

COUNTY OF ALLEGHANY, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

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

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
List of Elected and Appointed Officials	1

FINANCIAL SECTION

Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-19

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	20
Statement of Activities	2	21
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	25
Statement of Net Position - Proprietary Funds	7	26
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	8	27
Statement of Cash Flows - Proprietary Funds	9	28
Statement of Fiduciary Net Position - Fiduciary Funds	10	29
Notes to Financial Statements		30-59

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund	11	60
Special Law Fund	12	61
Schedule of Pension and OPEB Funding Progress	13	62

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

TABLE OF CONTENTS (CONTINUED)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information:		
Combining and Individual Fund Statements and Schedules:		
Combining Statement of Fiduciary Net Position - Fiduciary Funds.....	14	63
Discretely Presented Component Unit - School Board:		
Combining Balance Sheet.....	15	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16	65
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	17	66
Combining Balance Sheet - Non major Special Revenue Funds	18	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds.....	19	68
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	69-74
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	75-79
Other Statistical Information:		
	<u>Table</u>	<u>Page</u>
Government-wide information:		
Government-Wide Expenses by Function	1	80
Government-Wide Revenues	2	81
Fund information:		
General Governmental Expenditures by Function	3	82
General Governmental Revenues by Source	4	83
Property Tax Levies and Collections	5	84
Assessed Value of Taxable Property	6	85
Property Tax Rates	7	86
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	87

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

TABLE OF CONTENTS (CONTINUED)

COMPLIANCE SECTION

Page

Compliance:

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	88-89
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	90-91
Schedule of Expenditures of Federal Awards	92-93
Schedule of Findings and Questioned Costs	94-95

INTRODUCTORY SECTION

COUNTY OF ALLEGHANY, VIRGINIA

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

Benjamin Truett, Chairman	
Robert A. Fridley, Vice-Chairman	Jacob Wright
William W. Angle	Amber Kerns
John Reynolds	Norman L. Persinger

SOCIAL SERVICES BOARD

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

OTHER OFFICIALS

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To The Board of Supervisors
County of Alleghany, Virginia
Covington, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As described in Note 15 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-19, budgetary comparison information, and the schedule of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of the County of Alleghany, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the County of Alleghany, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 2, 2013

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The management of the County of Alleghany, Virginia presents this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. This document should be used in conjunction with the financial statements and notes to the financial statements that are included in this document.

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The County has three types of funds:

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

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

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

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

This space left blank intentionally

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

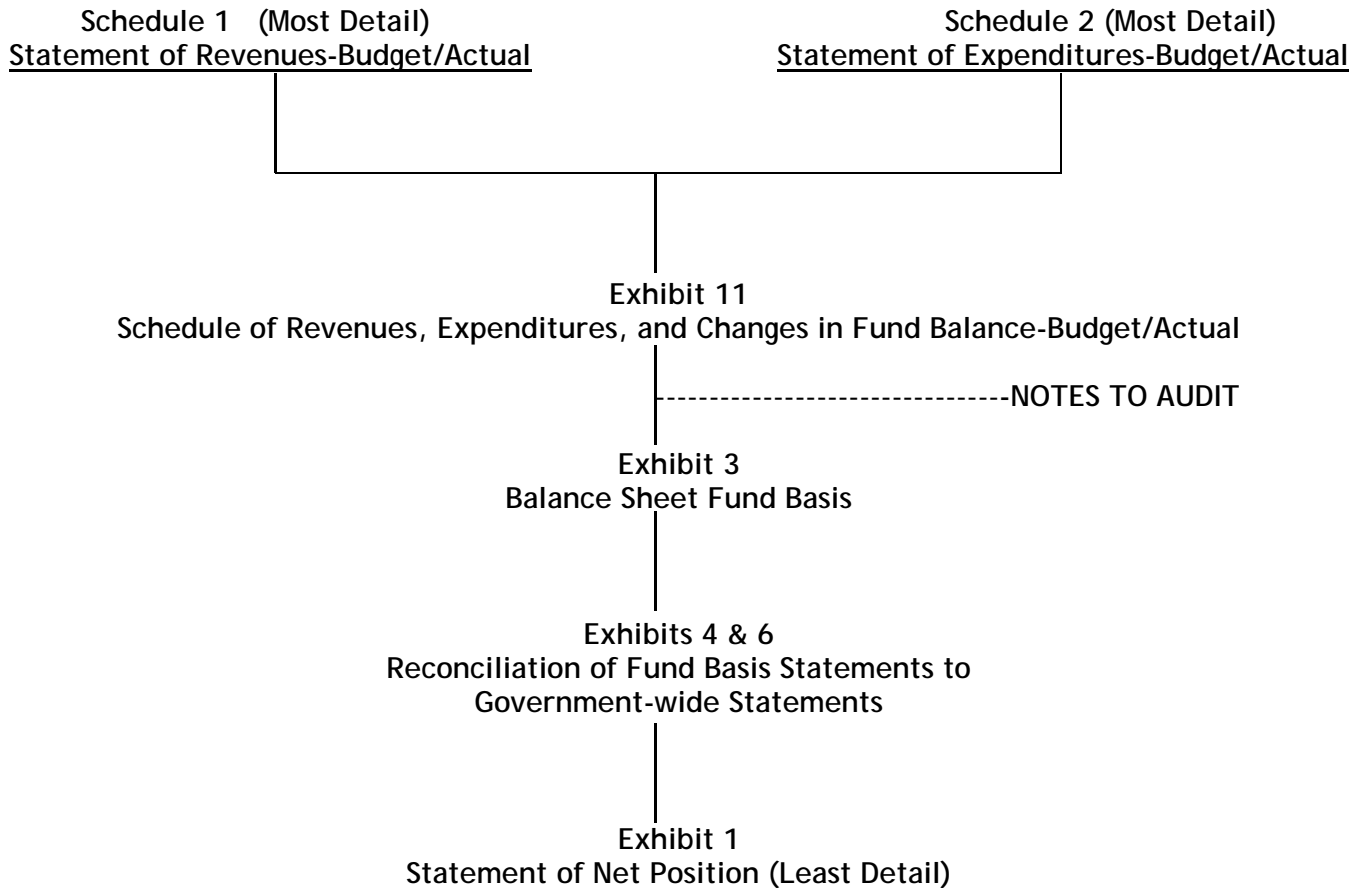
REPORT STRUCTURE

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

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

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

How to follow Schedules/Exhibits in the Audit:



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

This space left blank intentionally.

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

This is the ninth year that the County of Alleghany has presented its financial statements under the new reporting model required by GASB Statement No. 34. Below is a comparison of current year financial statements to prior year financial statements under the GASB 34 reporting model.

Statement of Net Position

The following table reflects the condensed Net Position:

	Summary of Net Position			
	Governmental Activities		Business-Type Activities	
	2012	2013	2012	2012
ASSETS				
Current and other assets	\$ 12,998,651	\$ 15,743,954	\$ 2,254,838	\$ 3,229,639
Capital assets	30,863,110	29,084,422	42,758,839	42,389,723
Total assets	\$ 43,861,761	\$ 44,828,376	\$ 45,013,677	\$ 45,619,362
LIABILITIES				
Current liabilities	\$ 3,048,831	\$ 2,745,737	\$ 416,675	\$ 329,805
Long-term liabilities	13,723,179	14,608,876	10,920,483	11,201,708
Total liabilities	\$ 16,772,010	\$ 17,354,613	\$ 11,337,158	\$ 11,531,513
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ -	\$ 11,222	\$ -	\$ -
NET POSITION				
Net investment in capital assets	\$ 17,479,170	\$ 14,839,384	\$ 31,907,317	\$ 31,252,291
Restricted net position	744,662	2,801,029	9,614	-
Unrestricted net position	8,865,919	9,822,128	1,759,588	2,835,558
Total net position	\$ 27,089,751	\$ 27,462,541	\$ 33,676,519	\$ 34,087,849

This space left blank intentionally.

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Financial Highlights of Statement of Net Position

At the close of the fiscal year, the assets of the County exceeded liabilities and deferred inflows of resources by \$61,550,390 (Exhibit 1). Of this amount \$12,657,686 may be used to meet the government's ongoing obligations to creditors and citizens within each respective activity.

Net position of the County's governmental activities for the government-wide statements was \$27,462,541. Of this amount, \$9,822,128 was unrestricted (Exhibit 1). This means that 35.77% of total net position was unrestricted. This is an increase from FY12.

Net position of the County's business-type activities as of June 30, 2013 was \$34,087,849. Of this amount, \$2,835,558 was unrestricted (Exhibit 1). This means that 8.32% of the total net position was unrestricted.

Net position increased during FY13 for both the governmental activities and the business-type activities.

Highlights of the Statement of Activities

The Statement of Activities reveals some interesting facts. Probably the most thought provoking is the original schedule that matches revenues and expenditures for a specific activity (Exhibit 2). It shows the specific activity versus how much revenue is generated specifically for or by that activity and how much of the general revenues are used to finance the activity. This is diametrically opposite of how traditional fund accounting has presented revenue. Fund accounting has always presented revenue by source (local, state, federal). The following table presents the program revenue generated by each major activity and the general revenue required to meet operational cost of the respective activities.

This space left blank intentionally

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

**Activities - Program Revenue vs. Reliance on General Revenue
as of June 30, 2012 and June 30, 2013**

Activity	Program Revenue		Reliance on General Revenue	
	2012	2013	2012	2013
General administration	\$ 451,144	\$ 438,466	\$ 2,048,286	1,761,717
Judicial administration	731,274	741,999	758,510	740,245
Public safety	2,578,488	2,219,845	2,593,225	3,120,482
Public works	387,024	339,600	2,577,348	2,555,067
Health & welfare	2,828,835	2,765,995	639,336	772,599
Education	2,558,088	2,351,983	9,957,352	10,291,635
Parks, recreation & cultural	236,270	354,400	859,011	609,341
Community development	-	150,000	404,069	411,469
Interest on long-term debt	-	-	1,623,370	430,686
Business-type activities	5,700,249	4,591,703	-	-
Total	\$ 15,471,372	\$ 13,953,991	\$ 21,460,507	\$ 20,693,241

As can be expected, General Government Administration is 80.07% supported by General Revenues. This category includes general and financial administration, taxing and collection functions, and the voting functions. The 19.93% program revenue is mostly from the Commonwealth of Virginia support of the voting function, tax collection, and assessment functions.

Judicial Administration is supported 50.06% by either revenue from the Commonwealth of Virginia or fines, forfeitures, and fees. Activities included in this category are the court system, serving of legal documents, prosecution, magistrate, and maintaining legal records.

Public Safety program costs are 41.57% funded by the Commonwealth of Virginia. This leaves the General Fund providing 58.43% of the funding for public safety. This function includes law enforcement, correction and detention, probation, fire and rescue, animal protection, and emergency services.

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

Public Works is funded primarily by General Revenue (88.27%). These activities include refuse collection and disposal, general property upkeep, recycling, and general engineering.

Community Development activities were funded by 73.28% by local sources. Items included in this activity include contributions to the Alleghany Highlands Economic Development Corporation and contributions to a number of organizations that contribute to development of the community as a whole. Parks, Recreation, and Cultural Activities are supported almost entirely by general revenues (63.22 %). This includes parks and recreation, senior citizens services, and contributions to various organizations that sponsor cultural activities.

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Health and Welfare activity is primarily supported by State and Federal resources (78.17%). This includes support of the Health Department and Department of Social Services.

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

All of the revenue received for the Water and Sanitary activities was entirely generated by the existence of the activity. There were both charges for services and some grants; however, they were all generated due to the existence of the Water & Sanitary System.

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

Statement of Activities (Condensed) as of June 30, 2012 and June 30, 2013

	Governmental Activities		Business-Type Activities	
	2012	2013	2012	2013
Program revenues	\$ 9,771,123	\$ 9,362,288	\$ 5,700,249	\$ 4,591,703
General revenues:				
General property taxes	15,492,843	16,394,558	-	-
Other local taxes	2,190,182	2,412,439	-	-
Use of money & property	42,449	61,370	7,827	11,724
Miscellaneous	236,187	337,803	15,600	16,113
Unrestricted grants	2,293,952	2,396,687	-	-
Net transfers	(35,264)	-	35,264	-
Gain(loss) on disposal of assets	-	(536,826)	-	-
Total revenue	\$ 29,991,472	\$ 30,428,319	\$ 5,758,940	\$ 4,619,540
Total expenditures	\$ 31,231,630	\$ 30,055,529	\$ 4,497,392	\$ 4,208,210
Change in net position	\$ (1,240,158)	\$ 372,790	\$ 1,261,548	\$ 411,330
Beginning net position	\$ 28,329,909	\$ 27,089,751	\$ 32,414,971	\$ 33,676,519
Ending net position	\$ 27,089,751	\$ 27,462,541	\$ 33,676,519	\$ 34,087,849

The above chart shows that for governmental activities net position increased by \$372,790.

There was a \$411,330 increase in net position of the Water and Sanitary (business-type) activities. The majority of the increase comes from completing the construction of the Dolly Ann Water Line.

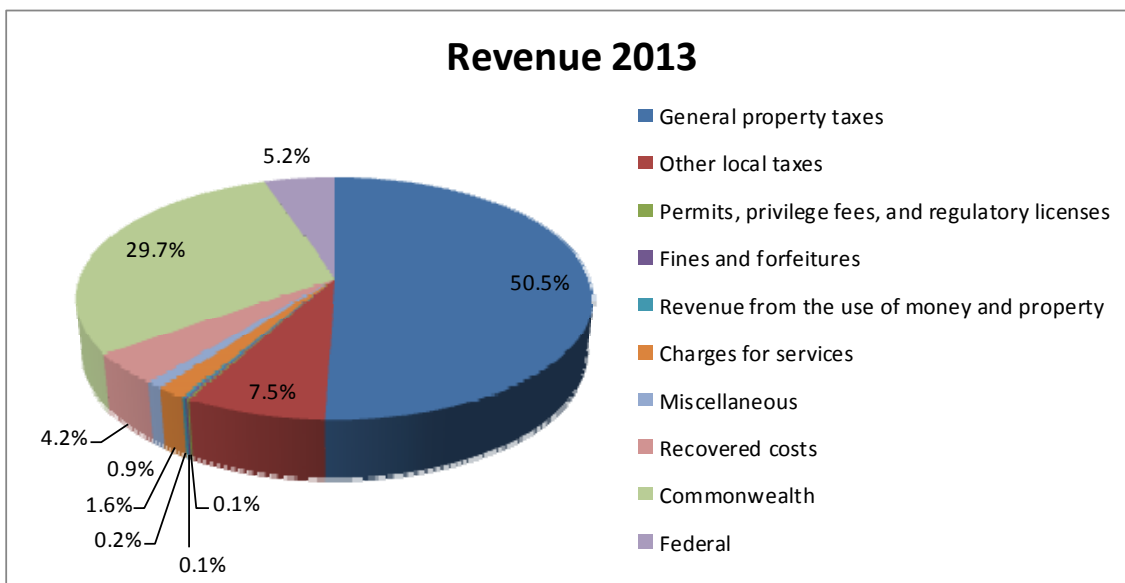
This space left blank intentionally

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Highlights of the Fund Financial Statements

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

Fund Revenue by Source for June 30, 2013



For the General fund, local revenue sources were 65.1% of the total revenue received, while the Commonwealth of Virginia contributed 29.7% and the Federal government contributed 5.2%. These revenue figures are presented on a source basis using modified accrual accounting as opposed to the method that is being used in the government-wide statements.

