

**COUNTY OF WASHINGTON, VIRGINIA**

**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2013**

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

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## INTRODUCTORY SECTION

## COUNTY OF WASHINGTON, VIRGINIA

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### BOARD OF SUPERVISORS

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Joseph Straten	Dulcie Mumpower, Chair	Phillip McCall
Randy Pennington		William Gibson
C. Wayne Stevens, Jr.	Nadine Culbersoner, Clerk	Odell Owens

### COUNTY SCHOOL BOARD

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Herschel Stevens	Bill W. Brooks, Chair	J. Sanders Henderson, III
Elizabeth Lowe		Douglas E. Arnold
Tom D. Musick		Melissa Caudill, Clerk

### SOCIAL SERVICES BOARD

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Rhonda Lusk	David M. Cline, Chair	Linda Crane
Jack C. Phelps		G. Douglas Meade
C. Allen Cook		Janet Combs

### OTHER OFFICIALS

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Clerk of the Circuit Court .....	Patricia Moore
Commonwealth's Attorney .....	Nicole M. Price
Commissioner of the Revenue.....	David Henry
Treasurer .....	Fred W. Parker
Sheriff .....	Fred P. Newman
Superintendent of Schools.....	Dr. Brian Ratliff
Director of Social Services.....	Randall T. Blevins
County Administrator .....	Nadine Culberson
Finance Director .....	Mark W. Seamon
County Attorney .....	Lucy E. Phillips

## **FINANCIAL SECTION**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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### TO THE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF WASHINGTON, 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 school board, each major fund, and the aggregate remaining fund information of the County of Washington, 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 did not audit the financial statements of any of the other component units, namely, the Park Authority, Industrial Development Authority, and Virginia Highlands Airport Authority. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the other component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the 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.



### ***Auditors' Responsibility (continued)***

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, based on our audit and the reports of other auditors, 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 Washington, 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 Notes 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and 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 and other auditors 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 Matters (continued)***

### ***Other Information***

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

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 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 November 30, 2013, on our consideration of the County of Washington, 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 Washington, Virginia's internal control over financial reporting and compliance.

*Robinson, Turner, & Associates*

Blacksburg, Virginia  
November 30, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the  
Board of Supervisors  
To the Citizens of Washington County  
County of Washington, Virginia

As management of the County of Washington, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

### Financial Highlights:

- The assets of the County's governmental activities exceeded its liabilities at the close of the fiscal year by \$32,140,590 (net position). Of this amount, \$26,543,223 was considered unrestricted.
- The assets of the School Board component unit exceeded its liabilities at the close of the fiscal year by \$16,266,179 (net position). Of this amount \$(2,296,542) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$27,458,564. Of the amount \$17,411,359 was considered unassigned, \$2,796,250 was considered assigned, \$5,264,238 was considered committed, \$1,951,834 was considered restricted and \$34,883 was considered nonspendable.
- During the year, the County had governmental expenditures that were \$4,126,063 more than revenues.

### Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements – The Government-wide Financial Statements are designed to provide the readers with a broad overview of the County’s finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the County’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the Government-wide Financial Statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Our governmental activities include general government, courts, public safety, sanitation, social services, education, cultural events, and recreation.

The Government-wide Financial Statements include not only the County of Washington, Virginia itself (known as the primary government), but also a legally separate school board for which the County of Washington, Virginia is financially accountable. The financial statements also include three discretely presented component units that we do not control, but do exercise a significant financial relationship with. These include the Park Authority, the Industrial Development Authority and the Virginia Highlands Airport Authority.

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

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, governmental fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

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

The County maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvement Fund and the School Capital Improvement Fund, of which all three are considered to be major funds.

The County adopts an annual appropriated budget for its Governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Proprietary Funds – The County maintains one proprietary fund. This Internal Service Fund accounts for activities similar to those found in the private sector.

Fiduciary funds – The County is the trustee, or fiduciary, for the County's agency funds and expendable trust funds. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. The County excludes these activities from the County's Government-wide Financial Statements because the County cannot use these assets to finance its operations.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison and presentation of combining financial statements for the discretely presented component units and the non-major funds.

#### Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a County's financial position. In the case of the County's Primary Government, assets exceed liabilities by \$32,140,590 at the close of the most recent fiscal year.

A significant portion of the County's net position \$3,645,533 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position \$1,951,834, are subject to restrictions on how they may be used. The remaining balance of net position \$26,543,223 may be used to meet the County's ongoing obligations.

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2013 and 2012.

Statement of Net Position

	Governmental Activities	Governmental Activities
	2013	2012
Current and other assets	\$ 57,273,423	\$ 60,996,444
Capital and other assets	35,480,427	34,855,861
Total assets	<u>\$ 92,753,850</u>	<u>\$ 95,852,305</u>
Current and other liabilities	\$ 28,066,187	\$ 28,777,974
Long-term liabilities	32,547,073	33,694,978
Total Liabilities	<u>\$ 60,613,260</u>	<u>\$ 62,472,952</u>
Net position:		
Invested in capital assets,		
net of related debt	\$ 3,645,533	\$ 8,079,381
Restricted	1,951,834	4,914,448
Unrestricted	26,543,223	20,385,524
Total net position	<u>\$ 32,140,590</u>	<u>\$ 33,379,353</u>

## Statement of Activities

	Governmental Activities 2013	Governmental Activities 2012
Program revenues		
Charges for services	\$ 1,807,743	\$ 1,830,599
Operating grants and contributions	10,887,638	11,403,196
General revenues		
Property taxes	34,703,127	32,986,799
Other taxes	9,212,536	9,109,624
Revenue from use of money and property	151,203	193,751
Miscellaneous	1,392,331	1,582,918
Intergovernmental revenues		
Grants and contributions not restricted to specific programs	3,203,660	4,645,697
Total revenues	<u>61,358,238</u>	<u>61,752,584</u>
Expenses		
General government	3,485,456	3,392,022
Judicial administration	1,588,063	1,442,053
Public Safety	10,875,250	10,373,244
Public works	4,091,448	4,710,465
Health and welfare	7,797,920	7,571,268
Education	28,248,261	22,448,687
Parks, recreation and cultural	2,625,595	2,153,236
Community development	2,704,569	3,599,243
Interest on debt	1,180,439	1,223,756
Total expenses	<u>62,597,001</u>	<u>56,913,974</u>
Change in net position	<u>\$ (1,238,763)</u>	<u>\$ 4,838,610</u>

At the end of the current fiscal year, the County is able to report positive balances in all categories of net positions.

### Financial Analysis of the County's Funds

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

Governmental Funds – The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County's governmental funds reported

combined ending fund balances of \$27,458,564; 1% or \$34,883 constitutes nonspendable fund balance, 7% or \$1,951,834 constitutes restricted fund balance, which is not available for current spending since it has been restricted by external parties such as grantors, laws or legislation. Approximately 19% or \$5,264,238 has been committed by action of the Board of Supervisors and 10% or \$2,796,250 has been assigned by the Board of Supervisors. The remaining balance, \$17,411,359 or 63% is unassigned, meaning there is no restrictions placed on the funds.

The general fund is the operating fund of the County. At the end of the current fiscal year, total fund balance of the general fund was \$25,506,730, of this amount \$17,411,359 was considered unassigned. The two Capital Improvement funds had restricted fund balances of \$1,951,834.

Total governmental fund revenues decreased \$(1,240,537) and expenses increased \$(1,007,534) over prior year amounts. For fiscal year ended June 30, 2013, expenses exceeded revenues by \$4,126,063, as compared to the fiscal year ended June 30, 2012, expenditures exceeded revenues by \$1,877,992.

#### General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget for the current year.

#### Capital Assets and Debt Administration

Capital assets – The County’s investment in capital assets for its governmental funds activities as of June 30, 2013 amounts to \$35,480,427 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County of Washington’s capital assets can be found in Note 11 of this report.

Long-term debt – At the end of the current fiscal year, the County’s primary government had total debt outstanding as follows:

Primary Government:	
Accrued leave	\$ 1,417,196
OPEB obligation	926,586
General obligation bonds	16,483,781
Lease revenue notes	12,720,000
Landfill post-closure costs	53,408
Literary Funds	2,631,113
Total	<u>\$ 34,232,084</u>



Additional information on the County of Washington's long-term debt can be found in Note 7 of this report.

#### Economic Factors

The June 2013 unemployment rate for the County of Washington, Virginia was 7.1%, which is a decrease from a rate of 8.4% in June 2012. This is slightly above the state's average unemployment rate of 5.5% and below the national average rate of 7.6%.

#### Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Accounting Department, Government Center Building, 1 Government Center Place, Suite A Abingdon, Virginia 24210.

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## Basic Financial Statements

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

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Units</u> <u>School Board</u>	<u>Other</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 26,809,860	\$ 4,019,458	\$ 2,766,536
Investments	250,333	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	29,159,570	-	-
Accounts receivable	496,250	-	413,955
Notes receivable	-	636,924	12,720,000
Internal balances	(2,339,354)	2,339,354	-
Due from other governmental units	2,861,881	1,948,639	-
Inventories	-	-	72,507
Prepaid items	34,883	562,667	18,752
Other assets:			
Unamortized bond issue costs	-	-	97,396
Capital assets (net of accumulated depreciation):			
Land	1,926,515	3,029,475	24,496,876
Buildings and system	31,538,811	9,661,668	6,403,559
Improvements other than buildings	-	-	3,892,143
Machinery and equipment	1,842,101	5,871,578	497,649
Construction in progress	173,000	-	66,830
Total assets	<u>\$ 92,753,850</u>	<u>\$ 28,069,763</u>	<u>\$ 51,446,203</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 680,685	\$ 824,258	\$ 161,308
Accrued liabilities	-	808,187	60,000
Accrued wages	-	4,100,659	13,019
Accrued interest payable	530,886	-	321,922
Long-term liabilities:			
Due within one year	1,685,011	-	1,374,244
Due in more than one year	32,547,073	6,070,480	17,308,359
Total liabilities	<u>\$ 35,443,655</u>	<u>\$ 11,803,584</u>	<u>\$ 19,238,852</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	<u>\$ 25,169,605</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 3,645,533	\$ 18,562,721	\$ 31,124,113
Restricted	2,317,543	-	-
Unrestricted (deficit)	26,177,514	(2,296,542)	1,083,238
Total net position	<u>\$ 32,140,590</u>	<u>\$ 16,266,179</u>	<u>\$ 32,207,351</u>

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

County of Washington, 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	Component Unit School Board      Other Component Units
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General government administration	\$ 3,485,456	\$ 125,778	\$ 473,024	\$ -	\$ (2,886,654)	\$ -
Judicial administration	1,588,063	1,098,517	680,698	-	191,152	-
Public safety	10,875,250	120,103	2,650,461	-	(8,104,686)	-
Public works	4,091,448	364,708	15,487	-	(3,711,253)	-
Health and welfare	7,797,920	-	5,156,616	-	(2,641,304)	-
Education	28,248,261	-	-	-	(28,248,261)	-
Parks, recreation, and cultural	2,625,595	98,637	162,638	-	(2,364,320)	-
Community development	2,704,569	-	421,687	-	(2,282,882)	-
Interest on long-term debt	1,180,439	-	-	-	(1,180,439)	-
Total government activities	\$ 62,597,001	\$ 1,807,743	\$ 9,560,611	\$ -	\$ (51,228,647)	\$ -
<b>COMPONENT UNITS:</b>						
School Board	\$ 77,697,968	\$ 2,589,023	\$ 45,655,178	\$ -	\$ -	\$ (29,453,767)
Other Component Units	3,678,746	866,145	2,738	2,065,871	-	(743,992)
Total component units	\$ 81,376,714	\$ 3,455,168	\$ 45,657,916	\$ 2,065,871	\$ -	\$ (29,453,767)
General revenues:						
General property taxes					\$ 34,703,127	\$ -
Other local taxes:						
Local sales and use taxes					6,556,839	-
Consumers' utility taxes					1,120,962	-
Utility license taxes					154,090	-
Motor vehicle licenses					848,450	-
Bank stock taxes					28,963	-
Taxes on recordation and wills					462,060	-
Hotel and motel room taxes					41,172	-
Unrestricted revenues from use of money and property					151,203	235,320
Miscellaneous					1,392,331	203,760
Payments from Washington County					-	27,103,275
Grants and contributions not restricted to specific programs					4,530,687	-
Total general revenues					\$ 49,969,884	\$ 28,413,097
Change in net position					\$ (1,238,763)	\$ (1,040,670)
Net position - beginning, as restated					33,379,353	17,306,849
Net position - ending					\$ 32,140,590	\$ 16,266,179
						\$ 32,207,351

