

COUNTY OF WASHINGTON, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2011

**COUNTY OF WASHINGTON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011**

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INTRODUCTORY SECTION

COUNTY OF WASHINGTON, VIRGINIA

BOARD OF SUPERVISORS

Phillip B. McCall	Dulcie M. Mumpower, Chair	Nicole M. Price
Thomas G. Taylor		Joseph C. Straten
Kenneth O. Reynolds		Odell Owens
	Mark K. Reeter, Clerk	

COUNTY SCHOOL BOARD

Herschel Stevens	Elizabeth P. Lowe, Chair	J. Sanders Henderson, III
Billy W. Brooks		William B. Boone
Tom D. Musick		Dayton Owens
	Melissa Caudill, Clerk	

SOCIAL SERVICES BOARD

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

OTHER OFFICIALS

Chief Judge of the Circuit Court	C. Randall Lowe
Judge of the Circuit Court	Larry Kirksey
Judge of the Circuit Court	Issac S. Freeman
Judge of the District Court.....	Joseph S. Tate, Chief Judge
Judge of the District Court.....	Sage B. Johnson, Presiding Judge
Judge of Juvenile and Domestic Relations Court.....	Charles F. Lincoln
Judge of Juvenile and Domestic Relations Court	Florence A. Powell, Chief Judge
Clerk of the Circuit Court.....	Patricia S. Phipps, Presiding Judge
Commonwealth's Attorney	Dennis Godfrey
Commissioner of the Revenue.....	David Henry
Treasurer	Fred W. Parker
Sheriff.....	Fred P. Newman
Interim Superintendent of Schools	Mr. Jim R. Sullivan
Director of Social Services	Tommy L. Casteel
County Administrator.....	Mark K. Reeter
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

THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF WASHINGTON, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the aggregate 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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Washington, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Washington County Park Authority, a component unit, whose statements reflect total assets of \$1,777,951 as of June 30, 2011 and total revenues of \$274,297 for the year then ended. We did not audit the financial statements of the Industrial Development Authority a component unit, whose statements reflect total assets of \$31,216,872 as of June 30, 2011 and total revenues of \$3,082,587 for the year then ended. We did not audit the financial statements of the Virginia Highlands Airport Authority, a component unit, whose statements reflect total assets of \$18,576,068 as of June 30, 2011 and total revenues of \$2,220,151 for the year then ended. 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 Washington County Park Authority, the Industrial Development Authority, and the Virginia Highlands Airport Authority, is based solely on the report of other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Washington, Virginia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County of Washington, Virginia adopted the provision of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Robinson, Turner, Cox Associates

Christiansburg, Virginia
November 28, 2011

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, 2011. 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 \$28,540,743 (net assets). Of this amount, \$5,722,577 was considered unrestricted.
- The assets of the School Board component unit exceeded its liabilities at the close of the fiscal year by \$17,732,414 (net assets). Of this amount \$(8,526) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$33,462,619. Of the amount \$22,937,384 was considered unassigned, \$1,188,624 was considered assigned, \$96,305 was considered committed, \$8,828,992 was considered restricted and \$411,314 was considered nonspendable.
- During the year, the County had governmental expenditures that were \$23,521,754 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 Assets presents information on all of the County’s assets and liabilities, with the difference between the two reported as net assets. 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 assets changed during the most recent fiscal year. All changes in net assets 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 Intern 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 \$28,540,743 at the close of the most recent fiscal year.

The largest portion of the County's net assets \$13,989,174 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 assets \$8,828,992, are subject to restrictions on how they may be used. The remaining balance of net assets \$5,722,577 may be used to meet the County's ongoing obligations.

The following table summarizes the County's Statement of Net Assets and Statement of Activities for 2011 and 2010.

Statement of Net Assets

	Governmental Activities	Governmental Activities
	2011	2010
Current and other assets	\$ 62,330,050	\$ 64,824,487
Capital and other assets	30,070,311	23,943,404
Total assets	<u>\$ 92,400,361</u>	<u>\$ 88,767,891</u>
Current and other liabilities	\$ 28,610,140	\$ 28,545,903
Long-term liabilities	35,249,478	34,877,681
Total Liabilities	<u>\$ 63,859,618</u>	<u>\$ 63,423,584</u>
Net assets:		
Invested in capital assets,		
net of related debt	\$ 13,989,174	\$ 13,353,809
Restricted	8,828,992	222,298
Unrestricted	5,722,577	11,768,200
Total net assets	<u>\$ 28,540,743</u>	<u>\$ 25,344,307</u>

Statement of Activities

	Governmental Activities 2011	Governmental Activities 2010
Program revenues		
Charges for services	\$ 1,524,271	\$ 1,485,955
Operating grants and contributions	11,060,940	9,857,596
General revenues		
Property taxes	30,775,045	39,788,130
Other taxes	9,042,116	8,725,269
Unrestricted revenues from use of money and property	255,378	190,909
Miscellaneous	1,541,929	647,220
Intergovernmental revenues		
Grants and contributions not restricted to specific programs	4,529,480	4,386,748
Total revenues	<u>58,729,159</u>	<u>65,081,827</u>
Expenses		
General government	2,758,254	2,444,129
Judicial administration	1,434,023	1,397,161
Public Safety	10,819,665	10,394,379
Public works	3,984,154	3,106,061
Health and welfare	7,631,737	7,750,392
Education	21,598,926	21,628,724
Parks, recreation and cultural	2,450,828	2,656,439
Community development	3,308,476	2,449,360
Interest on debt	1,546,660	852,142
Total expenses	<u>55,532,723</u>	<u>52,678,787</u>
Change in net assets	<u>\$ 3,196,436</u>	<u>\$ 12,403,040</u>

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

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 \$33,462,619. 1% or \$411,314 constitutes nonspendable fund balance, 26% or \$8,828,992 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 1% or \$96,305 has been committed by action of the Board of Supervisors and 4% or \$1,188,624 has been assigned by the Board of Supervisors. The remaining balance, \$22,937,384 or 68% 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 \$25,525,724, of this amount \$22,937,384 was considered unassigned. The two Capital Improvement funds had restricted fund balances of \$7,936,895.

