ 4,669,620	\$ 8,913,175	\$ 1,888,577	\$	15,492,843	\$ 2,190,182	\$ -	\$ 50,276	\$ 251,787	\$ 2,293,952	\$ 35,750,412
2010-11	3,909,984	8,252,444	12,541,714		15,432,192	2,288,458	-	144,947	609,488	2,250,850	45,430,077
2009-10	3,461,695	8,234,495	4,287,265		15,715,743	2,236,077	-	123,133	549,032	2,276,650	36,884,090
2008-09	3,563,035	9,514,955	2,037,436		15,222,115	2,698,807	-	385,533	387,588	2,069,500	35,878,969
2007-08	3,418,562	8,768,681	205,853		14,784,476	2,596,051	-	1,016,766	261,246	1,978,185	33,029,820
2006-07	3,430,559	9,510,905	22,000		13,910,364	2,740,541	-	1,083,794	511,837	1,883,621	33,093,621
2005-06	3,337,808	8,455,946	47,887		13,523,707	2,630,493	-	743,785	94,650	2,124,891	30,959,167
2004-05	3,142,449	8,023,711	53,553		13,027,305	2,507,668	-	714,908	135,079	1,808,437	29,413,110
2003-04	2,800,104	5,978,417	44,000		12,867,835	2,358,610	-	617,121	208,111	3,877,280	28,751,478
2002-03	2,618,903	7,824,689	315,048		12,581,390	2,351,651	31,884	788,104	162,732	1,868,853	28,543,254

Table 3

County of Alleghany, Virginia
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	Nondepartmental	Debt Service	Capital Projects	Total
2011-12	\$ 2,422,769	\$ 1,429,307	\$ 5,775,857	\$ 3,246,772	\$ 3,917,532	\$ 29,826,325	\$ 760,351	\$ 399,258	\$ 28,856	\$ 10,333,888	\$ 526,086	\$ 58,667,001
2010-11	2,254,023	1,404,529	5,436,958	2,643,170	3,867,309	28,534,386	727,485	331,195	5,557	2,342,273	374,624	47,921,519
2009-10	2,159,776	1,381,692	5,509,607	2,893,008	3,947,566	29,531,453	722,137	283,368	4,900	2,363,137	2,796,318	51,592,962
2008-09	2,101,972	1,403,618	5,324,926	2,965,524	4,038,254	31,120,417	673,801	330,719	5,899	2,386,317	3,278,167	53,629,614
2007-08	2,040,887	1,372,032	5,292,272	2,726,625	3,948,507	30,648,576	899,577	413,787	3,399	2,413,924	1,603,967	51,363,553
2006-07	2,047,804	1,274,637	5,435,110	2,761,932	4,221,685	29,026,101	792,850	344,520	11,457	2,140,387	1,072,176	49,128,659
2005-06	2,013,519	1,149,383	4,754,993	2,527,065	4,554,268	27,022,943	703,633	346,424	3,400	2,210,765	1,261,348	46,547,741
2004-05	1,939,561	1,089,904	4,307,543	2,584,635	4,162,455	26,366,999	1,017,330	354,098	11,143	2,265,660	518,698	44,618,026
2003-04	2,006,865	1,031,022	4,275,606	2,423,638	4,037,469	24,770,372	656,083	3,274,530	92,913	2,237,340	4,523,850	49,329,688
2002-03	1,923,646	993,440	4,261,820	2,546,543	3,584,122	24,013,390	699,092	475,601	-	2,323,902	151,142	40,972,698

