

# **COUNTY OF MONTGOMERY, VIRGINIA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

**FINANCIAL AND MANAGEMENT SERVICES  
DEPARTMENT**



# COUNTY OF MONTGOMERY, VIRGINIA

## TABLE OF CONTENTS

### INTRODUCTORY SECTION

	Page
Letter of Transmittal .....	i
Certificate of Achievement for Excellence in Financial Reporting .....	x
Directory of Principal Officials .....	xi
Organizational Chart.....	xii

### FINANCIAL SECTION

Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3

#### Basic Financial Statements

##### Government-Wide Financial Statements

Exhibit 1	Statement of Net Position.....	5
Exhibit 2	Statement of Activities .....	6

##### Fund Financial Statements

Exhibit 3	Balance Sheet – Governmental Funds .....	7
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	9
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Cash Basis) – General Fund .....	11
Exhibit 6	Statement of Net Position – Proprietary Funds .....	12
Exhibit 7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	13
Exhibit 8	Statement of Cash Flows – Proprietary Funds .....	14

Notes to Financial Statements.....	15
------------------------------------	----

#### Other Supplementary Information

##### Discretely Presented Component Unit – School Board

Exhibit A-1	Balance Sheet.....	50
Exhibit A-2	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	51
Exhibit A-3	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Cash Basis .....	52

#### Supporting Schedule

Schedule 1	Schedule of Expenditures of Federal Awards.....	54
------------	---	----

## STATISTICAL SECTION

Table 1	Net Position by Component .....	57
Table 2	Change in Net Position by Component.....	58
Table 3	Fund Balances – Governmental Funds .....	59
Table 4	Changes in Fund Balances – Governmental Funds .....	60
Table 5	Assessed Value and Actual Value of Taxable Property .....	61
Table 6	Property Tax Rates .....	62
Table 7	Principal Property Tax Payers.....	63
Table 8	Property Tax Levies and Collections .....	64
Table 9	Ratios of Outstanding Debt by Type.....	65
Table 10	Pledged Revenue Coverage.....	66
Table 11	Demographic Statistics.....	67
Table 12	Principal Employers .....	68
Table 13	Full-Time Equivalent County Government Employees by Function/Program .....	69
Table 14	Operating Indicators by Function/Program .....	70
Table 15	Capital Asset and Infrastructure Statistics by Function/Program .....	71

## COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	73
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by <i>OMB Circular A-133</i> .....	75
Summary of Compliance Matters .....	77
Schedule of Findings and Questioned Costs.....	78

## INTRODUCTORY SECTION

---

---

---

**THIS PAGE INTENTIONALLY BLANK**

# MONTGOMERY COUNTY

F. CRAIG MEADOWS, COUNTY ADMINISTRATOR  
OFFICE OF COUNTY ADMINISTRATION  
MONTGOMERY COUNTY • VIRGINIA



755 ROANOKE ST, SUITE 2E • CHRISTIANSBURG, VA 24073  
PHONE: 540.382.6954 • FAX: 540.382.6943  
WWW.MONTGOMERYCOUNTYVA.GOV

November 30, 2013

To the Honorable Chair, Members of the Board of Supervisors, and the Citizens of Montgomery County:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the County of Montgomery for the fiscal year ended June 30, 2013, as required by state law. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of Brown, Edwards & Company L.L.P., and that firm's unqualified opinion is included in the Financial Section of this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## THE REPORTING ENTITY

The financial reporting entity (the government) includes all funds of the primary government (i.e., Montgomery County as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Montgomery County Public Service Authority, which provides water and waste water services, is reported as an enterprise fund of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Montgomery County School Board, which provides education, and the Montgomery County Economic Development Authority, which encourages and provides financing for economic development, are reported as discretely presented component units.

Other services provided by the County include law enforcement, fire and rescue service, solid waste collection services, human services programs, libraries, community and economic development programs, recreational activities, and planning and zoning functions. In addition, certain other services are provided through cooperation with neighboring localities such as social services, solid waste disposal, emergency communications and tourism. These areas of joint cooperation have not met the established criteria for inclusion in the reporting entity and therefore are included in footnote disclosures only.

## **ORGANIZATION OF GOVERNMENT**

The County of Montgomery was established in 1776, and is located in southwestern Virginia approximately 30 miles southwest of the City of Roanoke, along the Interstate 81 corridor. The County encompasses approximately 393 square miles, and has a population of almost 95,000 including that of two incorporated towns, Blacksburg and Christiansburg. Montgomery County is the eighth-largest county in Virginia in terms of land area, and supports a well-diversified economy. The 2010 Census indicates Montgomery County's population increased by 12.9% over the prior decade.

Montgomery County operates under the traditional County form of government. Policymaking and legislative authority are vested in the Board of Supervisors (Board), which consists of seven members elected from their respective election districts. Each member must be a resident of the district he or she serves. Board members are elected to four year staggered terms. Each year, the Board elects one of its members to serve as Chair. The Board is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the government's County Administrator and County Attorney. The County Administrator is responsible for carrying out the policies and ordinances of the Board, for overseeing the day-to-day operations of the government, and for appointing the heads of the County departments.

## **LOCAL ECONOMIC CONDITION AND OUTLOOK**

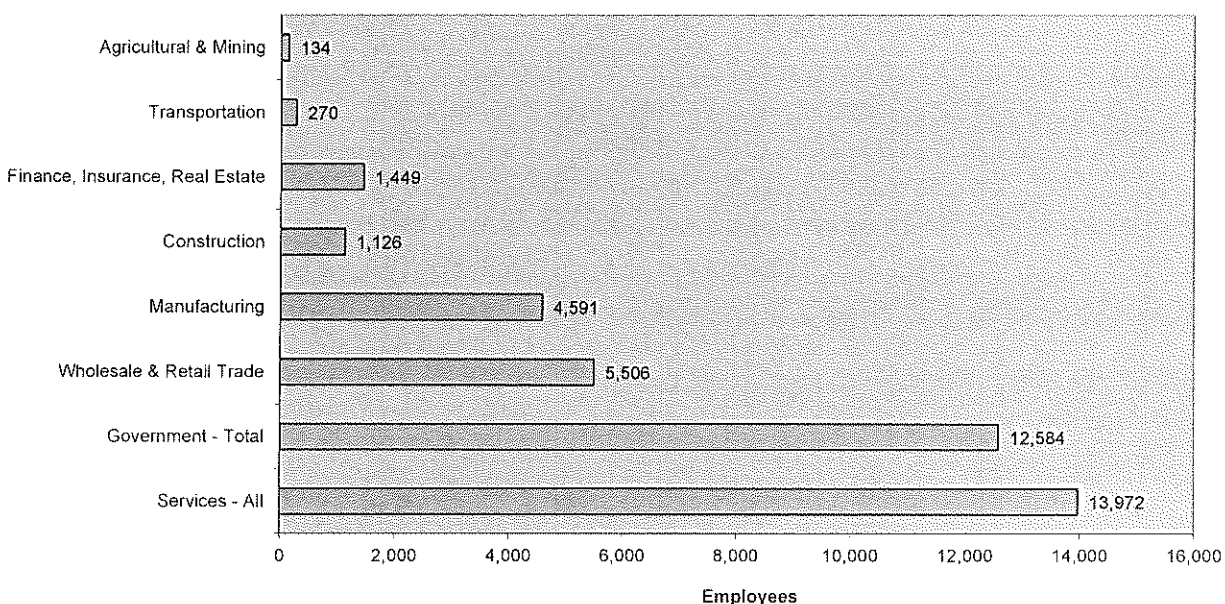
Montgomery County is geographically situated in the New River Valley of Western Virginia, which also includes the Counties of Floyd, Giles, and Pulaski and the City of Radford. All of these localities are within reasonable commuting time and distance from Montgomery County and represent the minimum area from which Montgomery County businesses draw their labor.

Montgomery County's labor market remains consistent with the state as a whole. The average unemployment rate in Montgomery County between July 2012 and June 2013 was 5.9%, which remains historically below average in the New River Valley. The percentage ranged from a low of 4.9% in April 2013 to a high of 7.2% in July 2012. The unemployment rate for the County over the past 10 years (2003-2012) averaged 4.9%, reaching a high of 7.5% in 2010 and a low of 3.0% in 2006. The pool of available labor has also remained stable for the past decade in Montgomery County – which has also been true in surrounding counties in the New River Valley. Unemployment among New River Valley localities was higher than the statewide average of 5.9% for calendar year 2012, with Montgomery and Floyd Counties reporting the lowest rates of 6.1% and 6.2% respectively. The other localities of Giles, Pulaski, and the City of Radford averaged 7% unemployment during the same period. Employment within Montgomery County represented 53.71% of the total civilian labor force in the New River Valley.

As in prior years, the service industry remained the largest employment sector within the County. The following illustration presents the proportion of individuals in each of the major industry sectors based on annual averages for calendar year 2012:



### Montgomery County Employment By Employment Sector



Averages of Calendar Year 2012

Source: Virginia Employment Commission, E-202 Annual Average Employment

Very slight increases in employment were broad based, covering several employment sectors. The total increase in the number of jobs was 430 across all sectors, resulting in a 1.1% increase from the number of jobs in the previous year. Only two areas experienced declines. These areas included the construction and manufacturing sectors, which were down 20.65% and 3.12% respectively.

The service and manufacturing sectors provide a significant number of jobs in Montgomery County. Two hospitals, Carillion New River Valley Medical Center and LewisGale Hospital at Montgomery, collectively employ over 1,300 employees. The County's largest industrial employer, BAE Systems, Inc., employs approximately 1,000 workers through contracts with the federal government to manufacture defense products. Other large companies in the County include DISH Network Corporation (direct broadcast satellite television products and services), Federal-Mogul Corporation (automotive bearings), MOOG Components Group (aerospace, transportation, military, and communications components), Rowe Furniture (residential furniture), Wolverine Advanced Materials (automotive gaskets) and Rackspace Hosting (software).

The Virginia Tech Corporate Research Center (VTCRC), developed by the Virginia Tech Foundation, is a business/research park that is the catalyst for Montgomery County's high-tech industry cluster. The park currently has 29 buildings, entailing more than one million square feet of office and lab space, and is home to over 150 high-tech companies and research facilities which collectively employ more than 2,600 workers. In September 2009, the VTCRC was named the "2010 Outstanding Science/Research Park" – globally – by the Association of University Research Parks. The majority of the tenants located in the VTCRC are research and development-oriented companies operating in the information technology, biotechnology, and advanced materials industries. In fiscal year 2013, the VTCRC constructed two new buildings in the park. 1971 Kraft Drive is a 34,000-square-foot building that is anchored by VPT, Inc. (electronics manufacturing). 1901 Innovation Drive, a 47,000-square-foot building, is the first of 18 new buildings to be constructed in Phase II of the VTCRC. Tenants in the new building include the 1901 Group (information technologies), CHA Consulting (waste water consulting), and CoffeeWorks Cafe.

Montgomery County's second largest industry sector, government, provides 32 percent of the County's jobs and helps to stabilize the local economy during times of recession. This percentage reflects the large number of state workers employed by Virginia Polytechnic Institute & State University (Virginia Tech), the Commonwealth's largest public university and the largest employer in the County with approximately 12,000 employees. Another 1,400 individuals are employed through the Montgomery County Public School System, making education the largest employment sector in the County.

Several commercial development projects were announced or completed in fiscal year 2013. Florida based Frank Theaters announced and began construction of a 60,000 square foot CineBowl and Grille at First & Main Shopping Center. The \$8 million project will include an IMAX theater with 12 screens, a bowling alley, and a bar and restaurant. Construction of the new Turner Street development was also completed in fiscal year 2013. The nearly \$60 million project, through an agreement between Virginia Tech and the Virginia Tech Foundation, in association with a local developer, includes an 800-space parking garage and 141,000 square feet of mixed-use office/retail building space.

In fiscal year 2013, companies in Montgomery County announced \$273.4 million in new capital investment (industrial/commercial, non-retail) and the addition of 365 related jobs as shown in the chart below.

### **Business Announcements, Montgomery County, Virginia, FY 2013**

<b>Company Name</b>	<b>Business Description</b>	<b>Month Announced</b>	<b>New Jobs</b>	<b>Investment (MM\$)</b>
Atomic Axis	iOS development, mobile solutions and apps	Jan-2013	30	0.15
Heyo	Social media company; applications and website development	Sep-2012	50	0.1
CONFIDENTIAL	CONFIDENTIAL	Jun-2013	0	20
1901 Group	Managed IT services provider	Jan-2013	45	0.13
BAE Systems Ordnance Systems*	Explosive, propellants for the U.S. Army	Nov-2012	0	240
Federal Mogul	Automotive engine bearing manufacturing	Oct-2012	0	10
DISH Network Corporation	Customer service center	Oct-2012	200	0
Aeroprobe Corporation	HQ; Air and fluid flow instrumentation for aerospace, automotive, and wind energy markets	Sep-2012	40	3
CONFIDENTIAL	CONFIDENTIAL	Jun-2013	0	20

Included in the preceding chart are existing industries such as BAE Systems. BAE announced plans to invest \$240 million to update and modernize the Radford Army Ammunition Plant. Business expansions in Falling Branch Corporate Park, a 175 acre industrial park created by the Economic Development Authority of Montgomery County, also contributed significantly to economic development. Aeroprobe

Corporation began construction of a new \$3 million corporate headquarters, and Dish Network announced 200 new jobs at its technical call center. Both companies are existing industries. In 2012, a new business announced that it would be locating in the County. Backcountry.com, opened its \$20 million, 216 employees, East Coast fulfillment center also located in Falling Branch Corporate Park in FY 13.

The Economic Development staff, the Economic Development Authority (EDA), the Economic Development Commission (EDC), and the Montgomery/Blacksburg/Christiansburg Development Corporation continue to work to support business, create jobs, and improve the County's standard of living through diversifying the economy, expanding existing business, and attracting new economic activity.

## **MAJOR INITIATIVES**

Recent initiatives of the Board of Supervisors promote Montgomery County's economic progress, improve the community's quality of life, and poise the County to respond to future development needs. New jobs, expanded employment within industry and service sectors, and a comparatively low unemployment rate all suggest a trend of stable, manageable growth.

### **For the Year**

The County staff, following specific directives of the Board of Supervisors, has been involved in a variety of projects throughout the year. These projects reflect the government's commitment to ensuring that its citizens are able to live and work in an enviable environment. Major initiatives for 2013 include:

### **The 2013-2017 Capital Improvement Program**

The Capital Improvement Program (CIP) for 2013 through 2017 serves as a planning tool for the efficient and effective distribution of public improvements throughout the County and school system. The five-year Capital Improvement Program totals \$132.2 million and is comprised of County Capital Improvements of \$20.6 million and School Capital Improvements of \$111.6 million. County capital improvements include construction of a new Courthouse and renovation of the existing Courthouse to a public safety building, and includes \$3.9 million for fire and rescue capital equipment.

Montgomery County maintains its strong commitment to providing funds for education and public safety. In August 2008, the County issued \$77 million in new debt (\$70.9 million for new projects and \$6.1 million for a debt service reserve) for several County and school capital projects. The projects included two new elementary schools, a new courthouse, and renovations to convert the old courthouse to a public safety building. In November 2009, the County issued an additional \$7.3 million in Qualified School Construction Bonds (QSCB) to provide funding for a portion of the cost of the new Eastern Montgomery Elementary School. In July 2010, the County issued an additional \$13.6 million in QSCB, which was allocated primarily to the Price's Fork Elementary School (\$7.5 million) and to School Energy Performance Projects (\$6 million). QSCB funding is interest free and supplemented the County's 2008 bond issue to complete the two elementary schools and the two new high schools.

In response to a crisis resulting from a roof collapse at Blacksburg High School, the Board of Supervisors committed to an aggressive school construction plan in November 2010. In November 2011, the Board of Supervisors issued an additional \$86 million through the Virginia Public School Authority for the replacement of Auburn High School, Blacksburg High School, and the renovation of the former Auburn High School for use as Auburn Middle School. Additional funding for these projects included insurance proceeds from the old Blacksburg High School gymnasium roof collapse, surplus bond funds from the Price's Fork and Eastern Montgomery Elementary projects, and \$15 million in interest-free QSCB issued in December 2011. The total cost of all three school projects is estimated at \$124.5 million.

The two high schools opened in September 2013. The renovations for Auburn Middle School began after Auburn High School relocated to its new facility.

In fiscal year 2009, the Board of Supervisors earmarked one cent of the real estate tax rate to provide the Fire and Rescue Commission with an ongoing source of funding to purchase fire and rescue capital equipment. For fiscal years 2010 and 2011, this amount was decreased to one half of one cent of the real estate tax rate due to economic conditions. In FY 2012, this amount was restored back to one cent. Each year the Fire and Rescue Commission, comprised of representatives from each fire and rescue agency, the Board of Supervisors and County staff, decides how to effectively distribute this funding based on existing and future capital needs of the County's fire and rescue agencies.

#### *Completed Capital Projects During the Year*

The Courthouse Project, which involved the construction of a four story, 104,939 square foot courthouse facility and adjacent parking deck, was designed to meet the needs of the courts for at least the next 25 years. A total of nine courtrooms are included in the new facility; the former Courthouse had three courtrooms. The ground breaking for the new Courthouse Project was held on September 18, 2009, and the new facility opened in October 2012.

Public safety remains a priority with \$1.1 million in fire and rescue equipment purchases in fiscal year 2013 based on recommendations of the Fire and Rescue Commission. Items purchased included an ambulance for Blacksburg Rescue Squad, turnout gear, and self-contained breathing apparatuses for all fire and rescue agencies.

#### *For the Future*

As the Board of Supervisors and County staff plan for the future, several new initiatives in the areas of *public safety and education* are underway.

#### *Public Safety and Judicial Administration*

Renovations to the former Courthouse facility are underway to convert the building to a public safety building, replacing the current Sheriff's office and housing the New River Valley Emergency Communications Regional Authority, which will consolidate four Public Safety Answering Points ("PSAPs") into one central operation. The project began in the spring of 2013 and will be completed in fiscal year 2015.

A new Animal Shelter facility is planned for the future and the Board of Supervisors has reserved \$1 million toward the anticipated cost of the project.

#### *Education*

Replacing the current inadequate middle school, the former Auburn High building is being renovated to serve as the Auburn Middle School. This 121,755 square foot facility will include capacity for 480 students and add 90,929 square feet over the existing building. Completion of this project is expected in fall 2014.

#### *Departmental Focus – Montgomery Regional Tourism Office*

In 2011, the Towns of Blacksburg and Christiansburg and the County agreed to form a joint tourism office to support area tourism, and create a Tourism Development Advisory Council. When the Executive Director was hired in September 2012, the Montgomery Regional Tourism Office began to

develop a strategic plan for tourism, which is anticipated to be approved by area local governments by December 2013.

The mission of the regional tourism office is to stimulate economic opportunity and enhance quality of life by celebrating and sharing the region's culture, heritage, and natural beauty through authentic visitor experiences. The office will promote the destination in a manner that fosters partnerships and sustainable growth.

Travel expenditures for calendar year 2011 in Montgomery County totaled \$121 million, as reported by the Virginia Tourism Corporation (VTC). After the office opened in September 2012, travel expenditures for 2012 increased 6.3% to \$129 million, one of the highest increases in the state. Many other factors have contributed to the overall increase as well, including the Christiansburg Aquatic Center which experienced its second full year of operations in 2012. The center hosted events that brought in thousands of participants, coaches, and guests during this time.

The Montgomery Regional Tourism Office is classified as a Destination Marketing Organization (DMO) and is designed to represent a specific destination, the County and two towns, and help the long-term development of the community through a travel and tourism strategy. During its first 14 months, the office has successfully completed the following activities:

#### *Events and Tradeshow*

The office has sponsored and/or participated in 11 community events, which has improved tourism marketing and has helped develop tourism education as well as advocacy of the tourism strategic plan. The office has begun making its existence and purpose known within the community with the ultimate goal of creating broad support and developing ambassadors for the destination.

#### *Advertisements*

Since its inception, the office has spent approximately \$50,000 on paid advertisements, mostly outside of the local market. These advertisements target the demographic group who enjoys outdoor recreation, sports and wineries. The target group is aged 35-70 and hails from points north, south and east of the area. Specific markets include northern Virginia, the North Carolina Piedmont region, and eastern Virginia. The significant number of university students from northern and eastern Virginia provide family and friends who can be pulled from these areas for extended university event visits or unique visits.