Total governmental fund revenues decreased \$5,968,643 and expenses increased \$18,169,814 over prior year amounts. For fiscal year ended June 30, 2011, expenses exceeded revenues by \$23,521,754, as compared to the fiscal year ended June 30, 2010, revenues exceeded expenses by \$616,703.

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, 2011 amounts to \$30,070,311 (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	\$ 1,166,666
OPEB obligation	534,434
General obligation bonds	18,576,688
Lease revenue notes	13,340,000
Landfill post-closure costs	51,534
Literary Funds	3,195,159
Total	<u>\$ 36,864,481</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 2011 unemployment rate for the County of Washington, Virginia was 8.0%, which is a decrease from a rate of 8.4% in June 2010. This is slightly above the state's average unemployment rate of 6.0% and below the national average rate of 9.2%.

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, 205 Academy Drive, Abingdon, Virginia 24210.

BASIC FINANCIAL STATEMENTS

County of Washington, Virginia
Statement of Net Assets
June 30, 2011

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Units</u>	
		<u>School Board</u>	<u>Other</u>
ASSETS			
Cash and cash equivalents	\$ 30,432,891	\$ 4,366,419	\$ 5,269,837
Investments	2,185,246	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	25,885,106	-	-
Accounts receivable	787,045	-	619,531
Notes receivable	-	169,840	13,340,000
Due from primary government	-	1,509,819	-
Due from other governmental units	2,628,448	2,383,768	-
Inventories	-	-	78,771
Prepaid expenses	411,314	515,214	14,360
Other assets:			
Unamortized bond issue costs	-	-	211,107
Capital assets (net of accumulated depreciation):			
Land	1,926,515	2,819,475	21,233,088
Buildings and system	19,333,178	9,055,321	3,420,655
Improvements other than buildings	8,180	-	6,066,008
Machinery and equipment	1,182,378	5,866,144	186,405
Construction in progress	7,620,060	-	1,131,129
Total assets	<u>\$ 92,400,361</u>	<u>\$ 26,686,000</u>	<u>\$ 51,570,891</u>
LIABILITIES			
Accounts payable	\$ 1,338,042	\$ 381,637	\$ 716,514
Accrued liabilities	-	705,953	-
Accrued wages	-	3,681,790	14,080
Accrued interest payable	673,810	-	464,878
Due to component unit	1,509,819	-	-
Unearned revenue	23,473,466	-	-
Long-term liabilities:			
Due within one year	1,615,003	-	725,237
Due in more than one year	35,249,478	4,184,206	19,493,050
Total liabilities	<u>\$ 63,859,618</u>	<u>\$ 8,953,586</u>	<u>\$ 21,413,759</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 8,586,069	\$ 17,740,940	\$ 27,848,285
Restricted	8,828,992	-	-
Unrestricted (deficit)	11,125,682	(8,526)	2,308,847
Total net assets	<u>\$ 28,540,743</u>	<u>\$ 17,732,414</u>	<u>\$ 30,157,132</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, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	School Board	Other Component Units
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 2,758,254	\$ 74,934	\$ 349,133	\$ -	\$ (2,334,187)	\$ -	\$ -
Judicial administration	1,434,023	859,548	820,983	-	246,508	-	-
Public safety	10,819,665	149,743	3,234,466	-	(7,435,456)	-	-
Public works	3,984,154	387,588	14,141	-	(3,582,425)	-	-
Health and welfare	7,631,737	-	5,234,893	-	(2,396,844)	-	-
Education	21,598,926	-	-	-	(21,598,926)	-	-
Parks, recreation, and cultural	2,450,828	52,458	155,881	-	(2,242,489)	-	-
Community development	3,308,476	-	1,251,443	-	(2,057,033)	-	-
Interest on long-term debt	1,546,660	-	-	-	(1,546,660)	-	-
Total primary government	\$ 55,532,723	\$ 1,524,271	\$ 11,060,940	\$ -	\$ (42,947,512)	\$ -	\$ -
COMPONENT UNITS:							
School Board	\$ 63,629,655	\$ 2,667,417	\$ 42,579,071	\$ -	\$ -	\$ (18,383,167)	\$ -
Other Component Units	3,141,419	2,178,381	-	2,237,385	-	-	1,274,347
Total component units	\$ 66,771,074	\$ 4,845,798	\$ 42,579,071	\$ 2,237,385	\$ -	\$ (18,383,167)	\$ 1,274,347
General revenues:							
General property taxes					\$ 30,775,045	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					6,495,835	-	-
Consumers' utility taxes					1,124,352	-	-
Utility license taxes					166,159	-	-
Motor vehicle licenses					859,132	-	-
Bank stock taxes					32,523	-	-
Taxes on recordation and wills					329,510	-	-
Hotel and motel room taxes					34,605	-	-
Unrestricted revenues from use of money and property					255,378	14,648	14,713
Miscellaneous					1,541,929	1,335,579	4,132
Payments from Washington County					-	16,053,656	1,142,424
Grants and contributions not restricted to specific programs:					4,529,480	240,217	-
Total general revenues					\$ 46,143,948	\$ 17,644,100	\$ 1,161,269
Change in net assets					\$ 3,196,436	\$ (739,067)	\$ 2,435,616
Net assets - beginning					25,344,307	18,471,481	27,721,516
Net assets - ending					\$ 28,540,743	\$ 17,732,414	\$ 30,157,132