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

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

Table 4

County of Allegheny, Virginia
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
2011-12	\$ 15,412,777	\$ 2,190,182	\$ 28,259	\$ 61,002	\$ 47,464	\$ 1,334,845	\$ 663,646	\$ 1,785,590	\$ 28,457,341	\$ 49,981,106
2010-11	15,524,223	2,288,458	38,554	81,829	122,518	1,193,313	964,764	1,663,681	27,239,582	49,116,922
2009-10	15,629,777	2,236,077	35,296	65,414	124,353	1,097,179	1,068,168	1,701,036	30,002,302	51,959,602
2008-09	15,128,836	2,698,807	50,661	64,653	383,246	1,277,105	822,185	1,856,032	32,209,250	54,490,775
2007-08	14,789,811	2,596,051	45,274	57,561	1,025,818	1,284,749	715,685	1,535,807	29,672,297	51,723,053
2006-07	14,005,628	2,740,541	49,435	91,907	1,143,332	1,188,289	633,081	1,677,282	29,482,016	51,011,511
2005-06	13,523,178	2,630,493	46,829	121,343	805,833	1,096,609	823,290	1,579,547	26,372,308	46,999,430
2004-05	13,055,682	2,507,668	36,171	96,463	737,705	999,256	634,201	1,581,968	25,119,419	44,768,533
2003-04	12,867,601	2,358,610	41,356	72,500	571,592	1,021,491	626,710	1,529,539	22,427,132	41,516,531
2002-03	12,533,054	2,351,651	31,884	52,376	700,758	931,650	565,304	1,453,022	24,589,936	43,209,635

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

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

Table 5

County of Allegheny, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2011-12	\$ 16,849,348	\$ 16,710,256	99.17%	\$ 185,834	\$ 16,896,090	100.28%	\$ 462,659	2.75%
2010-11	17,133,525	17,000,079	99.22%	263,622	17,263,701	100.76%	386,161	2.25%
2009-10	16,965,119	16,852,221	99.33%	248,198	17,100,419	100.80%	489,646	2.89%
2008-09	16,607,536	16,365,362	98.54%	225,844	16,591,206	99.90%	476,050	2.87%
2007-08	16,259,572	16,130,783	99.21%	156,974	16,287,757	100.17%	405,837	2.50%
2006-07	15,475,568	15,326,045	99.03%	186,484	15,512,529	100.24%	392,420	2.54%
2005-06	15,100,276	15,029,295	99.53%	128,373	15,157,668	100.38%	313,244	2.07%
2004-05	14,448,057	14,196,169	98.26%	189,244	14,385,413	99.57%	296,513	2.05%
2003-04	14,371,021	14,166,928	98.58%	176,161	14,343,089	99.81%	394,847	2.75%
2002-03	14,065,879	13,933,145	99.06%	95,051	14,028,196	99.73%	333,098	2.37%

(1) Exclusive of penalties and interest. Includes PPTRA revenue from the Commonwealth.

Table 6

County of Alleghany, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Public Utility (2)	Total
2011-12	\$ 1,183,707,713	\$ 63,193,323	\$ 116,555,738	\$ 109,080,093	\$ 1,472,536,867
2010-11	1,177,769,900	61,240,685	116,208,339	103,422,277	1,458,641,201
2009-10	1,173,850,600	59,061,239	116,248,580	100,012,946	1,449,173,365
2008-09	1,166,472,100	64,321,098	106,864,932	89,128,617	1,426,786,747
2007-08	1,146,371,600	63,346,720	102,823,797	101,263,931	1,413,806,048
2006-07	779,733,400	63,121,433	107,628,289	72,453,464	1,022,936,586
2005-06	800,128,832	62,950,052	107,004,276	77,104,632	1,047,187,792
2004-05	719,997,400	59,102,948	103,481,737	83,253,702	965,835,787
2003-04	760,415,509	58,305,407	102,447,186	93,503,935	1,014,672,037
2002-03	751,356,895	59,634,758	97,573,176	91,201,544	999,766,373

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission (includes real estate and personal property).

Table 7

County of Alleghany, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools
2011-12	\$ 0.64	\$ 5.95	\$ 0.64	\$ 5.95
2010-11	0.64	5.95	0.64	5.95
2009-10	0.66	5.95	0.66	5.95
2008-09	0.66	5.95	0.66	5.95
2007-08	0.66	5.95	0.66	5.95
2006-07	0.72	5.95	0.72	5.95
2005-06	0.69	5.95	0.69	5.95
2004-05	0.67	5.95	0.67	5.95
2003-04	0.66	5.95	0.66	5.95
2002-03	0.66	5.95	0.66	5.95