#### *Grants*

The tourism office has applied as a partner on a number of grants as a way to foster regional cooperation with surrounding counties while providing additional funding for tourism initiatives. The office has been awarded approximately \$71,500 of grant funding for agritourism and destination marketing purposes. An agritourism planning grant was awarded from the Virginia Department of Housing and Community Development and the Governor's Agriculture and Forestry Industries Development Fund. A marketing grant was awarded by the Virginia Commission for the Arts for the inaugural Crooked Road Festival at the Center for the Arts at Virginia Tech which is scheduled for March 2014. The office was also awarded funding for a LOVEworks mural grant through Virginia Tourism Corporation.

#### *Industry Conferences and Training*

It is critical to stay current on industry trends, practices, and education. It is equally important to network with colleagues and service providers in the tourism industry to increase competitive and comparative research and planning. Participation and leadership roles in industry associations such as Virginia Hospitality and Travel Association, Virginia Convention and Visitors Bureau, Southeast Tourism Society and Destination Marketing Association International are integral in establishing a destination among others in the state and region.

### Partnerships

This office remains supportive both physically and fiscally with cooperative ventures such as Fish Virginia First, The Wilderness Road, The Crooked Road, 'Round the Mountain, and Appalachian Spring. These initiatives provide a platform for the DMO directors to work together as partners in marketing our region to the external market. It also provides a springboard for other projects closer to home. A good example of this is the "Mingle on the Mountain" meeting held at Mountain Lake in August. This purpose of this meeting was to bring interested hospitality partners in the New River Valley together to build itineraries and discuss how to support each other, with a goal of enticing visitors to remain in the area longer.

### Speaking Engagements

The executive director makes presentations approximately twice per month to community groups. While diverse, these groups are similar in that they wish to know more about the tourism effort and purpose. These presentations provide a conduit for educating, building support and collecting necessary information and feedback for the program.

The Montgomery County Regional Tourism Office embraces the future as it continues to build the tourism program and the destination itself. The tourism industry intersects with a number of other industries including agriculture, arts and entertainment, hospitality, retail, education and transportation. This office has found itself centrally positioned in the areas of product development and strategic visioning in many of these industries. It is the sum of the parts that make a sustainable community. No less is true for a travel destination. The office will continue to build relationships and partnerships to further the goal of marketing the region as the premiere mountain destination. This in turn will produce positive economic impact and a good quality of life for our citizens.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROLS**

Although the County budgets and manages its financial affairs using the cash basis of accounting, generally accepted accounting principles require localities to use the accrual or modified accrual basis of accounting to prepare financial statements. The modified accrual basis of accounting recognizes revenues when measurable and available and recognizes expenditures when the services or goods are received and the liabilities incurred. The accruals recorded on the financial statements for the fiscal year ended June 30, 2013, reflect cash that will not be received or disbursed until fiscal year 2014.

County management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is established at the department level within an individual fund. The budget is implemented through appropriations that are made by the Board of Supervisors on an annual basis with supplemental appropriations made as required. These appropriations may be greater or less than contemplated in the budget.

The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. All amounts lapse at year-end. Material encumbrances outstanding at year-end are reported as a reservation of fund balance since they do not constitute expenditures or liabilities. Funding for these encumbrances generally is re-appropriated in the subsequent year.

### INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. Generally accepted auditing standards and the standards set forth in the Government Accountability Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit Section.

### AWARDS OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Montgomery for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards and satisfy both generally accepted accounting principles and applicable legal requirements.

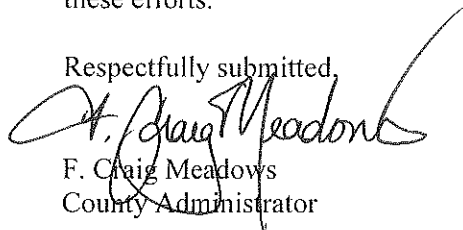
A Certificate of Achievement is valid for a period of one year only. Montgomery County has received a Certificate of Achievement for the last twenty-six consecutive years. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA for consideration again this year.

### ACKNOWLEDGMENTS

The County has established and continues to maintain a strong and stable financial position through progressive management of financial operations and through sound accounting and financial reporting practices. Appreciation is expressed to the members of the Montgomery County Board of Supervisors and to each of the Constitutional Officers for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Department of Financial and Management Services, the Treasurer's Office, and other departmental personnel. We would also like to express our appreciation to the County's independent auditing firm, Brown, Edwards & Company, L.L.P. for their cooperation and assistance in these efforts.

Respectfully submitted,



F. Craig Meadows  
County Administrator



Angela M. Hill  
Director of Financial and Management  
Services



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Montgomery County  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO



## **BOARD OF SUPERVISORS**

James D. Politis, Chair  
William (Bill) H. Brown, Vice Chair

Mary W. Biggs	Matthew R. Gabriele
Gary D. Creed	Annette S. Perkins
Christopher A. Tuck	

## **COUNTY ADMINISTRATION**

Paula K. Alston	Director of Montgomery Regional Library
Vacant	Director of General Services/County Engineer
Mary B. Critzer	Director of Human Services
Karen A. Edmonds	Director of Human Resources
L. Carol Edmonds	Deputy County Administrator
Robert C. Fronk	Director of Public Service Authority
Brian T. Hamilton	Director of Economic Development
Michelle Dickerson	Virginia Cooperative Extension Agent
Mitchell B. Haugh	Director of Parks and Recreation
Angela M. Hill	Director of Financial and Management Services
Larry W. Lindsey	Director of Social Services
Martin M. McMahon	County Attorney
F. Craig Meadows	County Administrator
Philip L. Martin	Director of Information Technology
Ruth L. Richey	Director of Public Information
Steven M. Sandy	Director of Planning and Inspections
Brenda B. Blackburn	Superintendent of Schools
K. Neal Turner	Emergency Services Coordinator
E. Randal Wertz	Registrar

## **CONSTITUTIONAL OFFICERS**

Mary K. Pettitt	Commonwealth Attorney
Helen P. Royal	Commissioner of the Revenue
W. Richard Shelton	Treasurer
J. T. Whitt	Sheriff
Erica W. Williams	Clerk of the Circuit Court



## FINANCIAL SECTION

---

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors  
County of Montgomery, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the County of Montgomery, Virginia (the "County"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the County, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

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

### ***Other Information***

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

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

The introductory and statistical sections 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 30, 2013

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

The following discussion and analysis of the County of Montgomery's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013**

- Total net position for governmental activities was \$112 million at June 30, 2013. This figure is based on assets totaling \$394 million and liabilities of \$282 million.
- Total general fund revenues exceeded the final estimated amount by approximately \$.6 million.

The real estate tax rate was increased \$0.02 per \$100 of assessed value, effective January 1, which provided additional funds of \$700,000. Personal property collections exceeded their estimates by \$400,000 due to an unanticipated increase in motor vehicle valuation. Delinquent tax collections exceeded the estimate by \$300,000 and prepaid real estate taxes were \$400,000 more than anticipated. Just over \$200,000 was collected in sales tax revenue over the estimate. Intergovernmental revenues fell below the estimate by approximately \$1,600,000. Of this amount, almost \$600,000 was attributable to grants which do not follow the fiscal year, resulting in funds being budgeted but not earned at year end. Actual collections for the Comprehensive Services Act were \$350,000 less than budgeted; expenditures were under budget as well. Like the Comprehensive Services Act, Social Services collections came in at approximately \$600,000 less than budgeted; expenditures were less than budgeted.

Actual expenditures were \$8 million less than the final expenditure appropriation. As always, the County received and included in the final approved budget various grant awards during the year; however, not all were expended before year end. Also, orders had been placed, but goods not received at year end of approximately \$600,000.

A portion of the variance (\$1.3 million) is attributable to Social Services and the Comprehensive Services Act discussed above. The expenditure variance is greater than the revenue variance, as a portion of funding for these programs is provided by County tax revenues.

General government administration expenditures totaled \$2 million less than appropriated. Of this amount, Information Technology spent \$400,000 less than appropriated, resulting primarily from the timing of projects underway in the department, combined with vacancy savings. Other General Government projects that had been funded but not completed by year end included Reassessment (\$600,000) and the purchase of a waste collection vehicle (\$145,000). Contingency funds of \$320,000 were budgeted and not spent.

Public works expenditures were \$1.4 million less than budgeted due to vacancy savings, lower than anticipated utility costs, lower tipping fee payments and lower landfill monitoring expenses. Finally, the Montgomery County School Board (the Schools) spent approximately \$1.7 million less than appropriated during the year. This resulted in corresponding lower general fund expenditures for education as the amount required to be provided by the County to the Schools was lower.

- The business-type activities net position at June 30, 2013 was approximately \$15 million.
- No governmental activity debt was issued or refunded during the year. Repayment of bonded debt totaled \$12.9 million.

- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$31.6 million, or 19.7% of fiscal year 2013 general and school operating fund revenues. The Board of Supervisors has adopted a target to keep this percentage between 8 and 10 percent, however the rate was approximately 14% for several years prior to fiscal year 2012 and 18.8% for fiscal year 2012. Last year, the ratio exceeded the target by a larger amount than previous years due primarily to the additional \$4.1 million received as a result of the January 1, 2013 tax increase combined with the Schools' remaining appropriation of \$1 million. For fiscal year 2013, the percentage remained at a higher level, due in part to additional property tax revenue of \$700,000 resulting from the January 1 tax increase and the Schools' remaining appropriation of \$1.7 million.

## **USING THE FINANCIAL SECTION OF THE ANNUAL REPORT**

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

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

These statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the County used previously accumulated funds.

The *statement of activities* presents how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial administration, public safety, health and welfare, parks and recreation, public works and community development. The County's business-type activities include water and wastewater service for citizens in the unincorporated portion of the County.

The government-wide financial statements include the County (known as the *primary government*) as well as funds of the Montgomery County School Board and the Montgomery County Economic Development Authority. Financial information for these *component units* are reported separately from the financial information presented for the primary government.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All funds of the County can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluation of the County's near-term financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund balances are the differences between assets and liabilities in governmental funds.

- Nonspendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external providers, such as grantors or bondholders, as well as amounts that are restricted through enabling legislation.
- Committed fund balance includes amounts that can be used only for the specific purposes that are determined by a formal action of the government's highest level of decision making authority.
- Assigned fund balance applies to amounts that are intended for specific purposes as expressed by the governing body or authorized official and applies to remaining resources in any governmental funds other than the general fund.
- Unassigned fund balance includes all amounts not contained in other classifications for the general fund, and deficit fund balances in any other governmental funds.

As of the end of the current fiscal year, the County's total governmental funds reported an ending fund balance of \$104 million, a decrease of \$70 million in comparison with the prior year. The decrease was primarily a result of spending bond proceeds received in prior years for capital projects in the current year. New debt was not issued in fiscal year 2013. Of that amount, \$6 million was nonspendable, \$60 million was restricted, \$800,000 was committed, \$5 million was assigned, and \$31.6 million was unassigned.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.2% of total general fund expenditures, while total fund balance represents 41.8% of that same amount.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County adopts an annual budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

**Proprietary funds** provide the same type of information as the *business-type activities* in the government-wide financial statements, only in more detail. The Montgomery County Public Service Authority's water and wastewater funds are used to account for the revenues and expenses of providing those services to citizens and businesses, where the intent is that the costs are financed through user charges.



## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The following table reflects the condensed Statement of Net Position in millions:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Units	
	2013	2012	2013	2012	2013	2012	2013	2012
Current and other assets	\$130.4	\$196.1	\$3.5	\$1.5	\$133.9	\$197.6	\$20.0	\$18.9
Capital assets	263.2	194.2	20.3	20.1	283.5	214.3	15.2	16.4
Total assets	\$393.6	\$390.3	\$23.8	\$21.6	\$417.4	\$411.9	\$35.2	\$35.3
Long-term liabilities	\$255.3	\$268.0	\$7.8	\$6.1	\$263.1	\$274.1	\$19.9	\$18.8
Other liabilities	26.5	21.9	1.2	0.3	27.7	22.2	15.0	14.0
Total liabilities	\$281.8	\$289.9	\$9.0	\$6.4	\$290.8	\$296.3	\$34.9	\$32.8
Net position:								
Net investment in capital assets	\$83.1	\$71.1	\$13.2	\$14.2	\$96.3	\$85.3	\$5.8	\$6.5
Restricted	9.7	9.7	0.0	0.0	9.7	9.7	3.6	3.6
Unrestricted	19.0	19.6	1.6	1.0	20.6	20.6	(9.1)	(7.6)
Total net position	\$111.8	\$100.4	\$14.8	\$15.2	\$126.6	\$115.6	\$0.3	\$2.5

### Governmental Activities

Total net position shown above for governmental activities is \$111.8 million or \$11.4 million more than in 2012. The County used proceeds from bonds issued in previous years to continue construction of schools, a new Courthouse, and a Public Safety building. This resulted in an increase in capital assets and a decrease in current and other assets, as cash from the bond issuance was used. Capital assets increased by \$69 million resulting from \$74.6 million in capital additions, offset by \$5.6 million in current year depreciation. The \$74.6 million of additions consisted of the following (in millions):

Blacksburg High School	\$40.9
Auburn High School	27.6
Auburn Middle School	.9
Other school projects	.5
County Courthouse	2.2
Public Safety Building	.8
Public Safety Equipment	1.5
Other county additions	0.2
Total	\$74.6

### Business-Type Activities

Total net position shown above for business-type activities is \$14.8 million, relatively unchanged from the previous year balance of \$15.2 million.

### Component Units

Total net position shown above for component units is \$.3 million for 2013, a decrease of \$2.2 million from 2012. The School Board's liability for other post-employment benefits increased \$1.2 million based on actuarial valuations, and their accrued payroll and related liabilities also increased more than \$600,000.

## Summary of Activities:

The following chart shows the revenues and expenses of the governmental activities in millions:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Component Units</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues</b>								
<b>Program revenues:</b>								
Charges for services	\$ 2.8	\$ 2.9	\$ 4.7	\$ 3.5	\$ 7.5	\$ 6.4	\$ 4.6	\$ 5.0
Operating grants and contributions	12.2	13.2	-	-	12.2	13.2	53.8	57.0
Capital grants and contributions	-	-	0.1	0.5	0.1	0.5	-	-
<b>General revenues:</b>								
Property taxes	75.8	69.7	-	-	75.8	69.7	-	-
Other taxes	11.6	11.1	-	-	11.6	11.1	-	-
Payments from Montgomery County	-	-	-	-	-	-	40.0	37.5
Grants and contributions not restricted to specific purposes	5.3	5.0	-	-	5.3	5.0	-	-
Contributions from other governments	-	-	-	-	-	-	-	-
Other	0.6	0.7	-	-	0.6	0.7	0.2	0.3
<b>Total revenues</b>	<b>108.3</b>	<b>102.6</b>	<b>4.8</b>	<b>4.0</b>	<b>113.1</b>	<b>106.6</b>	<b>98.6</b>	<b>99.8</b>
<b>Expenses</b>								
General government	6.8	6.8	-	-	6.8	6.8	-	-
Judicial administration	3.2	2.2	-	-	3.2	2.2	-	-
Public safety	15.0	15.1	-	-	15.0	15.1	-	-
Public works	5.5	4.7	-	-	5.5	4.7	-	-
Health and welfare	7.6	9.0	-	-	7.6	9.0	-	-
Education	43.5	40.9	-	-	43.5	40.9	99.1	100.0
Parks, recreation and cultural	2.9	2.9	-	-	2.9	2.9	-	-
Community development	1.4	1.8	-	-	1.4	1.8	1.7	3.6
Water	-	-	3.4	2.1	3.4	2.1	-	-
Waste water	-	-	1.8	1.7	1.8	1.7	-	-
Interest on long-term debt	11.0	9.5	-	-	11.0	9.5	-	-
<b>Total expenses</b>	<b>96.9</b>	<b>92.9</b>	<b>5.2</b>	<b>3.8</b>	<b>102.1</b>	<b>96.7</b>	<b>100.8</b>	<b>103.6</b>
<b>Change in net position</b>	<b>11.4</b>	<b>9.7</b>	<b>(0.4)</b>	<b>0.2</b>	<b>11.0</b>	<b>9.9</b>	<b>(2.2)</b>	<b>(3.8)</b>
Net position-beginning	100.4	90.7	15.2	15.0	115.6	105.7	2.5	6.3
Net position-ending	\$ 111.8	\$ 100.4	\$ 14.8	\$ 15.2	\$ 126.6	\$ 115.6	\$ 0.3	\$ 2.5

## Revenues

For the fiscal year ended June 30, 2013, revenues from governmental activities totaled \$108.3 million, an increase of \$5.7 million. The real estate tax rate was increased 12 cents per hundred dollars of assessed value for calendar year 2012, resulting in a revenue increase of \$4.1 million. The rate also increased 2 cents per hundred for calendar 2013 resulting in additional revenue of \$700,000. Increases occurred in other tax areas such as sales tax, delinquent tax collections, and personal property taxes bringing the total increase in tax collections to \$6.6 million. Charges for services from business-type activities totaled \$4.7 million, an increase of \$1.2 million from the previous year. This increase is due to facility fees that were received from a large development in 2013.

Component unit revenues total \$98.6 million, including a \$40 million transfer from the general fund. GASB 34 requires that school debt service be included in the general fund, as the schools cannot issue debt on their own. County funds associated with school debt service totaled \$18.8 million, which would have brought the total transfer to \$58.8 million under the previous method of accounting.

## Expenses

Expenses for governmental activities totaled \$96.9 million in 2013, an increase of \$4 million from the previous year. Due to federal and state programming changes, health and welfare expenses decreased \$1.4. Education expenses increased as the contribution from the County to the Schools increased \$2.6 million. Interest on long term debt increased \$1.5 million as payments began on debt recently issued to fund construction of the Courthouse and construction and renovation of three school buildings previously discussed.

Expenses for business-type activities increased by \$1.4 million. As discussed in Note 18, the County joined the New River Valley Regional Water Authority in June 2013. As part of the new water agreement, the Public Service Authority must pay a \$1.3 million membership fee over 40 years. This membership fee was expensed in 2013.

Education is a very high priority in the Montgomery County community; consequently, the Board of Supervisors contributed \$40 million to the operation of the Schools. Depreciation expense related to the schools totaled \$3.2 million.

Total expenses for education were \$43.5 million. This amount represented about 45% of governmental activity expenses. When interest for school related projects is included, the County contributed \$62.3 million, or 64.3%. On the cash basis of accounting, total school expenses, including expenses funded through the state and federal government and debt service for school related projects, were equal to 72% of the general fund expenses (excluding payments to the Schools), plus school operating fund expenses for 2013.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

For the fiscal year ended June 30, 2013, the governmental funds reflect a combined fund balance of \$104 million, a decrease of \$70 million from June 30, 2012. This consisted of \$44 million in the general fund and \$60 million in the county capital improvements fund. The general fund balance increased \$4 million from fiscal year 2012. This is due primarily to real estate, personal property, and sales tax collections exceeding estimates. This is combined with some budgeted expenditures being shifted into fiscal year 2014, including \$1.7 million in funding budgeted but not spent by the schools in 2013. The county capital projects fund balance decreased \$74 million as a result of using proceeds from bonds issued in previous years for projects in the current year.

The following table presents budgeted and actual revenues and expenditures (cash basis) for the general fund for fiscal year 2013 in millions:

	Original Budget	Amended Budget	Actual
Revenues			
Taxes	\$ 85.1	\$ 85.2	\$ 87.3
Intergovernmental	18.2	19.1	17.5
Other	2.7	3.2	3.3
Total	106.0	107.5	108.1
Expenditures and transfers	106.0	107.5	104.7
Change in fund balance	\$ -	\$ -	\$ 3.4

The most significant increase in comparing original budget to final budget for revenue is in intergovernmental revenue. Several significant grants combined with special projects were received and budgeted during the fiscal year to account for the \$900,000 increase in this category. Budgetary adjustments were made in the other revenue category to account for unpredictable, miscellaneous amounts such as recovered costs, which were received during the year, but not included in the original budget.

The increase in the final budget for expenditures over the original budget primarily resulting from encumbrances and carryovers from the 2012 budget and the appropriation of grants received and one-time expenditures throughout the year.