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

County of Washington, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>County Capital Improvements</u>	<u>School Capital Improvement Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 21,682,930	\$ 6,808,911	\$ 1,941,050	\$ 30,432,891
Investments	2,185,246	-	-	2,185,246
Receivables (net of allowance for uncollectibles):				
Taxes receivable	25,885,106	-	-	25,885,106
Other receivables	787,045	-	-	787,045
Due from other governmental units	2,612,299	16,149	-	2,628,448
Prepaid items	411,314	-	-	411,314
Total assets	<u>\$ 53,563,940</u>	<u>\$ 6,825,060</u>	<u>\$ 1,941,050</u>	<u>\$ 62,330,050</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 568,827	\$ 305,603	463,612	\$ 1,338,042
Due to component unit	1,509,819	-	-	1,509,819
Deferred revenue	25,959,570	60,000	-	26,019,570
Total liabilities	<u>\$ 28,038,216</u>	<u>\$ 365,603</u>	<u>\$ 463,612</u>	<u>\$ 28,867,431</u>
Fund balances:				
Nonspendable	\$ 411,314	\$ -	\$ -	\$ 411,314
Restricted	892,097	6,459,457	1,477,438	8,828,992
Committed	96,305	-	-	96,305
Assigned	1,188,624	-	-	1,188,624
Unassigned	22,937,384	-	-	22,937,384
Total fund balances	<u>\$ 25,525,724</u>	<u>\$ 6,459,457</u>	<u>\$ 1,477,438</u>	<u>\$ 33,462,619</u>
Total liabilities and fund balances	<u>\$ 53,563,940</u>	<u>\$ 6,825,060</u>	<u>\$ 1,941,050</u>	<u>\$ 62,330,050</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 Assets
June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 33,462,619
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,070,311
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,546,104
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(37,538,291)
Net assets of governmental activities	<u>\$ 28,540,743</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, 2011

	<u>General</u>	<u>County Capital Improvements</u>	<u>School Capital Improvements Fund</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 30,533,935	\$ -	\$ -	\$ 30,533,935
Other local taxes	9,042,116	-	-	9,042,116
Permits, privilege fees, and regulatory licenses	118,976	-	-	118,976
Fines and forfeitures	834,151	-	-	834,151
Revenue from the use of money and property	244,080	-	11,298	255,378
Charges for services	571,144	-	-	571,144
Miscellaneous	708,884	833,045	-	1,541,929
Recovered costs	349,793	-	230,887	580,680
Intergovernmental revenues:				
Commonwealth	11,773,979	-	-	11,773,979
Federal	3,816,441	-	-	3,816,441
Total revenues	<u>\$ 57,993,499</u>	<u>\$ 833,045</u>	<u>\$ 242,185</u>	<u>\$ 59,068,729</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,900,525	\$ -	\$ -	\$ 2,900,525
Judicial administration	1,407,319	-	-	1,407,319
Public safety	10,644,584	-	-	10,644,584
Public works	3,549,820	358,788	-	3,908,608
Health and welfare	7,589,378	-	-	7,589,378
Education	21,445,083	-	5,693,625	27,138,708
Parks, recreation, and cultural	2,123,190	1,223,712	-	3,346,902
Community development	3,286,491	-	-	3,286,491
Nondepartmental	231,976	-	-	231,976
Debt service:				
Principal retirement	984,980	9,750,000	10,200,000	20,934,980
Interest and other fiscal charges	506,210	450,954	243,848	1,201,012
Total expenditures	<u>\$ 54,669,556</u>	<u>\$ 11,783,454</u>	<u>\$ 16,137,473</u>	<u>\$ 82,590,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,323,943</u>	<u>\$ (10,950,409)</u>	<u>\$ (15,895,288)</u>	<u>\$ (23,521,754)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,846,108	\$ 1,693,331	\$ 1,052,496	\$ 5,591,935
Transfers out	(246,072)	(3,898,604)	(1,447,259)	(5,591,935)
Issuance of general obligation bond	-	-	8,145,000	8,145,000
Issuance of lease revenue notes	-	13,340,000	-	13,340,000
Total other financing sources (uses)	<u>\$ 2,600,036</u>	<u>\$ 11,134,727</u>	<u>\$ 7,750,237</u>	<u>\$ 21,485,000</u>
Net change in fund balances	\$ 5,923,979	\$ 184,318	\$ (8,145,051)	\$ (2,036,754)
Fund balances - beginning	19,601,745	6,275,139	9,622,489	35,499,373
Fund balances - ending	<u>\$ 25,525,724</u>	<u>\$ 6,459,457</u>	<u>\$ 1,477,438</u>	<u>\$ 33,462,619</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, 2011

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

Net change in fund balances - total governmental funds	\$ (2,036,754)
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.	6,126,907
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	241,110
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(550,536)
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.	(584,291)
Change in net assets of governmental activities	<u>\$ 3,196,436</u>

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

County of Washington, Virginia
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Internal Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	<u>\$ 1,267,785</u>
LIABILITIES	
Current liabilities:	
Incurred but unpaid liability	<u>\$ 705,953</u>
NET ASSETS	
Unrestricted	<u>\$ 561,832</u>
Total net assets	<u><u>\$ 561,832</u></u>

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 Assets
Proprietary Fund
For the Year Ended June 30, 2011

	Internal Service Fund
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 7,770,289
OPERATING EXPENSES	
Insurance claims and expenses	\$ 7,584,662
Operating income (loss)	\$ 185,627
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 25,682
Change in net assets	\$ 211,309
Total net assets - beginning	350,523
Total net assets - ending	\$ 561,832

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, 2011

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 7,770,289
Payments for premiums	<u>(7,529,428)</u>
Net cash provided (used) by operating activities	<u>\$ 240,861</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 25,682
Net cash provided (used) by investing activities	<u>\$ 25,682</u>
Net increase (decrease) in cash and cash equivalents	\$ 266,543
Cash and cash equivalents - beginning (including restricted)	1,001,242
Cash and cash equivalents - ending (including restricted)	<u><u>\$ 1,267,785</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 185,627
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Increase (decrease) in amounts incurred but unpaid	\$ 55,234
Net cash provided (used) by operating activities	<u><u>\$ 240,861</u></u>

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

County of Washington, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 232,595
Other receivables	4,446
Total assets	<u>\$ 237,041</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 209,014
Amounts held for County employee fringe benefits	28,027
Total liabilities	<u>\$ 237,041</u>

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1-Summary of Significant Accounting Policies:

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

A. 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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

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

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

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

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

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

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

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

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

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 deferred revenues.