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

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

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,963,165	\$ 1,667,467	\$ 179,228	\$ 26,809,860
Investments	250,333	-	-	250,333
Receivables (net of allowance for uncollectibles):				
Taxes receivable	29,159,570	-	-	29,159,570
Other receivables	496,250	-	-	496,250
Due from other governmental units	2,739,058	122,823	-	2,861,881
Prepaid items	34,883	-	-	34,883
Total assets	<u>\$ 57,643,259</u>	<u>\$ 1,790,290</u>	<u>\$ 179,228</u>	<u>\$ 59,612,777</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	\$ 663,001	\$ 2,195	\$ 15,489	\$ 680,685
Due to component unit	2,339,354	-	-	2,339,354
Total liabilities	<u>\$ 3,002,355</u>	<u>\$ 2,195</u>	<u>\$ 15,489</u>	<u>\$ 3,020,039</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 29,134,174	-	-	\$ 29,134,174
Fund balances:				
Nonspendable	\$ 34,883	-	-	\$ 34,883
Restricted	365,709	1,788,095	163,739	2,317,543
Committed	5,264,238	-	-	5,264,238
Assigned	2,796,250	-	-	2,796,250
Unassigned	17,045,650	-	-	17,045,650
Total fund balances	<u>\$ 25,506,730</u>	<u>\$ 1,788,095</u>	<u>\$ 163,739</u>	<u>\$ 27,458,564</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 57,643,259</u>	<u>\$ 1,790,290</u>	<u>\$ 179,228</u>	<u>\$ 59,612,777</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 27,458,564
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,480,427
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,964,569
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(34,762,970)
Net position of governmental activities	<u>\$ 32,140,590</u>

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

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

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 33,590,230	\$ -	\$ -	\$ 33,590,230
Other local taxes	9,212,536	-	-	9,212,536
Permits, privilege fees, and regulatory licenses	110,451	-	-	110,451
Fines and forfeitures	1,075,125	-	-	1,075,125
Revenue from the use of money and property	150,001	-	1,202	151,203
Charges for services	622,167	-	-	622,167
Miscellaneous	1,064,801	327,530	-	1,392,331
Recovered costs	373,621	-	-	373,621
Intergovernmental revenues:				
Commonwealth	11,229,486	1,323	-	11,230,809
Federal	2,705,239	155,250	-	2,860,489
Total revenues	<u>\$ 60,133,657</u>	<u>\$ 484,103</u>	<u>\$ 1,202</u>	<u>\$ 60,618,962</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,608,619	\$ -	\$ -	\$ 3,608,619
Judicial administration	1,543,209	-	-	1,543,209
Public safety	10,788,060	-	-	10,788,060
Public works	3,288,417	965,630	-	4,254,047
Health and welfare	7,714,318	-	-	7,714,318
Education	27,419,744	-	1,060,101	28,479,845
Parks, recreation, and cultural	2,153,788	477,243	-	2,631,031
Community development	2,579,586	-	-	2,579,586
Nondepartmental	276,258	-	-	276,258
Debt service:				
Principal retirement	1,645,280	-	-	1,645,280
Interest and other fiscal charges	1,224,772	-	-	1,224,772
Total expenditures	<u>\$ 62,242,051</u>	<u>\$ 1,442,873</u>	<u>\$ 1,060,101</u>	<u>\$ 64,745,025</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,108,394)</u>	<u>\$ (958,770)</u>	<u>\$ (1,058,899)</u>	<u>\$ (4,126,063)</u>
Net change in fund balances	<u>\$ (2,108,394)</u>	<u>\$ (958,770)</u>	<u>\$ (1,058,899)</u>	<u>\$ (4,126,063)</u>
Fund balances - beginning	27,615,124	2,746,865	1,222,638	31,584,627
Fund balances - ending	<u>\$ 25,506,730</u>	<u>\$ 1,788,095</u>	<u>\$ 163,739</u>	<u>\$ 27,458,564</u>

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

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

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

Net change in fund balances - total governmental funds	\$ (4,126,063)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	631,765
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(7,199)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,112,897
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Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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 treatment of long-term obligations and related items.	1,644,032
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	(494,195)
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Change in net position of governmental activities	<u><u>\$ (1,238,763)</u></u>
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The notes to the financial statements are an integral part of this statement.



County of Washington, Virginia  
Statement of Net Position  
Proprietary Fund  
June 30, 2013

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	Internal Service Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,976,663
<b>LIABILITIES</b>	
Current liabilities:	
Incurred but unpaid liability	\$ 808,187
<b>NET POSITION</b>	
Unrestricted	\$ 1,168,476
Total net position	\$ 1,168,476

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

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

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	Internal Service <u>Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Insurance premiums	\$ 9,092,605
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	\$ 8,521,981
Miscellaneous	29
Total operating expenses	<u>\$ 8,522,010</u>
 Operating income (loss)	 <u>\$ 570,595</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	<u>\$ 11,764</u>
 Change in net position	 <u>\$ 582,359</u>
Total net position - beginning	586,117
Total net position - ending	<u><u>\$ 1,168,476</u></u>

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

County of Washington, Virginia  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2013

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	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 9,092,605
Payments for premiums	(8,459,065)
Other receipts (payments)	(29)
Net cash provided by (used for) operating activities	<u>\$ 633,511</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 11,764
Net cash provided by (used for) investing activities	<u>\$ 11,764</u>
Net increase (decrease) in cash and cash equivalents	\$ 645,275
Cash and cash equivalents - beginning	1,331,388
Cash and cash equivalents - ending	<u><u>\$ 1,976,663</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	<u>\$ 570,595</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in amounts incurred but unpaid	\$ 62,916
Net cash provided by (used for) operating activities	<u><u>\$ 633,511</u></u>

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

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

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	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 219,998
<b>LIABILITIES</b>	
Amounts held for Social Services clients	\$ 189,261
Amounts held for County employee fringe benefits	30,737
Total liabilities	<u>\$ 219,998</u>

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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**Note 1-Summary of Significant Accounting Policies:**

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to government 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 Washington, Virginia is a political subdivision 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 Washington County School Board operates the elementary and secondary public schools in the County. School Board members are elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type.

Other Discretely Presented Component Units:

The Virginia Highlands Airport Authority was created by the County of Washington to operate a regional airport. Washington County Board of Supervisors appoints the members of the Airport Authority. The County contributes a significant amount to the Authority's operations and there exists a financial benefit/burden relationship. A complete financial report of the Authority can be obtained by contacting the Authority.

The Industrial Development Authority of Washington County is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Washington County. Washington County Board of Supervisors appoints the members of the Board of Directors of the Industrial Development Authority. There exists a financial benefit/burden relationship between the County and the Industrial Development Authority. A complete financial report of the Authority can be obtained by contacting the Authority.

The Park Authority of Washington County, Virginia is authorized to acquire, operate and maintain public parks and recreation areas within Washington County, Virginia. Washington County Board of Supervisors appoints the eight member board of directors of the Park Authority. There exists a financial benefit/burden relationship between the County and the Park Authority. A complete financial report of the Authority can be obtained by contacting the Authority.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1-Summary of Significant Accounting Policies: (continued)**

A. Financial Reporting Entity (continued)

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.

The statement of net position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net position and 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

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

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

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

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when 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 Forfeited Asset, Law Library, Road Improvement, E-911 project, County Library, Virginia Public Assistance, Comprehensive Service, Title IV-E Rev Max, Prebook Tax and Trigon Reserve Funds.

The County Capital Improvements Fund is reported as a major *capital projects fund*. The fund accounts for and reports financial resources to be used for the acquisition and construction of major capital projects of the County.

The County reports the following nonmajor governmental fund:

The School Capital Projects fund is reported as a nonmajor *capital projects fund*. The fund accounts for and reports financial resources to be used for the acquisition and construction of major capital projects of the School Board.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

The County reports the following internal service fund:

*Internal Service Funds* account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the School Board's Self-health Insurance Fund.

Additionally, the County reports the following fund type:

*Fiduciary 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 and Fringe Benefits funds.

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 or fund balance

1. Cash and cash equivalents and investments

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

Investments for the government, as well as for its component units, 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.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

2. Receivables and payables

Activities 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 a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 May 20<sup>th</sup> and November 20<sup>th</sup>. Personal property taxes are due and collectible annually on November 20<sup>th</sup>. 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 \$280,883 at June 30, 2013 and is comprised solely of property taxes.

5. Use of Estimates

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

6. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

6. Capital assets (continued)

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

<b>Assets</b>	<b>Years</b>
Buildings	50
Building improvements	50
Structures, lines, and accessories	20-40
Machinery and equipment	4-30
Land improvements	10

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. 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 sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

9. Fund equity

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The County of Washington, Virginia evaluated its funds at June 30, 2013 and classified fund balance into the following five categories:

Non-spendable -amounts 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 -amounts that are restricted by external parties such as creditors or imposed by grants, law or legislation

Committed -amounts that have been committed (establish, modify or rescind) by formal action by the entity's "highest level of decision-making authority"; which the County of Washington, Virginia considers to be the Board of Directors.

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

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

The County's highest decision-making level is the Board of Supervisors. Action from the Board of Supervisors is required to commit or release funds from commitment.

The County's Board of Supervisors has authorized the County Administrator to assign fund balance to a specific purpose as approved within the County fund balance policy. The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

10. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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

13. Adoption of Accounting Policies

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.

Although the County implemented GASB 65 as stated above, the other component units reported within this report did not implement the standard. Therefore, unamortized bond issuance costs are reported as an asset in the other component unit column.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements:**

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statements of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(34,762,970) and \$(6,070,480) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Literary loans	\$ (2,631,113)	\$ -
Bonds, bond premium and note	(29,203,781)	-
Accrued interest payable	(530,886)	-
Landfill accrued post-closure monitoring costs	(53,408)	-
Net OPEB obligation	(926,586)	(2,616,441)
Compensated absences	(1,417,196)	(3,454,039)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ <u>(34,762,970)</u>	\$ <u>(6,070,480)</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$631,765 and \$(38,435) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 2,149,502	\$ 2,195,023
Depreciation expenses	<u>(1,517,737)</u>	<u>(2,233,458)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 631,765</u>	<u>\$ (38,435)</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,644,032 difference in the primary government, are as follows:

	<u>Primary Government</u>
Debt Issued or Incurred:	
Landfill post-closure liability	\$ (1,248)
Principal Payments:	
Literary loans	282,023
Bonds and note	<u>1,363,257</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,644,032</u>

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COUNTY OF WASHINGTON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2013

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$(494,195) and (\$849,139) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
	<u>                    </u>	<u>                    </u>
(Increase) decrease in compensated absences	\$ (295,553)	\$ 23,654
(Increase) decrease in accrued interest	27,663	-
(Increase) decrease in net OPEB obligation	(242,975)	(872,793)
(Increase) decrease in premium amortization	<u>16,670</u>	<u>-</u>
 Net adjustment to increase (decrease) <i>net changes</i> <i>in fund balances-total governmental funds to arrive</i> <i>at changes in net position of governmental activities</i>	 \$ <u>(494,195)</u>	 \$ <u>(849,139)</u>

**Note 3-Stewardship, Compliance, and Accountability:**

- A. Budgetary information

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

1. Prior to April 1st, 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. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. 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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 3-Stewardship, Compliance, and Accountability: (continued)**

A. Budgetary information (continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), Debt Service Funds, and the General Capital Projects Funds. The School Operating Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. 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 not part of the County's accounting system.

B. Excess of expenditures over appropriations

For fiscal year 2013, the health and welfare department had an excess of expenditures over appropriations.

C. Deficit fund equity

At June 30, 2013, no funds had deficit fund equity.

**Note 4-Deposits and Investments:**

Deposits:

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

Investments:

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 4-Deposits and Investments: (Continued)**

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County and its discretely presented component units have an investment policy for custodial credit risk included within the County investment policy. The County's investments at June 30, 2013 were held in the County's name by the County's custodial bank. The Local Government Investment (LGIP) Pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities

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 for LGIP investments and Moody's rating scale for commercial paper.

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	AAm
LGIP	\$ 250,333	\$ -

Concentration of Credit Risk

At June 30, 2013, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk

At June 30, 2013, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

External Investment Pools

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 5-Due from Other Governmental Units:**

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

	Primary Government	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 1,141,610	\$ -
State sales tax	-	1,225,098
Categorical aid-shared expenses	277,183	-
Categorical aid-other	820,189	-
Non-categorical aid	110,292	-
Categorical aid-VPA funds	175,463	-
Categorical aid-CSA funds	165,996	-
Other state aid	-	190
<u>Federal Government:</u>		
Categorical aid-VPA funds	171,148	-
Categorical aid-other	-	723,351
Totals	\$ 2,861,881	\$ 1,948,639

**Note 6-Interfund/Component-Unit Obligations:**

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
<u>Primary Government:</u>		
General Fund	\$ 2,339,354	\$ -
<u>Component Unit - School Board:</u>		
School Fund	\$ -	\$ 2,339,354

COUNTY OF WASHINGTON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

**Note 7-Long-Term Obligations:**

**Primary Government - Governmental Activity Indebtedness:**

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

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General Obligation bonds and note	\$ 17,222,873	\$ -	\$ (1,013,257)	\$ 16,209,616
General Obligation bond premium	290,835	-	(16,670)	274,165
Literary loans	2,913,136	-	(282,023)	2,631,113
Lease revenue notes	13,070,000	-	(350,000)	12,720,000
Landfill post-closure liability	52,160	1,248	-	53,408
Net OPEB obligation	683,611	347,705	(104,730)	926,586
Compensated absences	1,121,643	295,553	-	1,417,196
<b>Total</b>	<b>\$ 35,354,258</b>	<b>\$ 644,506</b>	<b>\$ (1,766,680)</b>	<b>\$ 34,232,084</b>