Actual tax revenue exceeded the budgeted amount by \$2.1 million. Effective January 1, 2013, the real estate tax rate was increased two cents per \$100 of assessed value. This was not included in the budgeted amounts due to the timing of the increase, resulting in additional revenue of approximately \$700,000 million. The other tax categories in which collections exceeded estimates included: delinquent property collections (\$300,000), personal property taxes on vehicles (\$400,000), sales tax revenue (\$200,000), and prepaid real estate taxes (\$400,000). Grant funds are budgeted when grants are awarded. However, the timing of grant revenue does not correspond to the fiscal year. This results in revenue falling short of the budgeted amount. Expenditures and transfers actual balances were less than the budgeted amount for several reasons, including the timing of grants mentioned above. The transfer from the general fund to the school operating fund *on the budgetary basis (cash)* was \$1.7 million lower than the budgeted amount. This is due to the schools receiving more state and federal revenue than budgeted, which resulted in a lower than budgeted amount needed from the County. The County transferred the balance of these funds to the Schools in fiscal year 2014.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the County had invested \$263.2 million net of accumulated depreciation in a variety of capital assets including buildings, park facilities, water and sewer lines, and sheriff and fire protection.

The following table displays the County, Schools (Component Unit), and Economic Development Authority (Component Unit) capital assets in millions of dollars:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Units	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Non-depreciable assets</b>								
Land	\$ 13.9	\$ 13.9	\$ 0.3	\$ 0.3	\$ 14.2	\$ 14.2	\$ 0.4	\$ 0.4
Intangible asset	-	-	0.9	-	0.9	-	-	-
Construction in progress	93.1	47.5	-	-	93.1	47.5	-	-
<b>Depreciable capital assets</b>								
Infrastructure	-	-	33.1	33.1	33.1	33.1	-	-
Buildings and improvements	177.8	150.5	0.1	0.1	177.9	150.6	42.6	42.6
Machinery and equipment	20.4	18.9	0.9	0.7	21.3	19.6	14.9	14.9
Accumulated depreciation	(42.0)	(36.6)	(15.0)	(14.1)	(57.0)	(50.7)	(42.6)	(41.5)
<b>Total</b>	<b>\$ 263.2</b>	<b>\$ 194.2</b>	<b>\$ 20.3</b>	<b>\$ 20.1</b>	<b>\$ 283.5</b>	<b>\$ 214.3</b>	<b>\$ 15.3</b>	<b>\$ 16.4</b>

The table below shows the change in capital assets in millions of dollars:

	Balance June 30, 2012	Net Additions/ (Deletions)	Balance June 30, 2013
<b>Non-depreciable assets</b>			
Land	\$ 14.6	\$ -	\$ 14.6
Intangible assets	-	0.9	0.9
Construction in progress	47.5	45.6	93.1
<b>Depreciable capital assets</b>			
Infrastructure	33.1	-	33.1
Buildings and improvements	193.2	27.3	220.5
Machinery and equipment	34.5	1.7	36.2
Accumulated depreciation	(92.2)	(7.4)	(99.6)
<b>Total</b>	<b>\$ 230.7</b>	<b>\$ 68.1</b>	<b>\$ 298.8</b>

## Governmental Activities

In 2013, the County continued construction on Blacksburg High School (\$40.9 million) and Auburn High School (\$27.6 million). Construction began on Auburn Middle School (\$900,000) and the new Public Safety Building (\$800,000). The County Courthouse, with a total cost of \$26.8 million was completed and transferred from construction in progress to buildings and improvements. Current year costs on this project totaled \$2.2 million.

Additional information about the County's capital assets, including business-type activities and the component unit school board can be found in Note 8 of this report.

## **Long Term Debt**

The following table displays the Governmental and Business-Type Activities Outstanding Debt at June 30, 2013, in millions of dollars:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
General obligation bonds	\$ 128.6	\$ 132.6	\$ -	\$ -	\$ 128.6	\$ 132.6
Lease revenue bonds	72.9	77.6	-	-	72.9	77.6
Literary loans	2.2	2.5	-	-	2.2	2.5
Refunding bonds	36.0	40.0	-	-	36.0	40.0
Revenue bonds	-	-	6.2	5.9	6.2	5.9
<b>Total</b>	<b>\$ 239.7</b>	<b>\$ 252.7</b>	<b>\$ 6.2</b>	<b>\$ 5.9</b>	<b>\$ 245.9</b>	<b>\$ 258.6</b>

Other obligations include accrued compensated absences, other post-employment benefits, and accrued landfill closure and post-closure costs. More detailed information about the County's long-term debt can be found in Note 9 of this report. Debt for school assets is included with Governmental Activities under GASB 34, as schools in Virginia are not able to issue debt.

The Montgomery County Board of Supervisors adopted the following debt policy on March 27, 2000:

1. The County will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.
2. When the County finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project. Target debt ratios will be annually calculated and included in the review of financial trends.
3. Net debt per capita should remain under \$2,000. Net debt is defined as any and all debt that is tax-supported.
4. Net debt as a percentage of estimated market value of taxable property should target 3% but not exceed 4%.
5. The ratio of debt service expenditures as a percent of governmental fund expenditures should target 10% but not exceed 12%.
6. The ratio of net debt per capita as a percentage of income should target 7.5% but not exceed 10%.
7. The County recognizes the importance of underlying and overlapping debt in analyzing financial condition. The County will regularly analyze total indebtedness including underlying and overlapping debt.
8. Where feasible, the County will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds. The County will retire tax anticipation debt, if any, annually and will retire bond anticipation debt within six months after completion of the project.

9. On all general fund supported, debt-financed projects, the County will attempt to make a down payment of at least 5% of total project costs in the aggregate from current resources.

As of June 30, 2013, the County was in compliance with all debt policies.

### **ECONOMIC FACTORS**

As of October 2013, the County's unemployment rate was 5.6 percent, a decrease from the rate a year ago which was 5.7 percent. The current rate is slightly lower than the state's average unemployment rate of 5.5 percent.

The Board of Supervisors increased the tax rate to \$0.89 per \$100 of assessed value for calendar year 2013, a two cent increase over the prior year. This increase will be used for future School construction.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Financial and Management Services, 755 Roanoke Street, Christiansburg, Virginia 24073.

## **BASIC FINANCIAL STATEMENTS**

---

## COUNTY OF MONTGOMERY, VIRGINIA

## STATEMENT OF NET POSITION

June 30, 2013

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority	Total
<b>ASSETS</b>						
Cash and cash equivalents (Note 4)	\$ 46,002,434	\$ 2,684,632	\$ 48,687,066	\$ 2,319,264	\$ 798,388	\$ 51,804,718
Receivables, net (Note 5)	2,983,290	578,035	3,561,325	-	12,219	3,573,544
Due from primary government	-	-	-	5,186,694	-	5,186,694
Due from other governmental units (Note 6)	2,560,935	-	2,560,935	2,894,082	-	5,455,017
Internal balances (Note 7)	15,346	(15,346)	-	-	-	-
Prepays	141,216	-	141,216	1,550,966	15,156	1,707,338
Inventories	-	39,043	39,043	95,228	3,119,907	3,254,178
Advances to component unit (Note 15)	5,626,109	-	5,626,109	-	-	5,626,109
Restricted assets:						
Cash and cash equivalents (Note 4)	367,445	56,465	423,910	-	-	423,910
Investments (Note 4)	69,847,560	-	69,847,560	-	-	69,847,560
Notes receivable	-	-	-	-	3,325,000	3,325,000
Accrued interest receivable	-	-	-	-	283,183	283,183
Notes receivable (Note 15)	516,627	-	516,627	-	-	516,627
Lease receivable	-	-	-	-	291,614	291,614
Debt issuance costs, net	2,373,574	98,858	2,472,432	-	16,906	2,489,338
Capital assets: (Note 8)						
Non-depreciable	107,012,542	1,217,389	108,229,931	394,257	40,851	108,665,039
Depreciable, net	156,200,800	19,112,451	175,313,251	6,015,181	8,912,090	190,240,522
Total assets	393,647,878	23,771,527	417,419,405	18,455,672	16,815,314	452,690,391
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	14,919,953	217,742	15,137,695	685,545	198,776	16,022,016
Due to other governments	-	877,000	877,000	-	-	877,000
Accrued payroll and related liabilities	947,105	38,714	985,819	7,863,812	-	8,849,631
Accrued interest payable	4,268,638	6,337	4,274,975	-	-	4,274,975
Amounts held for others	367,445	-	367,445	-	-	367,445
Advances from primary government (Note 15)	-	-	-	-	5,626,109	5,626,109
Due to other governmental units (Notes 6)	500,656	-	500,656	-	-	500,656
Due to component unit	5,186,694	-	5,186,694	-	516,627	5,703,321
Unearned revenue (Note 5)	376,027	-	376,027	-	67,754	443,781
Customer deposits	-	56,465	56,465	-	110,000	166,465
Long-term liabilities: (Note 9)						
Due within one year	15,505,143	363,260	15,868,403	2,539,000	501,705	18,909,108
Due in more than one year	239,762,371	7,395,529	247,157,900	7,467,908	9,347,770	263,973,578
Total liabilities	281,834,032	8,955,047	290,789,079	18,556,265	16,368,741	325,714,085
<b>NET POSITION</b>						
Net investments in capital assets	83,053,651	13,246,729	96,300,380	6,409,438	(529,123)	102,180,695
Restricted:						
Debt service	9,741,835	-	9,741,835	-	-	9,741,835
Note receivable	-	-	-	-	3,608,183	3,608,183
Unrestricted	19,018,360	1,569,751	20,588,111	(6,510,031)	(2,632,487)	11,445,593
Total net position	\$ 111,813,846	\$ 14,816,480	\$ 126,630,326	\$ (100,593)	\$ 446,573	\$ 126,976,306

The Notes to Financial Statements are  
an integral part of this statement.



## COUNTY OF MONTGOMERY, VIRGINIA

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total	
					Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority		
Primary Government:											
Governmental activities:											
General government administration	\$ 6,839,318	\$ 424,987	\$ 293,869	\$ -	\$ (6,120,462)	\$ -	\$ (6,120,462)	\$ -	\$ -	\$ (6,120,462)	
Judicial administration	3,243,491	381,645	1,059,070	-	(1,802,776)	-	(1,802,776)	-	-	(1,802,776)	
Public safety	14,993,461	954,882	4,057,788	-	(9,980,791)	-	(9,980,791)	-	-	(9,980,791)	
Public works	5,514,675	157,054	35,480	-	(5,322,141)	-	(5,322,141)	-	-	(5,322,141)	
Health and welfare	7,590,977	229,217	5,195,989	-	(2,165,771)	-	(2,165,771)	-	-	(2,165,771)	
Education	43,474,161	-	1,288,833	-	(42,185,328)	-	(42,185,328)	-	-	(42,185,328)	
Parks, recreational, and cultural	2,899,220	594,361	224,581	-	(2,080,278)	-	(2,080,278)	-	-	(2,080,278)	
Community development	1,431,050	96,132	-	-	(1,334,918)	-	(1,334,918)	-	-	(1,334,918)	
Interest on long-term debt	10,947,731	-	-	-	(10,947,731)	-	(10,947,731)	-	-	(10,947,731)	
Total governmental activities	96,934,084	2,838,278	12,155,610	-	(81,940,196)	-	(81,940,196)	-	-	(81,940,196)	
Business-type activities:											
Water	3,396,875	2,505,622	-	64,116	-	(827,137)	(827,137)	-	-	(827,137)	
Wastewater	1,829,886	2,208,868	-	-	-	378,982	378,982	-	-	378,982	
Total business-type activities	5,226,761	4,714,490	-	64,116	-	(448,155)	(448,155)	-	-	(448,155)	
Total primary government	\$ 102,160,845	\$ 7,552,768	\$ 12,155,610	\$ 64,116	(81,940,196)	(448,155)	(82,388,351)	-	-	(82,388,351)	
Component Units:											
School Board	\$ 99,152,586	\$ 3,445,450	\$ 53,776,460	\$ -	-	-	-	(41,930,676)	-	(41,930,676)	
Economic Development Authority	1,680,338	1,126,967	-	-	-	-	-	-	(553,371)	(553,371)	
Total component units	\$ 100,832,924	\$ 4,572,417	\$ 53,776,460	\$ -	-	-	-	(41,930,676)	(553,371)	(42,484,047)	
General Revenues:											
General property taxes (Note 5)					75,751,806	-	75,751,806	-	-	75,751,806	
Sales and use tax					7,982,843	-	7,982,843	-	-	7,982,843	
Utility tax					1,847,570	-	1,847,570	-	-	1,847,570	
Motor vehicle license tax					664,650	-	664,650	-	-	664,650	
Other local taxes					1,102,502	-	1,102,502	-	-	1,102,502	
Intergovernmental revenue, unrestricted					5,317,374	-	5,317,374	-	-	5,317,374	
Investment earnings, unrestricted					245,070	3,831	248,901	22,035	201,481	472,417	
Investment earnings, restricted for capital projects					423,947	-	423,947	-	-	423,947	
Payments from Montgomery County					-	-	-	40,045,591	111,255	40,156,846	
Total general revenues					93,335,762	3,831	93,339,593	40,067,626	312,736	133,719,955	
Change in net position					11,395,566	(444,324)	10,951,242	(1,863,050)	(240,635)	8,847,557	
Net position – beginning					100,418,280	15,260,804	115,679,084	1,762,457	687,208	118,128,749	
Net position – ending					\$ 111,813,846	\$ 14,816,480	\$ 126,630,326	\$ (100,593)	\$ 446,573	\$ 126,976,306	

## COUNTY OF MONTGOMERY, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2013**

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 41,653,631	\$ 4,348,803	\$ 46,002,434
Receivables, net	2,983,290	-	2,983,290
Due from other governmental units	2,560,935	-	2,560,935
Advances to other funds	15,346	-	15,346
Advances to component unit	5,626,109	-	5,626,109
Notes receivable	516,627	-	516,627
Restricted assets:			
Cash and cash equivalents	367,445	-	367,445
Investments	-	69,847,560	69,847,560
Total assets	<u>\$ 53,723,383</u>	<u>\$ 74,196,363</u>	<u>\$ 127,919,746</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 793,299	\$ 14,126,654	\$ 14,919,953
Accrued payroll and related liabilities	947,105	-	947,105
Due to other governmental units	500,656	-	500,656
Due to component unit	5,186,694	-	5,186,694
Deferred revenue (Note 5)	2,234,497	-	2,234,497
Amounts held for others	367,445	-	367,445
Total liabilities	<u>10,029,696</u>	<u>14,126,654</u>	<u>24,156,350</u>
Fund Balances:			
Nonspendable	6,142,736	-	6,142,736
Restricted	198,007	60,069,709	60,267,716
Committed	811,116	-	811,116
Assigned	4,983,773	-	4,983,773
Unassigned	31,558,055	-	31,558,055
Total fund balances	<u>43,693,687</u>	<u>60,069,709</u>	<u>103,763,396</u>
Total liabilities and fund balances	<u>\$ 53,723,383</u>	<u>\$ 74,196,363</u>	<u>\$ 127,919,746</u>

**COUNTY OF MONTGOMERY, VIRGINIA**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2013**

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

<b>Ending fund balance – governmental funds</b>		<b>\$</b>	<b>103,763,396</b>
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds.			263,213,342
Certain amounts are recognized as expenditures when paid in the fund statements, but are capitalized and recorded in future periods for governmental activities.			141,216
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			1,858,470
Debt issuance costs that are capitalized and amortized on the government-wide basis are recorded as expenditures in the funds.			2,373,574
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.			
Long-term debt, including premium, discounts, and deferred amounts	\$	(250,007,251)	
Landfill closure/post-closure liability		(1,079,159)	
Compensated absences		(2,735,337)	
Other postemployment benefits		(1,445,767)	
Accrued interest payable		(4,268,638)	
			<u>(259,536,152)</u>
<b>Net position of governmental activities</b>	<b>\$</b>		<b><u>111,813,846</u></b>

## COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
General property taxes	\$ 75,762,039	\$ -	\$ 75,762,039
Other local taxes	11,597,565	-	11,597,565
Permits, privilege fees, and regulatory licenses	784,979	-	784,979
Fines and forfeitures	134,154	-	134,154
Revenue from use of money and property	442,890	230,071	672,961
Charges for services	678,997	-	678,997
Recovered costs	1,237,952	17,196	1,255,148
Intergovernmental	17,472,984	-	17,472,984
Total revenues	<u>108,111,560</u>	<u>247,267</u>	<u>108,358,827</u>
<b>EXPENDITURES</b>			
Current operating:			
General government administration	6,646,567	-	6,646,567
Judicial administration	3,216,924	-	3,216,924
Public safety	14,235,137	-	14,235,137
Public works	3,699,143	-	3,699,143
Health and welfare	7,597,546	-	7,597,546
Education	40,082,257	-	40,082,257
Parks, recreation, and cultural	2,868,281	-	2,868,281
Community development	1,393,140	-	1,393,140
Debt service:			
Principal retirement	12,944,479	-	12,944,479
Interest and fiscal charges	11,876,151	-	11,876,151
Capital projects	-	74,446,535	74,446,535
Total expenditures	<u>104,559,625</u>	<u>74,446,535</u>	<u>179,006,160</u>
Excess (deficiency) of revenues over expenditures	<u>3,551,935</u>	<u>(74,199,268)</u>	<u>(70,647,333)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	932,223	944,897	1,877,120
Transfers out	(944,897)	(932,223)	(1,877,120)
Total other financing sources	<u>(12,674)</u>	<u>12,674</u>	<u>-</u>
Net change in fund balances	<u>3,539,261</u>	<u>(74,186,594)</u>	<u>(70,647,333)</u>
<b>FUND BALANCES AT JULY 1</b>	<u>40,154,426</u>	<u>134,256,303</u>	<u>174,410,729</u>
<b>FUND BALANCES AT JUNE 30</b>	<u>\$ 43,693,687</u>	<u>\$ 60,069,709</u>	<u>\$ 103,763,396</u>

**COUNTY OF MONTGOMERY, VIRGINIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

**Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities:**

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (70,647,333)</b>
---	------------------------

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. That is the amount by which depreciation (\$5,577,610) and the loss on disposals (\$78,914) are less than capital outlay (\$74,734,437) in the current period.

69,077,913

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

(10,233)

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 current financial resources of governmental funds. Neither transaction, however, has an effect on net position.

Principal repayments:

General obligation bonds	3,995,249
Lease revenue bonds	4,709,351
Literary fund loans	250,000
Refunding bonds	<u>3,989,879</u>

12,944,479

Governmental funds report the effect of bond issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrued, regardless of when it is due. The net effect of those differences are as follows:

Amortization of bond premiums, discounts, and deferred costs	499,682
Amortization of debt issuance costs	(182,895)
Interest expense	<u>611,633</u>

928,420

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.