Between what was originally budgeted in the General Fund and the actual collections, there is a difference of \$345,346. This means that \$345,346 more was collected in revenue than was originally budgeted. There were many variations, some were positive, some were not. The following is a brief list of both the positive and the negative.

- Overall Property Taxes exceeded budget by \$249,014.
- Motor Vehicle Licenses were less than budget by \$56,813. This was caused by prorating the new fee that replaced Motor Vehicle Decals.
- There are a number of deviations in the Shared Expenses with the Commonwealth. Some were caused by the County being mandated to return \$158,000 in revenue to the Commonwealth.
- Once again the expenditure driven line items for Social Services did not reach the anticipated budget level. However, this means that the money was not expended for

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Social Services; therefore, the effect is negated by the effect on the expenditure side of the budget.

- Payments in Lieu of Taxes exceeded budget by \$93,012. This represents a substantial increase over previous years.
- There are several line items connected with Fines and Forfeitures that did not meet expected budget levels. This seems to indicate a problem with collecting these fines and costs.
- There is an unfavorable variance on the amount collected for General Joint Operations. This is due to a dispute over the amount that Covington is willing to reimburse for Law Enforcement.
- Several of the small independent funds such as IPR and CDBG have had major decreases in funding from the Federal Government.

The chart below shows a comparison between FY12 and FY13 revenues for the General Operating Fund. There was an overall increase in revenue of \$607,685. This equates to a 2.0% increase in overall revenues. There are two changes that need to be mentioned. 1) The increase in taxes was caused by an increase in the real estate rate. 2) There was a large increase in the money received from interest on investments due to a change in banking institutions.

General Fund Revenue	2012	2013	Difference	% Change
General property tax	\$ 15,412,777	\$ 16,187,947	\$ 775,170	5.03%
Other local taxes	2,190,182	2,412,439	222,257	10.15%
Permits, privilege fees and licenses	28,259	40,113	11,854	41.95%
Fines and forfeitures	61,002	43,559	(17,443)	-28.59%
Revenue from the use of money & property	40,435	60,242	19,807	48.98%
Charges for services	585,023	499,029	(85,994)	-14.70%
Miscellaneous	186,737	296,706	109,969	58.89%
Recovered costs	1,548,345	1,334,927	(213,418)	-13.78%
Commonwealth	9,406,850	9,520,283	113,433	1.21%
Federal	1,983,941	1,655,991	(327,950)	-16.53%
Non-revenue receipts:				
Transfers in (out)	(35,264)	-	35,264	-100.00%
Other financing sources	-	2,660,250	2,660,250	100.00%
Total	<u>\$ 31,408,287</u>	<u>\$ 34,711,486</u>	<u>\$ 3,303,199</u>	

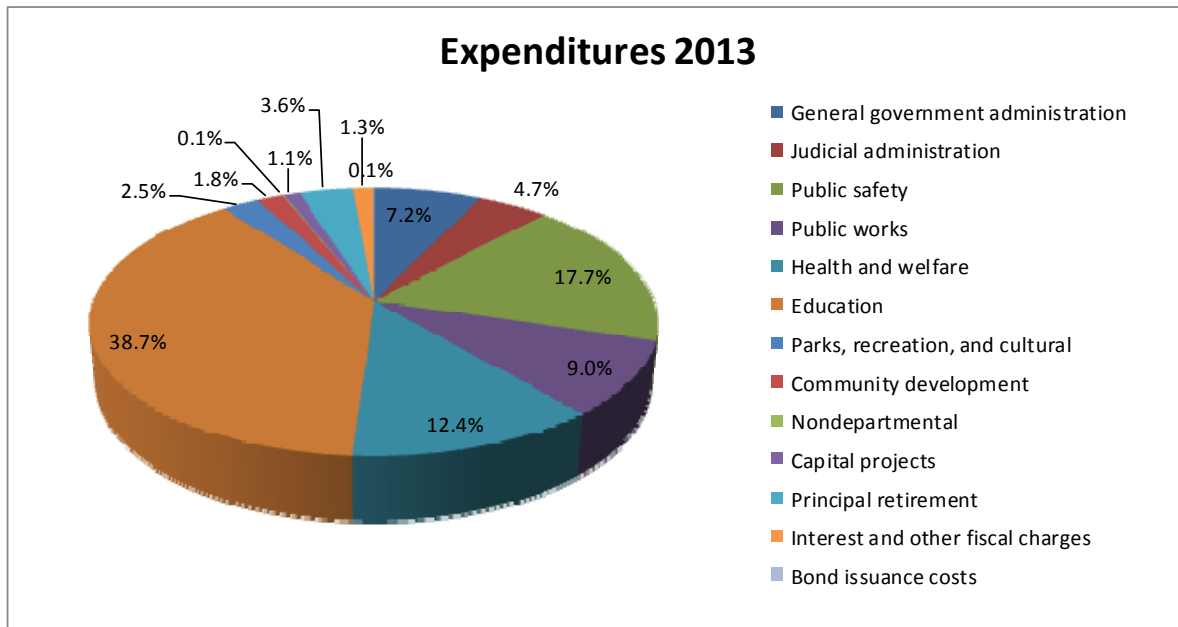
There was a decrease in the revenue for Other Governmental Funds.

Other Governmental Funds - Revenue	2012	2013	Difference	% Change
Revenue from the use of money & property	\$ 339	\$ 725	\$ 386	113.86%
Miscellaneous	<u>49,450</u>	<u>41,097</u>	<u>(8,353)</u>	<u>-16.89%</u>
Total	<u>\$ 49,789</u>	<u>\$ 41,822</u>	<u>\$ (7,967)</u>	

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

Fund Expenditures by Function
for June 30, 2013



This space left blank intentionally

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The General fund spent \$5.8 million less than the amended budget (See Schedule 2). In fact, the overall expenditures for the General Fund were over \$8.6 million less from FY12 to FY13. The following are some of the reasons:

- For capital budgeting and cash flow purposes, Alleghany County allows individual functions to "carry forward" unexpended budget funding in order to finance incremental parts of anticipated large purchases. This lessens the impact on tax rates in a single year.
- The School Board is now retaining any excess funds. These were previously returned to the County, thereby, reducing expenditures.
- A new law was mandated by the legislature requiring the County to provide Line of Duty Coverage for Volunteers.

General Fund Expenditures	2012	2013	Difference	% Change
General government administration	\$ 2,422,769	\$ 2,304,985	\$ (117,784)	-4.86%
Judicial administration	1,429,307	1,496,501	67,194	4.70%
Public safety	5,753,464	5,673,079	(80,385)	-1.40%
Public works	3,246,772	2,878,188	(368,584)	-11.35%
Health and welfare	3,917,532	3,973,318	55,786	1.42%
Education	11,867,480	12,373,804	506,324	4.27%
Parks, recreation and cultural	760,351	785,039	24,688	3.25%
Community development	399,258	561,954	162,696	40.75%
Capital projects	475,968	341,291	(134,677)	-28.30%
Nondepartmental	28,856	29,505	649	2.25%
Debt service:				
Principal retirements	9,482,512	1,145,832	(8,336,680)	-87.92%
Interest and other charges	851,376	420,521	(430,855)	-50.61%
Bond issue costs		17,200	17,200	100.00%
Transfers in (out)	(35,264)	-	35,264	-100.00%
Total	\$ 40,600,381	\$ 32,001,217	\$ (8,599,164)	

Other Governmental Funds	2012	2013	Difference	% Change
Public safety	\$ 22,393	\$ 22,787	\$ 394	1.76%

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

COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

CAPITAL ASSETS AND LONG TERM DEBT

Alleghany County had capital assets as of June 30, 2013 for its governmental activities of \$29,084,422. Included in the governmental activities are School Board buildings and improvements for which Alleghany County has or will pay the associated debt. In addition, the School Board had assets of \$7,879,490. The Water and Sanitary Fund had \$42,389,723 in capital assets. These assets are predominately water and sewer lines, pump stations, and other related infrastructure. The primary government long term debt (excluding Compensated Absences) increased during fiscal year 2013 (See Note 6). This was mainly due to the issuance of VPSA bonds for the improvement of the high school. The Water & Sanitary Fund debt increased due to the Dolly Ann Water Project.

Capital Assets			
	<u>Governmental</u>	<u>Business-Type</u>	<u>Component Unit</u>
Land	\$ 3,547,019	\$ -	\$ 1,001,152
Buildings and systems	35,826,347	-	13,635,772
Machinery and equipment	4,888,990	343,459	4,352,692
Infrastructure	-	51,152,778	-
Construction in progress	378,146	75,630	-
Subtotal	<u>\$ 44,640,502</u>	<u>\$ 51,571,867</u>	<u>\$ 18,989,616</u>
Less accumulated depreciation	<u>(15,556,080)</u>	<u>(9,182,144)</u>	<u>(11,110,126)</u>
Total	<u>\$ 29,084,422</u>	<u>\$ 42,389,723</u>	<u>\$ 7,879,490</u>

Governmental Debt				
	Balance June 30, 2012	Issuances	Retirements	Balance June 30, 2013
GO bonds	\$ 5,834,145	\$ 1,825,000	\$ (395,832)	\$ 7,263,313
Premium on VPSA	49,795	185,250	(3,320)	231,725
Literary loans	7,500,000	-	(750,000)	6,750,000
Totals	\$ 13,383,940	\$ 2,010,250	\$ (1,149,152)	\$ 14,245,038

Water and Sanitary Debt				
	Balance June 30, 2012	Issuances	Retirements	Balance June 30, 2013
Revenue bonds	\$ 10,851,522	\$ 830,476	\$ (544,566)	\$ 11,137,432

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A number of factors and trends will need to be evaluated and considered with regard to the FY13-14 budget. These are elaborated upon in the paragraphs which follow below.

The Alleghany County unemployment rate was 5.9% in August 2008, but had risen to 9.5% in January 2009. It has stayed at a high level since then as evidenced by the fact that it was 8.5% in January 2013 after falling to 6.5% in December 2012. While this represents a decline which mirrors similar decreases in the national and state rates, the local rate persists in running higher than the state average. Such continuing high rates are evidence that the local, state and national economies continue to be relatively weak. The Commonwealth is anticipating again, as it did last year, that it will realize some improvement in its revenue situation. There are some early indications from Richmond that perhaps the reductions in State Aid payments to local governments for support of Constitutional Offices will be lessened in the coming year compared to the last several years.

The Alleghany Highlands region continues to experience marginal success in replacing the jobs this area has lost since December 2005. The County and region, in partnership with the Alleghany Highlands Economic Development Corporation (AHEDC) and the Roanoke Regional Partnership, will continue in its efforts to improve employment opportunities, both through support of existing employers and the attraction and cultivation of new employers. The efforts underway, spearheaded by the Alleghany Highlands Chamber of Commerce under the provisions of a Tourism and Marketing Services Agreement between it and the County to expand and enhance our tourism sector are beginning to show some signs of early success. We also will continue to focus upon those industries that historically have provided the largest number of jobs in the Alleghany Highlands - wood and paper products, household and personal goods manufacturing, and health care.

A bright note of welcome news arrived in late 2012 with Balchem Corporation's acquisition (from Alleghany County) of the former Bacova II building (also known as the LKM building) in the Alleghany Commerce Center. The creation of 55 new jobs within three years is projected. Balchem is a manufacturer of animal nutrition and health products. This purchase left the County with no marketable building or site for future economic development. Local funds will need to be allocated in the next budget to begin addressing that critical need.

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

The General Reassessment of Real Estate required by the Code of Virginia to be conducted at least every six years is drawing to a conclusion and will be in effect for the FY 13-14 tax year. Early indications are that the reassessment will yield only a nominal increase in assessed values. At the current tax rate, it appears that only \$100,000 to \$200,000 in additional tax receipts may be realized after this reassessment is concluded.

The Federal and Commonwealth's fiscal situation(s) continue to impact the local budget picture. It is quickly becoming apparent that next year Federal funding as a share of the total County General

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Operations budget will continue to decrease, but it appears there may be a slight increase in State funding. However, State and Federal funding for the local school system also continues to decline. School age population has declined to the level that it appears that two (2) elementary schools will need to be closed next year.

The County plans to focus FY14 funding on developing marketable sites and buildings for new businesses, extending natural gas into the Low Moor area (where the Alleghany Commerce Center is situated), making required capital improvements, and maintain the water and sewer infrastructure to maintain its integrity and reliability. In addition, the County will take steps to develop preliminary plans for a joint E-911 Communications Center to serve the County and the City of Covington and will address repairs at the Regional Jail, the Rosedale Building, and the County offices in Low Moor. These issues, along with the increasing health insurance costs for the employee health insurance program are chief among the budget issues to be faced next year.

In essence, another difficult season is anticipated for FY13-14, with hard decisions and choices to be made.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

County of Alleghany, Virginia
Statement of Net Position
June 30, 2013

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit School Board
ASSETS				
Cash and cash equivalents	\$ 11,249,501	2,681,629	\$ 13,931,130	\$ 4,964,750
Cash in custody of others	-	-	-	378,210
Receivables (net of allowance for uncollectibles):				
Taxes receivable	601,332	-	601,332	-
Accounts receivable	383,241	520,579	903,820	62,787
Due from primary government	-	-	-	2,128,240
Due from other governmental units	1,500,273	-	1,500,273	293,266
Inventories	7,316	-	7,316	13,436
Prepaid expenses	-	-	-	251,347
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	2,002,291	27,431	2,029,722	-
Capital assets (net of accumulated depreciation)				
Land	3,547,019	-	3,547,019	1,001,152
Buildings and improvements	23,558,148	-	23,558,148	5,371,826
Machinery and equipment	1,601,109	268,689	1,869,798	1,506,512
Infrastructure	-	42,045,404	42,045,404	-
Construction in progress	378,146	75,630	453,776	-
Total assets	\$ 44,828,376	\$ 45,619,362	\$ 90,447,738	\$ 15,971,526
LIABILITIES				
Accounts payable	\$ 346,895	\$ 262,263	\$ 609,158	\$ 228,674
Accrued liabilities	74,035	23,389	97,424	2,130,499
Customers' deposits	-	27,431	27,431	-
Accrued interest payable	192,288	16,722	209,010	-
Due to component unit	2,128,240	-	2,128,240	-
Amounts held for others	4,279	-	4,279	-
Long-term liabilities:				
Due within one year	1,437,203	609,271	2,046,474	124,310
Due in more than one year	13,171,673	10,592,437	23,764,110	464,681
Total liabilities	\$ 17,354,613	\$ 11,531,513	\$ 28,886,126	\$ 2,948,164
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 11,222	\$ -	\$ 11,222	\$ -
NET POSITION				
Net Investment in capital assets	\$ 14,839,384	\$ 31,252,291	\$ 46,091,675	\$ 7,879,490
Restricted:				
Jail Operations	169,368	-	169,368	-
CDBG Housing	27,894	-	27,894	-
Law Library	17,774	-	17,774	-
Asset Forfeiture Funds	102,478	-	102,478	-
Courthouse Security	56,551	-	56,551	-
Indoor Plumbing Rehab	68,676	-	68,676	-
Emergency Repair Fund	45,955	-	45,955	-
School Capital Projects	2,002,291	-	2,002,291	-
School Cafeterias	-	-	-	378,210
Health insurance	310,042	-	310,042	-
Unrestricted	9,822,128	2,835,558	12,657,686	4,765,662
Total net position	\$ 27,462,541	\$ 34,087,849	\$ 61,550,390	\$ 13,023,362