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

Year Ending June 30,	Literary Loans		GO Bonds and Note		Lease Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 282,022	\$ 78,933	\$ 1,036,579	\$ 456,436	\$ 350,000	\$ 592,158
2015	282,024	70,473	1,176,154	407,729	360,000	584,833
2016	282,023	62,012	1,316,805	357,485	365,000	576,445
2017	282,023	53,551	1,385,603	314,166	385,000	566,589
2018	282,023	45,091	1,410,644	272,882	390,000	555,201
2019-2023	1,134,929	100,148	6,114,142	738,976	2,180,000	2,549,086
2024-2028	86,069	3,437	3,769,689	183,116	2,730,000	1,989,231
2029-2033	-	-	-	-	2,325,000	1,273,588
2034-2038	-	-	-	-	2,085,000	725,862
2039-2042	-	-	-	-	1,550,000	130,900
<b>Totals</b>	<b>\$ 2,631,113</b>	<b>\$ 413,645</b>	<b>\$ 16,209,616</b>	<b>\$ 2,730,790</b>	<b>\$ 12,720,000</b>	<b>\$ 9,543,893</b>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 7-Long-Term Obligations: (continued)**

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Note						
GO Bond	6.1-6.6%	11/22/1994	2015	\$ 585,000	\$ 50,000	\$ 25,000
GO Bond	6.1-6.6%	11/22/1994	2015	143,947	19,614	9,586
GO Bond	5.4-5.975%	5/18/1995	2016	1,260,000	180,000	60,000
GO Bond	5.1-6.1%	12/21/1995	2016	2,086,692	390,134	126,239
GO Bond	4.1-5.225%	5/13/1999	2020	1,400,000	490,000	70,000
GO Bond	3.1-5.35%	11/15/2001	2022	1,217,614	588,143	60,924
GO Bond	3.1-5.35%	12/23/2003	2024	972,237	572,087	47,680
GO Bond	5.05%	11/1/2007	2027	1,565,886	1,217,097	72,804
GO Bond	5.05%	11/1/2007	2027	1,204,508	936,219	56,002
GO Bond	5.05%	11/1/2007	2027	1,243,435	966,474	57,812
GO Bond	5.05%	11/1/2007	2027	989,925	769,435	46,026
Early retirement refunding note	6.95%	7/15/2001	2021	9,889,483	2,255,413	219,506
QSC Bond	5.31%	7/1/2010	2027	8,145,000	7,775,000	185,000
Total General Obligation Bonds and Note					\$ 16,209,616	\$ 1,036,579

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 7-Long-Term Obligations: (continued)**

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Literary Loans:						
State Literary Fund Loan	3%	12/15/2000	2021	\$ 957,237	\$ 381,237	\$ 48,000
State Literary Fund Loan	3%	10/1/2001	2022	1,001,149	450,522	50,056
State Literary Fund Loan	3%	10/1/2001	2022	1,172,618	527,688	58,630
State Literary Fund Loan	3%	10/1/2001	2022	530,000	238,500	26,500
State Literary Fund Loan	3%	10/1/2001	2022	661,338	297,612	33,066
State Literary Fund Loan	3%	7/15/1991	2012	164,300	73,935	8,215
State Literary Fund Loan	3%	3/15/2004	2024	302,206	166,216	15,110
State Literary Fund Loan	3%	3/15/2004	2024	279,506	153,731	13,975
State Literary Fund Loan	3%	5/1/2005	2025	439,616	263,776	21,980
State Literary Fund Loan	3%	5/1/2005	2025	129,816	77,896	6,490
Total Literary Loans					<u>\$ 2,631,113</u>	<u>\$ 282,022</u>
Leave Revenue Notes:						
Lease Revenue Note	2% - 5%	12/16/2010	2041	\$ 4,860,000	\$ 4,495,000	\$ 195,000
Lease Revenue Note	2% - 5%	12/16/2010	2041	8,480,000	8,225,000	155,000
Total Lease Revenue Notes					<u>\$ 12,720,000</u>	<u>\$ 350,000</u>
Other Obligations:						
Landfill Post-closure liability	n/a	n/a	n/a	n/a	\$ 53,408	\$ -
Premium on \$972,237 GO bond	n/a	n/a	n/a	n/a	34,302	2,858
Premium on \$5,003,754 2007 bonds	n/a	n/a	n/a	n/a	239,863	13,552
Net OPEB obligation	n/a	n/a	n/a	n/a	926,586	-
Compensated Absences	n/a	n/a	n/a	n/a	1,417,196	-
Total Other Obligations					<u>\$ 2,671,355</u>	<u>\$ 16,410</u>
Total Long-term obligations					<u>\$ 34,232,084</u>	<u>\$ 1,685,011</u>

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**COUNTY OF WASHINGTON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

**Note 7-Long-Term Obligations: (continued)**

**Discretely Presented Component Unit-School Board-Indebtedness:**

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases/</u> <u>Issuances</u>	<u>Decreases/</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Compensated absences	\$ 3,477,693	\$ -	\$ (23,654)	\$ 3,454,039
Net OPEB obligation	<u>1,743,648</u>	<u>1,546,283</u>	<u>(673,490)</u>	<u>2,616,441</u>
 Total	 <u>\$ 5,221,341</u>	 <u>\$ 1,546,283</u>	 <u>\$ (697,144)</u>	 <u>\$ 6,070,480</u>

**Details of long-term indebtedness:**

	<u>Interest</u> <u>Rates</u>	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Amount of</u> <u>Original</u> <u>Issue</u>	<u>Balance</u> <u>Governmental</u> <u>Activities</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 3,454,039	\$ -
Net OPEB Obligation	n/a	n/a	n/a	n/a	<u>2,616,441</u>	<u>-</u>
Total Other Obligations					<u>\$ 6,070,480</u>	<u>\$ -</u>

**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. 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 5 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.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 8-Employee Retirement System and Defined Benefit 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 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 downloaded from their 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**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 5.00% of their annual salary to the VRS. 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 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's contribution rate for the fiscal year ended 2013 was 13.80% 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 5.00% of their annual salary to the VRS. 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 13.50% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the County of Washington, Virginia's annual pension cost of \$1,305,322 and \$366,465 was equal to the County of Washington, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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

C. Annual Pension Cost: (continued)

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2011	943,781	100.00%	-
	6/30/2012	963,188	100.00%	-
	6/30/2013	1,305,322	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2011	278,732	100.00%	-
	6/30/2012	277,364	100.00%	-
	6/30/2013	366,465	100.00%	-

<sup>1</sup> Employer portion only

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 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 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 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 71.18% funded. The actuarial accrued liability for benefits was \$40,364,966, and the actuarial value of assets was \$28,729,841, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,635,125. The covered payroll (annual payroll of active employees covered by the plan) was \$8,672,546, and ratio of the UAAL to the covered payroll was 134.16%.

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

As of June 30, 2012, the most recent actuarial valuation date, the plan was 72.89% funded. The actuarial accrued liability for benefits was \$14,035,313, and the actuarial value of assets was \$10,584,143, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,805,158. The covered payroll (annual payroll of active employees covered by the plan) was \$2,443,498, and ratio of the UAAL to the covered payroll was 155.73%.

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 for benefits.

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

Plan Description

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

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. 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 statute and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$4,145,991, \$2,047,185, and \$1,269,544, for the fiscal years ended 2013, 2012, and 2011, respectively. Employer contributions represented 11.66%, 6.33%, and 3.93% of covered payroll for the fiscal years ended 2013, 2012, and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 9-Other Postemployment Benefits – Health Insurance:**

A. Plan Description

The County's Retiree Medical Program (the "Program") is a single-employer defined benefit healthcare plan administered by the County. The Program provides health insurance benefits to eligible retirees and their spouses. To be eligible as a retiree from the County, employees must be a full-time employee who retires directly from the County and is eligible to receive an early or regular retirement benefit from VRS. Retirees of the Public Schools must also be employed for at least ten consecutive years. The benefit provisions, including employer and employee contributions, are governed by County and can be amended through County Council action. The Program does not issue a publicly available financial report.

B. Funding Policy

The Washington County Government establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will be partially funded or fully funded in the upcoming fiscal year. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the County. For fiscal year 2013, the County and the Schools continued to follow the pay-as-you-go basis with no pre-funding.

Retirees of the County who had five years of continuous full-time employment with Washington County prior to January 1, 1998 and were enrolled in the County's health insurance program for at least five years prior to January 1, 1998 receive \$22.50 per month from the County. All other retired government employees who participate in the retiree medical plan pay the entire blended active and early retiree rate to continue coverage.

Retired school employees who participate in the retiree medical and dental plans pay the entire blended active and early retiree rate to continue coverage with the exception of a \$125 per month school board supplement for employees electing the Supplemental Retirement Program. This benefit is available to the employee for 5-7 years.

**COUNTY OF WASHINGTON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

**Note 9-Other Postemployment Benefits – Health Insurance: (continued)**

**B. Funding Policy (continued)**

The following are the 2013 blended medical rates for active employees and early retirees:

	Monthly Premiums	
	County	School
Employee	\$ 499	\$ 620
Employee and spouse	998	1,240

**C. Annual OPEB Cost and Net OPEB Obligation**

The County's annual other postemployment benefit (OPEB) cost 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 thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

	School		
	County	Board	Total
Annual required contribution	\$ 348,828	\$ 1,548,583	\$ 1,897,411
Interest on net OPEB obligation	27,353	69,768	97,121
Adjustment to annual required contribution	(28,254)	(72,068)	(100,322)
Annual OPEB cost (expense)	347,927	1,546,283	1,894,210
Contributions made	(104,952)	(673,490)	(778,442)
Increase in net OPEB obligation	242,975	872,793	1,115,768
Net OPEB obligation - beginning of year	683,611	1,743,648	2,427,259
Net OPEB obligation - end of year	\$ 926,586	\$ 2,616,441	\$ 3,543,027

The County'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	\$ 347,927	30%	\$ 926,586
6/30/2012	236,177	37%	683,611
6/30/2011	224,801	33%	534,434

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 9-Other Postemployment Benefits – Health Insurance: (continued)**

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The School 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	\$ 1,546,283	44%	\$ 2,616,441
6/30/2012	1,171,736	72%	1,743,648
6/30/2011	1,135,421	71%	1,412,712

D. Funded Status and Funding Progress

County:

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$2,883,248, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,551,054, and the ratio of the UAAL to the covered payroll was 33.72%.

School Board:

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$15,543,864, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$38,697,882, and ratio of the UAAL to the covered payroll was 40.17%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 9-Other Postemployment Benefits – Health Insurance: (continued)**

E. Actuarial Methods and Assumptions (continued)

In the July 1, 2012 most recent actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return per annum and payroll growth of 2.5%. An annual healthcare cost trend rate of 8 percent initially, reduced by decrements of 0.5 percent each year until 5 percent is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2012, was 30 years.

**Note 10-VRS Health Insurance Credit – Other Postemployment Benefits:**

A. Plan Description

The County and School Board participate in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the County or School Board, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 8.

B. Funding Policy

As a participating local political subdivision, the County and School Board are required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County and School Board's contribution rate for the fiscal year ended 2013 was 0.13% and 0.86%, respectively, of annual covered payroll.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 10-VRS Health Insurance Credit – Other Postemployment Benefits: (continued)**

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The locality is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2013, the County and School Board's contribution of \$2,049 and \$23,345, respectively, was equal to the ARC and OPEB cost. The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and preceding two years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
County:			
June 30, 2013	\$ 2,049	100%	-
June 30, 2012	2,606	100%	-
June 30, 2011	2,553	100%	-
School Board:			
June 30, 2013	\$ 23,345	100%	-
June 30, 2012	18,928	100%	-
June 30, 2011	19,021	100%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

	<u>County</u>	<u>School Board</u>
Actuarial accrued liability (AAL)	\$ 204,783	\$ 319,369
Actuarial value of plan assets	\$ 190,552	\$ 26,459
Unfunded actuarial accrued liability (UAAL)	\$ 14,231	\$ 292,910
Funded ratio (actuarial value of plan assets/AAL)	93.05%	8.28%
Covered payroll (active plan members)	\$ 2,801,664	\$ 2,443,498
UAAL as a percentage of covered payroll	0.51%	11.99%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 10-VRS Health Insurance Credit – Other Postemployment Benefits: (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 into the future and reflect a long-term perspective. 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 presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.5% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2012 was 26 years.

The Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rates is needed or applied.

F. Professional Employees – Discretely Presented Component Unit School Board

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

**COUNTY OF WASHINGTON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

**Note 10-VRS Health Insurance Credit – Other Postemployment Benefits: (continued)**

**F. Professional Employees – Discretely Presented Component Unit School Board (continued)**

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2013 was \$394,534 and equaled the required contributions.