(897,680)

<b>Change in net assets of governmental activities</b>	<b><u>\$ 11,395,566</u></b>
--	-----------------------------

## COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL (CASH BASIS)

## GENERAL FUND

For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
General property taxes	\$ 74,023,646	\$ 74,104,405	\$ 75,704,740	\$ 1,600,335
Other local taxes	11,147,283	11,147,283	11,593,677	446,394
Permits, privilege fees, and regulatory licenses	721,889	724,612	809,954	85,342
Fines and forfeitures	117,000	117,000	145,959	28,959
Revenue from use of money and property	606,749	606,749	442,889	(163,860)
Charges for services	468,492	704,918	678,997	(25,921)
Recovered costs	639,857	979,349	1,239,833	260,484
Intergovernmental	18,274,738	19,128,201	17,492,273	(1,635,928)
Total revenues	105,999,654	107,512,517	108,108,322	595,805
<b>EXPENDITURES</b>				
Current operating:				
General government administration	7,324,958	8,649,844	6,625,914	2,023,930
Judicial administration	3,098,401	3,480,600	3,213,238	267,362
Public safety	13,504,789	14,676,231	14,185,930	490,301
Public works	4,468,615	5,041,879	3,673,140	1,368,739
Health and welfare	9,263,171	8,897,244	7,640,898	1,256,346
Education	39,779,055	41,974,933	40,230,878	1,744,055
Parks, recreation, and cultural	2,573,003	3,913,485	2,861,650	1,051,835
Community development	1,272,705	1,564,811	1,408,211	156,600
Debt service:				
Principal retirement	12,784,600	12,784,600	12,944,479	(159,879)
Interest and fiscal charges	11,833,080	11,833,080	11,876,151	(43,071)
Total expenditures	105,902,377	112,816,707	104,660,489	8,156,218
Excess (deficiency) of revenues over expenditures	97,277	(5,304,190)	3,447,833	8,752,023
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,107,223	6,753,587	932,223	(5,821,364)
Transfers out	(1,204,500)	(1,449,397)	(944,897)	504,500
Total other financing sources (uses)	(97,277)	5,304,190	(12,674)	(5,316,864)
Net change in fund balance	\$ -	\$ -	\$ 3,435,159	\$ 3,435,159

## COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2013

	Business-type Activities Enterprise Funds		
	Water	Wastewater	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,026,854	\$ 657,778	\$ 2,684,632
Receivables, net	322,339	255,696	578,035
Inventories	38,391	652	39,043
Total current assets	2,387,584	914,126	3,301,710
Noncurrent assets:			
Cash and cash equivalents, restricted	34,245	22,220	56,465
Deferred bond costs	45,560	53,298	98,858
Capital assets:			
Non-depreciable	1,199,389	18,000	1,217,389
Depreciable, net	10,365,688	8,746,763	19,112,451
Total noncurrent assets	11,644,882	8,840,281	20,485,163
Total assets	14,032,466	9,754,407	23,786,873
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	85,283	132,459	217,742
Due to other governments	877,000	-	877,000
Accrued payroll and related liabilities	19,252	19,462	38,714
Accrued interest payable	3,864	2,473	6,337
Due to other funds	15,346	-	15,346
Current portion of noncurrent liabilities	211,107	130,631	341,738
Total current liabilities	1,211,852	285,025	1,496,877
Noncurrent liabilities:			
Customer deposits	34,245	22,220	56,465
Due in more than one year	3,721,724	2,395,327	6,117,051
Total noncurrent liabilities	3,755,969	2,417,547	6,173,516
Total liabilities	4,967,821	2,702,572	7,670,393
<b>NET POSITION</b>			
Net investments in capital assets	6,903,980	6,342,749	13,246,729
Unrestricted	2,160,665	709,086	2,869,751
Total net position	\$ 9,064,645	\$ 7,051,835	16,116,480

**Reconciliation with business-type activities in the Statement of Net Position (Exhibit 1)**

Long-term membership fee payable to other government legally due from County but financed by enterprise funds revenues	(1,300,000)
Net position of business-type activities	\$ 14,816,480

## COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS

For the Year Ended June 30, 2013

	Business-type Activities Enterprise Funds		
	Water	Wastewater	Total
<b>OPERATING REVENUES</b>			
Water revenues	\$ 1,508,225	\$ -	\$ 1,508,225
Wastewater revenues	-	1,237,403	1,237,403
Penalties and reconnection charges	37,653	16,123	53,776
Fees	252,800	118,600	371,400
Miscellaneous	28,526	8,007	36,533
Total operating revenues	1,827,204	1,380,133	3,207,337
<b>OPERATING EXPENSES</b>			
Salaries and wages	390,991	365,423	756,414
Employee benefits	191,737	179,969	371,706
Utilities and telephone	53,372	75,093	128,465
Water and wastewater services	465,039	396,409	861,448
Operating supplies, fees, permits	61,813	49,768	111,581
Professional services	205,301	57,030	262,331
Repairs and maintenance	71,205	142,792	213,997
Insurance	18,362	12,938	31,300
Vehicle supplies and miscellaneous	37,589	22,013	59,602
Bad debts	5,620	4,065	9,685
Office supplies and miscellaneous	32,392	6,403	38,795
Amortization	1,383	2,123	3,506
Depreciation	432,111	434,252	866,363
Total operating expenses	1,966,915	1,748,278	3,715,193
Operating loss	(139,711)	(368,145)	(507,856)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	3,831	-	3,831
Facility fees	684,038	832,800	1,516,838
Interest expense	(135,580)	(85,673)	(221,253)
Total nonoperating revenues	552,289	747,127	1,299,416
Loss before contributions	412,578	378,982	791,560
<b>CAPITAL CONTRIBUTIONS FROM DEVELOPERS</b>	64,116	-	64,116
Change in net position	476,694	378,982	855,676
<b>Total net position – beginning</b>	8,587,951	6,672,853	15,260,804
<b>Total net position – ending</b>	\$ 9,064,645	\$ 7,051,835	\$ 16,116,480
<b>Reconciliation with business-type activities in the statement of activities:</b>			
Change in net position			\$ 855,676
Initial membership fee to New River Valley Regional Water Authority legally due from County but financed by enterprise funds revenues.			(1,300,000)
Change in net position of business-type activities			\$ (444,324)



## COUNTY OF MONTGOMERY, VIRGINIA

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2013**

	Business-type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
<b>OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,829,146	\$ 1,377,209	\$ 3,206,355
Payments to suppliers	(826,142)	(739,137)	(1,565,279)
Payments to employees	(567,857)	(528,171)	(1,096,028)
Payments to County for financial services	(88,008)	-	(88,008)
Net cash provided by operating activities	347,139	109,901	457,040
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in (out)	281,563	(281,563)	-
Net cash provided by (used in) noncapital financing activities	281,563	(281,563)	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(54,111)	(21,449)	(75,560)
Facility fee payments from customers	684,038	832,800	1,516,838
Proceeds from the issuance of long-term debt	3,826,106	2,448,894	6,275,000
Principal payments on debt	(3,653,525)	(2,305,319)	(5,958,844)
Payment of bond issuance costs	(25,121)	(16,079)	(41,200)
Interest payments on debt	(138,363)	(87,187)	(225,550)
Net cash used in capital and related financing activities	639,024	851,660	1,490,684
<b>INVESTING ACTIVITIES</b>			
Interest received	3,831	-	3,831
Net increase in cash and cash equivalents	1,271,557	679,998	1,951,555
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning at July 1	789,542	-	789,542
Ending at June 30	\$ 2,061,099	\$ 679,998	\$ 2,741,097
<b>RECONCILIATION TO EXHIBIT 6</b>			
Cash and cash equivalents	\$ 2,026,854	\$ 657,778	\$ 2,684,632
Cash and cash equivalents, restricted	34,245	22,220	56,465
	\$ 2,061,099	\$ 679,998	\$ 2,741,097
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating loss	\$ (139,711)	\$ (368,145)	\$ (507,856)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Amortization	1,383	2,123	3,506
Depreciation	432,111	434,252	866,363
(Increase) decrease in:			
Accounts receivable	3,362	(1,869)	1,493
Prepays	7,703	6,040	13,743
Inventory	(2,455)	642	(1,813)
(Decrease) increase in:			
Accounts payable	23,871	16,627	40,498
Advances payable for operating items	1,804	-	1,804
Accrued payroll and related liabilities	(2,321)	2,384	63
Other postemployment benefits	17,192	14,837	32,029
Customer deposits	4,200	3,010	7,210
Net cash provided by operating activities	\$ 347,139	\$ 109,901	\$ 457,040
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Intangible assets included in due to other governments	\$ 877,000	\$ -	\$ 877,000
Capital assets included in accounts payable	\$ -	\$ 47,800	\$ 47,800
Contributions from developers	\$ 64,116	\$ -	\$ 64,116

## COUNTY OF MONTGOMERY, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### Note 1. Summary of Significant Accounting Policies

The financial statements of the County of Montgomery, Virginia (the "County"), have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the County are described below.

##### A. Reporting Entity

**Primary Government.** The County is a political subdivision of the Commonwealth of Virginia governed by a seven-member elected Board of Supervisors (the "Board"). The accompanying financial statements for the primary government and its component units are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the GASB.

**Blended Component Units.** The Public Service Authority (the "Authority") provides water and wastewater services for County businesses and residents and is treated as a blended component unit because the County's Board serves as the Authority's Board of Directors. The financial statements of the Authority are presented in their entirety in the County's Comprehensive Annual Financial Report ("CAFR").

**Discretely Presented Component Units.** Discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or whose relationship with the County is such that exclusion would cause the government's financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

##### **Montgomery County School Board**

The Montgomery County School Board (the "School Board") is responsible for elementary and secondary education within the County's jurisdiction. The School Board is comprised of seven members popularly elected to a four-year term. The School Board is fiscally dependent upon the County because the County Board approves the School Board budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of debt. The School Board does not issue separate financial statements; as such, they have been included in these statements.

##### **Montgomery County Economic Development Authority**

The Montgomery County Economic Development Authority (the "EDA") was created to encourage and provide financing for economic development in the County. The EDA is governed by seven directors appointed by the County Board and the County is financially accountable for the EDA. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate industrial development. Complete financial statements may be obtained by writing the Montgomery County Economic Development Authority, 755 Roanoke Street, Christiansburg, Virginia 24073.

## COUNTY OF MONTGOMERY, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### A. Reporting Entity (Continued)

The following entities are excluded from the accompanying financial statements:

##### **Jointly Governed Organizations:**

##### **New River Valley Community Services**

The County and the Counties of Floyd, Giles, Pulaski, and the City of Radford participate in supporting New River Valley Community Services ("NRVCS"). The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the current year, the County contributed \$262,786 to NRVCS.

##### **Virginia Tech Montgomery Executive Airport Authority**

The Virginia Tech Montgomery Executive Airport Authority (the "Airport Authority") was created by concurrent resolutions of the governing bodies of the County, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Airport Authority is governed by a five member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. The Airport Authority utilizes revenues generated by the airport and contributions by the members to fund all airport activities and has no bonded indebtedness. For the current year, the County paid \$50,000 toward operations of the Authority.

##### **Montgomery Regional Solid Waste Authority**

The County is a member of the Montgomery Regional Solid Waste Authority (the "Waste Authority"), which was created by a joint resolution by the County, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Waste Authority is governed by a five member board whereby the governing body of each member jurisdiction appoints one board member and all jurisdictions jointly appoint a fifth member. The Waste Authority, which began operation in August 1995, operates a sanitary landfill and recycling facility. Each jurisdiction provides collection of solid waste and recyclables from within its jurisdiction and delivers the collected materials to the Waste Authority. All Waste Authority operations are financed by tipping fees and the individual jurisdictions are not liable for the debt of the Waste Authority. The remaining life of the landfill is estimated at one year, and the Waste Authority has negotiated with an adjacent authority for shared use of a new permitted landfill with an anticipated operating life of 30 years. For the current year, the County paid \$746,275 in tipping fees to the Waste Authority.

##### **Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization**

The County is a member of the Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization (the "MPO"). The MPO is a transportation policy-making organization serving the Blacksburg, Christiansburg, and Montgomery area. The MPO provides the information, tools, and public input necessary to improve the performance of the transportation system of the region. Future transportation needs are addressed, giving consideration to all possible strategies and the community's vision. The County has three members within this organization, two of which are voting members. For the current year, the County paid \$20,784 toward operations of the MPO.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**A. Reporting Entity (Continued)**

**Jointly Governed Organizations: (Continued)**

**Western Virginia Regional Jail Authority**

The County, along with the Counties of Franklin and Roanoke and the City of Salem, is a member of the Western Virginia Regional Jail Authority (WVRJA) which was created in June 2005. The WVRJA was formed to own, operate, manage, maintain, regulate, plan for and finance the regional jail. The Board consists of twelve members, three from each jurisdiction consisting of the Sheriff, one elected member of the governing body, and the chief administrative officer. The member jurisdictions are responsible for a portion of the debt service and per diem cost based on prisoner days used. For the current year, the County paid \$2,180,937 to the WVRJA.

**New River Valley Emergency Communications Regional Authority**

The County is a member of the New River Valley Emergency Communications Regional Authority (the "Communications Authority"). The Communications Authority is a regional partnership, serving the County of Montgomery, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Communications Authority will provide quality and reliable 911 dispatch and emergency communication services to the community and agencies in these localities. The County has one member on the Board of this organization. For the current year, the County paid \$82,000 toward the operations of the Communications Authority.

**Montgomery Tourism Development Council**

The County, along with the Towns of Blacksburg and Christiansburg, is a member of the Montgomery Tourism Development Council. The Council was formed to stimulate economic opportunity and enhance quality of life by celebrating and sharing the region's culture, heritage, and natural beauty through authentic visitor experiences. The operating board consists of the County Administrator and Town Managers. For the current year, the County paid \$10,398 toward the operations of the Council.

**NRV Regional Water Authority**

On June 26, 2013, the Blacksburg-Christiansburg-VPI Water Authority was renamed the NRV Regional Water Authority. The new Authority will operate and maintain a water supply system for the Town of Christiansburg, Town of Blacksburg, Virginia Tech, and Montgomery County. Each governing body will appoint one member to the five person Board of Directors, one from each member and one at large member. Initially, until the term of one of the current at large members expires the board will be comprised of six members. The board will then be reduced to five and the one at large member will be appointed by the members of the authority. All indebtedness of the Authority is payable solely from the revenues of the water system. Although the Montgomery County Public Service Authority is one of the Authority's customers, neither the County nor the PSA have an obligation for any of its indebtedness. During fiscal year 2013, the County made no payments to the Authority.

## COUNTY OF MONTGOMERY, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of a statement of net position and a statement of activities that report information on all activities of the primary government. For the most part, the effect of inter-fund 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.

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

Separate financial statements are provided for government funds and proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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 use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenue and receivables when billed, net of allowances of uncollectible amounts. Real and personal property taxes recorded at June 30, and received within the first 60 days after year end are included in tax revenues, with the related amount reduced from deferred revenues. Sales and utility taxes, which are collected by the state or utility companies and subsequently remitted to the County, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or two months preceding receipt by the County. Licenses, permits, fines, and rents are recorded as revenues when received. Grant revenues are considered receivable when legal and contractual requirements have been met and available if collected within one year for the County, or 60 days of year-end for the School Board. Revenues from general-purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts which are recorded as compensated absences and other postemployment benefits, which are recognized when paid, and (2) principal and interest payments on general long-term debt, both of which are recognized when due.

The County reports the following major governmental funds:

**General Fund** – This is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

**County Capital Improvements Fund** – This fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

Proprietary funds are used to account for the County’s ongoing activities similar to those often found in the private sector. The County reports the following major proprietary funds:

**Water Fund** – This fund accounts for the activities of the water department operations.

**Wastewater Fund** – This fund accounts for the activities of the wastewater department.

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

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes, grants and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

Operating revenues and expenses in the proprietary funds result from providing goods and services in connection with their principal ongoing operations. The principal operating revenues of the County’s proprietary funds are charges for services. The Public Service Authority also recognizes as operating revenue the portion of connection (tap) fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, contractual services, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Position or Fund Equity**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts in demand deposits, as well as short-term investments with a maturity date within three months of date acquired.

**Investments**

Investments are stated at fair value.

**Receivables**

Receivables are shown net of an allowance for uncollectible amounts calculated by management using historical collection data, specific account analysis, and management's judgment.

**Inventories**

Inventories generally are recorded at cost using the first-in/first-out (FIFO) method except for commodities received from the Federal Government, which are valued at market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventories of the EDA include land and buildings. The cost of land (including acquisition costs) is allocated to subdivided areas for the purpose of accumulating costs to match with sales revenues. Improvement, carrying and amenity costs are allocated based on acreage. Inventory is valued at the lower of cost or market.

**Capital Assets**

Capital assets which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined as items with an initial individual cost of more than \$5,000 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives 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 in 2013.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	4 – 30 years
Water and wastewater systems	30 – 40 years

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Position or Fund Equity (Continued)**

**Compensated Absences**

County and School Board employees are granted a specified amount of leave with pay each year. Amounts recorded reflect unused vacation and compensatory leave, and the amount of sick leave payable upon termination including applicable employer related taxes, in accordance with respective policies. The cost of accumulated vacation and sick leave pay is accounted for as a liability in the government-wide financial statements and proprietary fund type statements. A liability is reported in the governmental funds when the amounts become due and payable.

**Deferred/Unearned Revenues**

Deferred revenue in the general fund consists primarily of property taxes not collected within the defined availability period and property taxes collected in advance of their due date. Unearned revenue in governmental activities consists of property taxes collected prior to their due date.

**Long-term Liabilities**

Long-term debt and other 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 bond issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but do not recognize long-term liabilities. 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. Repayments and issuance costs are reported as debt service expenditures.

**Estimates**

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ.

**Net Position/Fund Balances**

Net position in the government-wide and proprietary financial statements is classified as net investment in capital assets; restricted; and unrestricted. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations.



**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Position or Fund Equity (Continued)**

**Net Position/Fund Balances (Continued)**

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans or advances.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the County Board of Supervisors; to be reported as committed, amounts cannot be used for any other purposes unless the Board of Supervisors takes action to remove or change the constraint. The Board of Supervisors adopts the amount to be included as revenue stabilization when the budget is approved. The Board must adopt a separate resolution appropriating these funds prior to their expenditure.
- **Assigned** – Amounts the County intends to use for a specified purpose; intent can be expressed by the governing body or by the County Administrator who has been designated this authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Supervisors establishes fund balance commitments by passage of resolutions. Assigned fund balance is established by the Board of Supervisors by passage of resolutions appropriating funds for specific purpose, including but not limited to the purchase of capital assets, construction, or debt service.

**Restricted Amounts**

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

## **COUNTY OF MONTGOMERY, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **D. Assets, Liabilities, and Net Position or Fund Equity (Continued)**

###### **Minimum Fund Balance Policy**

The General Fund reserve target is eight to ten percent of general fund plus school operating fund revenues. For the purpose of determining if the target has been met, the unassigned fund balance of the general fund is then compared to the general fund plus school operating fund revenues, excluding the general fund transfer to the school operating fund.

Other governmental funds of the County do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of each fund and as recommended by officials and approved by the Board of Supervisors.

###### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2013 total \$694,325 in the general fund.

#### **Note 2. Stewardship, Compliance, and Accountability**

##### **Budgetary Information**

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to March 30, the County Administrator submits to the Board a proposed operating and capital budget for the County and School Board for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.
- Public hearings are conducted to obtain citizen comments.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- The Appropriations Resolution places legal restrictions on expenditures at the organizational level. Each organization represents a major County function, such as County Administration, Financial and Management Services, Information Management Services, etc. Only the Board can revise the appropriation for each fund and function. The County Administrator may amend the budget within organizations and the School Board is authorized to transfer budgeted amounts within its major categories, which include administration, instruction, attendance, health, etc. School system revisions between these major categories requires approval by the Board of Supervisors.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**Note 2. Stewardship, Compliance, and Accountability (Continued)**

**Budgetary Information (Continued)**

- Formal budgetary integration is employed as a management control device during the year for the General and Capital Improvements Fund. Program and project budgets are utilized for the Capital Improvements Fund where funds remaining at the end of the year are reappropriated until project completion. The School Fund is integrated only at the level of legal adoption.
- All budgets are adopted on a cash basis.
- Appropriations lapse on June 30 for all County units. The Board approved additional General Fund appropriations of \$6,914,330 during the current year primarily for transfers for public safety, health and welfare, education, and capital projects.
- All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

Below is a reconciliation of the change in fund balances on the budgetary basis to the GAAP basis:

	<b>Primary Government</b>	<b>Component Unit – School Board</b>	
	<b>General Fund</b>	<b>Operating</b>	<b>Cafeteria</b>
Net change in fund balance (budgetary basis)	\$ 3,435,159	\$ 868,651	\$ (133,136)
Adjustments:			
Tax and other accruals and due from other entities/funds, net of deferred revenue:			
June 30, 2013	9,467,810	7,496,659	239,727
June 30, 2012	(9,451,077)	(7,881,213)	-
Inventory:			
June 30, 2013	-	-	95,228
June 30, 2012	-	-	(100,915)
Accounts, salaries, and other amounts payable to other entities/funds:			
June 30, 2013	(7,427,754)	(8,365,310)	(184,047)
June 30, 2012	7,515,123	7,881,213	197,313
Net change in fund balance (GAAP basis)	<u>\$ 3,539,261</u>	<u>\$ -</u>	<u>\$ 114,170</u>

## COUNTY OF MONTGOMERY, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### Note 3. Significant Transactions of the County Component Unit – School Board

Certain transactions between the County and the School Board are explained here to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

1. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt is recorded as a liability of the County’s governmental activities and the proceeds are recorded in the County’s governmental activities. Money in an amount equal to the proceeds received is then provided to the School Board for capital expenditures. Any unspent money is reported as deposits and investments in the County’s governmental activities.
2. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.
3. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be as follows:

Expenditures of School Board – Component Unit (Exhibit A-2)	\$ 97,233,968
Principal and other debt service expenditures included in primary Government (Exhibit 4)	18,784,109
Total expenditures for school activities	<u>\$ 116,018,077</u>

#### 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.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 4. Deposits and Investments (Continued)**

**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, the State Treasurer’s Local Government Investment Pool (LGIP), and the State Treasurer’s Non-Arbitrage Program (SNAP).