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

Additionally, the County reports the following fund types:

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.

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

Welfare and Fringe Benefits funds.

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

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

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

2. Receivables and payables (continued)

"advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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 20th and November 20th. Personal property taxes are due and collectible annually on November 20th. 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 \$327,324 at June 30, 2011 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 are 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, 2011

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

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

6. Capital assets (continued)

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

<u>Assets</u>	<u>Years</u>
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 debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

9. Fund equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

The Board of Supervisors is the County's highest level of decision-making authority and a resolution is required prior to the last day of the fiscal year in order to establish, modify, or rescind a fund balance commitment. The amount subject to the constraint may be determined in the subsequent period.

The County's Board of Supervisors has authorized the Finance Director to assign fund balance in accordance with the County's 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.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

10. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$37,538,291) and (\$4,184,206) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Literary loans	\$ (3,195,159)	\$ -
Bonds, bond premium and note	(31,916,688)	-
Accrued interest payable	(673,810)	-
Landfill accrued post-closure monitoring costs	(51,534)	-
Net OPEB obligation	(534,434)	(1,412,712)
Compensated absences	(1,166,666)	(2,771,494)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ <u>(37,538,291)</u>	\$ <u>(4,184,206)</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$6,126,907 and (\$425,224) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 7,101,154	\$ 1,434,957
Depreciation expenses	(974,247)	(1,860,181)
Assets deleted	(268,525)	(236,880)
Accumulated depreciation deleted	268,525	236,880
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 6,126,907	\$ (425,224)

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this (\$550,536) difference in the primary government, are as follows:

	Primary Government
Debt Issued or Incurred:	
General obligation bonds	\$ (8,145,000)
Lease revenue notes	(13,340,000)
Landfill post-closure care costs	(516)
Principal Payments:	
Literary loans	302,660
Bonds and note	20,632,320
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(550,536)</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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 (\$584,291) and (\$354,144) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
(Increase) decrease in compensated absences	\$ (87,046)	\$ (28,194)
(Increase) decrease in accrued interest	(357,440)	-
(Increase) decrease in net OPEB obligation	(151,597)	(325,950)
(Increase) decrease in premium amortization	11,792	-
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (584,291)	\$ (354,144)

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, 2011

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 2011, there was no excess of expenditures over appropriations.

C. Deficit fund equity

At June 30, 2011, the School Capital Improvements fund 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, 2011

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, 2011 were held in the County's name by the County's custodial bank. The Local Government Investment (LGIP) and State Non-Arbitrage (SNAP) 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, 2011 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 and SNAP investments.

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	AAm
LGIP	\$ 264,628	\$ -
SNAP	-	1,920,618

Concentration of Credit Risk

At June 30, 2011, 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, 2011, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). 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, 2011

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> </u>	<u> </u>
<u>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 104,857	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	1,168,117	-
State sales tax	-	1,104,272
Categorical aid-shared expenses	83,376	-
Categorical aid-other	439,674	-
Non-categorical aid	256,677	-
Categorical aid-VPA funds	185,470	-
Categorical aid-CSA funds	207,439	-
Other state aid	-	1,219
<u>Federal Government:</u>		
Categorical aid-VPA funds	182,838	-
Categorical aid-other	-	1,278,277
	<u> </u>	<u> </u>
Totals	\$ 2,628,448	\$ 2,383,768
	<u> </u>	<u> </u>

Note 6-Interfund/Component-Unit Obligations:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
	<u> </u>	<u> </u>
Primary Government:		
General Fund	\$ 1,509,819	\$ -
	<u> </u>	<u> </u>
Component Unit - School Board:		
School Fund	\$ -	\$ 1,509,819
	<u> </u>	<u> </u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

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

Year Ending June 30,	Literary Loans		GO Bonds and Note		Lease Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 282,023	\$ 95,855	\$ 1,048,798	\$ 568,479	\$ 270,000	\$ 681,365
2013	282,023	87,394	1,013,075	504,033	350,000	599,158
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	584,832
2015	282,023	62,012	1,316,805	357,485	365,000	576,445
2017-2021	1,407,352	183,150	7,036,925	1,145,626	2,030,000	2,703,386
2022-2026	377,692	19,077	4,490,659	333,901	2,480,000	2,246,716
2027-2031	-	-	1,152,676	29,613	2,815,000	1,545,656
2032-2036	-	-	-	-	1,865,000	942,837
2037-2041	-	-	-	-	2,455,000	351,862
Totals	<u>\$ 3,195,159</u>	<u>\$ 596,894</u>	<u>\$ 18,271,671</u>	<u>\$ 3,803,302</u>	<u>\$ 13,340,000</u>	<u>\$ 10,824,415</u>

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2011:

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
GO bonds	\$ 10,808,991	\$ 8,145,000	\$ (682,320)	\$ 18,271,671
GO bond premium	316,809	-	(11,792)	305,017
Literary loans	3,497,819	-	(302,660)	3,195,159
Lease revenue note	19,950,000	13,340,000	(19,950,000)	13,340,000
Landfill post-closure liability	51,018	516	-	51,534
Net OPEB obligation	382,837	224,801	(73,204)	534,434
Compensated absences	1,079,620	87,046	-	1,166,666
Total	<u>\$ 36,087,094</u>	<u>\$ 21,797,363</u>	<u>\$ (21,019,976)</u>	<u>\$ 36,864,481</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7-Long-Term Debt: (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	6.1-6.4%	5/19/1992	2012	\$ 305,000	\$ 15,000	\$ 15,000
GO Bond	4.85-6.6%	1/15/1992	2012	801,818	57,101	57,101
GO Bond	6.1-6.6%	11/22/1994	2015	585,000	105,000	30,000
GO Bond	6.1-6.6%	11/22/1994	2015	143,947	37,575	8,789
GO Bond	5.4-5.975%	5/18/1995	2016	1,260,000	300,000	60,000
GO Bond	5.1-6.1%	12/21/1995	2016	2,086,692	632,145	119,173
GO Bond	4.1-5.225%	5/13/1999	2020	1,400,000	630,000	70,000
GO Bond	3.1-5.35%	11/15/2001	2022	1,217,614	707,319	59,231
GO Bond	3.1-5.35%	12/23/2003	2024	972,237	665,357	46,279
GO Bond	5.05%	11/1/2007	2027	1,565,886	1,359,985	71,006
GO Bond	5.05%	11/1/2007	2027	1,204,508	1,046,131	54,619
GO Bond	5.05%	11/1/2007	2027	1,243,435	1,079,939	56,385
GO Bond	5.05%	11/1/2007	2027	989,925	859,767	44,889
Early retirement refunding note	6.77%	7/15/2001	2021	3,889,483	2,631,352	171,326
QSC Bond	5.31%	7/1/2010	2027	8,145,000	8,145,000	185,000
Total GO Bonds and Note					\$ 18,271,671	\$ 1,048,798

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	Interest Rates	Issue Date	Maturity Date	Original Issue	Governmental Activities	Due Within One Year
Literary Loans:						
State Literary Fund Loan	3%	12/15/2000	2021	\$ 957,237	\$ 477,237	\$ 48,000
State Literary Fund Loan	3%	10/1/2001	2022	1,001,149	550,636	50,057
State Literary Fund Loan	3%	10/1/2001	2022	1,172,618	644,948	58,630
State Literary Fund Loan	3%	10/1/2001	2022	530,000	291,500	26,500
State Literary Fund Loan	3%	10/1/2001	2022	661,338	363,744	33,066
State Literary Fund Loan	3%	7/15/1991	2012	164,300	90,365	8,215
State Literary Fund Loan	3%	3/15/2004	2024	302,206	196,436	15,110
State Literary Fund Loan	3%	3/15/2004	2024	279,506	181,681	13,975
State Literary Fund Loan	3%	5/1/2005	2025	439,616	307,736	21,980
State Literary Fund Loan	3%	5/1/2005	2025	129,816	90,876	6,490
Total Literary Loans					\$ 3,195,159	\$ 282,023
Leave Revenue Notes:						
Lease Revenue Note	2% - 5%	12/16/2010	2041	\$ 4,860,000	\$ 4,860,000	\$ 170,000
Lease Revenue Note	2% - 5%	12/16/2010	2041	8,480,000	8,480,000	100,000
Total Lease Revenue Notes					\$ 13,340,000	\$ 270,000
Other Obligations:						
Landfill Post-closure Monitoring Costs	n/a	n/a	n/a	n/a	51,534	-
Premium on \$972,237 GO bond	n/a	n/a	n/a	n/a	40,538	3,118
Premium on \$5,003,754 2007 bonds	n/a	n/a	n/a	n/a	264,479	11,064
Net OPEB obligation	n/a	n/a	n/a	n/a	534,434	-
Compensated Absences	n/a	n/a	n/a	n/a	1,166,666	-
Total Other Obligations					\$ 2,057,651	\$ 14,182
Total Long-term debt					\$ 36,864,481	\$ 1,615,003

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7-Long-Term Debt: (continued)

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2011.

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Compensated absences	\$ 2,743,300	\$ 28,194	\$ -	\$ 2,771,494
Net OPEB obligation	1,086,762	1,135,421	(809,471)	1,412,712
Total	\$ 3,830,062	\$ 1,163,615	\$ (809,471)	\$ 4,184,206

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 2,771,494	\$ -
Net OPEB Obligation	n/a	n/a	n/a	n/a	1,412,712	-
Total Other Obligations					\$ 4,184,206	\$ -

Note 8-Employee Retirement System and Pension Plans:

A. Plan Description

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

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

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

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

A. Plan Description (Continued)

Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

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

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. 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 2011 was 11.09% 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. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2011 was 11.43% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the County of Washington, Virginia's annual pension cost of \$943,781 and \$278,732 was equal to the County of Washington, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2009	767,426	100.00%	-
	6/30/2010	766,507	100.00%	-
	6/30/2011	943,781	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2009	321,581	100.00%	-
	6/30/2010	288,943	100.00%	-
	6/30/2011	278,732	100.00%	-

¹ Employer portion only

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

C. Annual Pension Cost (continued)

2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County of Washington, Virginia'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 of Washington, Virginia's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 75.51% funded. The actuarial accrued liability for benefits was \$37,172,928, and the actuarial value of assets was \$28,070,208, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,102,720. The covered payroll (annual payroll of active employees covered by the plan) was \$8,377,940, and ratio of the UAAL to the covered payroll was 108.65%.

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

As of June 30, 2010, the most recent actuarial valuation date, the plan was 76.88% funded. The actuarial accrued liability for benefits was \$13,919,236, and the actuarial value of assets was \$10,701,034, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,218,202. The covered payroll (annual payroll of active employees covered by the plan) was \$2,449,548, and ratio of the UAAL to the covered payroll was 131.38%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability 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. That report may be downloaded from the System's web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

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

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

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$1,269,544, \$2,266,366, and \$3,093,123, for the fiscal years ended 2011, 2010, and 2009, respectively. Employer contributions represented 3.93% for the entire fiscal year 2011, 8.81% from July 2009 through March 2010 and 0.00% from April to June 2011, and 8.81% for the entire fiscal year 2009.