**Note 11-Capital Assets:**

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

**Primary Government:**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,926,515	\$ -	\$ -	\$ 1,926,515
Construction in progress	6,067,684	1,045,806	(6,940,490)	173,000
Total capital assets not being depreciated	<u>\$ 7,994,199</u>	<u>\$ 1,045,806</u>	<u>\$ (6,940,490)</u>	<u>\$ 2,099,515</u>
Capital assets, being depreciated:				
Buildings	\$ 30,218,103	\$ 7,051,536	\$ -	\$ 37,269,639
Improvements other than buildings	178,924	-	-	178,924
Machinery and equipment	8,822,908	992,650	(26,489)	9,789,069
Total capital assets being depreciated	<u>\$ 39,219,935</u>	<u>\$ 8,044,186</u>	<u>\$ (26,489)</u>	<u>\$ 47,237,632</u>
Accumulated depreciation:				
Buildings	\$ (5,012,437)	\$ (718,391)	\$ -	\$ (5,730,828)
Improvements other than buildings	(178,924)	-	-	(178,924)
Machinery and equipment	(7,166,912)	(799,346)	19,290	(7,946,968)
Total accumulated depreciation	<u>\$ (12,358,273)</u>	<u>\$ (1,517,737)</u>	<u>\$ 19,290</u>	<u>\$ (13,856,720)</u>
Total capital assets being depreciated, net	<u>\$ 26,861,662</u>	<u>\$ 6,526,449</u>	<u>\$ (7,199)</u>	<u>\$ 33,380,912</u>
Governmental activities capital assets, net	<u><u>\$ 34,855,861</u></u>	<u><u>\$ 7,572,255</u></u>	<u><u>\$ (6,947,689)</u></u>	<u><u>\$ 35,480,427</u></u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 11-Capital Assets: (continued)**

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

Governmental activities:	
General government administration	\$ 52,918
Judicial administration	20,889
Public safety	543,088
Public works	431,177
Health and welfare	37,819
Education	361,345
Parks, recreation, and cultural	<u>70,501</u>
Total depreciation expense-primary government	\$ <u>1,517,737</u>

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	\$ 3,029,475	\$ -	\$ -	\$ 3,029,475
Construction in progress	<u>136,690</u>	<u>1,209,625</u>	<u>(1,346,315)</u>	<u>-</u>
Total capital assets not being depreciated	\$ <u>3,166,165</u>	\$ <u>1,209,625</u>	\$ <u>(1,346,315)</u>	\$ <u>3,029,475</u>
Capital assets, being depreciated:				
Buildings	\$ 39,233,372	\$ 1,107,531	\$ -	\$ 40,340,903
Machinery and equipment	<u>17,932,498</u>	<u>1,224,182</u>	<u>(398,093)</u>	<u>18,758,587</u>
Total capital assets being depreciated	\$ <u>57,165,870</u>	\$ <u>2,331,713</u>	\$ <u>(398,093)</u>	\$ <u>59,099,490</u>
Accumulated depreciation:				
Buildings	\$ (29,790,654)	\$ (888,581)	\$ -	\$ (30,679,235)
Machinery and equipment	<u>(11,940,225)</u>	<u>(1,344,877)</u>	<u>398,093</u>	<u>(12,887,009)</u>
Total accumulated depreciation	\$ <u>(41,730,879)</u>	\$ <u>(2,233,458)</u>	\$ <u>398,093</u>	\$ <u>(43,566,244)</u>
Total capital assets being depreciated, net	\$ <u>15,434,991</u>	\$ <u>98,255</u>	\$ <u>-</u>	\$ <u>15,533,246</u>
Governmental activities capital assets, net	\$ <u>18,601,156</u>	\$ <u>1,307,880</u>	\$ <u>(1,346,315)</u>	\$ <u>18,562,721</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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**Note 12-Risk Management:**

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

**Note 13-Contingent Liabilities:**

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

**Note 14-Surety Bonds:**

Primary Government:

<u>Fidelity &amp; Deposit Company of Maryland-Surety:</u>		
Patricia S. Moore, Clerk of the Circuit Court	\$	330,000
Fred W. Parker, Treasurer		750,000
David Henry, Commissioner of the Revenue		3,000
Fred P. Newman, Sheriff		30,000
All constitutional officers: blanket bond		50,000
 <u>Virginia Association of Counties</u>		
All Social Services employees: blanket bond	\$	250,000
All County employees-blanket bond		250,000

COUNTY OF WASHINGTON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

**Note 14-Surety Bonds: (continued)**

Component Unit – School Board:

<u>Fidelity &amp; Deposit Company of Maryland-Surety:</u>		
All School Board employees: blanket bond	\$	100,000
 <u>Travelers-Surety:</u>		
Melissa W. Caudill, Clerk of the School Board	\$	10,000
 <u>United States Fidelity and Guaranty Company-Surety:</u>		
Deputy Clerk of the School Board	\$	10,000
Textbook Clerk		10,000
Jim R. Sullivan, Superintendent of Schools		10,000

**Note 15-Landfill Liability:**

State and federal laws and regulations required the County to place a final cover on its landfill site which was closed on March 20, 1995, and to perform certain maintenance and monitoring functions at the site for ten years after closure. While the County has completed its required 10 year monitoring period, its landfill has not been released from (Department of Environmental Quality) DEQ monitoring requirements. The \$53,408 liability is the total estimated post-closure care liability at June 30, 2013 and represents what it would cost to perform all post-closure care in 2013. Actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the DEQ's assurance requirements for landfill post-closure costs.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

**Note 16-School Board Early Retirement Incentive Program:**

SunTrust administers an early retirement incentive program for the Component Unit – School Board employees. Early retirement is available to those contracted employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The employee must have been employed with Washington County School System for 10 consecutive years, immediately preceding retirement and must not be eligible for disability retirement benefits from the VRS and/or Social Security. Finally, participants must be approved by the School Board and must have a bonafide separation from service of at least 30 days. The program allows for several different methods of payment depending upon the number of months the participant wishes to be paid. The School Board reserves the right to amend or terminate the program.

**COUNTY OF WASHINGTON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

**Note 17 – Unavailable Revenue:**

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$29,134,173 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2013, but paid in advance by the taxpayers totaled \$458,352 at June 30, 2013.

Property Taxes Receivable – Taxes billed and not due until after June 30, 2013, less amounts received 60 days after the period end totaled \$28,675,821 at June 30, 2013.

**Note 18 – Self Health Insurance:**

The County of Washington, Virginia established a limited risk management program for health insurance. Premiums are 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 \$8,521,981 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, Bluecare, etc.). Incurred but not reported claims of \$808,187 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability during fiscal year 2013 were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2011-12	\$ 745,271	\$ 8,521,981	(8,459,065)	\$ 808,187

**Note 19 – Litigation:**

A complaint was filed in Washington County Circuit Court by a former employee asserting that he was denied due process prior to his termination. The Plaintiff has demanded damages in the amount of \$250,000 for back pay and damages. The County will vigorously defend this lawsuit.

**Note 20 – Restatement of Net position:**

	<u>Component Unit - School Board</u>
Net Position, as previously reported	\$ 17,443,539
Additional compensated absences from prior year	(136,690)
Net Position, as restated	\$ 17,306,849

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**Note 21 – Fund Balance:**

	General Fund	County Capital Improvements	School Capital Improvements	School Fund
Nonspendable:				
Prepays	\$ 34,883	\$ -	\$ -	\$ -
Restricted:				
Forfeited Asset Sharing	\$ 108,497	\$ -	\$ -	\$ -
Special Grant Projects	450	-	-	-
Soil Erosion	6,200	-	-	-
Health Insurance	250,562	-	-	-
Capital Improvements	-	1,788,095	163,739	-
	<u>\$ 365,709</u>	<u>\$ 1,788,095</u>	<u>\$ 163,739</u>	<u>\$ -</u>
Committed:				
Law Library	\$ 2,742	\$ -	\$ -	\$ -
Road Improvements	231,496	-	-	-
Cash Flows	5,000,000	-	-	-
Agricultural Easements	30,000	-	-	-
	<u>\$ 5,264,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned:				
Economic Development	\$ 40,000	\$ -	\$ -	\$ -
Utilities	64,723	-	-	-
Traffic Enforcement	475,201	-	-	-
School Board	1,551,995	-	-	2,042,495
Library	230,503	-	-	-
Social Services	100,000	-	-	-
School Capital Needs	333,828	-	-	-
	<u>\$ 2,796,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,042,495</u>



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## Required Supplementary Information

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 34,109,700	\$ 34,109,700	\$ 33,590,230	\$ (519,470)
Other local taxes	9,485,500	9,485,500	9,212,536	(272,964)
Permits, privilege fees, and regulatory licenses	132,950	132,950	110,451	(22,499)
Fines and forfeitures	720,000	720,000	1,075,125	355,125
Revenue from the use of money and property	256,500	256,500	150,001	(106,499)
Charges for services	541,500	541,500	622,167	80,667
Miscellaneous	852,571	861,525	1,064,801	203,276
Recovered costs	920,368	1,098,378	373,621	(724,757)
Intergovernmental revenues:				
Commonwealth	13,835,689	15,743,169	11,229,486	(4,513,683)
Federal	752,500	1,209,777	2,705,239	1,495,462
Total revenues	\$ 61,607,278	\$ 64,158,999	\$ 60,133,657	\$ (4,025,342)
EXPENDITURES				
Current:				
General government administration	\$ 3,805,495	\$ 4,085,254	\$ 3,608,619	\$ 476,635
Judicial administration	1,546,844	1,686,716	1,543,209	143,507
Public safety	10,797,806	13,393,100	10,788,060	2,605,040
Public works	3,758,314	3,807,618	3,288,417	519,201
Health and welfare	8,819,518	8,919,518	7,714,318	1,205,200
Education	26,956,511	29,287,534	27,419,744	1,867,790
Parks, recreation, and cultural	2,168,958	2,421,406	2,153,788	267,618
Community development	3,733,127	4,525,386	2,579,586	1,945,800
Nondepartmental	501,172	441,389	276,258	165,131
Debt service:				
Principal retirement	2,244,218	2,244,218	1,645,280	598,938
Interest and other fiscal charges	1,038,929	1,038,929	1,224,772	(185,843)
Total expenditures	\$ 65,370,892	\$ 71,851,068	\$ 62,242,051	\$ 9,609,017
Excess (deficiency) of revenues over (under) expenditures	\$ (3,763,614)	\$ (7,692,069)	\$ (2,108,394)	\$ 5,583,675
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (119,800)	\$ (4,800)	\$ -	\$ 4,800
Net change in fund balances	\$ (3,883,414)	\$ (7,696,869)	\$ (2,108,394)	\$ 5,588,475
Fund balances - beginning	3,883,414	7,696,869	27,615,124	19,918,255
Fund balances - ending	\$ -	\$ -	\$ 25,506,730	\$ 25,506,730

County of Washington, 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	\$ 28,729,841	\$ 40,364,966	\$ 11,635,125	71.18%	\$ 8,672,546	134.16%
June 30, 2011	28,747,194	38,709,070	9,961,876	74.26%	8,598,964	115.85%
June 30, 2010	28,070,208	37,172,928	9,102,720	75.51%	8,377,940	108.65%

County Post-Retirement Medical Plan:

Actuarial Valuation Date	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)
July 1, 2012	\$ -	\$ 2,883,248	\$ 2,883,248	0.00%	\$ 8,551,054	33.72%
July 1, 2010	-	2,085,032	2,085,032	0.00%	8,764,831	23.79%
January 31, 2008	-	2,342,233	2,342,233	0.00%	8,342,492	28.08%

County VRS Health Insurance Credit:

Actuarial Valuation Date	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	\$ 190,552	\$ 204,783	\$ 14,231	93.05%	\$ 2,801,664	0.51%
June 30, 2011	200,128	189,053	(11,075)	105.86%	2,654,927	-0.42%
June 30, 2010	174,166	153,825	(20,341)	113.22%	8,377,940	-0.24%

**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	\$ 10,230,155	\$ 14,035,313	\$ 3,805,158	72.89%	\$ 2,443,498	155.73%
June 30, 2011	10,584,143	13,843,158	3,259,015	76.46%	2,449,930	133.02%
June 30, 2010	10,701,034	13,919,236	3,218,202	76.88%	2,449,548	131.38%

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

**Discretely Presented Component Unit: (Continued)**

School Board Post-Retirement Medical Plan:

Actuarial Valuation Date	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)
July 1, 2012	\$ -	\$ 15,543,864	\$ 15,543,864	0.00%	\$ 38,697,882	40.17%
July 1, 2010	-	12,434,361	12,434,361	0.00%	39,665,329	31.35%
January 31, 2008	-	14,354,306	14,354,306	0.00%	37,754,031	38.02%

School Board Non-Professional VRS Health Insurance Credit:

Actuarial Valuation Date	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	\$ 26,459	\$ 319,369	\$ 292,910	8.28%	\$ 2,443,498	11.99%
June 30, 2011	34,021	321,979	287,958	10.57%	2,449,930	11.75%
June 30, 2010	34,879	331,837	296,958	10.51%	2,449,548	12.12%

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## Other Supplementary Information

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

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ 246,142	\$ 327,530	\$ 81,388
Intergovernmental revenues:				
Commonwealth	-	269,336	1,323	(268,013)
Federal	-	224,224	155,250	(68,974)
Total revenues	\$ -	\$ 739,702	\$ 484,103	\$ (255,599)
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 148,000	\$ 1,636,782	\$ 965,630	\$ 671,152
Parks, recreation, and cultural	186,800	897,444	477,243	420,201
Total expenditures	\$ 334,800	\$ 2,534,226	\$ 1,442,873	\$ 1,091,353
Excess (deficiency) of revenues over (under) expenditures	\$ (334,800)	\$ (1,794,524)	\$ (958,770)	\$ 835,754
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 119,800	\$ 4,800	\$ -	\$ (4,800)
Issuance of debt	-	244,463	-	(244,463)
Total other financing sources (uses)	\$ 119,800	\$ 249,263	\$ -	\$ (249,263)
Net change in fund balances	\$ (215,000)	\$ (1,545,261)	\$ (958,770)	\$ 586,491
Fund balances - beginning	215,000	1,545,261	2,746,865	1,201,604
Fund balances - ending	\$ -	\$ -	\$ 1,788,095	\$ 1,788,095

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

	School Capital Projects Fund				
	Budgeted Amounts				Variance with Final Budget Positive Positive (Negative)
	Original	Final	Actual		
REVENUES					
Revenue from the use of money and property	\$ 10,000	\$ 10,000	\$ 1,202	\$	(8,798)
Total revenues	\$ 10,000	\$ 10,000	\$ 1,202	\$	(8,798)
EXPENDITURES					
Current:					
Education	\$ 1,951,050	\$ 1,951,050	\$ 1,060,101	\$	890,949
Total expenditures	\$ 1,951,050	\$ 1,951,050	\$ 1,060,101	\$	890,949
Excess (deficiency) of revenues over (under) expenditures	\$ (1,941,050)	\$ (1,941,050)	\$ (1,058,899)	\$	882,151
Net change in fund balances	\$ (1,941,050)	\$ (1,941,050)	\$ (1,058,899)	\$	882,151
Fund balances - beginning	1,941,050	1,941,050	1,222,638		(718,412)
Fund balances - ending	\$ -	\$ -	\$ 163,739	\$	163,739

## **FIDUCIARY FUNDS**

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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.