The County has invested bond proceeds subject to rebate of arbitrage earnings in SNAP. SNAP is an open-end management investment company registered with the SEC designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. This program provides comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation, and revenue tax-exempt financing of Virginia counties, cities, and towns.

As of June 30, the County had the following deposits and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard and Poor’s Credit Rating</u>	<u>Percentage of Portfolio</u>
Primary Government			
Demand deposits	\$ 49,110,976	NA	41%
SNAP	43,883,309	AAA	37%
Money market accounts	25,964,251	AAAm	22%
Total	<u>\$ 118,958,536</u>		<u>100%</u>
Component Unit – School Board			
Demand deposits	<u>\$ 2,319,264</u>	NA	<u>100%</u>

**Credit Risk**

The County has adopted a formal investment policy whereby the Treasurer invests its funds in accordance with Virginia law. State statute requires that obligations of the Commonwealth of Virginia and its political subdivisions have a debt rating of at least AA by Standard and Poor’s (S&P) or equivalent by Moody’s Investors Service (Moody’s). Repurchase agreements are collateralized by Treasury or Agency obligations of which the market value is at least 102% of the purchase price of the agreement. Commercial paper must be issued by an entity incorporated in the U.S. and rated at least A-1 by S&P and P-1 by Moody’s. Corporate notes and bonds have a rating of at least AA by S&P and Aa by Moody’s. Money market mutual funds must trade on a constant net asset value and invest solely in securities otherwise eligible for investment under these guidelines.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 4. Deposits and Investments (Continued)**

**Concentration of Credit Risk**

Although the intent of the County is to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the County places no limit on the amount it may invest in any one issuer.

**Interest Rate Risk**

At year end, the County is only invested in SNAP, which has a dollar weighted average portfolio maturity of 90 days and money market funds which are readily available.

**Custodial Credit Risk**

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, all of the County’s investments are held in a bank’s trust department in the County’s name by the County’s designated custodian. All investment activity during the year was in securities of the type held at year end.

The previous items are reflected in the statements as follows:

	<b>Primary Government</b>	<b>Component Unit – School Board</b>
Deposits and investments		
Cash and cash equivalents	\$ 48,687,066	\$ 2,319,264
Investments, restricted	69,847,560	-
Cash and cash equivalents, restricted	423,910	-
	<u>\$ 118,958,536</u>	<u>\$ 2,319,264</u>

**Restricted Amounts**

Restricted cash and cash equivalents and restricted investments consist primarily of unused bond proceeds, balances required to be maintained as conditions of certain bond instruments, and amounts held for others. Unused bond proceeds will be used to fund construction commitments described in Note 8 as well as renovation of the old courthouse for use as a public safety building.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 5. Receivables**

Receivables are as follows:

	<u>General</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Receivables				
Taxes	\$ 3,643,558	\$ -	\$ -	\$ 3,643,558
Accounts	<u>-</u>	<u>346,339</u>	<u>275,696</u>	<u>622,035</u>
Gross receivables	3,643,558	346,339	275,696	4,265,593
Less:				
Allowance for uncollectibles	<u>(660,268)</u>	<u>(24,000)</u>	<u>(20,000)</u>	<u>(704,268)</u>
Net total receivables	<u>\$ 2,983,290</u>	<u>\$ 322,339</u>	<u>\$ 255,696</u>	<u>\$ 3,561,325</u>

Taxes receivable represents the current and past four years of uncollected tax levies for personal property taxes and the current and past nineteen years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is approximately 18% of the total taxes receivable and is based on historical collection rates.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, the components of deferred revenue were as follows:

**Deferred and Unearned Revenue**

Property taxes receivable – unavailable	\$ 1,858,470
Property taxes receivable – unearned	<u>376,027</u>
Total deferred revenue	<u>\$ 2,234,497</u>

**Property Taxes**

The County levies real estate taxes on all real property within its boundaries, except that exempted by statute, at a rate enacted by the Board on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue. Public utility property is assessed by the Commonwealth. All property is assessed at 100% of fair market value and reassessed every four years as of January 1. The Commissioner of Revenue, by authority of County ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

Real estate taxes are billed in equal semi-annual installments due June 5 and December 5. The taxes receivable balance at June 30 includes amounts not yet received from the January 1 levy (due June 5), less an allowance for uncollectibles. Property taxes attach an enforceable lien on property as of January 1. In addition, any uncollected amounts from previous years' levies are included in the taxes receivable balance. The real estate tax rate for calendar year 2013 is \$0.89 per \$100 of assessed value.

Personal property tax assessments on tangible business property and all motor vehicles is \$2.55 per \$100 assessed value. Personal property taxes for the calendar year are due on December 5. Personal property taxes do not create a lien on property.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 6. Due to/from Other Governmental Units**

Due to other governmental units consists of the following:

	<b>General Fund</b>
<u>Commonwealth of Virginia:</u>	
Governor's Opportunity Fund	\$ 380,000
Montgomery Tourism Office	10,398
Delinquent fees collected by the Commonwealth's Attorney	<u>110,258</u>
	<u><u>\$ 500,656</u></u>

Due from other governmental units consists of the following:

	<b>General Fund</b>	<b>Component Unit – School Board</b>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 1,306,172	\$ -
State sales tax	-	1,582,641
Categorical aid – shared expenses	462,785	-
Categorical aid – schools	-	75,553
Non-categorical aid	171,390	-
Excess clerk fees	6,975	-
Virginia public assistance funds	166,878	-
Comprehensive services act	195,511	-
Metropolitan Planning Organization	8,565	-
<u>Federal Government:</u>		
Virginia public assistance funds	242,659	-
Categorical aid – school grants	<u>-</u>	<u>1,235,888</u>
	<u><u>\$ 2,560,935</u></u>	<u><u>\$ 2,894,082</u></u>



**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 7. Interfund Balances and Transfers**

Interfund balances consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	<u>\$ 15,346</u>

The primary purpose of the interfund balance between the General fund and Water fund is for financial services provided by the County to the Water fund for the month of June, and it was repaid subsequent to year end.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
County Capital Improvements	General	\$ 944,897
General	County Capital Improvements	932,223

Transfers to the County Capital Improvements fund from the General fund were to support capital projects. Transfers to the General fund from the County Capital Improvements fund were to provide funding for debt service.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**Note 8. Capital Assets**

Capital asset activity for the year was as follows:

**Primary Government**

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated:				
Land	\$ 13,885,899	\$ -	\$ -	\$ 13,885,899
Construction in progress	47,573,267	72,396,021	26,842,645	93,126,643
Total capital assets, not depreciated	61,459,166	72,396,021	26,842,645	107,012,542
Capital assets, depreciated:				
Buildings and improvements	150,472,740	27,362,387	-	177,835,127
Machinery and equipment	18,915,782	1,818,674	349,066	20,385,390
Total capital assets, depreciated	169,388,522	29,181,061	349,066	198,220,517
Less accumulated depreciation:				
Buildings and improvements	24,627,488	4,477,451	-	29,104,939
Machinery and equipment	12,084,771	1,100,159	270,152	12,914,778
Total accumulated depreciation	36,712,259	5,577,610	270,152	42,019,717
Total capital assets, depreciated, net	132,676,263	23,603,451	78,914	156,200,800
Capital assets, net	<u>\$194,135,429</u>	<u>\$ 95,999,472</u>	<u>\$ 26,921,559</u>	<u>\$263,213,342</u>

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 8. Capital Assets (Continued)**

**Primary Government (Continued)**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated:				
Land, improvements and rights	\$ 340,389	\$ -	\$ -	\$ 340,389
Intangible asset (Note 18)	-	877,000	-	877,000
Total capital assets, not depreciated	340,389	877,000	-	1,217,389
Capital assets, depreciated:				
Wastewater systems	17,071,800	-	-	17,071,800
Water systems	15,957,432	-	-	15,957,432
Buildings and improvements	104,318	-	-	104,318
Machinery and equipment	774,052	187,476	35,528	926,000
Total capital assets, depreciated	33,907,602	187,476	35,528	34,059,550
Less accumulated depreciation:				
Wastewater systems	7,855,357	430,798	-	8,286,155
Water systems	5,602,085	392,144	-	5,994,229
Buildings and improvements	90,515	918	-	91,433
Machinery and equipment	568,307	42,503	35,528	575,282
Less accumulated depreciation	14,116,264	866,363	35,528	14,947,099
Total capital assets, depreciated, net	19,791,338	(678,887)	-	19,112,451
Capital assets, net	<u>\$ 20,131,727</u>	<u>\$ 198,113</u>	<u>\$ -</u>	<u>\$ 20,329,840</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 120,904
Judicial administration	1,698
Public safety	881,243
Public works	1,283,729
Health and welfare	14,215
Education	3,236,180
Parks, recreation, and cultural	34,653
Community development	4,988
	<u>\$ 5,577,610</u>
Business-type activities:	
Water	\$ 432,111
Wastewater	434,252
	<u>\$ 866,363</u>

**COUNTY OF MONTGOMERY, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**Note 8. Capital Assets (Continued)**

**Primary Government (Continued)**

The County's construction commitments as of June 30 are as follows:

<b>Project</b>	<b>Spent to Date</b>	<b>Remaining Balance</b>
Middle School Renovation – Auburn	\$ 1,846,908	\$ 17,211,328
High School – Auburn	32,362,606	3,791,708
High School – Blacksburg	50,013,283	6,259,168
Public Safety Building	508,040	7,744,460
	<u>\$ 84,730,837</u>	<u>\$ 35,006,664</u>

**Component Unit – School Board**

Capital asset activity for the year was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated:				
Land	\$ 394,257	\$ -	\$ -	\$ 394,257
Total capital assets, not Depreciated	<u>394,257</u>	<u>-</u>	<u>-</u>	<u>394,257</u>
Capital assets, depreciated:				
Buildings and improvements	31,525,160	-	-	31,525,160
Machinery and equipment	14,784,208	792,241	758,635	14,817,814
Total capital assets, depreciated	<u>46,309,368</u>	<u>792,241</u>	<u>758,635</u>	<u>46,342,974</u>
Less accumulated depreciation:				
Buildings and improvements	30,402,125	512,576	-	30,914,701
Machinery and equipment	9,120,101	1,051,626	758,635	9,413,092
Total accumulated depreciation	<u>39,522,226</u>	<u>1,564,202</u>	<u>758,635</u>	<u>40,327,793</u>
Total capital assets, depreciated, net	<u>6,787,142</u>	<u>(771,961)</u>	<u>-</u>	<u>6,015,181</u>
Capital assets, net	<u>\$ 7,181,399</u>	<u>\$ (771,961)</u>	<u>\$ -</u>	<u>\$ 6,409,438</u>

All depreciation expense in the School Board was charged to the Education function.

**COUNTY OF MONTGOMERY, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**Note 9. Long-Term Debt**

The following is a summary of changes in long-term liabilities:

**Primary Government**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 132,577,218	\$ -	\$ 3,995,249	\$ 128,581,969	\$ 4,389,849
Lease revenue bonds	77,574,559	-	4,709,351	72,865,208	4,750,081
Literary fund loans	2,500,000	-	250,000	2,250,000	250,000
Refunding bonds	40,010,777	-	3,989,879	36,020,898	4,105,751
Landfill post-closure (Note 10)	1,048,523	30,636	-	1,079,159	94,726
OPEB (Note 12)	1,129,797	382,476	66,506	1,445,767	-
Compensated absences	2,389,652	2,260,421	1,914,736	2,735,337	1,914,736
Add bond premiums	13,526,729	-	757,809	12,768,920	-
Less bond discounts	(650,862)	-	(45,409)	(605,453)	-
Less deferred costs	(2,087,009)	-	(212,718)	(1,874,291)	-
Governmental activities long-term liabilities	<u>\$ 268,019,384</u>	<u>\$ 2,673,533</u>	<u>\$ 15,425,403</u>	<u>\$ 255,267,514</u>	<u>\$ 15,505,143</u>
<b>Business-Type Activities:</b>					
Revenue bonds	\$ 5,861,728	\$ 6,275,000	\$ 5,930,617	\$ 6,206,111	\$ 253,513
Lease payable	28,227	-	28,227	-	-
Membership fee payable (Note 18)	-	1,300,000	-	1,300,000	21,522
OPEB (Note 12)	94,611	32,029	-	126,640	-
Compensated absences	127,162	87,099	88,223	126,038	88,225
Business-type activities long-term liabilities	<u>\$ 6,111,728</u>	<u>\$ 7,694,128</u>	<u>\$ 6,047,067</u>	<u>\$ 7,758,789</u>	<u>\$ 363,260</u>
<b>Component Unit – School Board</b>					
OPEB (Note 12)	\$ 5,144,513	\$ 1,541,988	\$ 307,000	\$ 6,379,501	\$ -
Compensated absences	3,701,773	2,464,634	2,539,000	3,627,407	2,539,000
Component unit – school board long-term liabilities	<u>\$ 8,846,286</u>	<u>\$ 4,006,622</u>	<u>\$ 2,846,000</u>	<u>\$ 10,006,908</u>	<u>\$ 2,539,000</u>

Debt service requirements of general obligation bonds, lease revenue bonds, literary fund loans, refunding bonds, landfill post-closure, other post-employment benefits, and compensated absences are paid by the General Fund.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**Note 9. Long-Term Debt (Continued)**

Annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities							
	General Obligation Bonds		Lease Revenue Bonds		Refunding Bonds		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 4,389,849	\$ 6,032,866	\$ 4,750,081	\$ 3,372,236	\$ 4,105,751	\$ 1,464,855	\$ 250,000	\$ 67,500
2015	4,715,329	5,873,589	4,792,533	3,179,985	4,222,362	1,317,212	250,000	60,000
2016	5,161,626	5,697,383	4,836,777	2,985,941	4,164,763	1,154,973	250,000	52,500
2017	5,363,813	5,575,370	4,882,889	2,752,577	4,323,022	990,729	250,000	45,000
2018	5,496,936	5,428,828	4,930,952	2,554,717	4,285,000	809,335	250,000	37,500
2019-2023	35,558,240	24,123,970	25,449,798	9,235,328	14,920,000	1,464,238	1,000,000	75,000
2024-2028	43,976,176	15,901,038	19,477,178	3,760,720	-	-	-	-
2029-2033	23,920,000	4,076,000	3,745,000	187,250	-	-	-	-
	<u>\$ 128,581,969</u>	<u>\$ 72,709,044</u>	<u>\$ 72,865,208</u>	<u>\$ 28,028,754</u>	<u>\$ 36,020,898</u>	<u>\$ 7,201,340</u>	<u>\$ 2,250,000</u>	<u>\$ 337,500</u>

Year Ended June 30	Business-Type Activities			
	Revenue Bonds		Membership Fee Payable	
	Principal	Interest	Principal	Interest
2014	\$ 253,513	\$ 149,216	\$ 21,522	\$ 26,000
2015	259,795	142,934	21,953	25,570
2016	266,232	136,497	22,392	25,131
2017	272,828	129,901	22,840	24,683
2018	279,588	123,141	23,297	24,226
2019 – 2023	1,505,348	508,298	123,661	113,951
2024 – 2028	1,701,311	312,335	136,532	101,080
2029 – 2033	1,667,496	94,378	150,742	86,870
2034 – 2038	-	-	166,432	71,181
2039 – 2043	-	-	183,754	53,858
2044 – 2048	-	-	202,879	34,733
2049 – 2053	-	-	223,996	13,617
	<u>\$ 6,206,111</u>	<u>\$ 1,596,700</u>	<u>\$ 1,300,000</u>	<u>\$ 600,900</u>

# COUNTY OF MONTGOMERY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### Note 9. Long-Term Debt (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>General Obligation Bonds:</u>						
School Construction Bonds	4.5 - 5.0	11/18/93	2014	3,000,000	\$ 15,000	\$ -
School Construction Bonds	4.6 - 5.8	05/02/96	2017	3,870,000	780,000	-
School Construction Bonds	4.4 - 5.4	11/20/97	2018	4,211,116	1,186,493	-
School Construction Bonds	4.1 - 5.4	04/30/98	2019	5,300,000	1,590,000	-
Virginia Public School Authority Bonds	3.1 - 5.1	11/01/01	2022	13,025,026	6,291,360	-
Qualified School Construction Bonds	0.0	11/13/09	2027	8,249,998	6,794,116	-
Qualified School Construction Bonds	0.0	07/08/11	2027	13,370,000	12,400,000	-
Qualified School Construction Bonds	0.0	12/15/11	2031	15,000,000	15,000,000	-
Virginia Public School Authority Bonds	4.0 - 5.0	12/06/11	2032	86,115,000	84,525,000	-
					<u>\$ 128,581,969</u>	<u>\$ -</u>
<u>Revenue Bonds:</u>						
Lease Revenue Bond	4.2%	01/14/04	2024	\$ 5,000,000	\$ 3,238,456	\$ -
Lease Revenue Bond	4.2	01/14/04	2024	5,000,000	3,238,456	-
Lease Revenue Bond	4.2	01/14/04	2024	10,000,000	6,468,296	-
Lease Revenue Bond	3.25 - 5.0	08/21/08	2022	77,000,000	59,920,000	-
Water and Sewer Refunding Bond	2.45	03/28/13	2032	6,275,000	-	6,206,111
					<u>\$ 72,865,208</u>	<u>\$ 6,206,111</u>
<u>Refunding Bonds:</u>						
Refunding Bond	4.7%	01/15/01	2015	\$ 4,315,000	\$ 460,000	\$ -
Refunding Bond	6.8	07/01/98	2017	2,330,468	755,898	-
Refunding Bond	3.0 - 5.0	05/05/05	2021	10,800,000	8,635,000	-
Refunding Bond	3.0 - 5.0	05/05/05	2021	7,630,000	6,000,000	-
Refunding Bond	3.0 - 5.0	07/09/09	2021	13,550,000	9,360,000	-
Refunding Bond	3.0 - 5.0	07/09/09	2021	12,705,000	10,810,000	-
					36,020,898	-
Less deferred costs					(1,874,291)	-
Plus bond premium					12,768,920	-
Less bond discount					(605,453)	-
					<u>\$ 46,310,074</u>	<u>\$ -</u>
<u>Other Long-Term Debt:</u>						
State Literary Fund Loan	3.0%	01/20/01	2021	\$ 5,000,000	\$ 2,250,000	\$ -

### Current Year Refunding:

On March 28, 2013, the Authority issued a \$6,275,000 water and sewer refunding bond maturing December 2032, with interest at 2.45%, per annum. The Authority issued the bond to refund certain water and sewer bonds outstanding which totaled \$5,731,666 with a maturity date of December 2032 and an interest rate of 4.20%. The current refunding reduces total debt service payments over the next 38 years by \$1,145,491. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$907,780.

## COUNTY OF MONTGOMERY, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### Note 10. Landfill Post-Closure Care

The County maintains the Thompson and Mid County Landfills, which were closed in 1993 and 1997, respectively. State and federal laws and regulations required the County to perform certain maintenance and monitoring functions at the site for ten years after closure. Certain contaminants and a high concentration of gas were detected at the landfills in prior years; therefore, the Department of Environmental Quality required an additional ten-year monitoring period. During the current year, the monitoring period was extended for another ten years. The \$1,079,159 reported post-closure care liability represents what it would cost to perform all post-closure care in 2013. Actual costs may change due to inflation, deflation, changes in technology, or changes in regulations. The County intends to fund these costs from general revenues. The County uses the financial test method of demonstrating assurance for post-closure care cost.

#### Note 11. Defined Benefit Pension Plan

##### Plan Description

The County contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). In addition, professional and non-professional employees of the School Board are covered by the VRS. All full-time, salaried permanent (professional) employees of public school divisions and participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

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



## COUNTY OF MONTGOMERY, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### Note 11. Defined Benefit Pension Plan (Continued)

##### Plan Description (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. 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-%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report is available on their website at <http://www.varetire.org/pdf/publications/2009-Annual-Report.pdf> or may be obtained by writing the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

##### Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2013 was 10.51% of annual covered payroll. The School Board's contribution rates for the fiscal year ended 2013 were 11.33% for professional employees and 13.78% for non-professional employees.