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

County of Alleghany, Virginia
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 2,200,183	\$ 126,249	\$ 312,217	\$ -	\$ (1,761,717)	\$ -
Judicial administration	1,482,244	8,256	733,743	-	(740,245)	-
Public safety	5,340,327	89,774	2,130,071	-	(3,120,482)	-
Public works	2,894,667	318,344	21,256	-	(2,555,067)	-
Health and welfare	3,538,594	-	2,765,995	-	(772,599)	-
Education	12,643,618	-	2,351,983	-	(10,291,635)	-
Parks, recreation, and cultural	963,741	40,078	77,957	236,365	(609,341)	-
Community development	561,469	-	150,000	-	(411,469)	-
Interest on long-term debt	430,686	-	-	-	(430,686)	-
Total governmental activities	\$ 30,055,529	\$ 582,701	\$ 8,543,222	\$ 236,365	\$ (20,693,241)	\$ -
Business-type activities:						
Water and Sewer Fund	\$ 4,208,210	\$ 4,056,592	\$ -	\$ 535,111	\$ -	\$ -
Total primary government	\$ 34,263,739	\$ 4,639,293	\$ 8,543,222	\$ 771,476	\$ (20,693,241)	\$ (20,309,748)
COMPONENT UNIT:						
School Board	\$ 29,235,469	\$ 624,668	\$ 15,728,429	\$ -	\$ -	\$ (12,882,372)
Total component unit	\$ 29,235,469	\$ 624,668	\$ 15,728,429	\$ -	\$ -	\$ (12,882,372)
General revenues:						
General property taxes	\$ 16,394,558	\$ -	\$ -	\$ 16,394,558	\$ -	\$ -
Other local taxes						
Local sales and use taxes					784,482	-
Consumers' utility taxes					280,054	-
Business license taxes					350,540	-
Utility consumption taxes					190,363	-
Motor vehicle licenses					193,187	-
Restaurant food taxes					346,764	-
Transient lodging taxes					208,608	-
Other local taxes					58,441	-
Unrestricted revenues from use of money and property					11,724	5,317
Miscellaneous					16,113	73,094
Payments from the County of Alleghany					337,803	353,916
Grants and contributions not restricted to specific programs:					-	497,421
Special item - loss on disposal of capital assets					2,396,687	12,364,574
Total general revenues					(536,826)	-
Change in net position					21,066,031	12,867,312
Net position - beginning, as restated					372,790	(15,060)
Net position - ending					27,089,751	13,038,422
					27,462,541	13,023,362

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

County of Alleghany, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Special Law Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 10,820,447	\$ 169,174	\$ 10,989,621
Receivables (net of allowance for uncollectibles):			
Taxes receivable	601,332	-	601,332
Accounts receivable	332,303	776	333,079
Due from other governmental units	1,500,273	-	1,500,273
Inventories	7,316	-	7,316
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	2,002,291	-	2,002,291
Total assets	<u>\$ 15,263,962</u>	<u>\$ 169,950</u>	<u>\$ 15,433,912</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 346,313	\$ 582	\$ 346,895
Accrued liabilities	74,035	-	74,035
Due to component unit	2,128,240	-	2,128,240
Amounts held for others	4,279	-	4,279
Total liabilities	<u>\$ 2,552,867</u>	<u>\$ 582</u>	<u>\$ 2,553,449</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 522,663	\$ -	\$ 522,663
Unavailable revenue - prepaid taxes	11,222	-	11,222
Total deferred inflows of resources	<u>\$ 533,885</u>	<u>\$ -</u>	<u>\$ 533,885</u>
Fund balances:			
Nonspendable			
Inventory	\$ 7,316	\$ -	\$ 7,316
Restricted			
Jail Operations	-	169,368	169,368
CDBG Housing	27,894	-	27,894
Law Library	17,774	-	17,774
Asset Forfeiture Funds	102,478	-	102,478
Courthouse Security	56,551	-	56,551
Indoor Plumbing Rehab	68,676	-	68,676
Emergency Repair Fund	45,955	-	45,955
School Capital Projects	2,002,291	-	2,002,291
Assigned			
Capital projects	879,962	-	879,962
Unassigned	8,968,313	-	8,968,313
Total fund balances	<u>\$ 12,177,210</u>	<u>\$ 169,368</u>	<u>\$ 12,346,578</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,263,962</u>	<u>\$ 169,950</u>	<u>\$ 15,433,912</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	12,346,578
--	----	------------

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

Land	\$	3,547,019	
Buildings and improvements		23,558,148	
Machinery and equipment		1,601,109	
Construction in progress		378,146	29,084,422

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		522,663
---	--	---------

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

310,042

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. This amount is net of any corresponding unamortized bond issuance costs and deferred amounts on refundings.

General obligation bonds	\$	(7,119,868)	
Premium on issuance		(231,725)	
Literary loans		(6,750,000)	
Revenue bonds		(143,445)	
Accrued interest payable		(192,288)	
Compensated absences		(363,838)	(14,801,164)

Net position of governmental activities	\$	27,462,541
---	----	------------

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

County of Alleghany, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>General</u>	Special Law <u>Fund</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 16,187,947	\$ -	\$ 16,187,947
Other local taxes	2,412,439	-	2,412,439
Permits, privilege fees, and regulatory licenses	40,113	-	40,113
Fines and forfeitures	43,559	-	43,559
Revenue from the use of money and property	60,242	725	60,967
Charges for services	499,029	-	499,029
Miscellaneous	296,706	41,097	337,803
Recovered costs	1,334,927	-	1,334,927
Intergovernmental revenues:			
Commonwealth	9,520,283	-	9,520,283
Federal	1,655,991	-	1,655,991
Total revenues	<u>\$ 32,051,236</u>	<u>\$ 41,822</u>	<u>\$ 32,093,058</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,304,985	\$ -	\$ 2,304,985
Judicial administration	1,496,501	-	1,496,501
Public safety	5,673,079	22,787	5,695,866
Public works	2,878,188	-	2,878,188
Health and welfare	3,973,318	-	3,973,318
Education	12,373,804	-	12,373,804
Parks, recreation, and cultural	785,039	-	785,039
Community development	561,954	-	561,954
Nondepartmental	29,505	-	29,505
Capital projects	341,291	-	341,291
Debt service:			
Principal retirement	1,145,832	-	1,145,832
Interest and other fiscal charges	420,521	-	420,521
Bond issuance costs	17,200	-	17,200
Total expenditures	<u>\$ 32,001,217</u>	<u>\$ 22,787</u>	<u>\$ 32,024,004</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 50,019</u>	<u>\$ 19,035</u>	<u>\$ 69,054</u>
OTHER FINANCING SOURCES (USES)			
Issuance of general obligation bonds	\$ 1,825,000	\$ -	\$ 1,825,000
Premium on issuance of general obligation bonds	185,250	-	185,250
Sale of capital assets	650,000	-	650,000
Total other financing sources (uses)	<u>\$ 2,660,250</u>	<u>\$ -</u>	<u>\$ 2,660,250</u>
Net change in fund balances	\$ 2,710,269	\$ 19,035	\$ 2,729,304
Fund balances - beginning	9,466,941	150,333	9,617,274
Fund balances - ending	<u>\$ 12,177,210</u>	<u>\$ 169,368</u>	<u>\$ 12,346,578</u>

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

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

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

Net change in fund balances - total governmental funds \$ 2,729,304

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

Capital outlay	\$ 779,661	
Depreciation expense	(1,351,643)	(571,982)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (1,206,706)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 206,611

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:

Issuance of general obligation debt	\$ (1,825,000)	
Less: discount	(185,250)	

Principal repayments:

General obligation bonds	388,807	
Literary loans	750,000	
Revenue bonds	7,025	(864,418)

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.

Decrease (increase) in compensated absences	\$ (24,599)	
Decrease (increase) in accrued interest payable	3,715	
Amortization of bond premium	3,320	(17,564)

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

97,545

Change in net position of governmental activities	\$ 372,790	
---	------------	--

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

County of Alleghany, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,681,629	\$ 259,880
Accounts receivable, net of allowance for uncollectibles	520,579	50,162
Total current assets	<u>\$ 3,202,208</u>	<u>\$ 310,042</u>
Noncurrent assets:		
Restricted cash and cash equivalents:		
Customers deposits	\$ 27,431	\$ -
Total restricted assets	<u>\$ 27,431</u>	<u>\$ -</u>
Capital assets:		
Infrastructure and equipment	\$ 51,152,778	\$ -
Less accumulated depreciation	(9,107,374)	-
Machinery and equipment	343,459	-
Less accumulated depreciation	(74,770)	-
Construction in progress	75,630	-
Total capital assets	<u>\$ 42,389,723</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 42,417,154</u>	<u>\$ -</u>
Total assets	<u>\$ 45,619,362</u>	<u>\$ 310,042</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 262,263	\$ -
Payroll liabilities	23,389	-
Customers' deposits	27,431	-
Accrued interest payable	16,722	-
Compensated absences - current portion	48,207	-
Bonds payable - current portion	561,064	-
Total current liabilities	<u>\$ 939,076</u>	<u>\$ -</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 10,576,368	\$ -
Compensated absences - net of current portion	16,069	-
Total noncurrent liabilities	<u>\$ 10,592,437</u>	<u>\$ -</u>
Total liabilities	<u>\$ 11,531,513</u>	<u>\$ -</u>
NET POSITION		
Net Investment in capital assets	\$ 31,252,291	\$ -
Restricted for health claims	-	310,042
Unrestricted	2,835,558	-
Total net position	<u>\$ 34,087,849</u>	<u>\$ 310,042</u>

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

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

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Water revenues (serves as security for revenue bonds)	\$ 1,822,398	\$ -
Sewer revenues (serves as security for revenue bonds)	2,198,375	-
Penalty	35,819	-
Other revenues	-	220,433
Miscellaneous	16,113	-
Total operating revenues	<u>\$ 4,072,705</u>	<u>\$ 220,433</u>
OPERATING EXPENSES		
Salaries and wages	\$ 540,119	\$ -
Fringe benefits	261,307	123,291
Professional services	589,324	-
Utilities	299,188	-
Materials and supplies	385,031	-
Insurance	30,818	-
Travel	2,563	-
Dues and memberships	400	-
Permits	19,104	-
Rentals and leases	5,273	-
Repairs and maintenance	91,544	-
Purchased services	925,446	-
Depreciation	949,425	-
Total operating expenses	<u>\$ 4,099,542</u>	<u>\$ 123,291</u>
Operating income (loss)	<u>\$ (26,837)</u>	<u>\$ 97,142</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 11,724	\$ 403
Loss on disposal of assets	(1,972)	-
Connection fees	6,000	-
Bond issuance costs	(20,181)	-
Interest expense	(86,515)	-
Total nonoperating revenues (expenses)	<u>\$ (90,944)</u>	<u>\$ 403</u>
Income before contributions	\$ (117,781)	\$ 97,545
Capital contributions and construction grants	529,111	-
Change in net position	<u>\$ 411,330</u>	<u>\$ 97,545</u>
Total net position - beginning	33,676,519	212,497
Total net position - ending	<u><u>\$ 34,087,849</u></u>	<u><u>\$ 310,042</u></u>

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

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

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 4,049,400	\$ 170,271
Payments to suppliers	(2,420,766)	-
Payments to and for employees	(808,495)	-
Payments for premiums	-	(319,600)
Net cash provided by (used for) operating activities	<u>\$ 820,139</u>	<u>\$ (149,329)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due to other funds	<u>\$ (424,360)</u>	<u>\$ (100,000)</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ (424,360)</u>	<u>\$ (100,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (582,281)	\$ -
Principal payments on bonds	(544,566)	-
Connection fees	6,000	-
Contributions in aid of construction	579,994	-
Proceeds from indebtedness	830,476	-
Interest payments	(111,207)	-
Bond issuance costs	(20,181)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ 158,235</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 11,724	403
Net cash provided by (used for) investing activities	<u>\$ 11,724</u>	<u>403</u>
Net increase (decrease) in cash and cash equivalents	\$ 565,738	(248,926)
Cash and cash equivalents - beginning - including restricted of \$15,150	2,143,322	508,806
Cash and cash equivalents - ending - including restricted of \$27,431	<u>\$ 2,709,060</u>	<u>259,880</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	<u>\$ (26,837)</u>	<u>97,142</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 949,425	\$ -
(Increase) decrease in accounts receivable	(35,586)	(50,162)
Increase (decrease) in customer deposits	12,281	-
Increase (decrease) in operating accounts payable	(72,075)	(196,309)
Increase (decrease) in compensated absences	(4,685)	-
Increase (decrease) in payroll liabilities	(2,384)	-
Total adjustments	<u>\$ 846,976</u>	<u>\$ (246,471)</u>
Net cash provided by (used for) operating activities	<u>\$ 820,139</u>	<u>\$ (149,329)</u>

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

County of Alleghany, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 517,329
Total assets	<u>\$ 517,329</u>
LIABILITIES	
Accounts payable	\$ 9,553
Amounts held for Alleghany Highlands Economic Development Corporation	10,632
Amounts held for social services clients	510
Amounts held for Friends of Youth	3,413
Amounts held for Human and Leisure Activity	780
Amounts held for Jackson River Vocational Center	233,696
Amounts held for United Fire and Rescue Association	253,614
Amounts held for Humane Society	5,131
Total liabilities	<u>\$ 517,329</u>

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

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

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

Jointly Governed Organizations - None

B. Government-wide and fund financial statements

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

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

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

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

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

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues or deferred inflows of resources.

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

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

The County reports the following major governmental funds:

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

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

The County reports the following major proprietary funds:

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

The *Internal Service Fund* accounts for the financing of goods and services provided by one department or agency to other departments or agencies of the County government. The self-insured health insurance plan is accounted for in this fund. The self-insurance plan was terminated on July 1, 2012 and the fund remains solely to pay any lingering claims.

Additionally, the County reports the following fund types:

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

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

1. Cash and Cash Equivalents

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

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

2. Receivables and Payables

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

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

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$144,752 at June 30, 2013 and is comprised of \$65,731 in property taxes and \$79,021 in water and sewer billings.

5. Use of Estimates

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

6. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

7. Capital Assets

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 1-Summary of Significant Accounting Policies: (Continued)**D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)

7. Capital Assets (Continued)

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

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

8. Compensated Absences

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

9. Long-term Obligations

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

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

The remainder of this page left blank intentionally.

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

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

10. Fund Equity

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. The County of Alleghany, Virginia evaluated its funds at June 30, 2013 and classified fund balance into the following five categories:

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

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

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

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

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

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

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

The remainder of this page left blank intentionally.

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

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

11. Net Position

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

12. Net Position Flow Assumption

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount are deferred and recognized as an inflow of resources in the period that the amounts become available. The County's deferred inflows of resources as of June 30, 2013 consist of \$11,222 in prepaid taxes.

The remainder of this page left blank intentionally.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except the School Operating Fund). The School Operating Fund is integrated only at the level of legal adoption.
5. The Appropriations Resolution places legal restrictions on expenditures at the department level. Only the Board of Supervisors can revise the appropriation for each department. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is part of the County's accounting system.

B. Deficit fund equity

At June 30, 2013, there were no funds with deficit fund equity.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 3-Deposits and Investments:Deposits:

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

Investments:

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

Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2013 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	
LGIP	\$	1,437
SNAP		2,002,291

External Investment Pools

The fair value of positions in the external investment pools (LGIP and SNAP) is the same as the value of the pool shares. The LGIP is not SEC registered and regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

Interest Rate Risk

The County did not hold any investments at year end that were subject to interest rate risk.