Fringe Benefits – The Fringe Benefits fund accounts for those funds belonging to County employees.



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

	<u>Agency Funds</u>		<u>Total</u>
	<u>Special Welfare</u>	<u>Fringe Benefits</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 189,261	\$ 30,737	\$ 219,998
Total assets	<u>\$ 189,261</u>	<u>\$ 30,737</u>	<u>\$ 219,998</u>
<b>LIABILITIES</b>			
Amounts held for social services clients	\$ 189,261	\$ -	\$ 189,261
Amounts held for County employee fringe benefits	-	30,737	30,737
Total liabilities	<u>\$ 189,261</u>	<u>\$ 30,737</u>	<u>\$ 219,998</u>

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

### **MAJOR GOVERNMENTAL FUNDS**

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

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

	School Operating Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,042,795
Accounts receivable	636,924
Due from primary government	2,339,354
Due from other governmental units	1,948,639
Total assets	<u>\$ 6,967,712</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 824,258
Accrued wages	4,100,659
Total liabilities	<u>\$ 4,924,917</u>
Fund balances:	
Assigned	\$ 2,042,495
Unassigned	300
Total fund balances	<u>\$ 2,042,795</u>
Total liabilities and fund balances	<u>\$ 6,967,712</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,042,795
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,562,721
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position..	562,667
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,168,476
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,070,480)
Net position of governmental activities	<u>\$ 16,266,179</u>

County of Washington, Virginia  
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
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 21,523
Charges for services	2,589,023
Miscellaneous	1,288,299
Recovered costs	67,269
Intergovernmental revenues:	
Local government	27,334,859
Commonwealth	37,207,956
Federal	8,447,222
Total revenues	<u>\$ 76,956,151</u>
<b>EXPENDITURES</b>	
Current:	
Education	<u>\$ 77,720,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (763,945)</u>
Net change in fund balances	\$ (763,945)
Fund balances - beginning	2,806,740
Fund balances - ending	<u>\$ 2,042,795</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	\$ (763,945)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(38,435)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.	28,490
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.	(849,139)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	582,359
Change in net position of governmental activities	<u>\$ (1,040,670)</u>

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 19,500	\$ 19,500	\$ 21,523	\$ 2,023
Charges for services	3,116,502	3,116,502	2,589,023	(527,479)
Miscellaneous	974,663	1,074,478	1,288,299	213,821
Recovered costs	115,500	115,500	67,269	(48,231)
Intergovernmental revenues:				
Local government	26,871,626	29,202,649	27,334,859	(1,867,790)
Commonwealth	37,029,752	37,242,535	37,207,956	(34,579)
Federal	10,346,694	8,761,012	8,447,222	(313,790)
Total revenues	\$ 78,474,237	\$ 79,532,176	\$ 76,956,151	\$ (2,576,025)
EXPENDITURES				
Current:				
Education	\$ 81,928,990	\$ 82,986,929	\$ 77,720,096	\$ 5,266,833
Excess (deficiency) of revenues over (under) expenditures	\$ (3,454,753)	\$ (3,454,753)	\$ (763,945)	\$ 2,690,808
Net change in fund balances	\$ (3,454,753)	\$ (3,454,753)	\$ (763,945)	\$ 2,690,808
Fund balances - beginning	3,454,753	3,454,753	2,806,740	(648,013)
Fund balances - ending	\$ -	\$ -	\$ 2,042,795	\$ 2,042,795

County of Washington, Virginia  
Combining Statement of Net Position  
Other Component Units  
June 30, 2013

	<u>Park Authority</u>	<u>Industrial Develop- ment Authority</u>	<u>Virginia Highlands Airport Authority</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 242,730	\$ 1,865,602	\$ 658,204	\$ 2,766,536
Accounts receivable	-	293,406	120,549	413,955
Notes receivable	-	12,720,000	-	12,720,000
Inventories	-	-	72,507	72,507
Prepaid expenses	13,967	-	4,785	18,752
Other assets:				
Unamortized bond issue costs	-	97,396	-	97,396
Capital assets (net of accumulated depreciation):				
Land	753,776	15,212,059	8,531,041	24,496,876
Buildings and system	53,286	1,272,783	5,077,490	6,403,559
Improvements other than buildings	626,968	-	3,265,175	3,892,143
Machinery and equipment	30,632	1,557	465,460	497,649
Construction in progress	-	-	66,830	66,830
Total assets	<u>\$ 1,721,359</u>	<u>\$ 31,462,803</u>	<u>\$ 18,262,041</u>	<u>\$ 51,446,203</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 32,233	\$ 6,893	\$ 122,182	\$ 161,308
Accrued liabilities	-	60,000	-	60,000
Accrued wages	485	-	12,534	13,019
Accrued interest payable	-	316,225	5,697	321,922
Due within one year	-	887,500	486,744	1,374,244
Due in more than one year	-	16,848,500	459,859	17,308,359
Total liabilities	<u>\$ 32,718</u>	<u>\$ 18,119,118</u>	<u>\$ 1,087,016</u>	<u>\$ 19,238,852</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1,464,662	\$ 13,191,399	\$ 16,468,052	\$ 31,124,113
Unrestricted	223,979	152,286	706,973	1,083,238
Total Net Position	<u>\$ 1,688,641</u>	<u>\$ 13,343,685</u>	<u>\$ 17,175,025</u>	<u>\$ 32,207,351</u>

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

County of Washington, Virginia  
Combining Statement of Activities  
Other Component Units  
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	Washington County Park Authority	Industrial Development Authority	Virginia Highlands Airport Authority	Total
<b>OTHER COMPONENT UNITS:</b>								
Washington Park Authority	\$ 257,594	\$ 190,799	\$ -	\$ -	\$ (66,795)	\$ -	\$ -	\$ (66,795)
Industrial Development Authority	2,289,109	-	-	1,882,702	-	(406,407)	-	(406,407)
Virginia Highlands Airport Authority	1,132,043	675,346	2,738	183,169	-	-	(270,790)	(270,790)
Total other component units	\$ 3,678,746	\$ 866,145	\$ 2,738	\$ 2,065,871	\$ (66,795)	\$ (406,407)	\$ (270,790)	\$ (743,992)
<b>General revenues:</b>								
Unrestricted revenues from use of money and property					\$ 389	\$ 233,250	\$ 1,681	\$ 235,320
Miscellaneous					-	203,760	-	203,760
Total general revenues					\$ 389	\$ 437,010	\$ 1,681	\$ 439,080
Change in net position					\$ (66,406)	\$ 30,603	\$ (268,109)	\$ (304,912)
Net position - beginning, as restated					1,755,047	13,313,082	17,444,134	32,512,263
Net position - ending					\$ 1,688,641	\$ 13,343,685	\$ 17,175,025	\$ 32,207,351

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

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## Supporting Schedules

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County of Washington, 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>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 24,912,600	\$ 24,912,600	\$ 23,634,330	\$ (1,278,270)
Real and personal public service corporation taxes	1,086,750	1,086,750	1,165,137	78,387
Personal property taxes	5,443,750	5,443,750	5,260,607	(183,143)
Mobile home taxes	122,100	122,100	111,927	(10,173)
Machinery and tools taxes	1,984,500	1,984,500	2,746,390	761,890
Penalties	310,000	310,000	334,621	24,621
Interest	250,000	250,000	337,218	87,218
Total general property taxes	\$ 34,109,700	\$ 34,109,700	\$ 33,590,230	\$ (519,470)
Other local taxes:				
Local sales and use taxes	\$ 7,000,000	\$ 7,000,000	\$ 6,556,839	\$ (443,161)
Consumers' utility taxes	1,125,000	1,125,000	1,120,962	(4,038)
Utility license taxes	165,000	165,000	154,090	(10,910)
Motor vehicle licenses	850,000	850,000	848,450	(1,550)
Bank stock taxes	31,000	31,000	28,963	(2,037)
Taxes on recordation and wills	277,000	277,000	462,060	185,060
Hotel and motel room taxes	37,500	37,500	41,172	3,672
Total other local taxes	\$ 9,485,500	\$ 9,485,500	\$ 9,212,536	\$ (272,964)
Permits, privilege fees, and regulatory licenses:				
Animal licenses and other animal related fees	\$ 40,500	\$ 40,500	\$ 35,008	\$ (5,492)
Zoning, subdivision plat and soil erosion permits	3,850	3,850	3,225	(625)
Transfer and public hearing fees	600	600	-	(600)
Building permits	71,500	71,500	57,051	(14,449)
Waste hauling fees	16,500	16,500	15,167	(1,333)
Total permits, privilege fees, and regulatory licenses	\$ 132,950	\$ 132,950	\$ 110,451	\$ (22,499)
Fines and forfeitures:				
Court fines, forfeitures and interest	\$ 720,000	\$ 720,000	\$ 1,075,125	\$ 355,125
Revenue from use of money and property:				
Revenue from use of money	\$ 225,000	\$ 225,000	\$ 135,550	\$ (89,450)
Revenue from use of property	31,500	31,500	14,451	(17,049)
Total revenue from use of money and property	\$ 256,500	\$ 256,500	\$ 150,001	\$ (106,499)
Charges for services:				
Excess fees of clerk	\$ 5,000	\$ 5,000	\$ 6,725	\$ 1,725
Charges for law enforcement and traffic control	35,000	35,000	55,585	20,585
Charges for transportation of prisoners	4,000	4,000	7,467	3,467
Charges for copies	5,000	5,000	4,407	(593)
Law library fees	12,000	12,000	9,209	(2,791)
Charges for Commonwealth's Attorney	2,500	2,500	7,458	4,958
Charges for highways and streets	5,000	5,000	20,200	15,200
Commission fees	7,500	7,500	83,138	75,638
Charges for sanitation and waste removal and other related fees	377,500	377,500	329,341	(48,159)
Charges for parks and recreation	63,000	63,000	68,228	5,228
Charges for library	25,000	25,000	30,409	5,409
Total charges for services	\$ 541,500	\$ 541,500	\$ 622,167	\$ 80,667

County of Washington, Virginia  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 78,000	\$ 86,954	\$ 245,546	\$ 158,592
Bristol, Tenn.-payment in lieu of taxes	900	900	1,183	283
Bristol, VA utilities board	48,671	48,671	48,671	-
Tennessee Valley Authority-payment in lieu of taxes	725,000	725,000	769,401	44,401
Total miscellaneous revenue	<u>\$ 852,571</u>	<u>\$ 861,525</u>	<u>\$ 1,064,801</u>	<u>\$ 203,276</u>
Recovered costs:				
Insurance recoveries	\$ -	\$ 26,725	\$ 28,176	\$ 1,451
Facility management CS building	100,000	100,000	77,916	(22,084)
Other recovered costs	820,368	971,653	267,529	(704,124)
Total recovered costs	<u>\$ 920,368</u>	<u>\$ 1,098,378</u>	<u>\$ 373,621</u>	<u>\$ (724,757)</u>
Total revenue from local sources	<u>\$ 47,019,089</u>	<u>\$ 47,206,053</u>	<u>\$ 46,198,932</u>	<u>\$ (1,007,121)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 70,000	\$ 70,000	\$ 80,401	\$ 10,401
Mobile home titling tax	90,000	90,000	70,547	(19,453)
Motor vehicle rental tax	-	-	10,102	10,102
Grantors tax	200,000	200,000	125,596	(74,404)
Communications sales taxes	1,700,000	1,700,000	1,654,038	(45,962)
Personal property tax relief funds	2,559,286	2,559,286	2,559,286	-
Total noncategorical aid	<u>\$ 4,619,286</u>	<u>\$ 4,619,286</u>	<u>\$ 4,499,970</u>	<u>\$ (119,316)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 375,000	\$ 375,000	\$ 373,567	\$ (1,433)
Sheriff	2,150,000	2,150,000	2,142,334	(7,666)
Commissioner of revenue	152,000	152,000	148,347	(3,653)
Treasurer	144,000	144,000	144,750	750
Registrar/electoral board	35,000	35,000	43,507	8,507
Clerk of the Circuit Court	340,000	346,594	344,409	(2,185)
Reduction in State Aid	(217,200)	(217,200)	(178,837)	38,363
Total shared expenses	<u>\$ 2,978,800</u>	<u>\$ 2,985,394</u>	<u>\$ 3,018,077</u>	<u>\$ 32,683</u>
Other categorical aid:				
Virginia Public Assistance	\$ 4,683,324	\$ 4,683,324	\$ 2,130,021	\$ (2,553,303)
Comprehensive services	1,114,182	1,114,182	836,585	(277,597)
Victim witness grant	45,000	45,000	51,057	6,057
Litter control grant	10,000	15,487	15,487	-
EMS grant-Four for life	60,000	60,000	50,815	(9,185)
Fire programs	125,000	125,000	126,675	1,675
Dog and cat sterilization grant	-	-	1,328	1,328
E-911 wireless grant	45,000	45,000	48,128	3,128
Library state aid	148,597	148,597	148,848	251
Asset forfeiture funds	-	2,886	2,886	-
Arts grant	-	5,000	5,000	-
DEQ Mining rent and royalties	2,000	2,000	522	(1,478)
SLC E-rate	-	-	10,595	10,595
Library of VA preservation of records	-	8,790	8,790	-