For the three years ended June 30, 2013, 2012, and 2011, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$7,355,399, \$5,072,818, and \$4,038,498 and represented 16.06%, 11.30%, and 8.93% of annual covered payroll, respectively, and 100% of the required contributions for 2013, 2012, and 2011. The School Board's contribution rate for non-professional employees for the fiscal year ended 2013 was 13.78% of the annual covered payroll.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Annual Pension Cost**

For fiscal year 2013, the County's annual pension costs of \$1,612,544 and the School Board's annual pension cost of \$701,161 for professional and non-professional employees, were equal to their required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.5% to 4.75% for employees eligible for enhanced benefits available to law enforcement officer, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the County and School Board assets is equal to the modified market value of assets. This method was determined using 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 actuarial accrued liabilities are being amortized as a level percentage of payroll on an open basis.

**Three-Year Trend Information for the County of Montgomery**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2013	\$ 1,612,544	100%	\$ -
June 30, 2012	2,226,980	100%	\$ -
June 30, 2011	2,198,841	100%	\$ -

**Three-Year Trend Information for the County of Montgomery School Board**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2013	\$ 701,161	100%	\$ -
June 30, 2012	722,429	100%	\$ -
June 30, 2011	712,576	100%	\$ -

**Analysis of Funding Progress for Defined Benefit Pension Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
---------------------------------	----------------------------------	--	---	---------------------	------------------------	--

County of Montgomery

June 30, 2012	\$ 51,477,677	\$ 72,456,441	\$ 20,978,764	71.05%	\$ 15,013,096	139.74%
June 30, 2011	51,597,398	68,825,714	17,228,316	74.97%	14,718,604	117.05%
June 30, 2010	50,224,046	64,774,003	14,549,957	77.54%	15,362,771	94.71%

County of Montgomery School Board

June 30, 2012	\$ 15,257,652	\$ 21,724,481	\$ 6,466,829	70.23%	\$ 4,986,268	129.69%
June 30, 2011	15,375,082	20,732,240	5,357,158	74.16%	5,137,987	104.27%
June 30, 2010	15,141,699	20,065,258	4,923,559	75.46%	5,231,566	94.11%

(Continued)

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 12. Other Postemployment Benefits**

The County and School Board provide postemployment medical and dental benefits to its retirees and their eligible dependents who elect to stay in the plans. At retirement, retirees may stay in one of three health plans with an additional choice of staying in one of two dental plans and can continue coverage under all the benefits until age 65 or becoming eligible for Medicare, whichever comes first, under a single-employer plan. The retiree pays the premium for these benefits. The County or the School Board may change, add, or delete benefits (including contributions required of retired employees) as deemed appropriate.

**Plan Description and Benefits Provided**

Participants are eligible for the plan at age 50 if they have completed ten years of service, or at age 55 if they have completed five years of service. Retiring employees must have been permanent active employees and have coverage in effect when they retire.

**Membership**

At July 1, 2011, the number of County participants was 429, consisting of 408 active and 21 inactive. The number of School participants was 1,143, consisting of 1,081 active and 62 inactive participants.

**Funding Policy**

The County and School Board currently fund postemployment health care benefits on a pay-as-you-go basis. Neither the County nor the School Board intend to establish a trust to pre-fund this liability.

**Annual Other Postemployment Benefit Cost and Net OPEB Obligation**

The components of the County's annual OPEB cost (expense) for the fiscal year ended June 30, 2013 of \$414,505 are described below. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$66,506 for retirees, resulted in a net OPEB obligation of \$1,572,407 for the year ended June 30, 2013.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Annual required contribution	\$ 412,582	\$ 34,550	\$ 447,132
Interest on net OPEB obligation	45,214	3,786	49,000
Adjustment to annual required Contribution	<u>(75,320)</u>	<u>(6,307)</u>	<u>(81,627)</u>
Annual OPEB cost	382,476	32,029	414,505
Less contributions made	<u>(66,506)</u>	<u>-</u>	<u>(66,506)</u>
Increase in net OPEB obligation	315,970	32,029	347,999
Net OPEB obligation – beginning of year	<u>1,129,797</u>	<u>94,611</u>	<u>1,224,408</u>
Net OPEB obligation – end of year	<u><u>\$ 1,445,767</u></u>	<u><u>\$ 126,640</u></u>	<u><u>\$ 1,572,407</u></u>

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 12. Other Postemployment Benefits (Continued)**

**Annual Other Postemployment Benefit Cost and Net OPEB Obligation (Continued)**

The components of the School's annual OPEB cost (expense) for the fiscal year ended June 30, 2013 are presented below. The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$307,000 for retirees, resulted in a net OPEB obligation of \$6,379,501 for the current year.

Annual required contribution	\$ 1,678,956
Interest on net OPEB obligation	206,000
Adjustment to annual required contribution	<u>(342,968)</u>
Annual OPEB cost	1,541,988
Less contributions made	<u>(307,000)</u>
Increase in net OPEB obligation	1,234,988
Net OPEB obligation-beginning of year	<u>5,144,513</u>
Net OPEB obligation-end of year	<u><u>\$ 6,379,501</u></u>

The County's and School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for last three years are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<b>County:</b>			
June 30, 2013	\$ 414,505	16.04%	\$ 1,572,407
June 30, 2012	424,015	15.68%	1,224,408
June 30, 2011	361,680	13.37%	866,899
<b>School Board:</b>			
June 30, 2013	\$ 1,541,988	19.91%	\$ 6,379,501
June 30, 2012	1,575,598	19.48%	5,144,513
June 30, 2011	1,652,535	22.61%	3,875,915

**Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 12. Other Postemployment Benefits (Continued)**

**Funded Status and Funding Progress (Continued)**

<b>Required Supplementary Information</b> <b>Schedule of Funding Progress – Other Postemployment Benefits</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
<b>County:</b>						
July 1, 2011	\$ -	\$ 4,106,276	\$ 4,106,276	0%	\$ 16,246,735	25.27%
July 1, 2009	-	3,309,453	3,309,453	0%	15,634,455	21.17%
July 1, 2007	-	3,059,585	3,059,585	0%	17,311,608	17.67%
<b>School Board:</b>						
July 1, 2011	\$ -	\$ 14,645,338	\$ 14,645,338	0%	\$ 46,019,363	31.82%
July 1, 2009	-	14,324,780	14,324,780	0%	46,462,305	30.83%
July 1, 2007	-	15,334,284	15,334,284	0%	39,704,333	38.62%

**Actuarial Methods and Assumptions**

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

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 4% discount rate and an initial annual healthcare cost trend of 11% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5%. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2011 is 27 years.

## **COUNTY OF MONTGOMERY, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

#### **Note 13. Risk Management**

The County and 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 participates with other localities in the Virginia Association of Counties Liability Pool, a public risk entity pool, for its coverage of general liability, auto insurance, and workers' compensation. Each member of this risk pool jointly and severally agrees to assume, pay, and discharge any liability. The County pays the contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage for the past three years and there have not been any significant reductions in insurance coverage over the previous year.

#### **Note 14. Commitments and Contingencies**

##### **Litigation**

Various other claims are pending against the County. In the opinion of County management, after consulting with legal counsel, the potential loss on all claims will not materially affect the County's financial position.

In October 2007, the County received twenty-six Notices of Claim with unspecified amounts in connection with the Virginia Tech shootings. Twenty-two of the individuals who filed Notice of Claim with the County have signed Settlement Agreements with the Commonwealth releasing the County of all claims. Two of the remaining four individuals filed suit against the Commonwealth, Virginia Tech, and the New River Valley Community Services Board. The County was not named as a party. The County is a member of the New River Valley Community Services Board, which is an operating board independent of the County.

##### **Special Purpose Grants**

Special purpose grants are subject to audit to determine compliance with their requirements. County officials believe that if any refunds are required, they will be immaterial.

##### **Incentive Liability**

The County is liable for up to \$500,000 for return of certain Governor's Opportunity Funds made available as an incentive to a local business that entered bankruptcy before meeting the requirements of the incentive. Management estimates the liability will not exceed \$380,000, and has recorded a liability in that amount.

The EDA enters into performance agreement incentives with various companies. At year end, incentives not yet earned by recipient companies were \$1,279,871.

Subsequent to year end, the EDA entered into a performance agreement with a total potential incentive of \$500,000.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 15. Transactions with Component Units**

**Economic Development Authority**

**Advances to Component Unit:**

Non-interest bearing advances to the EDA for the purchase of capital items are to be repaid from the sales of land and other revenues of the EDA. There is no deed of trust held by the County for the properties. Therefore, there is opportunity for these properties to be encumbered with additional financing upon approval of the County on a project-by-project basis.

**Advances consist of the following:**

Construction of the Falling Branch Corporate Park	\$ 3,525,943
Improvements to the Elliston Lafayette Industrial Park	1,093
Repayment of debt	<u>2,099,073</u>
	<u><u>\$ 5,626,109</u></u>

**Note receivable from Component Unit:**

On June 17, 1997, the EDA signed an interest-free promissory note with the County in the amount of \$1,274,620. The EDA agreed to remit to the County all funds received pursuant to property sales or payments received on property leases from the Falling Branch Industrial Park, less reasonable costs in repayment of the note upon demand by the County. The balance due at June 30 was \$516,627.

**Other:**

The County provides personnel and office space to the Authority at no charge.

**Note 16. Net Position/Fund Balance**

**Deficit Unrestricted Net Position:**

At June 30, the Component Unit – Economic Development Authority and school operating had deficits in unrestricted net position of (\$2,632,487) and (\$6,510,031), respectively. These deficits are anticipated to be recovered through future revenues, as well as possible transfers and contributions from the General Fund.

**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 16. Net Assets/Fund Balance (Continued)**

**Fund Balance:**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the governmental funds are presented below:

	<b>General Fund</b>	<b>Capital Improvements Fund</b>
Fund Balances:		
Nonspendable:		
Long-term advances and notes receivable	\$ 6,142,736	\$ -
Restricted:		
General government administration	-	820,498
Public safety	198,007	14,082,375
Public works	-	54,725
Education	-	35,145,124
Parks, recreation, and culture	-	173,153
Community development	-	51,999
Debt service reserves	-	9,741,835
Committed:		
General government administration	240,412	-
Judicial administration	116,791	-
Public safety	57,069	-
Public works	238,515	-
Parks, recreation, and culture	122,913	-
Community development	35,416	-
Assigned:		
General government administration	1,974,919	-
Public safety	70,083	-
Public works	77,355	-
Health and Welfare	8,633	-
Education	2,695,770	-
Parks, recreation, and culture	103,844	-
Community development	53,169	-
Unassigned:	31,558,055	-
Total fund balance	<u>\$ 43,693,687</u>	<u>\$ 60,069,709</u>



**COUNTY OF MONTGOMERY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**Note 17. Concentrations**

Two Public Service Authority customers provide approximately seven and nine percent of the Authorities operating revenue.

**Note 18. Service Contracts**

The Authority maintains contracts for water purchase and sewer treatment services with the following organizations:

- Town of Blacksburg
- Town of Christiansburg
- City of Radford
- Alliant Ammunition and Powder Company
- Blacksburg VPI Sanitation Authority
- Pepper's Ferry Regional Wastewater Treatment Authority

During June 2013, Montgomery County joined the New River Valley Regional Water Authority (the "Water Authority"). While Montgomery County is the legal member of the Water Authority, all benefits or costs associated with the membership will be paid with revenues of the Authority. The Authority must pay a \$1,300,000 membership fee over forty years (Note 5). As part of the water agreement, and in exchange for the rights to acquire water from the Water Authority, the Authority must transfer a section of pipe with an estimated value of \$877,000 to the Water Authority (Note 4). This exchange created an intangible asset of equal value with an indefinite useful life that will be evaluated annually for impairment. The transfer of the pipe had not taken place as of the end of the year, thus it is shown in Due to other governments.

Starting in 2014, the Authority will pay for transitional meter setting with an estimated cost of \$120,000. The Authority will also be responsible for capital upgrades with an estimated cost of \$2,866,000 beginning as early as next year and spanning over the next twenty years.

**Note 19. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

**GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, establishes standards for reclassification of certain items as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The statement will be effective for the year ending June 30, 2014.

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**Note 19. New Accounting Standards (Continued)**

**GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62***, was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The statement amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The statement also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The statement will be effective for the year ending June 30, 2014.

**GASB Statement No. 67, *Financial Reporting for Pension Plans*** replaces the requirements of **GASB Statements No. 25 and No. 50** as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement will be effective for the year ending June 30, 2014.

**GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*** replaces the requirements of **GASB Statements No. 27 and No. 50** as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This statement will be effective for the year ending June 30, 2015.

Management has not yet evaluated the effects, if any, of adopting these standards.

**Note 20. Subsequent Events**

**Economic Development Authority**

Subsequent to year end, a tenant in the Technology Manufacturing Building terminated their lease. A termination payment of \$1,842,661 was paid on October 1, 2013, consisting of the following:

Lease payments through September 30, 2015	\$1,208,219
Early Termination Fee	300,000
Remaining balance on upfit allowance	353,187
CIP Reduction	(18,745)
Total Payment	<u>\$1,842,661</u>

Upon receipt of the termination payment, the Authority repaid the outstanding balances on two notes, proceeds from which were originally used to finance upfits to the building for the tenant.

## **OTHER SUPPLEMENTARY INFORMATION**

---

---

---

**THIS PAGE INTENTIONALLY BLANK**

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

---

**Special Revenue Funds** – Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The component unit – School Board has the following special revenue funds.

**School Operating Fund** – This fund accounts for the operations of the elementary, middle, and high schools.

**School Cafeteria Fund** – This fund accounts for the operations of the centralized cafeterias.

## COUNTY OF MONTGOMERY, VIRGINIA

**BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**June 30, 2013**

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 868,651	\$ 1,450,613	\$ 2,319,264
Due from primary government	5,186,694	-	5,186,694
Due from other governmental units	2,654,355	239,727	2,894,082
Inventories	-	95,228	95,228
	<u>-</u>	<u>95,228</u>	<u>95,228</u>
Total assets	<u>\$ 8,709,700</u>	<u>\$ 1,785,568</u>	<u>\$ 10,495,268</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 677,556	\$ 7,989	\$ 685,545
Accrued payroll and related liabilities	7,687,754	176,058	7,863,812
Deferred revenue	344,390	-	344,390
	<u>344,390</u>	<u>-</u>	<u>344,390</u>
Total liabilities	<u>8,709,700</u>	<u>184,047</u>	<u>8,893,747</u>
Fund Balances:			
Nonspendable	-	95,228	95,228
Committed	598,192	-	598,192
Assigned	-	1,506,293	1,506,293
Unassigned	(598,192)	-	(598,192)
	<u>(598,192)</u>	<u>-</u>	<u>(598,192)</u>
Total fund balances	<u>-</u>	<u>1,601,521</u>	<u>1,601,521</u>
Total liabilities and fund balances	<u>\$ 8,709,700</u>	<u>\$ 1,785,568</u>	<u>\$ 10,495,268</u>

**Adjustments for the Statement of Net Position (Exhibit 1)**

<b>Total fund balances</b>	\$ 1,601,521
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds.	6,409,438
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds.	1,550,966
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	344,390
Long-term liabilities, including compensated absences and other postemployment benefits, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<u>(10,006,908)</u>
<b>Net position of governmental activities</b>	<u>\$ (100,593)</u>

## COUNTY OF MONTGOMERY, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**For the Year Ended June 30, 2013**

	<b>School Operating</b>	<b>School Cafeteria</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Revenue from use of money and property	\$ 40,408	\$ 22,035	\$ 62,443
Charges for services	86,964	2,019,821	2,106,785
Recovered costs	1,019,267	31,760	1,051,027
Intergovernmental	92,326,904	1,800,979	94,127,883
Total revenues	<u>93,473,543</u>	<u>3,874,595</u>	<u>97,348,138</u>
<b>EXPENDITURES</b>			
Instruction	72,409,155	-	72,409,155
Administration, attendance, and health	2,875,148	-	2,875,148
Pupil transportation	4,612,729	-	4,612,729
Operations and maintenance	13,412,951	-	13,412,951
Non-instructional	163,560	-	163,560
School nutrition	-	3,760,425	3,760,425
Total expenditures	<u>93,473,543</u>	<u>3,760,425</u>	<u>97,233,968</u>
Excess of revenues over expenditures	<u>-</u>	<u>114,170</u>	<u>114,170</u>
Net change in fund balances	-	114,170	114,170
<b>FUND BALANCE AT JULY 1</b>	<u>-</u>	<u>1,487,351</u>	<u>1,487,351</u>
<b>FUND BALANCE AT JUNE 30</b>	<u><u>\$ -</u></u>	<u><u>\$ 1,601,521</u></u>	<u><u>\$ 1,601,521</u></u>
<b>Reconciliation to the Statement of Activities (Exhibit 2)</b>			
<b>Net change in fund balances – total governmental funds</b>			\$ 114,170
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. That is the amount by which depreciation (\$1,564,202) exceeded capital outlay (\$792,241).			(771,961)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the net change in these revenues.			(58,602)
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.			(1,146,657)
<b>Change in net position of governmental activities</b>			<u><u>\$ (1,863,050)</u></u>

## COUNTY OF MONTGOMERY, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – CASH BASIS  
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
For the Year Ended June 30, 2013**

	School Operating				School Cafeteria			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES</b>								
Revenue from use of money and property	\$ 50,000	\$ 50,000	\$ 40,408	\$ (9,592)	\$ -	\$ -	\$ 22,035	\$ 22,035
Charges for services	17,000	17,000	86,964	69,964	2,280,422	2,280,422	2,019,821	(260,601)
Recovered costs	401,500	864,905	1,019,267	154,362	-	-	31,760	31,760
Intergovernmental	91,500,680	93,892,778	92,308,466	(1,584,312)	1,678,004	1,678,004	1,800,979	122,975
Total revenues	91,969,180	94,824,683	93,455,105	(1,369,578)	3,958,426	3,958,426	3,874,595	(83,831)
<b>EXPENDITURES</b>								
Instruction	71,018,081	72,762,734	71,522,066	1,240,668	-	-	-	-
Administration, attendance, and health	3,816,476	3,443,958	2,875,148	568,810	-	-	-	-
Pupil transportation	4,323,072	4,253,253	4,612,729	(359,476)	-	-	-	-
Operations and maintenance	12,800,827	14,201,083	13,412,951	788,132	-	-	-	-
Non-instructional	10,724	163,655	163,560	95	-	-	-	-
School nutrition	-	-	-	-	3,958,426	4,033,426	4,007,731	25,695
Total expenditures	91,969,180	94,824,683	92,586,454	2,238,229	3,958,426	4,033,426	4,007,731	25,695
Excess of revenues over expenditures	\$ -	\$ -	\$ 868,651	\$ 868,651	\$ -	\$ (75,000)	\$ (133,136)	\$ (58,136)



## **SUPPORTING SCHEDULE**

---

**COUNTY OF MONTGOMERY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2013**

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Department Totals</u>
<u>Department of Agriculture:</u>			
<u>Pass-through Payments:</u>			
<u>Department of Social Services:</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 604,122	
<u>Department of Agriculture and Consumer Services</u>			
Child Nutrition Cluster - National School Lunch Program	10.555	260,464	
<u>Department of Education:</u>			
Child Nutrition Cluster - School Breakfast Program	10.553	376,388	
Child Nutrition Cluster - National School Lunch Program	10.555	1,358,230	
Schools and Roads - Grants to States	10.665	29,159	
Total Department of Agriculture			<u>\$ 2,628,363</u>
<u>Department Of Homeland Security:</u>			
<u>Pass-through Payments:</u>			
<u>Department of Emergency Management:</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	18,655	
Total Department of Homeland Security			<u>18,655</u>
<u>Department Of Justice:</u>			
<u>Pass-through Payments:</u>			
<u>Department of Criminal Justice Services:</u>			
Crime Victim Assistance	16.575	103,460	
Total Department of Justice			<u>103,460</u>
<u>Department of Transportation:</u>			
<u>Pass-through Payments:</u>			
<u>Department of Motor Vehicles:</u>			
State and Community Highway Safety	20.600	45,176	
State and Community Highway Safety	20.602	2,414	
State and Community Highway Safety	20.607	20,995	
Total Department of Transportation			<u>68,585</u>

**COUNTY OF MONTGOMERY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2013**

Department of Education:Pass-through Payments:Department of Education:

Adult Education Basic Grants to States	84.002	\$	18,018
Title I: State Agency Program for Neglected and Delinquent Children	84.013		31,807
Career and Technical Education - Basic Grants to States	84.048		22,347
Twenty-First Century Community Learning Centers	84.287		1,080
English Language Acquisition Grants	84.365		18,871
Improving Teacher Quality State Grants	84.367		393,693
LDS Teacher Student Information System	84.384		500

## Title I, Part A Cluster

Title I: Grants to Local Educational Agencies	84.010		1,795,563
---	--------	--	-----------

## Special Education Cluster (IDEA)

Special Education - Grants to States	84.027		2,183,355
Special Education - Preschool Grants	84.173		25,014

## Education Technology State Grants Cluster

Education Technology Formula Grant	84.318		712
------------------------------------	--------	--	-----

## Total Department of Education

---



---

4,490,960
Department of Health and Human Services:Pass-through Payments:Department of Aging:

## Support Services - Title III, Part B-

Grants for Supportive Services Senior Centers	93.044		48,543
---	--------	--	--------

Department of Social Services:

Promoting Safe and Stable Families	93.556		28,818
Temporary Assistance to Needy Families	93.558		574,979
Refugee and Entrant Assistance - State Administered Programs	93.566		9,561
Low Income Home Energy Assistance	93.568		38,447
Chafee Education and Training Vouchers Program	93.599		4,561
Child Welfare Services - State Grants	93.645		3,212
Foster Care - Title IV-E	93.658		265,297
Adoption Assistance	93.659		360,687
Social Service Block Grant	93.667		475,366
Chafee Foster Care Independence Program	93.674		6,458
Children's Health Insurance Program	93.767		14,233
Medical Assistance Program	93.778		362,471

## CCDF Cluster

Child Care and Development Block Grant	93.575		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		88,814

## Total Department of Health and Human Services

---



---

2,281,447

## Total Expenditures of Federal Awards

---



---

\$ 9,591,470
Note 1. Basis of Accounting

This schedule was prepared on the budgetary (cash) basis.