Custodial Credit Risk

At year end, the County was not exposed to any custodial credit risk for deposits or investments. The County limits deposits to those banks fully collateralized under the Commonwealth's Security for Public Deposits Act. The County policy in regards to investments requires that all investments be held in the County's name.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 4-Due from Other Governmental Units:**

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
State sales tax	\$ 546,853	\$ -
Categorical aid, shared expenses	284,589	-
Other categorical aid	37,833	-
Non-categorical aid	72,927	-
Virginia public assistance funds	51,371	-
Community Services Authority	405,882	-
<u>Federal government:</u>		
Virginia public assistance funds	93,746	-
Categorical aid	7,072	293,266
	<u>\$ 1,500,273</u>	<u>\$ 293,266</u>

Note 5-Component-Unit Obligations and Contributions:

The following balances represent amounts due between the primary government and its component unit as of June 30, 2013:

<u>Fund</u>	<u>Payable</u>	<u>Receivable</u>
Primary Government:		
General Fund	\$ 2,128,240	\$ -
Component Unit - School Board:		
School Fund	<u>-</u>	<u>2,128,240</u>
Totals	<u>\$ 2,128,240</u>	<u>\$ 2,128,240</u>

Primary government contributions to the component unit for the year ended June 30, 2013, consisted of the following:

Component Unit:	
School Board	\$ 12,364,574

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6-Long-Term Obligations:Primary Government - Governmental Activity Obligations:

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

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General obligation bonds	\$ 5,834,145	\$ 1,825,000	(395,832)	\$ 7,263,313
Plus: Premium on issuance	49,795	185,250	(3,320)	231,725
Literary loans	7,500,000	-	(750,000)	6,750,000
Compensated absences	339,239	279,028	(254,429)	363,838
Total	\$ 13,723,179	\$ 2,289,278	\$ (1,403,581)	\$ 14,608,876

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

Year Ending June 30,	Literary Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 750,000	\$ 135,000	\$ 414,324	\$ 295,251
2015	750,000	120,000	772,995	289,973
2016	750,000	105,000	801,856	257,182
2017	750,000	90,000	835,915	221,220
2018	750,000	75,000	864,457	182,756
2019-2023	3,000,000	150,000	2,743,211	434,842
2024-2028	-	-	801,350	73,212
2028-2032	-	-	29,205	587
Totals	\$ 6,750,000	\$ 675,000	\$ 7,263,313	\$ 1,755,023

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 6-Long-Term Obligations:** (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$5,000,000 General Obligation Bond (Alleghany Highlands School Project) issued March 20, 2001 bearing interest at a rate of 5.60% payable semi-annually on July 15 and January 15 through 2021. Principal payments are due annually in installments varying from \$140,000 to \$405,000.	\$ 2,900,000	\$ 260,000
\$3,205,141 General Obligation Bond bearing interest at a rate between 4.225% and 5.1% payable semi-annually on July 15 and January 15 through 2026. Principal payments are due annually in installments varying from \$122,176 to \$197,459.	2,394,868	147,228
\$1,825,000 General Obligation Bond bearing interest at a rate between 3.05% and 4.05% payable semi-annually on January 15 and July 15 through 2018. Principal payments are due annually in installments varying from \$340,000 to \$395,000.	1,825,000	-
\$217,000 Virginia Resource Authority bond issued November 28, 2000 for the construction of a water tank at Boiling Springs Elementary School. The bond bears interest at a rate of 1.00% payable in annual principal and interest installments of \$8,367 beginning January 1, 2003 through January 1, 2032.	<u>143,445</u>	<u>7,096</u>
Total General Obligation Bonds	<u>\$ 7,263,313</u>	<u>\$ 414,324</u>
Literary Loans:		
\$7,500,000 State Literary Loan issued January 15, 2002 due in annual principal installments of \$375,000 through December 1, 2022 with interest payable at 2.00%.	<u>\$ 3,375,000</u>	<u>\$ 375,000</u>
\$7,500,000 State Literary Loan issued January 15, 2002 due in annual principal installments of \$375,000 through December 1, 2022 with interest payable at 2.00%.	<u>3,375,000</u>	<u>375,000</u>
Total Literary Loans	<u>\$ 6,750,000</u>	<u>\$ 750,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6-Long-Term Obligations: (Continued)Primary Government - Governmental Activity Obligations: (Continued)

Details of long-term obligations: (Continued)

Other Obligations (liquidated in the General Fund)

Compensated Absences	\$ 363,838	\$ 272,879
Unamortized Premium on Issuance	231,725	-
	<u>595,563</u>	<u>272,879</u>
Total Other Obligations	\$ 595,563	\$ 272,879
	<u>14,608,876</u>	<u>1,437,203</u>
Total Long-term Obligations	\$ 14,608,876	\$ 1,437,203

Primary Government - Enterprise Activity Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2013.

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
Revenue bonds	\$ 10,851,522	\$ 830,476	\$ (544,566)	\$ 11,137,432
Compensated absences	68,961	47,035	(51,720)	64,276
	<u>10,920,483</u>	<u>877,511</u>	<u>(596,286)</u>	<u>11,201,708</u>
Total	\$ 10,920,483	\$ 877,511	\$ (596,286)	\$ 11,201,708

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2014	\$ 561,064	\$ 84,575
2015	569,020	91,078
2016	571,118	88,980
2017	573,279	86,819
2018	575,505	84,593
2019-2023	2,705,837	387,189
2024-2028	2,408,465	322,581
2029-2033	1,453,327	257,748
2034-2038	565,042	183,693
2039-2043	512,818	106,228
2044-2048	427,535	49,045
2049-2051	214,422	5,835
	<u>11,137,432</u>	<u>1,748,364</u>
Totals	\$ 11,137,432	\$ 1,748,364

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6-Long-Term Obligations: (Continued)Primary Government - Enterprise Activity Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:		
\$463,000 Rural Development Bond issued February 13, 2001, bearing interest at 4.50%. Monthly principal and interest payments of \$2,126 begin on August 6, 2002 and continue through 2039.	\$ 377,604	\$ 8,075
 \$2,153,232 Water and Sewer System Revenue Bond issued December 17, 1999 with semi-annual installments on February 1 and August 1 in the amount of \$51,866 through February 1, 2021. This is a non-interest bearing loan.	 829,854	 103,732
 \$2,429,000 Rural Development Bond issued November 9, 2010, at an interest rate of 2.25% with interest only payments due November 9, 2011 and 2012 and principal and interest payments of \$7,943 due monthly starting December 9, 2012 and continuing until October 9, 2050.	 2,404,945	 41,628
 \$4,385,649 interest free Virginia Resource Authority Bond issued in 2011 with semi-annual principal payments of \$109,641 beginning August 1, 2012 and continuing until August 1, 2019.	 4,166,367	 219,282
 \$563,500 Virginia Resource Authority Bond issued in 2012, bearing interest at 3.00%. Semi-annual principal and interest payments of \$14,459 beginning January 2014 and continuing until July 2043.	 547,785	 6,007

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6-Long-Term Obligations: (Continued)Primary Government - Enterprise Activity Obligations: (Continued)

Details of long-term obligations: (Continued)

	<u>Amount</u>	<u>Within One Year</u>
Revenue Bonds (Continued)		
2005 Revenue Bond not to exceed \$250,000 issued February 1, 2005, at an interest rate of 3.00%, with an interest only payment due August 1, 2005 and principal and interest payments of \$8,514 due every February 1 and August 1 beginning February 1, 2006 until February 1, 2032.	\$ 169,541	\$ 11,931
\$5,887,182 interest free Virginia Resource Authority bond issued in 2007 with semi-annual principal payments of \$85,204 due until September 1, 2028.	<u>2,641,336</u>	<u>170,409</u>
Total Revenue Bonds	<u>\$ 11,137,432</u>	<u>\$ 561,064</u>
Other Obligations: (liquidated in the Water and Sewer Fund)		
Compensated Absences	<u>\$ 64,276</u>	<u>\$ 48,207</u>
Total Long-term Obligations	<u>\$ 11,201,708</u>	<u>\$ 609,271</u>

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 7-Long-term Obligations-Component Unit School Board:****Discretely Presented Component Unit-School Board-Obligations:**

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2013.

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Net OPEB obligation	\$ 377,875	\$ 123,970	\$ (78,600)	\$ 423,245
Compensated absences	135,892	131,773	(101,919)	165,746
Total	\$ 513,767	\$ 255,743	\$ (180,519)	\$ 588,991

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Other Obligations: (liquidated in School Operating Fund)		
Net OPEB obligation	\$ 423,245	\$ -
Compensated absences	165,746	124,310
Total Long-Term Obligations	\$ 588,991	\$ 124,310

Note 8-Employee Retirement System and Defined Benefit Pension Plan:**A. Plan Description**

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

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

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

Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or at age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or at age 50 with at least 10 years of service credit.

Note 8-Employee Retirement System and Pension Plan: (Continued)

A. Plan Description (Continued)

Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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

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

Note 8-Employee Retirement System and Pension Plan: (Continued)

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of this 5.00% member contribution may be assumed by the employer. 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 of Alleghany, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Alleghany, Virginia's contribution rate for the fiscal year ended 2013 was 15.00% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of this 5.00% member contribution may be assumed by the employer. 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 School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2013 was 9.33% of annual covered payroll.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 8-Employee Retirement System and Pension Plan: (Continued)****C. Annual Pension Cost (Continued)**

For fiscal year 2013, the County of Alleghany, Virginia's and School Board's annual pension cost of \$1,016,679 and \$179,313 were equal to the County of Alleghany, Virginia's and School Board's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2012	\$ 1,016,679	100.00%	\$ -
	6/30/2012	753,692	100.00%	-
	6/30/2011	724,765	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 179,313	100.00%	\$ -
	6/30/2012	102,371	100.00%	-
	6/30/2011	103,401	100.00%	-

¹ Employer portions

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was 30 years.

D. Funded Status and Funding Progress**Primary Government:**

As of June 30, 2012, the most recent actuarial valuation date, the plan was 68.4% funded. The actuarial accrued liability for benefits was \$32,021,808, and the actuarial value of assets was \$21,902,749, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,119,059. The covered payroll (annual payroll of active employees covered by the plan) was \$6,520,088, and ratio of the UAAL to the covered payroll was 155.20%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8-Employee Retirement System and Pension Plan: (Continued)

D. Funded Status and Funding Progress (Continued)

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

As of June 30, 2012, the most recent actuarial valuation date, the plan was 83.82% funded. The actuarial accrued liability for benefits was \$9,699,265, and the actuarial value of assets was \$8,129,705, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,569,560. The covered payroll (annual payroll of active employees covered by the plan) was \$1,861,577, and ratio of the UAAL to the covered payroll was 84.31%.

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

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

Plan Description

The Alleghany County School Board contributes to the Virginia Retirement System (VRS), a cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of this 5.00% member contribution may be assumed by the employer. 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 School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$1,532,448, \$832,414, and \$519,276, for the fiscal years ended 2013, 2012, and 2011, respectively. Required employer contributions represented 11.66% of covered payroll for 2013, 6.33% for 2012, and 3.93% for 2011.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 9-Other Postemployment Benefits - Health Insurance:**

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

Component Unit: School Board**A. Plan Description**

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

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 436 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates for 2013 were as follows:

<u>Participants</u>	<u>KA Expanded Premium</u>	<u>KA-1000 Premium</u>
Single	\$ 587	\$ 470
Dual	1,086	970
Family	1,585	1,269

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 9-Other Postemployment Benefits - Health Insurance: (Continued)****C. Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 123,200
Interest on net OPEB obligation	13,279
Adjustment to annual required contribution	(12,509)
Annual OPEB cost (expense)	123,970
Contributions made	(78,600)
Increase in net OPEB obligation	45,370
Net OPEB obligation - beginning of year	377,875
Net OPEB obligation - ending of year	\$ 423,245

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 123,970	63%	\$ 423,245
6/30/2012	157,545	56%	377,795
6/30/2011	152,256	50%	308,129

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2013 (the most recent valuation date), was as follows:

Actuarial accrued liability (AAL)	\$ 1,531,600
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,531,600
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 15,373,600
UAAL as a percentage of covered payroll	9.96%

Note 9-Other Postemployment Benefits - Health Insurance: (Continued)

D. Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial methods and Assumptions

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

In the most recent actuarial valuation, dated June 30, 2013, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 3.00%, an investment rate of return at 3.50%, and a health care trend rate of 7.00% graded to 4.80% over 70 years. The UAAL is being amortized over 30 years as a level percentage of payroll on an open basis.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 10-Capital Assets:**

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,646,215	\$ 31,465	\$ (130,661)	\$ 3,547,019
Construction in progress	-	378,146	-	378,146
Total capital assets not being depreciated	<u>\$ 3,646,215</u>	<u>\$ 409,611</u>	<u>\$ (130,661)</u>	<u>\$ 3,925,165</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 37,392,532	\$ 193,688	\$ (1,759,873)	\$ 35,826,347
Machinery and equipment	4,755,724	176,362	(43,096)	4,888,990
Total capital assets being depreciated	<u>\$ 42,148,256</u>	<u>\$ 370,050</u>	<u>\$ (1,802,969)</u>	<u>\$ 40,715,337</u>
Accumulated depreciation:				
Buildings and improvements	\$ (11,940,140)	\$ (1,031,769)	\$ 703,710	\$ (12,268,199)
Machinery and equipment	(2,991,221)	(319,874)	23,214	(3,287,881)
Total accumulated depreciation	<u>\$ (14,931,361)</u>	<u>\$ (1,351,643)</u>	<u>\$ 726,924</u>	<u>\$ (15,556,080)</u>
Total capital assets being depreciated, net	<u>\$ 27,216,895</u>	<u>\$ (981,593)</u>	<u>\$ (1,076,045)</u>	<u>\$ 25,159,257</u>
Governmental activities capital assets, net	<u>\$ 30,863,110</u>	<u>\$ (571,982)</u>	<u>\$ (1,206,706)</u>	<u>\$ 29,084,422</u>

During the fiscal year, the County sold an industrial property and related land for \$650,000. Such property had a carrying value of \$1,186,826 and the loss on disposal of (\$536,826) has been reported in the statement of activities as a special item.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 10-Capital Assets: (Continued)**

Primary Government: (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 787,675	\$ 358,693	\$ (1,070,738)	\$ 75,630
Total capital assets not being depreciated	<u>\$ 787,675</u>	<u>\$ 358,693</u>	<u>\$ (1,070,738)</u>	<u>\$ 75,630</u>
Capital assets, being depreciated:				
Infrastructure	\$ 50,108,835	\$ 1,070,739	\$ (26,796)	\$ 51,152,778
Machinery and equipment	119,872	223,587	-	343,459
Total capital assets being depreciated	<u>\$ 50,228,707</u>	<u>\$ 1,294,326</u>	<u>\$ (26,796)</u>	<u>\$ 51,496,237</u>
Accumulated depreciation:				
Infrastructure	\$ (8,200,672)	\$ (931,527)	\$ 24,825	\$ (9,107,374)
Machinery and equipment	(56,872)	(17,898)	-	(74,770)
Total accumulated depreciation	<u>\$ (8,257,544)</u>	<u>\$ (949,425)</u>	<u>\$ 24,825</u>	<u>\$ (9,182,144)</u>
Total capital assets being depreciated, net	<u>\$ 41,971,163</u>	<u>\$ 344,901</u>	<u>\$ (1,971)</u>	<u>\$ 42,314,093</u>
Business-type activities capital assets, net	<u>\$ 42,758,838</u>	<u>\$ 703,594</u>	<u>\$ (1,072,709)</u>	<u>\$ 42,389,723</u>

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

Governmental activities:	
General government administration	\$ 360,813
Judicial administration	11,159
Public safety	202,999
Public works	97,761
Health and welfare	7,140
Education	647,960
Parks, recreation, and culture	21,795
Community development	2,016
Total depreciation expense-governmental activities	<u>\$ 1,351,643</u>
Business-type activities:	
Water and sewer fund	<u>\$ 949,425</u>
Total depreciation expense-primary government	<u>\$ 2,301,068</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 10-Capital Assets: (Continued)**

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

Discretely Presented Component Unit:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,018,272	\$ -	\$ (17,120)	\$ 1,001,152
Total capital assets not being depreciated	\$ 1,018,272	\$ -	\$ (17,120)	\$ 1,001,152
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,627,572	\$ 8,200	\$ -	\$ 13,635,772
Machinery and equipment	4,401,794	247,560	(296,662)	4,352,692
Total capital assets being depreciated	\$ 18,029,366	\$ 255,760	\$ (296,662)	\$ 17,988,464
Accumulated depreciation:				
Buildings and improvements	\$ (7,842,281)	\$ (421,665)	\$ -	\$ (8,263,946)
Machinery and equipment	(2,869,999)	(272,843)	296,662	(2,846,180)
Total accumulated depreciation	\$ (10,712,280)	\$ (694,508)	\$ 296,662	\$ (11,110,126)
Total capital assets being depreciated, net	\$ 7,317,086	\$ (438,748)	\$ -	\$ 6,878,338
Governmental activities capital assets, net	\$ 8,335,358	\$ (438,748)	\$ (17,120)	\$ 7,879,490

Note 11-Risk Management:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 12-Contingencies:**

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

The County provides sewage treatment services to the Town of Clifton Forge and currently shows a balance due from the Town on June 30, 2013 of \$457,210. The Town has refrained from payment of same due to a dispute over the charges. It is unclear and cannot be reasonably estimated how much (if any) will be paid by the Town. As such, the County has not recorded a receivable from the Town in the accompanying financial statements for same.