County of Washington, Virginia  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Virginia Tobacco Grant	\$ -	\$ 62,626	\$ 37,000	\$ (25,626)
DOJ - internet crimes against children	-	64,429	18,019	(46,410)
Bullet proof vest	-	1,482	9,693	8,211
VDEM	-	1,621,052	84,734	(1,536,318)
Forest land management	-	-	2	2
EMS financial assistance grant	-	90,134	91,704	1,570
Stormwater grant	-	39,000	1,596	(37,404)
Emergency medical services	4,500	4,500	618	(3,882)
Police Equipment	-	-	31,336	31,336
Total other categorical aid	\$ 6,237,603	\$ 8,138,489	\$ 3,711,439	\$ (4,427,050)
Total categorical aid	\$ 9,216,403	\$ 11,123,883	\$ 6,729,516	\$ (4,394,367)
Total revenue from the Commonwealth	\$ 13,835,689	\$ 15,743,169	\$ 11,229,486	\$ (4,513,683)
Revenue from the federal government:				
Payments in lieu of taxes	\$ 22,500	\$ 22,500	\$ 29,394	\$ 6,894
Categorical aid:				
Virginia Public Assistance	\$ -	\$ -	\$ 2,190,010	\$ 2,190,010
CDBG projects grant	700,000	1,049,800	382,567	(667,233)
DMV Highway safety	-	58,576	53,034	(5,542)
State and local all hazards emergency operations planning grant	-	5,000	10,000	5,000
Homeland security grant	-	701	448	(253)
JAG Funds	-	43,200	11,975	(31,225)
DCJS-VSTOP grant	30,000	30,000	27,811	(2,189)
Total categorical aid	\$ 730,000	\$ 1,187,277	\$ 2,675,845	\$ 1,488,568
Total revenue from the federal government	\$ 752,500	\$ 1,209,777	\$ 2,705,239	\$ 1,495,462
Total General Fund	\$ 61,607,278	\$ 64,158,999	\$ 60,133,657	\$ (4,025,342)
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 246,142	\$ 327,530	\$ 81,388
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT-Industrial access road funds	\$ -	\$ 269,336	\$ 1,323	\$ (268,013)
Total revenue from the Commonwealth	\$ -	\$ 269,336	\$ 1,323	\$ (268,013)

County of Washington, Virginia  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Capital Projects Fund: (Continued)</b>				
<b>County Capital Improvements Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
CDBG	\$ -	\$ 36,736	\$ -	\$ (36,736)
Other categorical aid	-	187,488	155,250	(32,238)
Total categorical aid	\$ -	\$ 224,224	\$ 155,250	\$ (68,974)
Total revenue from the federal government	\$ -	\$ 224,224	\$ 155,250	\$ (68,974)
Total County Capital Improvements Fund	\$ -	\$ 739,702	\$ 484,103	\$ (255,599)
<b>School Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 10,000	\$ 10,000	\$ 1,202	\$ (8,798)
Total School Capital Projects Fund	\$ 10,000	\$ 10,000	\$ 1,202	\$ (8,798)
Total Primary Government	\$ 61,617,278	\$ 64,908,701	\$ 60,618,962	\$ (4,289,739)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 18,500	\$ 18,500	\$ 8,283	\$ (10,217)
Revenue from the use of property	1,000	1,000	13,240	12,240
Total revenue from use of money and property	\$ 19,500	\$ 19,500	\$ 21,523	\$ 2,023
Charges for services:				
Charges for education	\$ 695,000	\$ 695,000	\$ 799,579	\$ 104,579
Governor's School	809,361	809,361	387,089	(422,272)
Transportation of pupils	60,000	60,000	38,855	(21,145)
Cafeteria sales	1,552,141	1,552,141	1,363,500	(188,641)
Total charges for services	\$ 3,116,502	\$ 3,116,502	\$ 2,589,023	\$ (527,479)
Miscellaneous revenue:				
Other miscellaneous	\$ 974,663	\$ 1,074,478	\$ 1,288,299	\$ 213,821
Recovered costs:				
Other recovered costs	\$ 115,500	\$ 115,500	\$ 67,269	\$ (48,231)
Total revenue from local sources	\$ 4,226,165	\$ 4,325,980	\$ 3,966,114	\$ (359,866)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Washington, Virginia	\$ 26,871,626	\$ 29,202,649	\$ 27,334,859	\$ (1,867,790)

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<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 7,357,602	\$ 7,357,602	\$ 7,326,219	\$ (31,383)
Basic school aid	18,349,836	18,349,836	18,367,659	17,823
GED funding	23,576	23,576	33,173	9,597
Regular foster care	382,317	382,317	124,664	(257,653)
Adult high school courses	4,200	4,200	42,113	37,913
Gifted and talented	211,284	211,284	211,907	623
Remedial education	583,327	583,327	585,048	1,721
National board certified teacher	-	-	12,500	12,500
Preschool initiative	450,103	450,103	349,218	(100,885)
Special education	1,851,028	1,851,028	1,856,491	5,463
Textbook payment	412,141	412,141	413,357	1,216
Student achievement grants	-	-	1,702	1,702
Vocational education	716,527	716,527	718,642	2,115
Vocational adult education	189,997	189,997	62,134	(127,863)
Vocational equipment	-	-	17,077	17,077
Vocational educational occupational tech ed	-	-	93,232	93,232
Social security fringe benefits	1,194,212	1,194,212	1,197,736	3,524
Retirement fringe benefits	1,993,415	1,993,415	1,999,298	5,883
Life insurance fringe benefits	73,490	73,490	73,707	217
State lottery payments	337,769	337,769	-	(337,769)
Early reading intervention	48,457	48,457	48,457	-
Governors school	660,639	660,639	564,349	(96,290)
Jobs for Virginia graduates-lottery proceeds	-	-	21,000	21,000
Adult literacy	159,368	278,380	266,756	(11,624)
Homebound	52,106	52,106	35,159	(16,947)
Regional programs	121,461	121,461	134,876	13,415
Special education - foster care	-	-	193,532	193,532
At risk payments	521,933	521,933	523,292	1,359
Mentor teacher program	2,693	2,693	4,660	1,967
Primary class size	725,076	725,076	737,890	12,814
Technology	466,000	466,000	570,000	104,000
Special ed jail program	4,299	4,299	1,328	(2,971)
SOL algebra readiness	82,683	82,683	84,799	2,116
English as a second language	52,441	52,441	32,776	(19,665)
GED testing	-	93,771	93,179	(592)
Other state funds	1,772	1,772	410,026	408,254
Total categorical aid	\$ 37,029,752	\$ 37,242,535	\$ 37,207,956	\$ (34,579)
Total revenue from the Commonwealth	\$ 37,029,752	\$ 37,242,535	\$ 37,207,956	\$ (34,579)

County of Washington, Virginia  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ 11,000	\$ 11,000	\$ 23,987	\$ 12,987
Adult basic education	400,000	547,611	377,177	(170,434)
Title I - ARRA	-	-	175	175
Title VI-B, special education flow-through	1,341,735	1,341,735	1,723,175	381,440
Title VI-B, special education preschool	46,000	46,000	46,180	180
Vocational education	130,000	130,000	125,560	(4,440)
Drug free schools	332	332	-	(332)
Improving teacher quality	369,049	369,049	274,900	(94,149)
School breakfast and lunch program	1,756,735	1,756,735	2,075,351	318,616
Education technology formula grant	5,996	5,996	-	(5,996)
State fiscal stabilization funds	1,624,875	1,624,875	1,648,913	24,038
Title I	1,738,744	1,738,744	2,145,812	407,068
Statewide data systems - ARRA	-	-	5,992	5,992
Gear up	1,649,144	1,188,935	-	(1,188,935)
Other federal	1,273,084	-	-	-
Total categorical aid	<u>\$ 10,346,694</u>	<u>\$ 8,761,012</u>	<u>\$ 8,447,222</u>	<u>\$ (313,790)</u>
Total revenue from the federal government	<u>\$ 10,346,694</u>	<u>\$ 8,761,012</u>	<u>\$ 8,447,222</u>	<u>\$ (313,790)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 78,474,237</u>	<u>\$ 79,532,176</u>	<u>\$ 76,956,151</u>	<u>\$ (2,576,025)</u>

County of Washington, Virginia  
Schedule of Expenditures - Budget and Actual  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 163,049	\$ 270,461	\$ 232,990	\$ 37,471
General and financial administration:				
County administrator	\$ 343,281	\$ 343,281	\$ 300,208	\$ 43,073
Legal services	280,463	374,167	272,230	101,937
Commissioner of revenue	600,753	600,753	600,359	394
Treasurer	668,185	748,636	695,901	52,735
Central accounting and purchasing	301,761	269,941	261,549	8,392
Information technology	676,847	659,545	545,798	113,747
Assessor	421,000	421,000	335,200	85,800
Auditor	81,000	106,000	91,800	14,200
Total general and financial administration	\$ 3,373,290	\$ 3,523,323	\$ 3,103,045	\$ 420,278
Board of elections:				
Registrar	\$ 139,224	\$ 143,534	\$ 138,290	\$ 5,244
Electoral board	129,932	147,936	134,294	13,642
Total board of elections	\$ 269,156	\$ 291,470	\$ 272,584	\$ 18,886
Total general government administration	\$ 3,805,495	\$ 4,085,254	\$ 3,608,619	\$ 476,635
Judicial administration:				
Courts:				
Circuit court	\$ 71,710	\$ 71,710	\$ 66,160	\$ 5,550
General district court	28,971	28,971	26,010	2,961
Special magistrates	5,420	5,420	4,668	752
Clerk of the circuit court	644,948	667,070	630,642	36,428
Law library	12,000	30,370	25,707	4,663
Total courts	\$ 763,049	\$ 803,541	\$ 753,187	\$ 50,354
Commonwealth's attorney:				
Commonwealth's attorney	\$ 783,795	\$ 883,175	\$ 790,022	\$ 93,153
Total judicial administration	\$ 1,546,844	\$ 1,686,716	\$ 1,543,209	\$ 143,507
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,565,838	\$ 2,575,325	\$ 2,545,850	\$ 29,475
School resource grant	4,500	4,500	4,648	(148)
Litter Control	121,397	126,884	105,342	21,542
Victim witness assistance	59,568	59,568	53,481	6,087
Animal control	288,493	294,832	262,351	32,481
Interstate enforcement	1,684,428	1,932,414	1,769,261	163,153
Court security	266,381	272,781	271,186	1,595
Other Sheriff grants	41,458	329,507	200,949	128,558
Total law enforcement and traffic control	\$ 5,032,063	\$ 5,595,811	\$ 5,213,068	\$ 382,743
Fire and rescue services:				
Volunteer fire departments	\$ 656,500	\$ 656,500	\$ 646,051	\$ 10,449
Volunteer emergency operations	846,095	866,095	713,846	152,249
E-911	680,080	2,251,132	747,366	1,503,766
Other fire and rescue services	36,150	92,469	30,073	62,396
Total fire and rescue services	\$ 2,218,825	\$ 3,866,196	\$ 2,137,336	\$ 1,728,860