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2013, the School Board had food commodities totaling \$53,374 in inventory.

---

---

**THIS PAGE INTENTIONALLY BLANK**

# STATISTICAL SECTION

---

*This part of the County of Montgomery's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.*

<b><u>Contents</u></b>	<b><u>Table</u></b>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	<b>1-4</b>
<b>Revenue Capacity</b> These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	<b>5-8</b>
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	<b>9-10</b>
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	<b>11-13</b>
<b>Operating Information</b> These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services it provides and the activities it performs.	<b>14-15</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The County implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

TABLE 1

**County of Montgomery, Virginia**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Governmental activities</b>										
Net investments in capital assets	\$ 83,053,651	\$ 71,071,547	\$ 55,233,037	\$ 47,134,545	\$ 36,330,270	\$ 28,639,210	\$ 22,500,252	\$ 13,946,058	\$ 13,971,101	\$ 9,826,302
Restricted	9,741,835	9,734,620	11,146,947	11,146,947	11,262,042	5,112,996	4,969,141	4,775,145	4,625,573	6,316,741
Unrestricted	<u>19,018,360</u>	<u>19,612,113</u>	<u>24,369,885</u>	<u>22,316,253</u>	<u>25,596,419</u>	<u>31,173,341</u>	<u>28,620,972</u>	<u>25,197,204</u>	<u>17,799,039</u>	<u>14,700,359</u>
Total governmental activities net position	<u>\$ 111,813,846</u>	<u>\$ 100,418,280</u>	<u>\$ 90,749,869</u>	<u>\$ 80,597,745</u>	<u>\$ 73,188,731</u>	<u>\$ 64,925,547</u>	<u>\$ 56,090,365</u>	<u>\$ 43,918,407</u>	<u>\$ 36,395,713</u>	<u>\$ 30,843,402</u>
<b>Business-type activities</b>										
Net investment in capital assets	13,246,729	14,241,772	14,203,773	14,245,583	14,575,475	\$ 15,138,853	\$ 14,983,849	\$ 15,153,224	\$ 15,746,661	\$ 16,082,711
Restricted	-	-	-	-	-	43,160	1,076,240	1,066,910	1,034,403	1,021,135
Unrestricted	<u>1,569,751</u>	<u>1,019,032</u>	<u>810,324</u>	<u>698,850</u>	<u>954,433</u>	<u>917,729</u>	<u>(429,075)</u>	<u>(553,681)</u>	<u>(969,041)</u>	<u>(1,160,705)</u>
Total business-type activities net position	<u>\$ 14,816,480</u>	<u>\$ 15,260,804</u>	<u>\$ 15,014,097</u>	<u>\$ 14,944,433</u>	<u>\$ 15,529,908</u>	<u>\$ 16,099,742</u>	<u>\$ 15,631,014</u>	<u>\$ 15,666,453</u>	<u>\$ 15,812,023</u>	<u>\$ 15,943,141</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 96,300,380	\$ 85,313,319	\$ 69,436,810	\$ 61,380,128	\$ 50,905,745	\$ 43,778,063	\$ 37,484,101	\$ 29,099,282	\$ 29,717,762	\$ 25,909,013
Restricted	9,741,835	9,734,620	11,146,947	11,146,947	11,262,042	5,156,156	6,045,381	5,842,055	5,659,976	7,337,876
Unrestricted	<u>20,588,111</u>	<u>20,631,145</u>	<u>25,180,209</u>	<u>23,015,103</u>	<u>26,550,852</u>	<u>32,091,070</u>	<u>28,191,897</u>	<u>24,643,523</u>	<u>16,829,998</u>	<u>13,539,654</u>
Total primary government net position	<u>\$ 126,630,326</u>	<u>\$ 115,679,084</u>	<u>\$ 105,763,966</u>	<u>\$ 95,542,178</u>	<u>\$ 88,718,639</u>	<u>\$ 81,025,289</u>	<u>\$ 71,721,379</u>	<u>\$ 59,584,860</u>	<u>\$ 52,207,736</u>	<u>\$ 46,786,543</u>

TABLE 2

**County of Montgomery, Virginia**  
**Change in Net Position by Component**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>										
<b>Governmental activities</b>										
General government	\$ 6,839,318	\$ 6,825,896	\$ 7,725,594	\$ 9,074,011	\$ 7,381,364	\$ 7,066,410	\$ 6,557,984	\$ 6,593,077	\$ 6,294,606	\$ 5,950,901
Judicial administration	3,243,491	2,207,787	2,784,098	3,077,193	2,658,492	2,438,896	2,249,997	1,825,387	1,805,807	1,780,677
Public safety	14,993,461	15,097,206	13,329,812	13,830,467	11,957,163	11,202,874	9,626,003	9,066,413	8,798,860	7,490,225
Public works	5,514,675	4,674,525	5,114,845	5,349,346	5,153,812	4,567,363	4,526,234	4,184,143	4,028,193	3,569,502
Parks, recreation and cultural	2,899,220	2,940,666	2,872,328	2,881,815	3,022,711	2,779,839	2,838,989	3,063,924	2,432,516	2,620,981
Health and welfare	7,590,977	8,991,736	9,590,573	9,956,048	10,490,545	9,808,845	9,068,033	8,262,381	8,337,208	8,502,561
Community development	1,431,050	1,796,052	1,670,510	1,734,477	1,264,454	1,259,379	1,483,596	1,344,053	1,582,047	2,001,277
Education	43,474,161	40,874,425	41,033,802	34,797,557	38,634,043	35,899,972	30,503,869	31,682,477	30,528,063	32,290,984
Interest on long-term debt	10,947,731	9,450,462	7,303,475	7,501,270	7,389,389	4,696,145	4,960,510	5,133,426	5,641,696	5,700,126
Total governmental activities	96,934,084	92,858,755	91,425,037	88,202,184	87,951,973	79,719,723	71,815,215	71,155,281	69,448,996	69,907,234
<b>Business-type activities</b>										
Water and Sewage	5,226,761	3,828,255	3,778,997	3,974,519	4,070,262	3,730,578	3,656,193	3,326,338	3,449,981	3,532,577
Total business-type activities expense	5,226,761	3,828,255	3,778,997	3,974,519	4,070,262	3,730,578	3,656,193	3,326,338	3,449,981	3,532,577
Total primary government expenses	\$ 102,160,845	\$ 96,687,010	\$ 95,204,034	\$ 92,176,703	\$ 92,022,235	\$ 83,450,301	\$ 75,471,408	\$ 74,481,619	\$ 72,898,977	\$ 73,439,811
<b>Program Revenues</b>										
<b>Governmental activities</b>										
Charges for services										
Public Safety	\$ 954,882	\$ 805,119	\$ 723,997	\$ 827,458	\$ 917,866	\$ 978,375	\$ 616,714	\$ 518,177	\$ 516,040	\$ 355,750
Public Works	157,054	172,662	305,159	296,302	123,341	105,007	125,741	127,070	151,767	-
Other Activities	1,726,342	1,882,013	1,875,981	1,899,073	1,565,954	1,757,781	1,306,659	1,430,050	1,641,879	1,696,990
Operating grants and contributions	12,155,610	13,159,616	13,263,980	15,556,440	15,084,570	15,402,999	14,486,609	13,466,588	12,880,033	12,717,425
Capital grants and contributions	-	-	-	-	-	-	24,121	81,630	150,000	465,343
Total governmental activities program revenues	14,993,888	16,019,410	16,169,027	18,579,273	17,691,731	18,244,162	16,559,844	15,623,515	15,339,719	15,235,508
<b>Business-type activities</b>										
Charges for services										
Water and Sewage	4,714,490	3,521,454	3,276,933	3,160,277	3,364,484	3,200,340	3,124,628	3,088,605	3,141,551	2,829,152
Capital grants and contributions	64,116	551,216	569,631	226,414	16,714	691,214	383,166	46,677	170,954	1,999,566
Total business-type activities program revenues	4,778,606	4,072,670	3,846,564	3,386,691	3,381,198	3,891,554	3,507,794	3,135,282	3,312,505	4,828,718
Total primary government program revenues	\$ 19,772,494	\$ 20,092,080	\$ 20,015,591	\$ 21,965,964	\$ 21,072,929	\$ 22,135,716	\$ 20,067,638	\$ 18,758,797	\$ 18,652,224	\$ 20,064,226
<b>Net (expense) revenue</b>										
Governmental activities	\$ (81,940,196)	\$ (76,839,345)	\$ (75,256,010)	\$ (69,622,911)	\$ (70,260,242)	\$ (61,475,561)	\$ (55,255,371)	\$ (55,531,766)	\$ (54,109,277)	\$ (54,671,726)
Business-type activities	(448,155)	244,415	67,567	(587,828)	(689,064)	160,976	(148,399)	(191,056)	(137,476)	1,296,141
Total primary government net expense	\$ (82,388,351)	\$ (76,594,930)	\$ (75,188,443)	\$ (70,210,739)	\$ (70,949,306)	\$ (61,314,585)	\$ (55,403,770)	\$ (55,722,822)	\$ (54,246,753)	\$ (53,375,585)
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Taxes										
Property taxes	\$ 75,751,806	\$ 69,685,628	\$ 63,793,078	\$ 60,083,722	\$ 59,872,099	\$ 54,666,779	\$ 48,402,715	\$ 44,577,976	\$ 39,803,302	\$ 39,675,565
Sales taxes	7,982,843	7,742,363	7,218,180	6,889,322	7,086,741	7,382,254	7,183,512	6,774,857	6,555,523	6,143,020
Other taxes	1,767,152	1,554,693	1,509,326	1,529,808	1,526,049	1,938,646	1,869,826	1,844,216	1,646,053	1,215,009
Utility taxes	1,847,570	1,807,321	1,877,600	1,856,684	1,877,884	1,786,988	1,685,416	1,874,743	1,838,429	1,835,950
Intergovernmental revenue not restricted	5,317,374	5,119,304	5,010,686	5,117,860	5,181,174	5,216,412	5,405,234	5,581,348	5,367,339	4,463,573
Investment earnings	669,017	598,447	749,264	1,554,529	2,733,779	2,047,264	2,974,039	1,932,190	1,658,701	861,541
Gain on sale of property	-	-	-	-	-	-	-	-	729,859	(47,313)
Other	-	-	-	-	-	-	-	-	-	2,376
Transfers	-	-	5,250,000	-	(114,000)	-	(93,413)	(109,381)	-	-
Total governmental activities	93,335,762	86,507,756	85,408,134	77,031,925	78,163,726	73,038,343	67,427,329	62,475,949	57,599,206	54,149,721
<b>Business-type activities:</b>										
Investment earnings	3,831	2,292	2,097	2,353	5,230	10,658	19,547	11,411	6,358	922
Gain on sale of property	-	-	-	-	-	-	-	-	-	(15,763)
Transfers	-	-	-	-	114,000	-	93,413	109,381	-	-
Total business-type activities	3,831	2,292	2,097	2,353	119,230	10,658	112,960	120,792	6,358	(14,841)
Total primary government	\$ 93,339,593	\$ 86,510,048	\$ 85,410,231	\$ 77,034,278	\$ 78,282,956	\$ 73,049,001	\$ 67,540,289	\$ 62,596,741	\$ 57,605,564	\$ 54,134,880
<b>Changes in Net Position</b>										
Governmental activities	\$ 11,395,566	\$ 9,668,411	\$ 10,152,124	\$ 7,409,014	\$ 7,903,484	\$ 11,562,782	\$ 12,171,958	\$ 6,944,183	\$ 3,489,929	\$ (522,005)
Business-type activities	(444,324)	246,707	69,664	(585,475)	(569,834)	171,634	(35,439)	(70,264)	(131,118)	1,281,300
Total primary government	\$ 10,951,242	\$ 9,915,118	\$ 10,221,788	\$ 6,823,539	\$ 7,333,650	\$ 11,734,416	\$ 12,136,519	\$ 6,873,919	\$ 3,358,811	\$ 759,295

TABLE 3

**County of Montgomery, Virginia**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

## Pre-GASB 54 Implementation

	2010	2009	2008	2007	2006	2005	2004
General Fund							
Reserved	\$ 8,653,644	\$ 8,002,362	\$ 7,486,334	\$ 7,931,552	\$ 8,425,959	\$ 8,048,551	\$ 8,424,045
Unreserved	26,258,463	24,304,985	25,040,302	21,298,326	16,864,467	16,352,624	17,466,018
Total general fund	<u>\$ 34,912,107</u>	<u>\$ 32,307,347</u>	<u>\$ 32,526,636</u>	<u>\$ 29,229,878</u>	<u>\$ 25,290,426</u>	<u>\$ 24,401,175</u>	<u>\$ 25,890,063</u>
All Other Governmental Funds							
Reserved	\$ 30,943,646	\$ 16,964,867	\$ 4,191,510	\$ 1,435,016	\$ 862,735	\$ 1,844,841	\$ 1,130,668
Unreserved, reported in:							
Special revenue funds	-	-	-	-	-	-	-
Capital projects funds	44,433,277	77,979,506	19,820,195	26,313,865	24,248,049	29,209,836	32,810,664
Debt service funds	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 75,376,923</u>	<u>\$ 94,944,373</u>	<u>\$ 24,011,705</u>	<u>\$ 27,748,881</u>	<u>\$ 25,110,784</u>	<u>\$ 31,054,677</u>	<u>\$ 33,941,332</u>

## Post-GASB 54 Implementation

	2013	2012	2011
General Fund			
Nonspendable	\$ 6,142,736	\$ 6,142,736	\$ 6,390,102
Restricted	198,007	218,640	163,400
Committed	811,116	1,231,209	1,637,026
Assigned	4,983,773	2,623,848	2,153,987
Unassigned	31,558,055	29,937,993	23,049,803
Total general fund	<u>\$ 43,693,687</u>	<u>\$ 40,154,426</u>	<u>\$ 33,394,318</u>
All other Governmental Funds			
Nonspendable	\$ -	\$ -	\$ -
Restricted	60,069,709	134,256,303	62,573,977
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total general fund	<u>\$ 60,069,709</u>	<u>\$ 134,256,303</u>	<u>\$ 62,573,977</u>



TABLE 4

**County of Montgomery, Virginia**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>										
Taxes	\$ 87,359,604	\$ 80,674,800	\$ 73,694,467	\$ 70,761,455	\$ 69,492,208	\$ 65,511,183	\$ 59,334,527	\$ 54,989,515	\$ 50,738,457	\$ 48,842,024
Permits, privilege fees, and licenses	784,979	772,968	666,849	768,341	678,798	729,667	527,087	451,339	581,026	432,106
Fines and forfeitures	134,154	130,919	116,968	109,471	86,587	95,562	120,036	191,713	181,336	137,311
Revenue from use of money and property	672,961	598,447	749,264	1,554,529	2,733,781	2,047,264	3,006,656	1,932,190	1,658,701	1,073,542
Charges for services	678,997	698,281	733,701	767,029	770,575	862,222	863,610	1,099,916	774,474	791,975
Other	1,255,148	1,293,861	1,393,796	1,377,993	1,642,545	2,205,909	1,638,273	1,443,439	1,364,845	1,097,902
Intergovernmental	17,472,984	18,278,921	18,274,576	20,674,300	19,694,399	19,567,213	18,816,073	18,018,456	17,655,372	17,030,162
Total revenues	108,358,827	102,448,197	95,629,621	96,013,118	95,098,893	91,019,020	84,306,262	78,126,568	72,954,211	69,405,022
<b>Expenditures</b>										
General government	6,646,567	6,696,527	7,659,535	7,699,271	7,252,162	7,015,626	6,191,149	6,294,484	6,046,564	5,177,651
Judicial administration	3,216,924	2,183,562	2,760,189	3,035,865	2,660,668	2,438,012	2,248,802	1,821,661	1,801,538	1,627,346
Public safety	14,235,137	14,258,983	12,729,447	13,445,144	11,813,809	10,535,822	9,584,764	8,864,490	8,931,893	7,048,833
Public works	3,699,143	3,718,932	4,286,792	3,961,336	4,142,728	3,701,378	3,807,202	3,326,950	3,252,988	3,450,922
Parks, recreation and cultural	2,868,281	2,926,645	2,807,902	2,821,921	3,163,574	2,764,351	2,802,108	2,856,007	2,513,263	2,195,196
Health and welfare	7,597,546	8,921,480	9,609,463	9,938,623	10,459,213	9,792,247	9,063,818	8,241,369	8,338,220	7,813,659
Education	40,082,257	37,540,554	37,065,839	32,813,321	36,822,962	34,291,547	28,899,311	29,917,075	28,731,743	27,894,248
Community development	1,393,140	1,564,984	1,365,242	1,436,161	1,268,374	1,255,640	1,509,152	1,200,930	1,590,531	1,804,638
Capital projects	74,446,535	40,969,360	30,369,502	27,406,729	9,393,891	9,038,054	2,535,393	10,295,741	3,358,473	4,135,721
Debt service										
Principal	12,944,479	11,386,500	11,218,254	9,993,084	8,205,430	5,951,191	6,058,445	5,943,154	16,442,154	4,951,763
Interest and other costs	11,876,151	7,214,788	7,878,024	7,902,498	6,864,369	4,675,570	4,935,156	5,040,472	4,276,687	5,340,581
Total expenditures	179,006,160	137,382,315	127,750,189	120,453,953	102,047,180	91,459,438	77,635,300	83,802,333	85,284,054	71,440,558
Excess of revenues over (under) expenditures	(70,647,333)	(34,934,118)	(32,120,568)	(24,440,835)	(6,948,287)	(440,418)	6,670,962	(5,675,765)	(12,329,843)	(2,035,536)
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	-	101,115,000	26,075,000	21,598,145	77,000,000	-	-	-	18,779,866	20,000,000
Bond premium	-	12,261,552	181,804	-	775,666	-	-	-	-	-
Premium on called bonds	-	-	(1,026,966)	-	-	-	-	-	-	-
Payments to bond escrow agents	-	-	(12,680,005)	(14,120,000)	-	-	-	-	(19,562,999)	-
Proceeds from sale of capital assets/real estate	-	-	-	-	-	-	-	-	8,940,593	-
Contributions from component unit	-	-	5,250,000	-	-	-	-	-	-	-
Transfers in	1,877,120	2,812,359	5,091,622	4,109,521	5,522,084	4,460,375	3,390,967	-	719,056	8,348
Transfers out	(1,877,120)	(2,812,359)	(5,091,622)	(4,109,521)	(5,636,084)	(4,460,375)	(3,484,380)	-	(719,056)	(8,348)
Total other financing sources (uses)	-	113,376,552	17,799,833	7,478,145	77,661,666	-	(93,413)	-	8,157,460	20,000,000
Net change in fund balances	<u>\$ (70,647,333)</u>	<u>\$ 78,442,434</u>	<u>\$ (14,320,735)</u>	<u>\$ (16,962,690)</u>	<u>\$ 70,713,379</u>	<u>\$ (440,418)</u>	<u>\$ 6,577,549</u>	<u>\$ (5,675,765)</u>	<u>\$ (4,172,383)</u>	<u>\$ 17,964,464</u>
Debt service as a percentage of noncapital expenditures	<u>23.80%</u>	<u>19.11%</u>	<u>19.47%</u>	<u>19.02%</u>	<u>16.44%</u>	<u>12.95%</u>	<u>14.64%</u>	<u>14.94%</u>	<u>25.29%</u>	<u>15.29%</u>

TABLE 5

**County of Montgomery, Virginia**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Real Estate	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Service	Total Assessed Value	Total Direct Tax Rate(1)
2013	\$7,236,381,500	\$615,927,418	\$122,801,871	\$36,729,664	\$217,589,620	\$8,229,430,073	\$ 1.06
2012	\$7,187,287,200	\$597,697,604	\$121,643,809	\$31,231,378	\$229,863,391	\$8,167,723,382	\$ 1.07
2011	\$7,159,568,600	\$564,429,352	\$113,349,970	\$30,263,200	\$207,151,562	\$8,074,762,684	\$ 0.93
2010	\$6,932,701,500	\$555,498,413	\$114,428,458	\$29,055,945	\$196,055,790	\$7,827,740,106	\$ 0.91
2009	\$6,835,051,400	\$502,394,734	\$115,931,340	\$33,633,822	\$193,786,466	\$7,680,797,762	\$ 0.90
2008	\$6,669,686,500	\$529,368,631	\$118,621,114	\$32,342,481	\$181,116,686	\$7,531,135,412	\$ 0.91
2007	\$6,493,543,300	\$495,833,387	\$124,587,600	\$31,606,662	\$181,050,272	\$7,326,621,221	\$ 0.84
2006	\$4,841,218,900	\$487,862,951	\$122,587,600	\$33,021,661	\$140,490,906	\$5,625,182,018	\$ 0.97
2005	\$4,685,687,100	\$485,342,070	\$129,546,372	\$34,733,794	\$123,691,318	\$5,459,000,654	\$ 1.00
2004	\$4,556,115,600	\$443,006,567	\$120,450,318	\$21,433,774	\$133,583,496	\$5,274,589,755	\$ 0.98

**Notes:** Property is assessed at full market value. Properties are reassessed once every four years.

(1) Per \$1,000 of assessed value.