In a similar manner, the Town of Clifton Forge currently shows a balance due from the County on June 30, 2013 of \$50,141 for water service provided to the County. The County has refrained from payment of same due to a dispute over the charges. It is unclear and cannot be reasonably estimated how much (if any) will be paid by the County. As such, the County has not recorded a payable to the Town in the accompanying financial statements for same.

Note 13-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland - Surety:

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

Component Unit - School Board:

VACoRP:

All School Board employees: blanket bond	\$	250,000
--	----	---------

Note 14-Litigation:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 15— Adoption of New Accounting Standards:**

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

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

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

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

Note 16-Self Health Insurance:

The County of Alleghany, Virginia established a limited risk management program for health insurance. The program was terminated on July 1, 2012 and the self insurance fund is currently maintained to pay any final claims. Premiums were paid into the health plan fund from the County and are available to pay claims, and administrative costs of the program. During the fiscal year 2013, a total of \$123,291 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, etc.). A receivable has been recorded in the amount of \$50,162 at year end to account for escrow funds maintained on behalf of the County by their third-party administrator. This escrow account will be maintained for a period of two years from the termination date to cover the cost of any lingering claims, which have been estimated at \$0. Changes in the claims liability for the current and prior fiscal year are as follows:

Fiscal Year	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2012-13	\$ 196,309	\$ (123,180)	\$ (123,291)	\$ (50,162)
2011-12	166,910	2,193,740	(2,164,341)	196,309

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 17-Restatement of Beginning Net Position:**

The beginning net position of the Component Unit-School Board was restated as shown below:

	Component Unit School Board
Net position, as previously reported	\$ 13,282,092
Overreported capital assets in prior year	<u>(243,670)</u>
Net position, as restated	<u>\$ 13,038,422</u>

Note 18-Future Accounting Standards:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 will require governments with defined benefit pension plans to disclose a "net pension liability" on their balance sheets. That liability equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. The statement calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability, plus the effect of changes in benefit terms on the net pension liability. These standards will be effective for fiscal years ending June 30, 2014 (67) and June 30, 2015 (68). The County believes the implementation of Statement No. 68 will significantly impact the County and Component Unit School Board's net position; however, no formal study or estimate of the impact of this standard has been performed.

Note 19-Commitments:

The School Board was involved in a major construction project the fiscal year, as presented below:

Project	Contract Amount	Outstanding at June 30, 2013
Alleghany High School HVAC Upgrade	\$ 4,741,926	\$ 4,590,107

Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 15,938,933	\$ 15,938,933	\$ 16,187,947	\$ 249,014
Other local taxes	2,427,187	2,427,187	2,412,439	(14,748)
Permits, privilege fees, and regulatory licenses	30,593	30,593	40,113	9,520
Fines and forfeitures	66,108	66,108	43,559	(22,549)
Revenue from the use of money and property	22,550	22,550	60,242	37,692
Charges for services	587,985	587,985	499,029	(88,956)
Miscellaneous	126,525	144,858	296,706	151,848
Recovered costs	1,786,811	1,786,811	1,334,927	(451,884)
Intergovernmental revenues:				
Commonwealth	9,383,431	9,383,431	9,520,283	136,852
Federal	1,335,767	1,335,767	1,655,991	320,224
Total revenues	<u>\$ 31,705,890</u>	<u>\$ 31,724,223</u>	<u>\$ 32,051,236</u>	<u>\$ 327,013</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,294,382	\$ 2,710,136	\$ 2,304,985	\$ 405,151
Judicial administration	1,511,300	1,549,430	1,496,501	52,929
Public safety	5,788,923	6,024,612	5,673,079	351,533
Public works	3,008,746	3,345,918	2,878,188	467,730
Health and welfare	4,319,887	4,869,286	3,973,318	895,968
Education	12,389,831	12,389,831	12,373,804	16,027
Parks, recreation, and cultural	759,711	1,094,613	785,039	309,574
Community development	422,280	897,357	561,954	335,403
Nondepartmental	204,505	1,203,849	29,505	1,174,344
Capital projects	229,500	2,162,468	341,291	1,821,177
Debt service:				
Principal retirement	1,145,832	1,145,832	1,145,832	-
Interest and other fiscal charges	411,011	420,521	420,521	-
Bond issuance costs	-	17,200	17,200	-
Total expenditures	<u>\$ 32,485,908</u>	<u>\$ 37,831,053</u>	<u>\$ 32,001,217</u>	<u>\$ 5,829,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (780,018)</u>	<u>\$ (6,106,830)</u>	<u>\$ 50,019</u>	<u>\$ 6,156,849</u>
OTHER FINANCING SOURCES (USES)				
Issuance of general obligation bonds	\$ -	\$ -	\$ 1,825,000	\$ 1,825,000
Premium on issuance of general obligation bonds	-	-	185,250	185,250
Sale of capital assets	-	-	650,000	650,000
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,660,250</u>	<u>\$ 2,660,250</u>
Net change in fund balances	<u>\$ (780,018)</u>	<u>\$ (6,106,830)</u>	<u>\$ 2,710,269</u>	<u>\$ 8,817,099</u>
Fund balances - beginning	780,018	6,106,830	9,466,941	3,360,111
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,177,210</u></u>	<u><u>\$ 12,177,210</u></u>

County of Alleghany, Virginia
Special Law Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Special Law Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 200	\$ 200	\$ 725	\$ 525
Miscellaneous	37,800	37,800	41,097	3,297
Total revenues	<u>\$ 38,000</u>	<u>\$ 38,000</u>	<u>\$ 41,822</u>	<u>\$ 3,822</u>
EXPENDITURES				
Current:				
Public safety	\$ 38,000	\$ 38,000	\$ 22,787	\$ 15,213
Total expenditures	<u>\$ 38,000</u>	<u>\$ 38,000</u>	<u>\$ 22,787</u>	<u>\$ 15,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,035</u>	<u>\$ 19,035</u>
OTHER FINANCING SOURCES (USES)				
Net change in fund balances	\$ -	\$ -	\$ 19,035	\$ 19,035
Fund balances - beginning	-	-	150,333	150,333
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,368</u>	<u>\$ 169,368</u>

County of Alleghany, Virginia

Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2013

Primary Government: County Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2012	\$ 21,902,749	\$ 32,021,808	\$ 10,119,059	68.40%	\$ 6,520,088	155.20%
June 30, 2011	21,909,233	30,692,223	8,782,990	71.38%	6,274,929	139.97%
June 30, 2010	21,529,425	29,234,583	7,705,158	73.64%	6,239,036	123.50%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2012	\$ 8,129,705	\$ 9,699,265	\$ 1,569,560	83.82%	\$ 1,861,577	84.31%
June 30, 2011	8,292,640	9,375,448	1,082,808	88.45%	1,893,559	57.18%
June 30, 2010	8,240,578	9,146,285	905,707	90.10%	1,882,429	48.11%

School Board Retirees Medical Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ -	\$ 1,531,600	\$ 1,531,600	0.00%	\$ 15,373,600	9.96%
June 30, 2011	-	1,588,200	1,588,200	0.00%	15,818,400	10.04%
June 30, 2009	-	1,531,000	1,531,000	0.00%	17,181,200	8.91%

Other Supplementary Information

FIDUCIARY FUNDS

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

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

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

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

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

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

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

County of Alleghany, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds							
	Friends of Youth	Human & Leisure Service	Humane Society Capital Improvements	Jackson River Vocational Center	Special Welfare	United Fire & Rescue Association	Alleghany Highlands Economic Development Corporation	Total
ASSETS								
Cash and cash equivalents	\$ 3,413	\$ 780	\$ 5,131	\$ 233,696	\$ 510	\$ 253,614	\$ 20,185	\$ 517,329
Total assets	\$ 3,413	\$ 780	\$ 5,131	\$ 233,696	\$ 510	\$ 253,614	\$ 20,185	\$ 517,329
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,553	\$ 9,553
Amounts held for AHEDC	-	-	-	-	-	-	10,632	10,632
Amounts held for social services clients	-	-	-	-	510	-	-	510
Amounts held for Friends of Youth	3,413	-	-	-	-	-	-	3,413
Amounts held for Human and Leisure Activity	-	780	-	-	-	-	-	780
Amounts held for Jackson River Vocational Center	-	-	-	233,696	-	-	-	233,696
Amounts held for United Fire and Rescue Association	-	-	-	-	-	253,614	-	253,614
Amounts held for Humane Society	-	-	5,131	-	-	-	-	5,131
Total liabilities	\$ 3,413	\$ 780	\$ 5,131	\$ 233,696	\$ 510	\$ 253,614	\$ 20,185	\$ 517,329

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Alleghany, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2013

	School Operating <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,823,299	\$ 141,451	\$ 4,964,750
Cash in custody of others	378,210	-	378,210
Receivables (net of allowance for uncollectibles):			
Accounts receivable	16,062	46,725	62,787
Due from other funds	-	21,192	21,192
Due from primary government	2,128,240	-	2,128,240
Due from other governmental units	293,266	-	293,266
Inventories	13,436	-	13,436
Prepaid items	251,347	-	251,347
Total assets	<u>\$ 7,903,860</u>	<u>\$ 209,368</u>	<u>\$ 8,113,228</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 228,674	\$ -	\$ 228,674
Accrued liabilities	2,115,060	15,439	2,130,499
Due to other funds	21,192	-	21,192
Total liabilities	<u>\$ 2,364,926</u>	<u>\$ 15,439</u>	<u>\$ 2,380,365</u>
Fund balance:			
Nonspendable	\$ 264,783	\$ -	\$ 264,783
Restricted for the school food program	378,210	-	378,210
Committed	4,895,941	193,929	5,089,870
Total fund balances	<u>\$ 5,538,934</u>	<u>\$ 193,929</u>	<u>\$ 5,732,863</u>
Total liabilities and fund balances	<u>\$ 7,903,860</u>	<u>\$ 209,368</u>	<u>\$ 8,113,228</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because			
Total fund balances per above		\$	5,732,863
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.			
Land	\$	1,001,152	
Buildings and system		5,371,826	
Machinery and equipment		1,506,512	
Construction in progress		<u>-</u>	7,879,490
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds			
Compensated absences	\$	(165,746)	
Net OPEB obligation		<u>(423,245)</u>	(588,991)
Net position of governmental activities			<u>\$ 13,023,362</u>

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

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 5,317	\$ -	\$ 5,317
Charges for services	500,242	124,426	624,668
Miscellaneous	153,371	344,050	497,421
Recovered costs	231,048	-	231,048
Intergovernmental revenues:			
Local government	12,364,574	-	12,364,574
Commonwealth	13,475,062	69,757	13,544,819
Federal	2,183,610	-	2,183,610
Total revenues	<u>\$ 28,913,224</u>	<u>\$ 538,233</u>	<u>\$ 29,451,457</u>
EXPENDITURES			
Current:			
Education	\$ 28,142,334	\$ 444,094	\$ 28,586,428
Capital projects	359,159	-	359,159
Total expenditures	<u>\$ 28,501,493</u>	<u>\$ 444,094</u>	<u>\$ 28,945,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 411,731</u>	<u>\$ 94,139</u>	<u>\$ 505,870</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	\$ 10,162	\$ -	\$ 10,162
Total other financing sources and uses	<u>\$ 10,162</u>	<u>\$ -</u>	<u>\$ 10,162</u>
Net change in fund balances	\$ 421,893	\$ 94,139	\$ 516,032
Fund balances - beginning	5,117,041	99,790	5,216,831
Fund balances - ending	<u>\$ 5,538,934</u>	<u>\$ 193,929</u>	<u>\$ 5,732,863</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:			
Net change in fund balances - total governmental funds - per above			\$ 516,032
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded the capital outlays in the current period.			
Capital outlay		\$ 255,760	
Depreciation expense		<u>(694,508)</u>	(438,748)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) affects net position. This is the carrying amount of disposed of assets during the year.			
			(17,120)
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.			
Decrease (increase) in compensated absences		\$ (29,854)	
Decrease (increase) in net OPEB obligation		<u>(45,370)</u>	(75,224)
Change in net position of governmental activities			<u>\$ (15,060)</u>

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

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 4,612	\$ 4,612	\$ 5,317	\$ 705
Charges for services	474,502	474,502	500,242	25,740
Miscellaneous	91,702	91,702	153,371	61,669
Recovered costs	129,752	129,752	231,048	101,296
Intergovernmental revenues:				
Local government	12,380,601	12,380,601	12,364,574	(16,027)
Commonwealth	13,859,582	13,859,582	13,475,062	(384,520)
Federal	2,204,628	2,204,628	2,183,610	(21,018)
Total revenues	<u>\$ 29,145,379</u>	<u>\$ 29,145,379</u>	<u>\$ 28,913,224</u>	<u>\$ (232,155)</u>
EXPENDITURES				
Current:				
Education	\$ 28,735,379	\$ 28,735,379	\$ 28,142,334	\$ 593,045
Capital projects	410,000	2,410,000	359,159	2,050,841
Total expenditures	<u>\$ 29,145,379</u>	<u>\$ 31,145,379</u>	<u>\$ 28,501,493</u>	<u>\$ 2,643,886</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (2,000,000)</u>	<u>\$ 411,731</u>	<u>\$ 2,411,731</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	\$ -	\$ -	\$ 10,162	\$ 10,162
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,162</u>	<u>\$ 10,162</u>
Net change in fund balances	\$ -	\$ (2,000,000)	\$ 421,893	\$ 2,421,893
Fund balances - beginning	-	2,000,000	5,117,041	3,117,041
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,538,934</u>	<u>\$ 5,538,934</u>