Note 9-Other Post-Employment Benefits:

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, an employee 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 five consecutive years. The benefit provisions, including employer and employee contributions, are governed by the 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 2011, 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, 2011

Note 9-Other Post-Employment Benefits: (continued)

B. Funding Policy (continued)

The following are the 2011 blended medical rates for active employees and early retirees:

	Monthly Premiums	
	County	School
Employee	\$ 540	\$ 490
Employee and spouse	1,080	1,027

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
Annual required contribution	\$ 225,427	\$ 1,137,198
Interest on net OPEB obligation	15,313	43,470
Adjustment to annual required contribution	(15,939)	(45,247)
Annual OPEB cost (expense)	224,801	1,135,421
Estimated pay-as-you-go contributions	(73,204)	(809,471)
Increase in net OPEB obligation	151,597	325,950
Net OPEB obligation - beginning of year	382,837	1,086,762
Net OPEB obligation - end of year	\$ 534,434	\$ 1,412,712

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 1,360,222	65%	\$ 1,947,146
6/30/2010	1,470,800	53%	1,469,599
6/30/2009	1,408,098	45%	776,899

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Note 9-Other Post-Employment Benefits: (continued)

D. Funded Status and Funding Progress

County:

As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability (AAL) was \$2,085,032, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,764,831, and the ratio of the UAAL to the covered payroll was 23.79%.

School Board:

As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability (AAL) was \$12,434,361, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$39,665,329, and ratio of the UAAL to the covered payroll was 31.35%.

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 liability (AAL) for benefits.

E. Actuarial Methods and Assumptions

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

In the July 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return per annum. 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, 2011, was 29 years.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is 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 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 School Board's contribution rate was 0.78% of covered payroll.

C. 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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

C. OPEB Cost and Net OPEB Obligation (continued)

For 2011, the School Board's contribution of \$19,021 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and 2010 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>
June 30, 2011	\$ 19,021	100%	-
June 30, 2010	17,529	100%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

	<u>School Board</u>
Actuarial accrued liability (AAL)	\$ 331,837
Actuarial value of plan assets	\$ 34,879
Unfunded actuarial accrued liability (UAAL)	\$ 296,958
Funded ratio (actuarial value of plan assets/AAL)	10.51%
Covered payroll (active plan members)	\$ 2,449,548
UAAL as a percentage of covered payroll	12.12%

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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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, 2010 was 27 years.

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.

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 0.60% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2011 was \$193,824 and equaled the required contributions.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,926,515	\$ -	\$ -	\$ 1,926,515
Construction in progress	2,468,979	6,733,174	(1,582,093)	7,620,060
Total capital assets not being depreciated	<u>\$ 4,395,494</u>	<u>\$ 6,733,174</u>	<u>\$ (1,582,093)</u>	<u>\$ 9,546,575</u>
Capital assets, being depreciated:				
Buildings	\$ 22,257,051	\$ 1,474,394	\$ -	\$ 23,731,445
Improvements other than buildings	178,924	-	-	178,924
Machinery and equipment	7,944,424	475,679	(268,525)	8,151,578
Total capital assets being depreciated	<u>\$ 30,380,399</u>	<u>\$ 1,950,073</u>	<u>\$ (268,525)</u>	<u>\$ 32,061,947</u>
Less: accumulated depreciation for:				
Buildings	\$ (3,960,542)	\$ (437,725)	\$ -	\$ (4,398,267)
Improvements other than buildings	(144,622)	(26,122)	-	(170,744)
Machinery and equipment	(6,727,325)	(510,400)	268,525	(6,969,200)
Total accumulated depreciation	<u>\$ (10,832,489)</u>	<u>\$ (974,247)</u>	<u>\$ 268,525</u>	<u>\$ (11,538,211)</u>
Total capital assets being depreciated, net	<u>\$ 19,547,910</u>	<u>\$ 975,826</u>	<u>\$ -</u>	<u>\$ 20,523,736</u>
Governmental activities capital assets, net	<u>\$ 23,943,404</u>	<u>\$ 7,709,000</u>	<u>\$ (1,582,093)</u>	<u>\$ 30,070,311</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 11-Capital Assets: (continued)

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

Governmental activities:	
General government administration	\$ 269,258
Judicial administration	8,696
Public safety	408,728
Public works	56,515
Health and welfare	29,112
Education	182,647
Parks, recreation, and cultural	19,291
	<u>974,247</u>
Total depreciation expense-primary government	\$ <u>974,247</u>

Capital asset activity for the School Board for the year ended June 30, 2011 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,819,475	\$ -	\$ -	\$ 2,819,475
Construction in progress	327,759	20,084	(347,843)	-
Total capital assets not being depreciated	<u>\$ 3,147,234</u>	<u>\$ 20,084</u>	<u>\$ (347,843)</u>	<u>\$ 2,819,475</u>
Capital assets, being depreciated:				
Buildings	\$ 37,936,519	\$ 42,611	\$ -	\$ 37,979,130
Machinery and equipment	15,386,745	1,720,105	(236,880)	16,869,970
Total capital assets being depreciated	<u>\$ 53,323,264</u>	<u>\$ 1,762,716</u>	<u>\$ (236,880)</u>	<u>\$ 54,849,100</u>
Less: accumulated depreciation for:				
Buildings	\$ (28,098,702)	\$ (825,107)	\$ -	\$ (28,923,809)
Machinery and equipment	(10,205,632)	(1,035,074)	236,880	(11,003,826)
Total accumulated depreciation	<u>\$ (38,304,334)</u>	<u>\$ (1,860,181)</u>	<u>\$ 236,880</u>	<u>\$ (39,927,635)</u>
Total capital assets being depreciated, net	<u>\$ 15,018,930</u>	<u>\$ (97,465)</u>	<u>\$ -</u>	<u>\$ 14,921,465</u>
Governmental activities capital assets, net	<u>\$ 18,166,164</u>	<u>\$ (77,381)</u>	<u>\$ (347,843)</u>	<u>\$ 17,740,940</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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; injuries to employees 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.