County of Washington, Virginia  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Correction and detention:				
Regional jail payments	\$ 2,373,598	\$ 2,523,598	\$ 2,356,279	\$ 167,319
Juvenile probation and detention	187,424	187,424	187,424	-
Total correction and detention	<u>\$ 2,561,022</u>	<u>\$ 2,711,022</u>	<u>\$ 2,543,703</u>	<u>\$ 167,319</u>
Inspections:				
Building	<u>\$ 404,680</u>	<u>\$ 474,499</u>	<u>\$ 298,984</u>	<u>\$ 175,515</u>
Other protection:				
Medical examiner	\$ 1,000	\$ 1,000	\$ 680	\$ 320
Emergency services	580,216	744,572	594,289	150,283
Total other protection	<u>\$ 581,216</u>	<u>\$ 745,572</u>	<u>\$ 594,969</u>	<u>\$ 150,603</u>
Total public safety	<u>\$ 10,797,806</u>	<u>\$ 13,393,100</u>	<u>\$ 10,788,060</u>	<u>\$ 2,605,040</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	<u>\$ 2,245,814</u>	<u>\$ 2,245,814</u>	<u>\$ 2,122,054</u>	<u>\$ 123,760</u>
Maintenance of general buildings and grounds:				
General properties	<u>\$ 1,512,500</u>	<u>\$ 1,561,804</u>	<u>\$ 1,166,363</u>	<u>\$ 395,441</u>
Total public works	<u>\$ 3,758,314</u>	<u>\$ 3,807,618</u>	<u>\$ 3,288,417</u>	<u>\$ 519,201</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 501,865</u>	<u>\$ 501,865</u>	<u>\$ 501,865</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	<u>\$ 348,499</u>	<u>\$ 348,499</u>	<u>\$ 348,499</u>	<u>\$ -</u>
Welfare:				
Virginia public assistance	\$ 7,437,130	\$ 7,537,130	\$ 5,168,281	\$ 2,368,849
Parent aide services grant	5,383	5,383	3,870	1,513
Area agency on aging	47,180	60,211	60,211	-
Community action agency	476,961	463,930	463,930	-
Community services	-	-	1,167,409	(1,167,409)
Indigent care	2,500	2,500	253	2,247
Total welfare	<u>\$ 7,969,154</u>	<u>\$ 8,069,154</u>	<u>\$ 6,863,954</u>	<u>\$ 1,205,200</u>
Total health and welfare	<u>\$ 8,819,518</u>	<u>\$ 8,919,518</u>	<u>\$ 7,714,318</u>	<u>\$ 1,205,200</u>
Education:				
Other instructional costs:				
Contributions to community college	\$ 84,885	\$ 84,885	\$ 84,885	\$ -
Contribution to County School Board	26,871,626	29,202,649	27,334,859	1,867,790
Total education	<u>\$ 26,956,511</u>	<u>\$ 29,287,534</u>	<u>\$ 27,419,744</u>	<u>\$ 1,867,790</u>



County of Washington, Virginia  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural:				
Parks and recreation:				
Parks	\$ 21,500	\$ 24,450	\$ 24,390	\$ 60
Recreation	347,823	347,823	286,655	61,168
Washington County Park Authority	2,500	2,500	2,500	-
Athletic group activities	46,820	46,820	46,820	-
Total parks and recreation	<u>\$ 418,643</u>	<u>\$ 421,593</u>	<u>\$ 360,365</u>	<u>\$ 61,228</u>
Cultural enrichment:				
Cultural enrichment	\$ 133,520	\$ 138,520	\$ 138,520	\$ -
Library:				
Washington County library	\$ 1,484,161	\$ 1,718,659	\$ 1,532,264	\$ 186,395
Branch libraries	132,634	142,634	122,639	19,995
Total library	<u>\$ 1,616,795</u>	<u>\$ 1,861,293</u>	<u>\$ 1,654,903</u>	<u>\$ 206,390</u>
Total parks, recreation, and cultural	<u>\$ 2,168,958</u>	<u>\$ 2,421,406</u>	<u>\$ 2,153,788</u>	<u>\$ 267,618</u>
Community development:				
Planning and community development:				
Regional planning	\$ 44,504	\$ 44,504	\$ 44,504	\$ -
Zoning	138,469	154,933	146,641	8,292
Community development	1,141,012	1,617,812	850,108	767,704
Economic development	171,455	240,602	208,455	32,147
Contribution to Virginia Highlands Airport	102,800	102,800	102,800	-
Contribution to Smyth/Washington Industrial Facility	530,000	758,236	89,830	668,406
Contribution to Washington County Industrial Development Authority	930,934	964,841	936,746	28,095
Contribution to Economic development	528,414	496,119	66,007	430,112
Total planning and community development	<u>\$ 3,587,588</u>	<u>\$ 4,379,847</u>	<u>\$ 2,445,091</u>	<u>\$ 1,934,756</u>
Environmental management:				
Contribution to soil and water district	\$ 31,456	\$ 31,456	\$ 31,456	\$ -
Cooperative extension program:				
Extension office	\$ 114,083	\$ 114,083	\$ 103,039	\$ 11,044
Total community development	<u>\$ 3,733,127</u>	<u>\$ 4,525,386</u>	<u>\$ 2,579,586</u>	<u>\$ 1,945,800</u>
Nondepartmental:				
Revenue refunds	\$ -	\$ -	\$ 67,859	\$ (67,859)
Other non departmental	501,172	441,389	208,399	232,990
Total nondepartmental	<u>\$ 501,172</u>	<u>\$ 441,389</u>	<u>\$ 276,258</u>	<u>\$ 165,131</u>
Debt service:				
Principal retirement	\$ 2,244,218	\$ 2,244,218	\$ 1,645,280	\$ 598,938
Interest and other fiscal charges	1,038,929	1,038,929	1,224,772	(185,843)
Total debt service	<u>\$ 3,283,147</u>	<u>\$ 3,283,147</u>	<u>\$ 2,870,052</u>	<u>\$ 413,095</u>
Total General Fund	<u>\$ 65,370,892</u>	<u>\$ 71,851,068</u>	<u>\$ 62,242,051</u>	<u>\$ 9,609,017</u>

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

Schedule 2  
Page 4 of 4

<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>
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Public works:				
Maintenance of general buildings and grounds:				
Administration	\$ -	\$ 810,146	\$ 656,782	\$ 153,364
Sheriff's office	-	640,057	153,635	486,422
Solid waste equipment	120,000	147,750	122,740	25,010
Solid waste facilities	28,000	38,829	32,473	6,356
Total maintenance of general building and grounds	\$ 148,000	\$ 1,636,782	\$ 965,630	\$ 671,152
Total public works	\$ 148,000	\$ 1,636,782	\$ 965,630	\$ 671,152
Parks, recreation, and cultural:				
Parks and recreation:				
White's Mill restoration	\$ 21,800	\$ 392,942	\$ 330,301	\$ 62,641
Damascus branch library project	-	269,336	23,042	246,294
Glade Spring branch library project	-	1,000	-	1,000
Main branch library project	115,000	-	-	-
Beaverdam Creek park	-	73,900	73,900	-
Capital Contributions	50,000	160,266	50,000	110,266
Total parks, recreation, and cultural	\$ 186,800	\$ 897,444	\$ 477,243	\$ 420,201
Total Capital Projects Fund	\$ 334,800	\$ 2,534,226	\$ 1,442,873	\$ 1,091,353
<b>School Capital Projects Fund:</b>				
Education:				
Operating costs:				
Facilities	\$ 1,951,050	\$ 1,951,050	\$ 1,060,101	\$ 890,949
Total School Capital Projects Fund	\$ 1,951,050	\$ 1,951,050	\$ 1,060,101	\$ 890,949
Total Primary Government	\$ 67,656,742	\$ 76,336,344	\$ 64,745,025	\$ 11,591,319
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Administration, attendance and health	\$ 2,616,055	\$ 2,948,861	\$ 2,862,637	\$ 86,224
Instruction	57,414,948	56,685,082	54,169,576	2,515,506
Instructional technology	1,825,159	2,135,626	1,950,361	185,265
Total instruction costs	\$ 61,856,162	\$ 61,769,569	\$ 58,982,574	\$ 2,786,995
Operating costs:				
Attendance and health services	\$ 4,996,418	\$ 5,205,977	\$ 5,220,110	\$ (14,133)
Pupil transportation	7,733,425	7,827,085	7,504,852	322,233
Operation and maintenance of school plant	7,342,985	8,184,298	6,012,560	2,171,738
School food services	-	-	-	-
Total operating costs	\$ 20,072,828	\$ 21,217,360	\$ 18,737,522	\$ 2,479,838
Total Discretely Presented Component Unit - School Board	\$ 81,928,990	\$ 82,986,929	\$ 77,720,096	\$ 5,266,833



Table 1

County of Washington, 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	Non-departmental	Interest on Long-Term Debt	Total
2012-13	\$ 3,485,456	\$ 1,588,063	\$ 10,875,250	\$ 4,091,448	\$ 7,797,920	\$ 28,248,261	\$ 2,625,595	\$ 2,704,569	\$ -	\$ 1,180,439	\$ 62,597,001
2011-12	3,392,022	1,442,053	10,373,244	4,710,465	7,571,268	22,448,687	2,153,236	3,599,243	-	1,223,756	56,913,974
2010-11	2,758,254	1,434,023	10,819,665	3,984,154	7,631,737	21,598,926	2,450,828	3,308,476	-	1,546,660	55,532,723
2009-10	2,444,129	1,397,161	10,394,379	3,106,061	7,750,392	21,628,724	2,656,439	2,449,360	-	852,142	52,678,787
2008-09	2,811,456	1,445,528	7,537,178	3,123,952	7,953,182	22,493,692	1,920,026	5,671,641	-	823,279	53,779,934
2007-08	2,932,775	1,374,450	9,184,107	3,205,042	7,878,987	22,874,878	2,383,626	1,703,097	104,973	767,918	52,409,853
2006-07	2,615,012	1,207,193	8,618,032	2,980,655	6,507,588	19,514,072	2,523,061	3,150,805	74,973	606,752	47,798,143
2005-06	2,086,597	1,076,485	7,807,347	2,768,015	6,356,765	20,769,223	2,230,629	3,138,763	36,915	722,722	46,993,461
2004-05	2,576,583	955,655	6,504,777	2,773,862	6,033,168	18,710,982	1,826,571	2,398,560	-	695,607	42,475,765
2003-04	2,425,661	964,271	6,014,035	2,901,134	5,944,374	18,128,858	1,945,075	1,911,480	-	731,995	40,966,883

Table 2

County of Washington, 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	\$ 1,807,743	\$ 9,560,611	\$ -	\$ 34,703,127	\$ 9,212,536	\$ 151,203	\$ 1,392,331	\$ 4,530,687	\$ 61,358,238		
2011-12	1,830,599	11,403,196	-	32,986,799	9,109,624	193,751	1,582,918	4,645,697	61,752,584		
2010-11	1,524,271	11,941,158	-	30,775,045	9,042,116	255,378	1,541,929	3,649,262	58,729,159		
2009-10	1,485,955	9,857,596	-	39,788,130	8,725,269	190,909	647,220	4,386,748	65,081,827		
2008-09	1,570,422	10,464,847	96,650	27,016,329	10,579,402	298,747	737,526	2,990,777	53,754,700		
2007-08	1,597,834	9,367,762	145,954	27,402,967	10,300,503	772,256	375,646	2,984,398	52,947,320		
2006-08	1,504,305	8,271,422	950,924	27,165,999	9,989,193	962,314	290,841	3,076,887	52,211,885		
2005-06	1,430,988	8,145,800	558,988	26,006,562	9,658,574	677,984	228,164	2,984,389	49,691,449		
2004-05	1,103,253	7,613,600	106,713	22,923,994	8,818,508	304,809	283,502	2,781,514	43,935,893		
2003-04	864,568	8,031,632	113,694	21,794,488	8,109,926	149,444	310,098	3,054,045	42,427,895		

Table 3

County of Washington, 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	Non-departmental	Capital Projects	Debt Service	Total
2012-13	\$ 3,608,619	\$ 1,543,209	\$ 10,788,060	\$ 3,288,417	\$ 7,714,318	\$ 77,804,981	\$ 2,153,788	\$ 2,579,586	\$ 276,258	\$ -	\$ 2,870,052	\$ 112,627,288
2011-12	3,236,958	1,433,084	10,380,260	3,750,554	7,578,463	71,395,719	2,029,542	3,595,679	522,018	-	2,002,655	105,924,932
2010-11	2,900,525	1,407,319	10,644,584	3,549,820	7,589,378	68,481,337	2,123,190	3,286,491	231,976	-	1,491,190	101,705,810
2009-10	2,770,049	1,362,945	10,569,641	2,988,124	7,657,509	71,791,638	2,099,216	2,570,449	134,080	-	1,896,518	103,820,169
2008-09	3,075,945	1,400,889	10,271,050	3,044,273	7,852,356	77,482,208	2,214,686	2,057,953	169,856	-	1,985,076	109,554,292
2007-08	2,842,081	1,368,456	8,699,315	3,138,392	7,822,985	74,909,110	2,234,793	2,321,698	104,973	-	1,585,256	105,007,069
2006-07	2,634,968	1,202,363	8,937,458	2,838,179	6,677,452	68,809,819	2,379,074	2,258,385	74,973	-	1,631,432	97,444,103
2005-06	2,244,878	1,074,231	8,610,710	2,699,574	6,516,858	65,171,654	2,027,826	2,574,454	36,915	-	1,791,288	92,748,388
2004-05	2,694,084	945,152	7,132,070	2,839,772	6,054,137	60,747,685	1,855,139	2,373,141	-	-	1,731,564	86,372,724
2003-04	2,494,880	979,086	6,391,711	3,204,556	5,955,399	55,503,567	1,967,825	1,653,248	-	113,181	1,664,198	79,927,651

(1) Includes General fund of the Primary Government and its Discretely Presented Component Unit School Board. (Excludes County Capital Improvements Fund and School Capital Projects Fund)