County of Alleghany, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
June 30, 2013

	Alleghany Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 37,728	\$ 103,723	\$ 141,451
Receivables (net of allowance for uncollectibles):			
Accounts receivable	46,725	-	46,725
Due from other funds	21,192	-	21,192
Total assets	<u>\$ 105,645</u>	<u>\$ 103,723</u>	<u>\$ 209,368</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 15,439	\$ -	\$ 15,439
Total liabilities	<u>\$ 15,439</u>	<u>\$ -</u>	<u>\$ 15,439</u>
Fund balances:			
Committed	\$ 90,206	\$ 103,723	\$ 193,929
Total liabilities and fund balances	<u>\$ 105,645</u>	<u>\$ 103,723</u>	<u>\$ 209,368</u>

County of Alleghany, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

	Alleghany Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
REVENUES			
Charges for services	\$ -	\$ 124,426	\$ 124,426
Miscellaneous	344,050	-	344,050
Intergovernmental revenues:			
Commonwealth	-	69,757	69,757
Total revenues	<u>\$ 344,050</u>	<u>\$ 194,183</u>	<u>\$ 538,233</u>
EXPENDITURES			
Current:			
Education	<u>\$ 279,898</u>	<u>\$ 164,196</u>	<u>\$ 444,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 64,152</u>	<u>\$ 29,987</u>	<u>\$ 94,139</u>
Net change in fund balances	\$ 64,152	\$ 29,987	\$ 94,139
Fund balances - beginning	26,054	73,736	99,790
Fund balances - ending	<u><u>\$ 90,206</u></u>	<u><u>\$ 103,723</u></u>	<u><u>\$ 193,929</u></u>

Supporting Schedules

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

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,528,973	\$ 6,528,973	\$ 6,623,868	\$ 94,895
Real and personal public service corporation taxes	751,389	751,389	752,125	736
Personal property taxes	1,834,861	1,834,861	1,892,373	57,512
Mobile home taxes	26,760	26,760	26,512	(248)
Machinery and tools taxes	6,693,750	6,693,750	6,757,319	63,569
Penalties	73,200	73,200	86,392	13,192
Interest	30,000	30,000	49,358	19,358
Total general property taxes	\$ 15,938,933	\$ 15,938,933	\$ 16,187,947	\$ 249,014
Other local taxes:				
Local sales and use taxes	\$ 762,762	\$ 762,762	\$ 784,482	\$ 21,720
Consumers' utility taxes	276,000	276,000	280,054	4,054
Probate taxes	2,657	2,657	3,450	793
Business license taxes	350,000	350,000	350,540	540
Utility consumption taxes	205,000	205,000	190,363	(14,637)
Motor vehicle licenses	250,000	250,000	193,187	(56,813)
Taxes on recordation and wills	45,768	45,768	54,991	9,223
Hotel and motel room taxes	220,000	220,000	208,608	(11,392)
Restaurant food taxes	315,000	315,000	346,764	31,764
Total other local taxes	\$ 2,427,187	\$ 2,427,187	\$ 2,412,439	\$ (14,748)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,700	\$ 8,700	\$ 5,276	\$ (3,424)
Land use application fees	1,000	1,000	9,818	8,818
Transfer fees	480	480	416	(64)
Zoning and subdivision fees	2,329	2,329	1,955	(374)
Erosion and sediment control	1,000	1,000	599	(401)
Permits and other licenses	17,084	17,084	22,049	4,965
Total permits, privilege fees, and regulatory licenses	\$ 30,593	\$ 30,593	\$ 40,113	\$ 9,520
Fines and forfeitures:				
Court fines and forfeitures	\$ 66,108	\$ 66,108	\$ 43,559	\$ (22,549)
Total fines and forfeitures	\$ 66,108	\$ 66,108	\$ 43,559	\$ (22,549)
Revenue from use of money and property:				
Revenue from use of money	\$ 17,550	\$ 17,550	\$ 55,517	\$ 37,967
Revenue from use of property	5,000	5,000	4,725	(275)
Total revenue from use of money and property	\$ 22,550	\$ 22,550	\$ 60,242	\$ 37,692
Charges for services:				
Charges for law enforcement and traffic control	\$ 10,324	\$ 10,324	\$ 1,824	\$ (8,500)
Charges for courthouse maintenance	18,000	18,000	11,746	(6,254)
Sale of publications and maps	100	100	34	(66)
Charges for gasoline	137,500	137,500	117,694	(19,806)
Charges for Commonwealth's Attorney	3,878	3,878	3,560	(318)
Miscellaneous jail and inmate fees	5,507	5,507	4,278	(1,229)
Charges for sanitation and waste removal	261,140	261,140	248,324	(12,816)
Charges for copies	3,136	3,136	2,939	(197)
Charges for parks and recreation	46,000	46,000	40,078	(5,922)
Charges for law library	4,500	4,500	4,696	196
Charges for courthouse security	85,300	85,300	58,274	(27,026)
Charges for other services	12,600	12,600	5,582	(7,018)
Total charges for services	\$ 587,985	\$ 587,985	\$ 499,029	\$ (88,956)

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

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 63,025	\$ 81,358	\$ 90,265	\$ 8,907
Donations	20,000	20,000	20,365	365
Sale of surplus	3,500	3,500	1,635	(1,865)
Alleghany Foundation contributions	40,000	40,000	184,441	144,441
Total miscellaneous revenue	\$ 126,525	\$ 144,858	\$ 296,706	\$ 151,848
Recovered costs:				
Care of prisoners	\$ 182,369	\$ 182,369	\$ 170,910	\$ (11,459)
Co-payment for medical charges	9,000	9,000	11,067	2,067
Circuit court-joint operations	1,793	1,793	1,793	-
Program income IPR	2,375	2,375	1,512	(863)
LOA County reimbursement	25,952	25,952	13,720	(12,232)
Health department	1,500	1,500	1,500	-
Bath county-jail	90,000	90,000	63,364	(26,636)
Covington-magistrate, probation	5,025	5,025	3,048	(1,977)
Clifton Forge E911	78,974	78,974	78,343	(631)
Covington-welfare	586,677	586,677	419,715	(166,962)
AHSD resource officer	73,358	73,358	69,535	(3,823)
General government	710,460	710,460	468,594	(241,866)
General District Court postage	6,700	6,700	5,578	(1,122)
Other recovered costs	12,628	12,628	26,248	13,620
Total recovered costs	\$ 1,786,811	\$ 1,786,811	\$ 1,334,927	\$ (451,884)
Total revenue from local sources	\$ 20,986,692	\$ 21,005,025	\$ 20,874,962	\$ (130,063)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 59,690	\$ 59,690	\$ 87,640	\$ 27,950
Mobile home titling tax	5,000	5,000	11,154	6,154
State recordation tax	-	-	3,453	3,453
Communication taxes	408,658	408,658	460,861	52,203
Additional tax on deeds	24,710	24,710	29,759	5,049
Personal property tax relief funds	1,610,808	1,610,808	1,610,808	-
Total noncategorical aid	\$ 2,108,866	\$ 2,108,866	\$ 2,203,675	\$ 94,809
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 357,216	\$ 357,216	\$ 377,642	\$ 20,426
Sheriff	1,936,029	1,936,029	2,043,218	107,189
Commissioner of revenue	114,009	114,009	144,362	30,353
Treasurer	96,699	96,699	127,736	31,037
Registrar/electoral board	40,000	40,000	40,119	119
Clerk of the Circuit Court	280,823	280,823	356,101	75,278
Reduction in State Aid	-	-	(158,000)	(158,000)
Total shared expenses	\$ 2,824,776	\$ 2,824,776	\$ 2,931,178	\$ 106,402
Other categorical aid:				
Welfare administration and public assistance	\$ 788,243	\$ 788,243	\$ 582,417	\$ (205,826)
Comprehensive services act	748,638	748,638	1,027,244	278,606
Wireless E-911 grant	40,000	40,000	40,797	797
Drug asset forfeiture revenue	30,828	30,828	44,583	13,755

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

Schedule 1
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Emergency medical services	\$ 23,800	\$ 23,800	\$ 17,252	\$ (6,548)
Community development grant	70,775	70,775	-	(70,775)
IPR funds	9,850	9,850	1,811	(8,039)
Litter control grant	12,832	12,832	18,280	5,448
Fire services grant	35,000	35,000	34,162	(838)
State sales tax	2,348,823	2,348,823	2,351,983	3,160
Governor's Opportunity Grant	-	-	150,000	150,000
Hold harmless reversion (actual distributed to shared expenses)	63,000	63,000	-	(63,000)
Criminal Justice Grant	-	-	30,968	30,968
VITA Grant	8,000	8,000	10,000	2,000
Stormwater grant	-	-	2,976	2,976
Forest service grant	100,000	100,000	72,957	(27,043)
Other state grants	170,000	170,000	-	(170,000)
Total other categorical aid	\$ 4,449,789	\$ 4,449,789	\$ 4,385,430	\$ (64,359)
Total categorical aid	\$ 7,274,565	\$ 7,274,565	\$ 7,316,608	\$ 42,043
Total revenue from the Commonwealth	\$ 9,383,431	\$ 9,383,431	\$ 9,520,283	\$ 136,852
Revenue from the federal government:				
Payments in lieu of taxes	\$ 100,000	\$ 100,000	\$ 193,012	\$ 93,012
Categorical aid:				
Welfare administration and public assistance	\$ 1,230,767	\$ 1,230,767	\$ 1,154,523	\$ (76,244)
State and community highway safety (154 funds)	-	-	19,925	19,925
T-21 trail grant	-	-	236,365	236,365
National Endowment for the Arts	5,000	5,000	5,000	-
Emergency Management Preparedness grant	-	-	47,166	47,166
Total categorical aid	\$ 1,235,767	\$ 1,235,767	\$ 1,462,979	\$ 227,212
Total revenue from the federal government	\$ 1,335,767	\$ 1,335,767	\$ 1,655,991	\$ 320,224
Total General Fund	\$ 31,705,890	\$ 31,724,223	\$ 32,051,236	\$ 327,013
Special Revenue Fund:				
Special Law Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 200	\$ 200	\$ 725	\$ 525
Total revenue from use of money and property	\$ 200	\$ 200	\$ 725	\$ 525
Miscellaneous revenue:				
Vending machine collections	\$ 31,000	\$ 31,000	\$ 30,507	\$ (493)
Jail commissary collections	6,700	6,700	10,590	3,890
Work release collections	100	100	-	(100)
Total miscellaneous revenue	\$ 37,800	\$ 37,800	\$ 41,097	\$ 3,297
Total revenue from local sources	\$ 38,000	\$ 38,000	\$ 41,822	\$ 3,822
Total Special Law Fund	\$ 38,000	\$ 38,000	\$ 41,822	\$ 3,822
Total Primary Government	\$ 31,743,890	\$ 31,762,223	\$ 32,093,058	\$ 330,835

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

Schedule 1
Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 4,612	\$ 4,612	\$ 5,317	\$ 705
Total revenue from use of money and property	\$ 4,612	\$ 4,612	\$ 5,317	\$ 705
Charges for services:				
Charges for education	\$ -	\$ -	\$ 8,654	\$ 8,654
Cafeteria sales	466,002	466,002	473,286	7,284
Use of buses and facilities	8,500	8,500	18,302	9,802
Total charges for services	\$ 474,502	\$ 474,502	\$ 500,242	\$ 25,740
Miscellaneous revenue:				
Other miscellaneous	\$ 91,702	\$ 91,702	\$ 153,371	\$ 61,669
Total miscellaneous revenue	\$ 91,702	\$ 91,702	\$ 153,371	\$ 61,669
Recovered costs:				
Erate	\$ 69,990	\$ 69,990	\$ 130,515	\$ 60,525
Other recovered costs	59,762	59,762	100,533	40,771
Total recovered costs	\$ 129,752	\$ 129,752	\$ 231,048	\$ 101,296
Total revenue from local sources	\$ 700,568	\$ 700,568	\$ 889,978	\$ 189,410
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Alleghany, Virginia	\$ 12,380,601	\$ 12,380,601	\$ 12,364,574	\$ (16,027)
Total revenues from local governments	\$ 12,380,601	\$ 12,380,601	\$ 12,364,574	\$ (16,027)
Categorical aid:				
Basic school aid	\$ 8,821,458	\$ 8,821,458	\$ 8,624,108	\$ (197,350)
Remedial summer education	57,203	57,203	51,374	(5,829)
Regular foster care	88,819	88,819	62,933	(25,886)
GED prep program	7,859	7,859	14,720	6,861
Gifted and talented	92,128	92,128	90,574	(1,554)
Remedial education	278,386	278,386	273,691	(4,695)
Special education	1,119,554	1,119,554	1,100,672	(18,882)
Textbook payment	179,709	179,709	176,679	(3,030)
Vocational standards of quality payments	212,295	212,295	208,714	(3,581)
Social security fringe benefits	546,759	546,759	537,538	(9,221)
Retirement fringe benefits	911,265	911,265	895,896	(15,369)
Early reading intervention	40,884	40,884	36,074	(4,810)
School food	26,962	26,962	25,413	(1,549)
Mental health initiative	-	-	66,819	66,819
Special education - foster children	-	-	22,199	22,199
Homebound	24,134	24,134	23,958	(176)
At risk payments	252,361	252,361	247,858	(4,503)
Board certifications	-	-	17,500	17,500
Preschool pilot program	351,257	351,257	203,359	(147,898)
Technology	334,000	334,000	282,000	(52,000)
Standards of Learning algebra readiness	39,509	39,509	36,875	(2,634)
Group life insurance	34,047	34,047	33,473	(574)
Career and Technical Education	33,072	33,072	40,616	7,544
Mentor teacher program	2,155	2,155	1,962	(193)

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

Schedule 1
Page 5 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Primary class size	\$ 304,014	\$ 304,014	\$ 294,381	\$ (9,633)
English as a second language	16,534	16,534	22,046	5,512
Other state funds	85,218	85,218	83,630	(1,588)
Total categorical aid	<u>\$ 13,859,582</u>	<u>\$ 13,859,582</u>	<u>\$ 13,475,062</u>	<u>\$ (384,520)</u>
Total revenue from the Commonwealth	<u>\$ 13,859,582</u>	<u>\$ 13,859,582</u>	<u>\$ 13,475,062</u>	<u>\$ (384,520)</u>
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 130,000	\$ 130,000	\$ 133,684	\$ 3,684
Title I	619,570	619,570	678,840	59,270
Title VI-B, special education flow-through	607,418	607,418	574,722	(32,696)
Title VI-B, special education pre-school	20,628	20,628	17,425	(3,203)
Vocational education	42,815	42,815	43,367	552
Title II - Part A	141,097	141,097	49,516	(91,581)
School food program	643,100	643,100	686,056	42,956
Total categorical aid	<u>\$ 2,204,628</u>	<u>\$ 2,204,628</u>	<u>\$ 2,183,610</u>	<u>\$ (21,018)</u>
Total revenue from the federal government	<u>\$ 2,204,628</u>	<u>\$ 2,204,628</u>	<u>\$ 2,183,610</u>	<u>\$ (21,018)</u>
Total School Operating Fund	<u>\$ 29,145,379</u>	<u>\$ 29,145,379</u>	<u>\$ 28,913,224</u>	<u>\$ (232,155)</u>
Non major Special Revenue funds:				
Alleghany Highlands Fund:				
Miscellaneous revenue:				
Other miscellaneous	\$ 233,781	\$ 301,382	\$ 344,050	\$ 42,668
Total miscellaneous revenue	<u>\$ 233,781</u>	<u>\$ 301,382</u>	<u>\$ 344,050</u>	<u>\$ 42,668</u>
Total revenue from local sources	<u>\$ 233,781</u>	<u>\$ 301,382</u>	<u>\$ 344,050</u>	<u>\$ 42,668</u>
Total Alleghany Highlands Fund	<u>\$ 233,781</u>	<u>\$ 301,382</u>	<u>\$ 344,050</u>	<u>\$ 42,668</u>
Governor's School Fund:				
Revenue from local sources:				
Charges for services:				
Tuition	\$ -	\$ 149,595	\$ 124,426	\$ (25,169)
Total charges for services	<u>\$ -</u>	<u>\$ 149,595</u>	<u>\$ 124,426</u>	<u>\$ (25,169)</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 149,595</u>	<u>\$ 124,426</u>	<u>\$ (25,169)</u>