Source: Assessor's Office

TABLE 6

**COUNTY OF MONTGOMERY, VIRGINIA**  
**Property Tax Rates**  
**Last Ten Calendar Years**

Calendar Year	County of Montgomery	Town of Christiansburg	Town of Blacksburg	Total Rate for Christiansburg Residents	Total Rate for Blacksburg Residents
2013	0.8900	0.1300	0.2200	1.0200	1.1100
2012	0.8700	0.1126	0.2200	0.9826	1.0900
2011	0.7500	0.1126	0.2200	0.8626	0.9700
2010	0.7400	0.1126	0.2200	0.8526	0.9600
2009	0.7100	0.1126	0.2200	0.8226	0.9300
2008	0.7100	0.1126	0.2200	0.8226	0.9300
2007	0.6300	0.1126	0.2200	0.7426	0.8500
2006	0.7400	0.1126	0.2200	0.8526	0.9600
2005	0.6700	0.1440	0.2200	0.8140	0.8900
2004	0.6700	0.1440	0.2000	0.8140	0.8700

Calendar Year	Real Estate	Personal Property	Machinery and Tools	Merchants Capital
2013	0.89	2.55	1.82	3.05
2012	0.87	2.45	1.82	3.05
2011	0.75	2.45	1.82	3.05
2010	0.74	2.45	1.82	3.05
2009	0.71	2.45	1.82	3.05
2008	0.71	2.45	1.82	3.05
2007	0.63	2.45	1.82	3.05
2006	0.74	2.45	1.82	3.05
2005	0.67	2.45	1.82	4.50
2004	0.67	2.45	1.82	6.05

TABLE 7

**County of Montgomery, Virginia  
Principal Property Tax Payers  
Current Year and Nine Years Ago**

Taxpayer	Fiscal Year 2013			Fiscal Year 2004		
	Real Estate Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Real Estate Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Appalachian Power	\$ 85,190,300	1	1.04%	\$ -	-	0.00%
Jeannie Stosser	75,384,300	2	0.92%	52,572,200	2	0.86%
Foxridge	71,227,100	3	0.87%	58,333,900	1	0.91%
Shelor Properties	63,241,100	4	0.77%	25,206,800	7	0.35%
Roger Woody	61,163,700	5	0.74%	26,237,000	6	0.56%
PR Financing (NRV Mall)	57,205,100	6	0.70%	-	-	0.00%
Radford Community Hospital Inc	54,127,300	7	0.66%	46,230,200	3	
Norfolk and Western	44,409,900	8	0.54%	-	-	0.00%
SHP-The Village at Bburg LLC	38,887,900	9	0.47%	27,682,700	5	0.53%
Verizon	37,909,900	10	0.46%	-	-	0.00%
Maple Ridge	32,582,400	-	0.40%	5,208,600	-	0.10%
Crown American Financing	-	-	0.00%	34,952,800	4	0.68%
HCA Montgomery County	-	-	0.00%	17,322,100	8	0.33%
CSB LLC	-	-	0.00%	16,738,200	9	0.32%
Wal-Mart	-	-	0.00%	13,852,100	-	0.27%
Christiansburg Marketplace	-	-	0.00%	15,771,100	10	0.30%
Alantic Financial (Rowe)	-	-	0.00%	13,118,100	-	0.25%
Windsor Hill 1 LP	-	-	0.00%	15,381,400	-	0.30%
	<u>\$ 621,329,000</u>		<u>7.57%</u>	<u>\$ 368,607,200</u>		<u>5.76%</u>

TABLE 8

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$ 79,883,115	\$ 78,623,115	98.42%	\$ -	\$ 78,623,115	98.42%
2012	73,613,538	72,812,497	98.91%	1,351,259	74,163,756	100.75%
2011	70,260,817	66,804,327	95.08%	1,599,722	68,404,049	97.36%
2010	67,027,509	63,697,514	95.03%	1,043,829	64,741,343	96.59%
2009	65,440,819	62,288,701	95.18%	1,321,759	63,610,460	97.20%
2008	63,108,366	58,295,872	92.37%	2,755,089	61,050,961	96.74%
2007	56,102,315	52,198,510	93.04%	1,048,846	53,247,356	94.91%
2006	50,945,541	48,355,245	94.92%	1,084,910	49,440,155	97.05%
2005	45,073,389	42,428,890	94.13%	1,879,297	44,308,187	98.30%
2004	43,871,083	41,752,442	95.17%	1,400,454	43,152,896	98.36%

Note:

- a) Fiscal Year 2012 shows more collected than levied due to subsequent adjustments to the tax owed.

TABLE 9

**County of Montgomery, Virginia  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt				Other Governmental Activities Debt		
	General Obligation Bonds	Total General Bonded Debt	Percentage of Actual Value of Taxable Property	Per Capita	Lease Revenue Bonds	Literary Fund Loans	Refunding Bonds
2013	\$ 138,871,145	\$ 138,871,145	1.69%	1,452.23	\$ 72,865,208	\$ 2,250,000	\$ 36,020,898
2012	143,366,076	143,366,076	1.76%	1,509.18	77,574,559	2,500,000	40,010,777
2011	35,242,208	35,242,208	0.44%	373.36	82,244,830	2,750,000	43,925,477
2010	22,894,924	22,894,924	0.29%	250.51	102,077,604	3,004,140	32,780,645
2009	16,440,972	16,440,972	0.21%	181.63	122,659,398	3,258,140	20,711,889
2008	18,247,238	18,247,238	0.24%	205.41	51,296,675	3,512,140	21,219,776
2007	20,055,209	20,055,209	0.27%	226.73	54,675,833	3,766,140	21,729,839
2006	21,859,538	21,859,538	0.39%	248.69	57,913,212	4,020,140	22,492,576
2005	23,665,926	23,665,926	0.43%	281.87	61,025,101	4,274,140	23,263,453
2004	26,075,223	26,075,223	0.49%	304.57	90,975,000	4,544,972	4,078,005

Fiscal Year	Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds	Notes Payable			
2013	\$ 6,206,111	\$ -	256,213,362	9.41%	2,679
2012	5,861,728	-	269,313,140	10.18%	2,835
2011	6,057,419	-	170,219,934	6.81%	1,803
2010	6,262,392	10,802	167,030,507	6.76%	1,828
2009	6,456,726	32,284	169,559,409	7.86%	1,873
2008	6,610,729	53,125	100,939,683	4.75%	1,136
2007	6,515,070	70,184	106,812,275	4.58%	1,208
2006	6,024,984	85,993	112,396,443	5.71%	1,279
2005	6,132,906	101,197	118,462,723	6.02%	1,411
2004	6,226,079	118,685	132,017,964	7.56%	1,542

**Notes:** Details regarding the County's outstanding debt can be found in the Notes to Financial Statements.

**TABLE 10**

**County of Montgomery, Virginia  
Pledged Revenue Coverage  
Last Ten Fiscal Years**

Fiscal Year	Gross Revenue		Less: Operating Expenses		Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
2013	\$	4,792,122	\$	3,936,446	855,676	\$ 344,383	\$ 221,253	1.51
2012		4,074,962		3,828,255	246,707	215,442	252,764	0.53
2011		3,857,490		2,685,634	1,171,856	204,973	258,159	2.53
2010		3,402,690		2,895,875	506,815	194,334	264,346	1.10
2009		3,387,714		2,985,765	401,949	154,003	277,225	0.93
2008		3,090,332		2,610,357	479,975	155,567	273,069	1.12
2007		2,941,527		2,612,350	329,177	129,223	285,304	0.79
2006		2,693,843		2,284,438	409,405	123,126	290,593	0.99
2005		2,683,885		2,434,942	248,943	110,661	293,368	0.62
2004		2,785,678		2,518,845	266,833	95,740	286,651	0.70

**Notes:** Details regarding the County's outstanding debt can be found in the Notes to Financial Statements.

TABLE 11

**County of Montgomery, Virginia**  
**Demographic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended</b>	<b>Population</b>	<b>Total Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Public School Enrollment</b>	<b>Unemployment Rate</b>
2013	95,626	\$ 2,723,370,463	\$ 28,668	9,474	6.50%
2012	94,996	2,645,068,624	27,844	9,406	6.40%
2011	94,392	2,499,233,000	27,308	9,345	7.40%
2010	91,394	2,470,786,962	25,545	9,494	7.00%
2009	90,517	2,157,925,280	23,840	9,518	5.83%
2008	88,834	2,122,928,000	23,637	9,562	3.60%
2007	88,454	2,090,787,198	23,637	9,506	2.80%
2006	87,900	1,968,520,500	22,395	9,407	3.10%
2005	83,959	1,834,336,232	21,848	9,335	3.60%
2004	85,614	1,745,840,688	20,392	9,311	2.60%

Note: Population, school enrollment and unemployment figures are based on fiscal years ending June 30. Per Capita Income is as of December 31.

Source: Population, personal income and unemployment - Economic Development Department  
Public School enrollment - School Board Administration



TABLE 12

**County of Montgomery, Virginia  
Principal Employers  
Current Year and Ten Years Ago**

Employer	Fiscal Year 2013		Fiscal Year 2004	
	Number of Employees	Rank	Number of Employees	Rank
Virginia Polytechnic Institute and State University	5,000 and over	1	5,000 and over	1
Virginia Tech Corporate Research Center	1,000 to 4,999	2	1,000 to 4,999	2
Montgomery County School Board	1,000 to 4,999	3	1,000 to 4,999	3
Carilion New River Valley Medical Center	500 to 999	4	500 to 999	8
Moog Inc	500 to 999	5	500 to 999	9
Dish Network	500 to 999	6	1000 to 4,999	5
HCA Virginia Health System	500 to 999	7	500 to 999	10
Base Systems Ordnance Systems	500 to 999	8	-	-
New River Valley Community Services	500 to 999	9	-	-
Federal Mogul Corp	500 to 999	10	-	-
Alliant Ammunition and Power	-	-	1,000 to 4,999	4
General Dynamics Armament	-	-	-	6
Rpwe Furniture Manufacturing	-	-	500 to 999	7

**Source:** Economic Development Department

TABLE 13

**County of Montgomery, Virginia**  
**Full-Time Equivalent County Government Employees by Function/Program**  
**Last Ten Fiscal Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Function/Program</b>										
General government										
County Administration	13.50	13.50	13.50	13.50	13.50	13.50	14.00	14.00	13.00	14.00
Information management services	9.50	9.50	8.50	9.50	10.50	8.50	8.50	8.50	8.50	8.00
Finance	7.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	9.50
Purchasing	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Commissioner of Revenue	13.00	14.00	14.00	19.00	19.00	19.00	18.00	18.00	18.00	18.00
Treasurer	12.00	12.00	12.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
Other	7.00	6.50	6.50	7.50	7.50	7.50	7.00	7.00	7.00	6.00
Public Safety										
Sheriff	130.50	130.50	121.50	124.50	135.50	129.00	126.00	122.00	122.00	112.00
Animal control	4.25	4.25	4.25	4.25	4.00	4.00	4.20	4.20	4.20	4.20
Inspections	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.50	4.00
Judicial	23.00	23.00	23.00	23.00	23.00	22.00	18.00	18.50	18.50	18.00
Refuse collection	17.00	19.40	22.40	23.00	23.00	24.20	24.20	23.50	23.50	23.50
Other public works										
Engineering	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00
Building and grounds	6.00	6.00	8.00	9.00	9.00	9.00	9.00	8.00	8.00	8.00
Housekeeping	10.00	9.00	8.00	9.00	9.00	9.00	9.00	9.10	8.60	8.60
Other	6.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00
Parks, recreation and cultural	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.00
Library	20.50	20.50	20.50	23.88	23.88	24.38	24.13	31.25	31.25	30.75
Water/Sewer	19.00	19.00	18.00	18.00	19.00	19.00	19.00	19.00	21.00	21.00
Health and Welfare	68.50	68.50	69.50	70.50	74.50	72.00	72.00	67.50	67.50	66.50
Community development	9.00	10.00	10.00	11.00	11.00	11.00	11.00	11.00	10.00	10.00
Total	391.25	393.15	387.15	410.13	427.88	417.58	409.53	407.05	406.05	394.05

Source: County Approved Budget

TABLE 14

**County of Montgomery, Virginia**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
General Government										
Fleet vehicles	251	238	239	233	220	217	224	218	208	200
Judicial Administration										
Sheriff										
Inmates Housed	45,505	42,511	41,691	40,716	68,835	77,416	63,619	77,948	60,052	51,417
Inmate Transports	4,017	3,318	3,317	2,857	3,160	3,064	3,511	3,319	3,290	2,409
Courts Worked	939	927	934	983	983	1,012	912	915	846	843
Public safety										
Sheriff										
Physical arrests	1,460	1,608	1,995	2,141	1,868	3,739	3,767	3,311	3,233	3,242
Traffic violations	2,083	2,435	2,335	2,774	2,763	3,451	4,268	5,029	6,171	4,824
Public works										
Refuse collection										
Refuse collected (pounds per day)	71,359	71,334	74,351	71,212	69,484	76,671	77,089	77,293	78,094	76,551
Recyclables collected (pounds per day)	6,825	6,861	5,892	4,838	5,252	5,791	6,231	6,402	6,312	6,132
Parks, recreation and cultural										
Parks and recreation										
Total programs	237	244	241	263	247	235	199	154	160	141
Total registrants	3,137	2,991	2,875	3,104	3,125	3,375	3,328	2,909	3,982	2,748
Library										
Volumes in collection	251,261	248,649	244,999	242,243	243,427	227,327	226,093	212,004	201,235	198,310
Total volumes borrowed	745,114	768,931	785,879	871,296	892,655	783,708	781,608	717,708	645,560	610,238
Water										
Number of customer accounts	2,699	2,640	2,616	2,640	2,642	2,615	2,554	2,534	2,532	2,500
Miles of distribution lines	93	93	92	92	92	92	88	88	87	86
Average daily consumption	693,833	697,490	758,384	739,956	829,736	840,183	802,445	879,298	870,444	803,000
Sewer										
Number of customer accounts	1,475	1,408	1,388	1,372	1,356	1,337	1,247	1,225	1,211	1,173
Waste/Water treated (million gallons per year)	172	167	175	222	191	165	196	175	191	202
Average daily consumption	470,306	458,671	479,328	486,030	522,650	505,610	536,191	N/A	N/A	N/A

**Source: County departments**

N/A - Not available

TABLE 15

**County of Montgomery, Virginia**  
**Capital Asset and Infrastructure Statistics by Function/Program**  
**Last Ten Fiscal Years**

<b><u>Function/Program</u></b>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Public safety										
Law enforcement vehicles	96	93	96	92	94	82	83	83	80	79
Fire and Rescue stations	10	10	10	10	10	10	8	8	8	8
Parks, recreation and cultural										
Parks/athletic fields	8	8	8	8	7	5	2	2	2	2
Water and sewage										
Water mains (miles)	93	93	92	92	92	92	88	66	66	66
Sanitary sewers (miles)	63	63	62	62	62	62	60	44	44	44

**Source: County departments**

## **COMPLIANCE SECTION**

---

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

To the Honorable Members of the Board of Supervisors  
County of Montgomery, Virginia

We have audited, 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*, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the County of Montgomery, Virginia (the "County"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 26, 2013.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **We consider the deficiency described in the accompanying schedule of findings and questioned costs as Item 07-1 to be a material weakness.**

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 13-1 and 13-2.**

## County of Montgomery's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of This Report

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 26, 2013

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

To the Honorable Members of the Board of Supervisors  
County of Montgomery, Virginia

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

We have audited the County of Montgomery, Virginia's (the "County") 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's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



## Report on Internal Control Over Compliance

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

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

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

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 26, 2013

## COUNTY OF MONTGOMERY, VIRGINIA

### SUMMARY OF COMPLIANCE MATTERS

June 30, 2013

As more fully described in the Independent Auditor's 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*, we performed tests of the County's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

#### **STATE COMPLIANCE MATTERS**

##### Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Inmate Canteen Funds

Comprehensive Services Act

Sheriff Internal Controls

##### State Agency Requirements

Education

#### **FEDERAL COMPLIANCE MATTERS**

##### Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

COUNTY OF MONTGOMERY, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One material weakness** relating to the audit of the financial statements was reported in the Independent Auditor's 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings related to major programs**.
7. The programs tested as major are:

<b><u>Name of Program:</u></b>	<b><u>CFDA #</u></b>
Child Nutrition Cluster	10.533, 10.555
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
Title 1: Grants to Local Education Agencies	84.010
Temporary Assistance to Needy Families	93.558
Adoption Assistance	93.659
Social Services Block Grant	93.667
Medical Assistance Program	93.778

8. The **threshold for** distinguishing Type A and B programs was **\$300,000**.
9. The County was **not** determined to be a **low-risk auditee**.

**COUNTY OF MONTGOMERY, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2013**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**07-1: Segregation of Duties (Material Weakness)**

*Condition:*

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, and cash disbursements.

*Recommendation:*

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

*Management's Response:*

The auditee concurs. County management and School Board has taken all steps deemed practical and cost beneficial to minimize conflicting duties.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None noted.

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**13-1: Computer Access Forms – Social Services**

*Condition:*

Computer access forms were not reviewed and updated for all employees during fiscal year 2013.

*Recommendation:*

Steps should be taken to ensure that all employee access forms are updated at least once per year.

*Management's Response – Department of Social Services:*

The auditee concurs and will implement procedures to ensure compliance.

**13-2: Continuity of Operations Plan – Social Services**

*Condition:*

The Continuity of Operations Plan has not been updated within the last year.

*Recommendation:*

Steps should be taken to ensure that the Continuity of Operations Plan is updated at least yearly.

*Management's Response – Department of Social Services:*

The auditee concurs and will implement procedures to ensure compliance.