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

Table 4

**County of Washington, 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	\$ 33,590,230	\$ 9,212,536	\$ 110,451	\$ 1,075,125	\$ 171,524	\$ 3,211,190	\$ 2,353,100	\$ 440,890	\$ 59,589,903	\$ 109,754,949
2011-12	32,681,231	9,109,624	119,384	897,988	213,505	3,639,101	2,528,526	478,582	60,445,175	110,113,116
2010-11	30,533,935	9,042,116	118,976	834,151	258,728	3,238,561	2,044,463	426,123	58,409,708	104,906,761
2009-10	39,065,655	8,725,269	154,291	722,986	204,914	3,107,170	1,877,392	748,070	60,875,451	115,481,198
2008-09	26,768,962	10,319,402	125,669	854,554	277,468	3,280,511	1,517,479	725,498	61,985,504	105,855,047
2007-08	27,299,486	10,300,503	157,441	736,157	822,081	3,420,910	1,697,307	802,570	58,876,159	104,114,614
2006-07	27,046,503	9,989,193	205,520	641,383	1,010,631	3,315,650	1,912,090	567,255	57,148,625	101,836,850
2005-06	26,054,693	9,658,574	190,732	511,401	707,243	3,142,978	1,563,953	793,956	51,939,383	94,562,913
2004-05	22,978,358	8,818,508	189,395	203,629	320,188	2,888,994	1,260,837	875,276	48,641,733	86,176,918
2003-04	21,736,872	8,109,926	163,692	52,500	156,575	2,930,174	1,401,782	796,201	45,220,337	80,588,059

(1) Includes General fund of the Primary Government and its Discretely Presented Component Unit School Board. (Excludes County Capital Improvements Fund and School Capital Projects Fund)

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

Table 5

**County of Washington, 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 (1,2)	Percent of Delinquent Taxes to Tax Levy
2012-13	\$ 33,132,974	\$ 31,903,695	96.29%	\$ 1,014,696	\$ 32,918,391	99.35%	\$ 3,643,003	11.00%
2011-12	30,637,829	29,876,309	97.51%	2,227,356	32,103,665	104.78%	3,074,774	10.04%
2010-11	30,081,650	28,926,656	96.16%	1,149,142	30,075,798	99.98%	2,776,060	9.23%
2009-10 (3)	39,292,118	37,636,876	95.79%	861,595	38,498,471	97.98%	2,693,322	6.85%
2008-09	29,830,388	28,883,204	96.82%	445,044	29,328,248	98.32%	1,187,140	3.98%
2007-08	29,509,653	28,665,654	97.14%	733,341	29,398,995	99.63%	934,569	3.17%
2006-07	29,237,381	28,414,846	97.19%	613,503	29,028,349	99.29%	777,927	2.66%
2005-06	28,406,115	27,555,596	97.01%	589,755	28,145,351	99.08%	707,620	2.49%
2004-05	24,976,439	24,334,405	97.43%	575,192	24,909,597	99.73%	684,019	2.74%
2003-04	23,847,667	23,143,193	97.05%	658,030	23,801,223	99.81%	736,482	3.09%

(1) Exclusive of penalties and interest.

(2) Includes current year taxes receivable only.

(3) 2009-10 was the first year that the County began twice-year tax collections.



Table 6

County of Washington, Virginia  
Assessed Value of Taxable Property (1)  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property and Mobile Homes (3)	Machinery and Tools	Public Utility (2)		Total
				Real Estate and Personal Property	Personal Property	
2012-13	\$ 3,643,100,137	\$ 542,187,701	\$ 176,763,685	\$ 155,434,116	\$	4,517,485,639
2011-12	3,644,529,884	513,404,833	162,194,740	177,754,621		4,497,884,078
2010-11	3,714,880,800	498,040,367	160,572,846	176,316,906		4,549,810,919
2009-10	3,684,810,300	470,661,432	158,176,655	171,979,877		4,485,628,264
2008-09	3,269,165,800	492,537,196	129,910,105	161,732,484		4,053,345,585
2007-08	3,269,046,000	463,976,908	310,175,750	181,363,006		4,224,561,664
2006-07	3,176,091,700	436,066,753	229,222,785	203,630,931		4,045,012,169
2005-06	3,112,082,500	410,332,545	229,320,270	216,983,390		3,968,718,705
2004-05	2,529,993,382	376,789,058	196,611,365	184,733,489		3,288,127,294
2003-04	2,464,931,423	377,647,003	190,009,524	211,993,150		3,244,581,100

(1) Assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Includes Volunteer and Air Tax assessments.

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2012-13	\$ 0.63	\$ 1.55	1.55
2011-12	0.63	1.55	1.55
2010-11	0.58	1.55	1.55
2009-10	0.57	1.55	1.55
2008-09	0.57	1.55	1.55
2007-08	0.57	1.55	1.55
2006-07	0.57	1.55	1.55
2005-06	0.57	1.55	1.55
2004-05	0.60	1.55	1.55
2003-04	0.57	1.55	1.55

(1) Per \$100 of assessed value.

Table 8

County of Washington, 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) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2012-13	54,876	\$ 4,517,486	\$ 18,840,729	\$ 18,840,729	0.42%	343
2011-12	54,876	4,497,884	20,136,009	20,136,009	0.45%	367
2010-11	54,876	4,549,811	21,466,830	21,466,830	0.47%	391
2009-10	51,103	4,485,628	22,397,804	22,397,804	0.50%	438
2008-09	51,103	4,053,346	15,474,811	15,474,811	0.38%	303
2007-08	51,103	4,224,562	16,610,898	16,610,898	0.39%	325
2006-07	51,103	4,045,012	12,545,145	12,545,145	0.31%	245
2005-06	51,103	3,968,719	13,532,193	13,532,193	0.34%	265
2004-05	51,103	3,288,127	14,549,075	14,549,075	0.44%	285
2003-04	51,103	3,244,581	15,520,021	15,520,021	0.48%	304

(1) Bureau of the Census.

(2) Assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.  
Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

County of Washington, Virginia  
Ratio of Annual Debt Service Expenditures for General Bonded  
Debt to Total General Governmental Expenditures (1)  
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2012-13	\$ 1,645,280	\$ 1,224,772	\$ 2,870,052	\$ 112,627,288	2.55%
2011-12	1,330,821	671,834	2,002,655	105,924,932	1.89%
2010-11(2)	20,934,980	1,201,012	22,135,992	101,705,810	21.76%
2009-10	1,168,001	858,534	2,026,535	103,820,169	1.95%
2008-09	1,136,087	848,989	1,985,076	109,554,292	1.81%
2007-08	958,523	606,733	1,565,256	105,007,059	1.49%
2006-07	1,016,567	617,865	1,634,432	97,444,103	1.68%
2005-06	1,046,741	744,547	1,791,288	92,748,388	1.93%
2004-05	995,687	735,877	1,731,564	86,372,724	2.00%
2003-04	934,382	729,816	1,664,198	79,927,651	2.08%

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

(2) Includes principal of \$17,950,000 to pay off anticipation notes and bonds.

## COMPLIANCE SECTION

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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To the Members of the Board of Supervisors  
County of Washington, 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 units, each major fund, and the aggregate remaining fund information of the County of Washington, 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 Washington, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Washington, 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 Washington, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Washington, Virginia's internal control.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Washington, 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*.

## 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  
November 30, 2013

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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To the Members of the Board of Supervisors  
County of Washington, Virginia

### Report on Compliance for Each Major Federal Program

We have audited The County of Washington, 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 Washington, Virginia's major federal programs for the year ended June 30, 2013. The County of Washington, 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 Washington, 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 Washington, 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 Washington, Virginia's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the County of Washington, 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 Washington, 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 Washington, 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 Washington, 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, & Associates*

Blacksburg, Virginia  
November 30, 2013

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services: Pass Through Payments: Department of Social Services: Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	90116, 90117, 90118, 90236 90237, 90238, 90239, 90416 90417, 90418, 90716, 90717 90718	\$ 64,150
Promoting Safe and Stable Families	93.556	90359, 90360, 90361	18,767
Temporary Assistance for Needy Families	93.558	90109, 90110, 90111, 90112 90127, 90229, 90230, 90231 90232, 90247, 90248, 90248 90249, 90250, 90366, 90367 90377, 90409, 90410, 90411 90412, 90427, 90429, 90603 90709, 90710, 90711, 90712 90727, 90729, 90730	448,912
Refugee and Entrant Assistance - State Administered Programs	93.566	90113, 90233, 90413	1,468
Low-Income Home Energy Assistance	93.568	90114, 90115, 90234, 90235 90414, 90415, 90714	38,121
Stephanie Tubbs Jones Child Welfare Services Programs	93.645	90251, 90731	2,479
Foster Care - Title IV-E	93.658	90105, 90106, 90107, 90147 90148, 90209, 90225, 90226 90227, 90253, 90256, 90267 90268, 90368, 90405, 90406 90407, 90447, 90448, 90636 90637, 90639, 90657, 90705 90706, 90707, 90733, 90738 90747, 90748	265,539
Adoption Assistance	93.659	90108, 90214, 90228, 90408 90606, 90607, 90627, 90708	296,854
Social Services Block Grant	93.667	90120, 90122, 90123, 90124 90125, 90240, 90241, 90242 90243, 90244, 90245, 90246 90262, 90340, 90351, 90357 90379, 90420, 90422, 90423 90424, 90425, 90648, 90670 90720, 90722, 90723, 90724 90725, 90726, 90742	307,364
Chafee Foster Care Independence Program	93.674	90254, 90356, 90734	4,719
Children's Health Insurance Program	93.767	90102, 90222, 90402, 90702	11,184
Medical Assistance Program	93.778	90101, 90146, 90213, 90221 90263, 90266, 90401, 90446 90701, 90746	274,486
Total Department of Health and Human Services			\$ 1,734,043
Department of Agriculture: Pass Through Payments: Child Nutrition Cluster: Department of Agriculture: Food Distribution (Note 3)	10.555	40623	\$ 207,915
Department of Education: National School Lunch Program	10.555	40623	1,867,436 \$ 2,075,351
Department of Education: Schools and Roads--Grants to States	10.665	43841	23,987
Department of Social Services: State Admin Matching Grants for the Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704	455,967
Total Department of Agriculture			\$ 2,565,305
Department of Justice: Pass Through Payments: Department of Criminal Justice Service: Violence Against Women Formula Grants	16.588	56500, 76500	\$ 27,811
Compensation Board: ARRA - Edward Byrne Memorial Justice Assistance Grant Program - Grants to States and Territories	16.803	09SUB9033	11,975
Total Department of Justice			\$ 39,786

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

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Awards
Federal Emergency Management Agency: Pass Through Payments: Department of Emergency Management: State and Local All Hazards Emergency Operations Planning	97.051	52122	\$ 10,000
Pass Through Payments: Department of Motor Vehicles: State and Community Highway Safety Alcohol Open Container Requirements	20.600 20.607	52262, 53194 53177	\$ 39,677 13,357
Total Department of Transportation			\$ 53,034
Department of Homeland Security: Pass Through Payments: Department of Emergency Management: Emergency Operations Center State Homeland Security Program	97.052 97.073	52701, 52780 52700	\$ 155,250 448
Total Department of Homeland Security			\$ 155,698
Department of Education: Pass Through Payments: Department of Education: Title I, Part A Cluster: Title I: Grants to Local Educational Agencies ARRA - Title I: Grants to Local Educational Agencies Special Education Cluster: Special Education - Grants to states Special Education - Preschool grants Improving Teacher Quality State Grants Adult Education Basic Grants to States Career and Technical Education: Basic Grants to States ARRA - Statewide Data Systems ARRA - State Fiscal Stabilization Funds - Education State Grants	84.010 84.389  84.027 84.173 84.367 84.002 84.048 84.384 84.397	42901 42913  43071 62521 61480 42801 61095 47944 62700	\$ 2,145,812 175  1,723,175 46,180 274,900 377,177 125,560 5,992 1,648,913
Total Department of Education			\$ 6,347,884
Appalachian Regional Commission: Pass Through Payments: Department of Housing and Community Development: Community Development Block Grant / State's Program and Non-Entitlements Grants in Hawaii	14.228	50790	\$ 382,567
Total Expenditures of Federal Awards			\$ 11,278,317
Note 1 -- Basis of Presentation			
The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Washington, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> . Because the Schedule presents only a selected portion of the operations of the County of Washington, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Washington, Virginia.			
Note 2 -- 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 A-87, <i>Cost Principles for State, Local, and Indian Tribal Governments</i> , wherein certain types of expenditures are not allowable or are limited as to reimbursement.			
(2) Pass-through entity identifying numbers are presented where available.			
Note 3 -- Food Donation			
Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2013, the County had no food commodities in inventory.			
Note 4 -- 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			\$ 2,705,239
Less: Payment in lieu of taxes			(29,394)
County Capital Improvements Fund			155,250
Total primary government:			\$ 2,831,095
Component Unit School Board:			
School Operating Fund			\$ 8,447,222
Total federal expenditures per basic financial statements			\$ 11,278,317
Total federal expenditures per the Schedule of Expenditures of Federal Awards			\$ 11,278,317

# COUNTY OF WASHINGTON, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

### Section I – Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any findings disclosed that are required to be reported in accordance with Circular A-133 Section 510(a)?	No
Identification of major programs:	

#### CFDA Numbers

#### Name of Federal Program or Cluster

10.561  
93.658  
84.027/84.173

State Admin Matching Grants for the Supplemental Nutrition  
Assistance Program  
Foster Care - Title IV-E  
Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$338,450
Auditee qualified as low-risk auditee?	Yes

**COUNTY OF WASHINGTON, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

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Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Status of Prior Audit Findings

None