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

Schedule 1
Page 6 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Non major Special Revenue funds: (Continued)				
Governor's School Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Governor's school grant	\$ 43,921	\$ 43,921	\$ 69,757	\$ 25,836
Total categorical aid	\$ 43,921	\$ 43,921	\$ 69,757	\$ 25,836
Total revenue from the Commonwealth	\$ 43,921	\$ 43,921	\$ 69,757	\$ 25,836
Total Governor's School Fund	\$ 43,921	\$ 193,516	\$ 194,183	\$ 667
Total Discretely Presented Component Unit - School Board	\$ 29,423,081	\$ 29,640,277	\$ 29,451,457	\$ (188,820)

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

Schedule 2
Page 1 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 68,133	\$ 101,984	\$ 97,725	\$ 4,259
General and financial administration:				
County administrator	\$ 829,594	\$ 1,020,541	\$ 824,409	\$ 196,132
Personnel	14,300	24,096	15,752	8,344
Legal services	45,000	45,000	35,539	9,461
Special legal services	-	8,250	6,727	1,523
Commissioner of revenue	335,010	371,290	356,295	14,995
Reassessment	47,108	68,106	26,575	41,531
Equalization board	14,807	14,807	6,973	7,834
Automotive motor pool	412,674	417,674	391,379	26,295
Treasurer	354,700	365,300	350,878	14,422
Audit services	46,000	54,000	44,990	9,010
Technology department	7,300	80,650	9,467	71,183
Total general and financial administration	\$ 2,106,493	\$ 2,469,714	\$ 2,068,984	\$ 400,730
Board of elections:				
Registrar	\$ 82,897	\$ 88,147	\$ 88,148	\$ (1)
Electoral board and officials	36,859	50,291	50,128	163
Total board of elections	\$ 119,756	\$ 138,438	\$ 138,276	\$ 162
Total general government administration	\$ 2,294,382	\$ 2,710,136	\$ 2,304,985	\$ 405,151
Judicial administration:				
Courts:				
Circuit court	\$ 79,485	\$ 79,585	\$ 78,188	\$ 1,397
General district court	19,926	19,926	16,025	3,901
Special magistrates	2,565	2,465	1,958	507
Sheriff	433,980	449,419	431,513	17,906
Law library	4,500	7,000	5,356	1,644
Clerk of the circuit court	435,683	453,462	436,818	16,644
Total courts	\$ 976,139	\$ 1,011,857	\$ 969,858	\$ 41,999
Commonwealth's attorney:				
Commonwealth's attorney	\$ 535,161	\$ 537,573	\$ 526,643	\$ 10,930
Total commonwealth's attorney	\$ 535,161	\$ 537,573	\$ 526,643	\$ 10,930
Total judicial administration	\$ 1,511,300	\$ 1,549,430	\$ 1,496,501	\$ 52,929
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,842,367	\$ 1,932,444	\$ 1,851,928	\$ 80,516
Crime prevention	17,000	19,683	16,294	3,389
National forest patrol	9,151	9,151	3,672	5,479
DARE program	47,077	49,632	49,494	138
School resource officer	91,697	92,358	90,438	1,920
Crime stoppers	3,000	3,000	320	2,680
Radar transportation	15,204	15,204	15,204	-
Drug task force	1,000	1,000	-	1,000
Drug asset forfeiture	25,978	45,978	29,130	16,848
Total law enforcement and traffic control	\$ 2,052,474	\$ 2,168,450	\$ 2,056,480	\$ 111,970

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

Schedule 2
Page 2 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire departments	\$ 74,000	\$ 74,000	\$ 73,987	\$ 13
Volunteer fire departments	294,700	296,466	296,460	6
Emergency services	300	300	221	79
Ambulance and rescue services	298,992	297,126	291,515	5,611
Sara III Emergency Council	250	250	214	36
United fire and rescue association	289,300	309,799	289,968	19,831
Total fire and rescue services	<u>\$ 957,542</u>	<u>\$ 977,941</u>	<u>\$ 952,365</u>	<u>\$ 25,576</u>
Correction and detention:				
Sheriff-correction and detention	\$ 1,956,143	\$ 1,984,233	\$ 1,816,440	\$ 167,793
Probation	4,750	4,750	3,016	1,734
Courthouse security	85,300	91,100	81,788	9,312
VJCCA grant	3,617	3,617	3,617	-
Total correction and detention	<u>\$ 2,049,810</u>	<u>\$ 2,083,700</u>	<u>\$ 1,904,861</u>	<u>\$ 178,839</u>
Inspections:				
Building	\$ 121,788	\$ 124,891	\$ 124,890	\$ 1
Total inspections	<u>\$ 121,788</u>	<u>\$ 124,891</u>	<u>\$ 124,890</u>	<u>\$ 1</u>
Other protection:				
Animal control	\$ 66,351	\$ 66,409	\$ 65,517	\$ 892
Animal protection	79,947	79,947	79,947	-
Medical examiner	400	520	300	220
E-911	460,611	522,754	488,719	34,035
Total other protection	<u>\$ 607,309</u>	<u>\$ 669,630</u>	<u>\$ 634,483</u>	<u>\$ 35,147</u>
Total public safety	<u>\$ 5,788,923</u>	<u>\$ 6,024,612</u>	<u>\$ 5,673,079</u>	<u>\$ 351,533</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 743,271	\$ 852,501	\$ 683,011	\$ 169,490
Refuse disposal	1,266,365	1,362,611	1,204,668	157,943
General engineering	52,812	61,942	56,131	5,811
Multiflora Rose program	-	10,245	1,709	8,536
Storm water management	-	19,834	2,303	17,531
Storm damage	-	57,938	57,936	2
Recycling program	58,471	59,473	59,472	1
Total sanitation and waste removal	<u>\$ 2,120,919</u>	<u>\$ 2,424,544</u>	<u>\$ 2,065,230</u>	<u>\$ 359,314</u>
Maintenance of general buildings and grounds				
General maintenance	\$ 268,923	\$ 223,530	\$ 206,933	\$ 16,597
General properties	618,904	697,844	606,025	91,819
Total maintenance of general buildings and grounds	<u>\$ 887,827</u>	<u>\$ 921,374</u>	<u>\$ 812,958</u>	<u>\$ 108,416</u>
Total public works	<u>\$ 3,008,746</u>	<u>\$ 3,345,918</u>	<u>\$ 2,878,188</u>	<u>\$ 467,730</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 161,917	\$ 167,517	\$ 159,360	\$ 8,157
Total health	<u>\$ 161,917</u>	<u>\$ 167,517</u>	<u>\$ 159,360</u>	<u>\$ 8,157</u>

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

Schedule 2
Page 3 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 85,000	\$ 85,000	\$ 85,000	\$ -
Total mental health and mental retardation	\$ 85,000	\$ 85,000	\$ 85,000	\$ -
Welfare:				
Administration	\$ 1,849,181	\$ 1,854,351	\$ 1,780,151	\$ 74,200
Public assistance	976,900	976,900	536,125	440,775
Emergency repair fund	10,000	14,774	4,400	10,374
Indoor plumbing rehabilitation fund	73,400	236,129	1,077	235,052
Free clinic	9,000	9,000	9,000	-
TAP	5,775	5,775	5,775	-
Tax relief for the elderly	125,000	133,075	133,075	-
Board of public welfare	1,800	3,600	3,600	-
Comprehensive services	1,001,043	1,362,294	1,245,566	116,728
Other welfare	8,846	8,846	5,144	3,702
CDBG-housing boiling springs	7,025	7,025	45	6,980
Total welfare	\$ 4,072,970	\$ 4,616,769	\$ 3,728,958	\$ 887,811
Total health and welfare	\$ 4,319,887	\$ 4,869,286	\$ 3,973,318	\$ 895,968
Education:				
Other instructional costs:				
Contributions to Dabney S. Lancaster Community College	\$ 9,230	\$ 9,230	\$ 9,230	\$ -
Contribution to County School Board	12,380,601	12,380,601	12,364,574	16,027
Total education	\$ 12,389,831	\$ 12,389,831	\$ 12,373,804	\$ 16,027
Parks, recreation, and cultural:				
Parks and recreation:				
Human and leisure services	\$ 535,971	\$ 672,650	\$ 565,040	\$ 107,610
Scenic trail	19,183	192,406	40,442	151,964
Clifton little league	9,000	9,000	9,000	-
Covington little league	9,000	9,000	9,000	-
Salvation Army community center	25,000	50,000	-	50,000
Iron gate recreation	2,000	2,000	2,000	-
Total parks and recreation	\$ 600,154	\$ 935,056	\$ 625,482	\$ 309,574
Cultural enrichment:				
Allegheny concert series	\$ 5,700	\$ 5,700	\$ 5,700	\$ -
Music in the mountains	5,000	5,000	5,000	-
Allegheny crafts	1,800	1,800	1,800	-
Arts grant	5,000	5,000	5,000	-
Total cultural enrichment	\$ 17,500	\$ 17,500	\$ 17,500	\$ -
Library:				
Contribution to regional library	\$ 121,802	\$ 121,802	\$ 121,802	\$ -
Contribution to Clifton library	20,255	20,255	20,255	-
Total library	\$ 142,057	\$ 142,057	\$ 142,057	\$ -
Total parks, recreation, and cultural	\$ 759,711	\$ 1,094,613	\$ 785,039	\$ 309,574

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

Schedule 2
Page 4 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Community development	\$ 70,011	\$ 71,606	\$ 71,606	\$ -
Economic development	148,058	624,140	298,058	326,082
Boards and commissions	21,417	18,817	12,835	5,982
Tourism initiative	120,000	120,000	120,000	-
Jackson River Enterprises	15,000	15,000	15,000	-
Clifton Armory contribution	2,000	2,000	2,000	-
Chamber Indust.	8,000	8,000	8,000	-
Total planning and community development	<u>\$ 384,486</u>	<u>\$ 859,563</u>	<u>\$ 527,499</u>	<u>\$ 332,064</u>
Environmental management:				
Contribution to soil and water district	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Total environmental management	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	\$ 35,294	\$ 35,294	\$ 31,955	\$ 3,339
Total cooperative extension program	<u>\$ 35,294</u>	<u>\$ 35,294</u>	<u>\$ 31,955</u>	<u>\$ 3,339</u>
Total community development	<u>\$ 422,280</u>	<u>\$ 897,357</u>	<u>\$ 561,954</u>	<u>\$ 335,403</u>
Nondepartmental:				
Contingencies	\$ 204,505	\$ 1,203,849	\$ 29,505	\$ 1,174,344
Total nondepartmental	<u>\$ 204,505</u>	<u>\$ 1,203,849</u>	<u>\$ 29,505</u>	<u>\$ 1,174,344</u>
Capital projects:				
Other capital projects	\$ 189,500	\$ 426,119	\$ 100,000	\$ 326,119
Jackson River Scenic Trail	40,000	1,734,449	241,291	1,493,158
Courthouse Heating/Cooling	-	1,900	-	1,900
Total capital projects	<u>\$ 229,500</u>	<u>\$ 2,162,468</u>	<u>\$ 341,291</u>	<u>\$ 1,821,177</u>
Debt service:				
Principal retirement	\$ 1,145,832	\$ 1,145,832	\$ 1,145,832	\$ -
Interest and other fiscal charges	411,011	420,521	420,521	-
Bond issuance costs	-	17,200	17,200	-
Total debt service	<u>\$ 1,556,843</u>	<u>\$ 1,583,553</u>	<u>\$ 1,583,553</u>	<u>\$ -</u>
Total General Fund	<u>\$ 32,485,908</u>	<u>\$ 37,831,053</u>	<u>\$ 32,001,217</u>	<u>\$ 5,829,836</u>
Special Revenue Fund:				
Special Law Fund:				
Public safety:				
Correction and detention:				
Sheriff	\$ 38,000	\$ 38,000	\$ 22,787	\$ 15,213
Total public safety	<u>\$ 38,000</u>	<u>\$ 38,000</u>	<u>\$ 22,787</u>	<u>\$ 15,213</u>
Total Special Law Fund	<u>\$ 38,000</u>	<u>\$ 38,000</u>	<u>\$ 22,787</u>	<u>\$ 15,213</u>
Total Primary Government	<u>\$ 32,523,908</u>	<u>\$ 37,869,053</u>	<u>\$ 32,024,004</u>	<u>\$ 5,845,049</u>

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

Schedule 2
Page 5 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration	\$ 1,827,465	\$ 1,827,465	\$ 1,984,448	\$ (156,983)
Total administration of schools	\$ 1,827,465	\$ 1,827,465	\$ 1,984,448	\$ (156,983)
Instruction costs:				
Instruction costs	\$ 20,499,507	\$ 20,499,507	\$ 19,883,432	\$ 616,075
Total instruction costs	\$ 20,499,507	\$ 20,499,507	\$ 19,883,432	\$ 616,075
Operating costs:				
Attendance and health services				
Pupil transportation	\$ 1,913,313	\$ 1,913,313	\$ 1,959,264	\$ (45,951)
Operation and maintenance of school plant	3,363,447	3,363,447	3,132,141	231,306
School food and other non-instructional costs ⁽¹⁾	1,131,647	1,131,647	1,183,049	(51,402)
Total operating costs	\$ 6,408,407	\$ 6,408,407	\$ 6,274,454	\$ 133,953
Total education	\$ 28,735,379	\$ 28,735,379	\$ 28,142,334	\$ 593,045
Capital projects:				
School capital projects	\$ 410,000	\$ 2,410,000	\$ 359,159	\$ 2,050,841
Total School Operating Fund	\$ 29,145,379	\$ 31,145,379	\$ 28,501,493	\$ 2,643,886
⁽¹⁾ Includes Cafeteria Funds held by the School System not subject to appropriation.				
Non major Special Revenue funds:				
Allegheny Highlands Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 233,781	\$ 301,382	\$ 279,898	\$ 21,484
Total instruction costs	\$ 233,781	\$ 301,382	\$ 279,898	\$ 21,484
Total education	\$ 233,781	\$ 301,382	\$ 279,898	\$ 21,484
Total Allegheny Highlands Fund	\$ 233,781	\$ 301,382	\$ 279,898	\$ 21,484
Governor's School Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 43,921	\$ 193,516	\$ 164,196	\$ 29,320
Total education	\$ 43,921	\$ 193,516	\$ 164,196	\$ 29,320
Total Governor's School Fund	\$ 43,921	\$ 193,516	\$ 164,196	\$ 29,320
Total Discretely Presented Component Unit - School Board	\$ 29,423,081	\$ 31,640,277	\$ 28,945,587	\$ 2,694,690