Commitments:

In December 1, 2010, the County entered into a lease purchase agreement with the Washington County Industrial Development Authority related to the 2010 IDA bond issue. Two components of this agreement (the Sheriff's office building and the County administration building) are presented as debt in the County's financial statements. The third component (the Hawkins Payne building) does not have an associated asset and therefore does not qualify as a lease purchase arrangement. The County pays the IDA a contribution annually to satisfy the debt payment for the Hawkins Payne building.

In January 2008, the Washington County IDA obtained \$3,580,000 in Public Infrastructure Facilities Revenue Bonds Series 2007, to build infrastructure for an Exit 7 shopping complex. There is no County asset associated with these bonds, however, the County does have a Memorandum of Agreement related to the bond issue and contributes an amount annually to the IDA for the amount of the debt service.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Note 14-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>		
Patricia S. Phipps, 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

Component Unit – School Board:

<u>Fidelity & 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
Alan Lee, Ed. D., 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 \$51,534 liability is the total estimated post-closure care liability at June 30, 2011 and represents what it would cost to perform all post-closure care in 2011. 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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

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.

Note 17 – Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$26,019,570 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2011, but paid in advance by the taxpayers totaled \$379,334 at June 30, 2011.

Property Taxes Receivable – Taxes billed and not due until after June 30, 2011, less amounts received 60 days after the period end totaled \$25,580,236 at June 30, 2011.

Rent Receivable – Rental payments received and not due until after June 30, 2011 totaled \$60,000 at June 30, 2011.

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 2011, a total of \$7,584,662 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 \$705,953 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 2011 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>
2010-11	\$ 650,719	\$ 7,584,662	(7,529,428)	\$ 705,953

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 19 – Fund Balance Classifications:

	General Fund	County Capital Improvements	School Capital Improvements	School Fund
Nonspendable for:				
Prepays	\$ 411,314	\$ -	\$ -	\$ -
Restricted for:				
Forfeited Asset Sharing	\$ 150,988	\$ -	\$ -	\$ -
Special Grant Projects	150,000	-	-	-
Disaster Recovery	277,699	-	-	-
Soil Erosion	6,982	-	-	-
Health Insurance	257,737	-	-	-
E911 GIS Data	48,691	-	-	-
Capital Improvements:				
Damascus Library	-	694,500	-	-
Public Safety	-	350,000	-	-
Government Center Building	-	1,270,000	-	-
School Capital Improvements	-	-	1,477,438	-
Other	-	4,144,957	-	-
	\$ 892,097	\$ 6,459,457	\$ 1,477,438	\$ -
Committed for:				
Law Library	\$ 8,264	\$ -	\$ -	\$ -
Road Improvements	88,041	-	-	-
Special Revenue Funds	-	-	-	3,098,634
	\$ 96,305	\$ -	\$ -	\$ 3,098,634
Assigned for:				
Economic Development	\$ 253,931	\$ -	\$ -	\$ -
Utilities	55,069	-	-	-
Traffic Enforcement	239,381	-	-	-
Contingencies	181,000	-	-	-
Disaster Recovery	250,000	-	-	-
Capital Improvements	209,243	-	-	-
	\$ 1,188,624	\$ -	\$ -	\$ -

REQUIRED SUPPLEMENTARY INFORMATION

County of Washington, Virginia
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 29,999,872	\$ 29,999,872	\$ 30,533,935	\$ 534,063
Other local taxes	8,643,000	8,643,000	9,042,116	399,116
Permits, privilege fees, and regulatory licenses	150,250	150,250	118,976	(31,274)
Fines and forfeitures	760,000	760,000	834,151	74,151
Revenue from the use of money and property	258,500	258,500	244,080	(14,420)
Charges for services	526,500	581,120	571,144	(9,976)
Miscellaneous	458,338	465,476	708,884	243,408
Recovered costs	525,383	601,833	349,793	(252,040)
Intergovernmental revenues:				
Commonwealth	11,487,827	12,268,800	11,773,979	(494,821)
Federal	2,495,350	3,823,302	3,816,441	(6,861)
Total revenues	\$ 55,305,020	\$ 57,552,153	\$ 57,993,499	\$ 441,346
EXPENDITURES				
Current:				
General government administration	\$ 3,086,374	\$ 3,263,656	\$ 2,900,525	\$ 363,131
Judicial administration	1,489,480	1,561,397	1,407,319	154,078
Public safety	10,331,294	11,780,239	10,644,584	1,135,655
Public works	3,393,053	3,782,542	3,549,820	232,722
Health and welfare	6,914,661	6,979,661	7,589,378	(609,717)
Education	24,571,846	25,423,778	21,445,083	3,978,695
Parks, recreation, and cultural	2,165,932	2,270,149	2,123,190	146,959
Community development	2,515,734	4,727,193	3,286,491	1,440,702
Nondepartmental	415,920	422,323	231,976	190,347
Debt service:				
Principal retirement	-	-	984,980	(984,980)
Interest and other fiscal charges	-	-	506,210	(506,210)
Total expenditures	\$ 54,884,294	\$ 60,210,938	\$ 54,669,556	\$ 5,541,382
Excess (deficiency) of revenues over (under) expenditures	\$ 420,726	\$ (2,658,785)	\$ 3,323,943	\$ 5,982,728
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 2,846,108	\$ 2,846,108	\$ -
Transfers out	(436,255)	(50,000)	(246,072)	(196,072)
Total other financing sources and uses	\$ (436,255)	\$ 2,796,108	\$ 2,600,036	\$ (196,072)
Net change in fund balances	\$ (15,529)	\$ 137,323	\$ 5,923,979	\$ 5,786,656
Fund balances - beginning	2,278,750	4,517,101	19,601,745	15,084,644
Fund balances - ending	\$ 2,263,221	\$ 4,654,424	\$ 25,525,724	\$ 20,871,300