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross Bonded Debt (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2011-12	16,250	\$ 1,472,537	\$ 13,183,675	\$ 13,183,675	0.90%	\$ 811
2010-11	16,250	1,458,641	22,659,231	22,659,231	1.55%	1,394
2009-10	17,215	1,449,173	24,291,009	24,291,009	1.68%	1,411
2008-09	17,215	1,426,787	25,732,356	25,732,356	1.80%	1,495
2007-08	17,215	1,413,806	27,140,846	27,140,846	1.92%	1,577
2006-07	17,215	1,022,937	28,504,706	28,504,706	2.79%	1,656
2005-06	17,215	1,047,188	26,526,182	26,335,000	2.51%	1,530
2004-05	17,215	965,836	27,727,733	27,530,000	2.85%	1,599
2003-04	17,215	1,014,672	27,470,000	27,470,000	2.71%	1,596
2002-03	17,215	999,766	28,605,000	28,605,000	2.86%	1,662

(1) Population per the Bureau of the Census.

(2) Includes all long-term general obligations: bonded debt, bonded anticipation notes, and literary fund loans. Also includes lease revenue bonds which will be repaid using taxpayer dollars. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Compliance Section

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Members of the Board of Supervisors
County of Alleghany, Virginia
Covington, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Alleghany, Virginia's basic financial statements and have issued our report thereon dated November 19, 2012. 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 the County of Alleghany, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County of Alleghany, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Alleghany, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Alleghany, 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 the County of Alleghany, 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 one instance of noncompliance that is

required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

We noted certain matters that we reported to management of the County of Alleghany, Virginia in a separate letter dated November 19, 2012.

This report is intended solely for the information and use of management, the 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, Turner, Cox Associates

Blacksburg, Virginia
November 19, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Members of the Board of Supervisors
County of Alleghany, Virginia
Covington, Virginia

Compliance

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

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

In our opinion, the County of Alleghany, 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 the County of Alleghany, 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 the County of Alleghany, 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 the County of Alleghany, Virginia's internal control over compliance.

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

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, the 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, Turner, Cox Associates

Blacksburg, Virginia
November 19, 2012

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

Page 1 of 2

Federal Grantor/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:			
<i>Department of Social Services</i>			
Promoting Safe and Stable Families	93.556	93556	\$ 4,591
Temporary Assistance for Needy Families	93.558	93558	236,149
Refugee and Entrant Assistance - State Administered Programs	93.566	93566	405
Low-Income Home Energy Assistance	93.568	93568	24,952
Child Care and Development Block Grant - (Child Care Cluster)	93.575	93575	17,695
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - (Child Care Cluster)	93.596	93596	60,618
Chafee Education and Training Vouchers	93.599	93599	1,524
Stephanie Tubbs Jones Child Welfare Services Program	93.645	93645	780
Foster Care - Title IV-E	93.658	93658	119,469
Adoption Assistance	93.659	93659	14,937
Social Services Block Grant	93.667	93667	178,462
Children's Health Insurance Program	93.767	93767	7,934
Medical Assistance Program	93.778	93778	175,152
Chafee Foster Care Independence Program	93.674	93674	3,184
Total Department of Health and Human Services			\$ 845,852
Department of Agriculture:			
Direct Payments:			
ARRA - Water and Waste Disposal Systems for Rural Communities	10.781	NA	\$ 590,548
Pass Through Payments:			
<i>Department of Agriculture</i>			
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	NA	14,731
Schools and Roads - Grants to States	10.665	43841	155,701
<i>Department of Agriculture</i>			
Food Distribution (Note C) (Child Nutrition Cluster)	10.555	40623	\$ 78,193
<i>Department of Education</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	40623	476,829
<i>Department of Education</i>			
National School Breakfast Program (Child Nutrition Cluster)	10.553	40591	169,845
<i>Department of Social Services</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10561	289,968
Total Department of Agriculture - pass-through payments			\$ 1,185,267
Total Department of Agriculture			\$ 1,775,815
Department of the Interior			
Direct Payments:			
Payment in Lieu of Taxes	15.226	NA	\$ 174,920
Total Department of the Interior			\$ 174,920
Environmental Protection Agency:			
Pass Through Payments:			
<i>Virginia Department of Health</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	VCWSTM 005	\$ 789,786
Total Environmental Protection Agency			\$ 789,786
Department of Justice:			
Direct payments:			
Public Safety Partnership and Community Policing Grant	16.710	NA	\$ 467,618
Total Department of Justice			\$ 467,618