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer Fund	Total
2012-13	\$ 2,200,183	\$ 1,482,244	\$ 5,340,327	\$ 2,894,667	\$ 3,538,594	\$ 12,643,618	\$ 963,741	\$ 561,469	\$ 430,686	\$ 4,208,210	\$ 34,263,739
2011-12	2,499,430	1,489,784	5,171,713	2,964,372	3,463,171	12,515,440	1,100,281	404,069	1,623,370	4,497,392	35,729,022
2010-11	2,153,781	1,447,988	5,234,361	2,773,957	3,348,393	12,221,036	966,811	441,036	933,168	2,914,811	32,435,342
2009-10	2,030,763	1,306,191	4,968,106	4,351,861	3,427,771	12,104,165	1,096,976	444,648	1,038,864	2,894,787	33,664,132
2008-09	1,988,175	1,346,124	4,898,840	4,970,152	3,368,123	12,026,801	632,214	394,485	1,089,090	3,466,944	34,180,948
2007-08	1,139,917	1,254,663	5,159,785	3,095,922	3,850,210	9,418,334	871,908	398,708	1,127,499	2,753,856	29,070,802
2006-07	2,116,146	1,274,576	5,035,940	2,682,973	3,486,881	12,116,812	815,503	566,417	1,118,940	2,803,885	32,018,073
2005-06	1,906,198	1,148,669	4,291,821	2,608,586	3,708,541	12,138,025	685,254	346,712	1,059,960	2,693,096	30,586,862
2004-05	1,983,684	1,072,819	4,001,622	2,444,495	3,429,803	11,496,939	1,013,934	348,755	1,040,587	2,871,058	29,703,696
2003-04	1,725,097	1,022,758	3,547,689	2,863,864	3,355,734	15,456,561	678,133	237,173	1,144,992	2,760,325	32,792,326

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2012-13	\$ 4,639,293	\$ 8,543,222	\$ 771,476	\$	16,394,558	2,412,439	73,094	\$ 353,916	\$ 2,396,687	\$		35,584,685
2011-12	4,669,620	8,913,175	1,888,577		15,492,843	2,190,182	50,276	251,787	2,293,952			35,750,412
2010-11	3,909,984	8,252,444	12,541,714		15,432,192	2,288,458	144,947	609,488	2,250,850			45,430,077
2009-10	3,461,695	8,234,495	4,287,265		15,715,743	2,236,077	123,133	549,032	2,276,650			36,884,090
2008-09	3,563,035	9,514,955	2,037,436		15,222,115	2,698,807	385,533	387,588	2,069,500			35,878,969
2007-08	3,418,562	8,768,681	205,853		14,784,476	2,596,051	1,016,766	261,246	1,978,185			33,029,820
2006-07	3,430,559	9,510,905	22,000		13,910,364	2,740,541	1,083,794	511,837	1,883,621			33,093,621
2005-06	3,337,808	8,455,946	47,887		13,523,707	2,630,493	743,785	94,650	2,124,891			30,959,167
2004-05	3,142,449	8,023,711	53,553		13,027,305	2,507,668	714,908	135,079	1,808,437			29,413,110
2003-04	2,800,104	5,978,417	44,000		12,867,835	2,358,610	617,121	208,111	3,877,280			28,751,478

Table 3

County of Allegheny, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Nondepartmental	Debt Service	Capital Projects	Total
2012-13	\$ 2,304,985	\$ 1,496,501	\$ 5,695,866	\$ 2,878,188	\$ 3,973,318	\$ 28,595,658	\$ 785,039	\$ 561,954	\$ 29,505	\$ 1,566,353	\$ 700,450	\$ 48,587,817
2011-12	2,422,769	1,429,307	5,775,857	3,246,772	3,917,532	29,826,325	760,351	399,258	28,856	10,333,888	526,086	58,667,001
2010-11	2,254,023	1,404,529	5,436,958	2,643,170	3,867,309	28,534,386	727,485	331,195	5,567	2,342,273	374,624	47,921,519
2009-10	2,159,776	1,381,692	5,509,607	2,893,008	3,947,566	29,531,453	722,137	283,368	4,900	2,363,137	2,796,318	51,592,962
2008-09	2,101,972	1,403,618	5,324,926	2,965,524	4,038,254	31,120,417	673,801	330,719	5,899	2,386,317	3,278,167	53,629,614
2007-08	2,040,887	1,372,032	5,292,272	2,726,625	3,948,507	30,648,576	899,577	413,787	3,399	2,413,924	1,603,967	51,363,553
2006-07	2,047,804	1,274,637	5,435,110	2,761,932	4,221,685	29,026,101	792,850	344,520	11,457	2,140,387	1,072,176	49,128,659
2005-06	2,013,519	1,149,383	4,754,993	2,527,065	4,554,268	27,022,943	703,633	346,424	3,400	2,210,765	1,261,348	46,547,741
2004-05	1,939,561	1,089,904	4,307,543	2,584,635	4,162,455	26,366,999	1,017,330	354,098	11,143	2,265,660	518,698	44,618,026
2003-04	2,006,865	1,031,022	4,275,606	2,423,638	4,037,469	24,770,372	656,083	3,274,530	92,913	2,237,340	4,523,850	49,329,688

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

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

Table 4

County of Alleghany, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
2012-13	\$ 16,187,947	\$ 2,412,439	\$ 40,113	\$ 43,559	\$ 66,284	\$ 1,123,697	\$ 835,224	\$ 1,565,975	\$ 26,904,703	\$ 49,179,941
2011-12	15,412,777	2,190,182	28,259	61,002	47,464	1,334,845	663,646	1,785,590	28,457,341	49,981,106
2010-11	15,524,223	2,288,458	38,554	81,829	122,518	1,193,313	964,764	1,663,681	27,239,582	49,116,922
2009-10	15,629,777	2,236,077	35,296	65,414	124,353	1,097,179	1,068,168	1,701,036	30,002,302	51,959,602
2008-09	15,128,836	2,698,807	50,661	64,653	383,246	1,277,105	822,185	1,856,032	32,209,250	54,490,775
2007-08	14,789,811	2,596,051	45,274	57,561	1,025,818	1,284,749	715,685	1,535,807	29,672,297	51,723,053
2006-07	14,005,628	2,740,541	49,435	91,907	1,143,332	1,188,289	633,081	1,677,282	29,482,016	51,011,511
2005-06	13,523,178	2,630,493	46,829	121,343	805,833	1,096,609	823,290	1,579,547	26,372,308	46,999,430
2004-05	13,055,682	2,507,668	36,171	96,463	737,705	999,256	634,201	1,581,968	25,119,419	44,768,533
2003-04	12,867,601	2,358,610	41,356	72,500	571,592	1,021,491	626,710	1,529,539	22,427,132	41,516,531

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2012-13	\$ 17,757,426	\$ 17,453,341	98.29%	\$ 209,664	\$ 17,663,005	99.47%	\$ 632,216	3.56%
2011-12	16,849,348	16,710,256	99.17%	185,834	16,896,090	100.28%	462,659	2.75%
2010-11	17,133,525	17,000,079	99.22%	263,622	17,263,701	100.76%	386,161	2.25%
2009-10	16,965,119	16,852,221	99.33%	248,198	17,100,419	100.80%	489,646	2.89%
2008-09	16,607,536	16,365,362	98.54%	225,844	16,591,206	99.90%	476,050	2.87%
2007-08	16,259,572	16,130,783	99.21%	156,974	16,287,757	100.17%	405,837	2.50%
2006-07	15,475,568	15,326,045	99.03%	186,484	15,512,529	100.24%	392,420	2.54%
2005-06	15,100,276	15,029,295	99.53%	128,373	15,157,668	100.38%	313,244	2.07%
2004-05	14,448,057	14,196,169	98.26%	189,244	14,385,413	99.57%	296,513	2.05%
2003-04	14,371,021	14,166,928	98.58%	176,161	14,343,089	99.81%	394,847	2.75%

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Public Utility (2)	Total
2012-13	\$ 1,189,199,438	\$ 64,151,894	\$ 122,088,331	\$ 111,530,160	\$ 1,486,969,823
2011-12	1,183,707,713	63,193,323	116,555,738	109,080,093	1,472,536,867
2010-11	1,177,769,900	61,240,685	116,208,339	103,422,277	1,458,641,201
2009-10	1,173,850,600	59,061,239	116,248,580	100,012,946	1,449,173,365
2008-09	1,166,472,100	64,321,098	106,864,932	89,128,617	1,426,786,747
2007-08	1,146,371,600	63,346,720	102,823,797	101,263,931	1,413,806,048
2006-07	779,733,400	63,121,433	107,628,289	72,453,464	1,022,936,586
2005-06	800,128,832	62,950,052	107,004,276	77,104,632	1,047,187,792
2004-05	719,997,400	59,102,948	103,481,737	83,253,702	965,835,787
2003-04	760,415,509	58,305,407	102,447,186	93,503,935	1,014,672,037

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools
2012-13	\$ 0.67	\$ 5.95	\$ 0.67	\$ 5.95
2011-12	0.64	5.95	0.64	5.95
2010-11	0.64	5.95	0.64	5.95
2009-10	0.66	5.95	0.66	5.95
2008-09	0.66	5.95	0.66	5.95
2007-08	0.66	5.95	0.66	5.95
2006-07	0.72	5.95	0.72	5.95
2005-06	0.69	5.95	0.69	5.95
2004-05	0.67	5.95	0.67	5.95
2003-04	0.66	5.95	0.66	5.95

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross Bonded Debt (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2012-13	16,250	\$ 1,486,970	\$ 14,013,313	\$ 14,013,313	0.94%	\$ 862
2011-12	16,250	1,472,537	13,183,675	13,183,675	0.90%	811
2010-11	16,250	1,458,641	22,659,231	22,659,231	1.55%	1,394
2009-10	17,215	1,449,173	24,291,009	24,291,009	1.68%	1,411
2008-09	17,215	1,426,787	25,732,356	25,732,356	1.80%	1,495
2007-08	17,215	1,413,806	27,140,846	27,140,846	1.92%	1,577
2006-07	17,215	1,022,937	28,504,706	28,504,706	2.79%	1,656
2005-06	17,215	1,047,188	26,526,182	26,335,000	2.51%	1,530
2004-05	17,215	965,836	27,727,733	27,530,000	2.85%	1,599
2003-04	17,215	1,014,672	27,470,000	27,470,000	2.71%	1,596

(1) Population per the Bureau of the Census.

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

COMPLIANCE SECTION

Compliance

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Alleghany, Virginia's basic financial statements and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (item 2013-01).

Compliance and Other Matters

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

The County of Alleghany, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 2, 2013

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the County of Alleghany, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Alleghany, Virginia's major federal programs for the year ended June 30, 2013. The County of Alleghany, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 2, 2013

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

Page 1 of 2

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	93556	\$ 10,484
Temporary Assistance for Needy Families	93.558	93558	254,309
Refugee and Entrant Assistance - State Administered Programs	93.566	93566	877
Low-Income Home Energy Assistance	93.568	93568	22,868
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	93596	44,113
Chafee Education and Training Vouchers Program	93.599	93599	923
Stephanie Tubbs Jones Child Welfare Services Program	93.645	93645	1,351
Foster Care - Title IV-E	93.658	93658	112,935
Adoption Assistance	93.659	93659	16,217
Social Services Block Grant	93.667	93667	184,784
Children's Health Insurance Program	93.767	93767	6,975
Medical Assistance Program	93.778	93778	185,255
Chafee Foster Care Independence Program	93.674	93674	3,483
			<u>844,574</u>
Total Department of Health and Human Services			\$ 844,574
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Schools and Roads - Grants to States	10.665	43841	\$ 133,684
<i>Department of Education:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	40623	\$ 521,777
National School Breakfast Program (Child Nutrition Cluster)	10.553	40621	151,874
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	Not available	12,405
			<u>686,056</u>
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10561	309,949
			<u>309,949</u>
Total Department of Agriculture - pass-through payments			\$ 1,129,689
Total Department of Agriculture			\$ 1,129,689
National Endowment for the Humanities:			
Pass Through Payments:			
<i>Virginia Commission for the Arts</i>			
Promotion of the Arts Partnership Agreements	45.025	Not available	\$ 5,000
			<u>5,000</u>
Total National Endowment for the Humanities			\$ 5,000
Environmental Protection Agency:			
Pass Through Payments:			
<i>Virginia Department of Health:</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	VCWSTM 005	\$ 721,250
			<u>721,250</u>
Total Environmental Protection Agency			\$ 721,250
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	59105	\$ 19,925
Formula Grants for Other than Urbanized Areas	20.509	Not Available	236,365
			<u>256,290</u>
Total Department of Transportation			\$ 256,290

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

Page 2 of 2

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management</i>			
Emergency management performance grants	97.042	77502, 77801	\$ 63,884
Total Department of Homeland Security			\$ 63,884
Department of Housing and Urban Development:			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	53305	\$ 87,500
Total Department of Housing and Urban Development			\$ 87,500
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I: Grants to Local Education Agencies	84.010	42892	\$ 678,840
Special Education - Grants to States (Special Education Cluster)	84.027	60180	574,722
Career and Technical Education: Basic grants to states	84.048	43401	43,367
Special Education - Preschool Grants (Special Education Cluster)	84.173	61136	17,425
Improving Teacher Quality State Grants	84.367	61490	49,516
Total Department of Education			\$ 1,363,870
Total Expenditures of Federal Awards			\$ 4,472,057

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Alleghany, Virginia under programs of the federal government for the year ended June 30, 2013. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Alleghany, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Alleghany, Virginia.

Note B -- Summary of Significant Accounting Policies:

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

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

Note C -- Food Distribution

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

Note D -- Relationship to the Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ 1,655,991
Water and Sewer Fund Grants	392,718
Water and Sewer Fund Loans	432,750
Primary Government	\$ 2,481,459
Component Unit School:	
School Operating Fund	\$ 2,183,610
Less: Payments in Lieu of Taxes	\$ (193,012)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 4,472,057

County of Allegheny, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

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

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
---	-----------

Auditee qualified as low-risk auditee?	Yes
--	-----

County of Alleghany, Virginia

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Section II - Financial Statement Findings

Item 2013-01

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The County and Component-unit School Board financial statements required material adjusting entries by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles. The auditor identified accrual entries (receivables/payables/fixed asset) that were necessary for the books to be presented in accordance with current reporting standards. The auditor did not identify a significant number of entries, but some of the entries were significant to the financial statements in terms of dollar amount.
Cause of Condition:	The School Board had turnover in staff which affected their ability to properly review proposed adjusting entries provided by the School Board's accounting consultant. In addition, changes in the School Board's fixed asset listings were identified by School Board personnel, but not recorded in the System's fixed asset software. The County's review of the financial statements missed two receivables at year end that were received after the books were closed. In addition, the County did not remove an industrial building from their asset listing upon the sale of same.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	Historically, the County and School Board have identified year end adjusting entries. We recommend that the County and School Board perform an analysis of material transactions that occur during the fiscal year and after year end, to ensure they are reported in the proper accounting period.
Management's Response:	Management will implement the procedures recommended by the Auditor above.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

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