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

Page 2 of 2

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles.</i>			
State and Community Highway Safety Program	20.600	59105	\$ 21,919
<i>Department of Conservation and Recreation.</i>			
Recreational Trails Program	20.219	NA	<u>183,664</u>
Total Department of Transportation			<u><u>\$ 205,583</u></u>
Department of Education:			
Pass Through Payments:			
<i>Department of Education.</i>			
Title I: Grants to Local Education Agencies (Title 1 Cluster)	84.010	42892	\$ 665,306
ARRA - Title I: Grants to Local Education Agencies (Title 1 Cluster)	84.389	42913	17,106
Special Education - Grants to States (Special Education Cluster)	84.027	60180	634,219
ARRA - Special Education - Grants to States (Special Education Cluster)	84.391	61245	119,611
Career and Technical Education: Basic grants to states	84.048	43401	45,739
Special Education - Preschool Grants (Special Education Cluster)	84.173	61136	20,734
ARRA - Education Jobs Funds	84.410	62700	754,275
Education Technology State Grants (Educational Technology State Grant Cluster)	84.318	61600	8,914
ARRA - Education Technology State Grants (Educational Technology State Grant Cluster)	84.386	62554	4,581
Improving Teacher Quality State Grants	84.367	61490	<u>128,920</u>
Total Department of Education			<u><u>\$ 2,399,405</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 6,658,979</u></u>

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Alleghany, Virginia under programs of the federal government for the year ended June 30, 2012. The information in the 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 Alleghany, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Alleghany, Virginia.

Note B -- Summary of Significant Accounting Policies:

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

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

Note C -- Food Distribution

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

Note D -- Relationship to the 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	\$ 1,983,941
Water and Sewer Fund Grants	1,322,466
Water and Sewer Fund Loans	57,868
Primary Government	<u>\$ 3,364,275</u>

Component Unit School:	
School Operating Fund	<u>\$ 3,294,704</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 6,658,979</u></u>
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County of Alleghany, Virginia

Schedule of Findings and Questioned Costs
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?	Yes

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
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Any audit findings disclosed that are required to be reported in accordance with 501(a) of OMB Circular A-133	No
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Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.781	ARRA - Water and Waste Disposal Systems for Rural Communities
16.710	Public Safety Partnership and Community Policing Grant
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds
84.010/84.389	Title 1, Part A Cluster
84.027/84.391/84.173	Special Education Cluster (IDEA)
84.410	ARRA - Education Jobs Funds

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

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

Section II - Financial Statement Findings

Item 2012-01

Criteria:	The <u>Code of Virginia (1950)</u> , <u>as amended</u> requires that CSA pool expenditures be related to public or private nonresidential or residential services for troubled youths and families. The Auditor of Public Accounts (APA) requires that these expenditures be supported with written contracts or service agreements. In addition, the APA requires that budgets and expenditures be approved on a case by case basis.
Condition:	During a portion of the period under audit (prior to March 1, 2012), the County did not use the Uniform Documentation Inventory to assist the Community Policy and Management Team (CPMT) with development and maintenance of case documentation. As a result, key documentation in support of program expenditures was not prepare and/or maintained.
Context:	During our testing of case files, we noted the following conditions: 1.) Documentation of expenditure approval by the Community Policy and Management Team (CPMT) was not present in a majority of the case files selected for testing. 2) Vendor invoices were not on file for a majority of the case files selected for testing.
Cause of Condition:	Turnover in staff.
Effect of Condition:	The County was unable to provide documentation that supported program expenditures and the related approval of same by the CMPT.
Recommendation:	On approximately March 1, 2012, new staff took over administration of the CSA program. The new staff immediately developed a file management system to document CPMT expenditure approval and related case specific budgets. In addition, the new system documents the Individual and family service plan (and related course of action) as recommended by the Family and Assessment Planning Team (FAPT). We believe the course of action already initiated by current CSA staff adequately addresses all audit concerns over the program. As such, our recommendation is for the CSA staff to continue with their current course of action.
Management's Response:	As noted above, the County took action in March of 2012 to address concerns over the CSA program. This action has been reviewed with the Auditor and they have approved the new CSA Administration's response.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no findings in the prior fiscal year that related to federal programs.