County of Washington, Virginia
Required Supplementary Information

Schedule of Funding Progress Defined Benefit Plan
For the Year Ended June 30, 2011

Primary Government:
County Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2010	\$ 28,070,208	\$ 37,172,928	\$ 9,102,720	75.51%	\$ 8,377,940	108.65%
June 30, 2009	28,096,019	34,112,983	6,016,964	82.36%	8,350,870	72.05%
June 30, 2008	27,777,346	32,139,125	4,361,779	86.43%	8,342,076	52.29%

County Post-Retirement Medical Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%

Discretely Presented Component Unit:
School Board Non-Professional Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2010	\$ 10,701,034	\$ 13,919,236	\$ 3,218,202	76.88%	\$ 2,449,548	131.38%
June 30, 2009	11,000,576	13,314,234	2,313,658	82.62%	2,755,609	83.96%
June 30, 2008	11,204,025	12,915,031	1,711,006	86.75%	2,644,799	64.69%

School Board Post-Retirement Medical Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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 Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2010	\$ 34,879	\$ 331,837	\$ 296,958	10.51%	\$ 2,449,548	12.12%
June 30, 2009	25,120	292,396	267,276	8.59%	2,755,609	9.70%

OTHER SUPPLEMENTARY INFORMATION SECTION

SUPPLEMENTARY FINANCIAL STATEMENTS

County of Washington, Virginia
Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 720,000	\$ 1,199,500	\$ 833,045	\$ (366,455)
Intergovernmental revenues:				
Commonwealth	-	880,218	-	(880,218)
Total revenues	\$ 720,000.00	\$ 2,079,718.00	\$ 833,045	\$ (1,246,673)
EXPENDITURES				
Current:				
Public works	\$ 865,000	\$ 3,945,935	\$ 358,788	\$ 3,587,147
Parks, recreation, and cultural	595,000	2,932,735	1,223,712	1,709,023
Debt service:				
Principal retirement	130,000	604,756	9,750,000	(9,145,244)
Interest and other fiscal charges	506,255	837,753	450,954	386,799
Total expenditures	\$ 2,096,255	\$ 8,321,179	\$ 11,783,454	\$ (3,462,275)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,376,255)	\$ (6,241,461)	\$ (10,950,409)	\$ (4,708,948)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 436,255	\$ 1,407,194	\$ 1,693,331	\$ 286,137
Transfers out	-	(3,092,349)	(3,898,604)	(806,255)
Issuance of debt	-	2,637,870.00	13,340,000	10,702,130
Total other financing sources and uses	\$ 436,255	\$ 952,715	\$ 11,134,727	\$ 10,182,012
Net change in fund balances	\$ (940,000)	\$ (5,288,746)	\$ 184,318	\$ 5,473,064
Fund balances - beginning	5,952,544	6,788,746	6,275,139	(513,607)
Fund balances - ending	\$ 5,012,544	\$ 1,500,000	\$ 6,459,457	\$ 4,959,457

County of Washington, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Major Capital Projects Fund
For the Year Ended June 30, 2011

	School Capital Improvements Fund				Variance with Final Budget Positive Negative
	Budgeted Amounts				
	Original	Final	Actual		
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ 11,298	\$	11,298
Recovered costs	-	-	230,887		230,887
Intergovernmental revenues:					
Commonwealth	250,000	250,000	-		(250,000)
Total revenues	\$ 250,000	\$ 250,000	\$ 242,185	\$	(7,815)
EXPENDITURES					
Current:					
Education	\$ 4,957,000	\$ 6,462,150	\$ 5,693,625	\$	768,525
Debt service:					
Principal retirement	-	-	10,200,000		(10,200,000)
Interest and other fiscal charges	-	-	243,848		(243,848)
Total expenditures	\$ 4,957,000	\$ 6,462,150	\$ 16,137,473	\$	(9,675,323)
Excess (deficiency) of revenues over (under) expenditures	\$ (4,707,000.00)	\$ (6,212,150.00)	\$ (15,895,288)	\$	(9,683,138)
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ 1,052,496	\$	1,052,496
Transfers out	-	(1,110,953)	(1,447,259)		(336,306)
Issuance of general obligation bond	6,359,985	8,000,000	8,145,000		145,000
Total other financing sources and uses	\$ 6,359,985	\$ 6,889,047	\$ 7,750,237	\$	861,190
Net change in fund balances	\$ 1,652,985	\$ 676,897	\$ (8,145,051)	\$	(8,821,948)
Fund balances - beginning	-	165,503	9,622,489		9,456,986
Fund balances - ending	\$ 1,652,985	\$ 842,400	\$ 1,477,438	\$	635,038

FIDUCIARY FUNDS

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 Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>Fringe Benefits</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 204,568	\$ 28,027	\$ 232,595
Receivables:			
Other receivables	4,446	-	4,446
Total assets	<u>\$ 209,014</u>	<u>\$ 28,027</u>	<u>\$ 237,041</u>
LIABILITIES			
Amounts held for social services clients	\$ 209,014	\$ -	\$ 209,014
Amounts held for County employee fringe benefits	-	28,027	28,027
Total liabilities	<u>\$ 209,014</u>	<u>\$ 28,027</u>	<u>\$ 237,041</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Washington, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 3,098,634
Accounts receivable	169,840
Due from primary government	1,509,819
Due from other governmental units	2,383,768
Total assets	<u>\$ 7,162,061</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 381,637
Contracts payable	3,681,790
Total liabilities	<u>\$ 4,063,427</u>
Fund balances:	
Committed	<u>\$ 3,098,634</u>
Total fund balances	<u>3,098,634</u>
Total liabilities and fund balances	<u>\$ 7,162,061</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 3,098,634
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,740,940
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	515,214
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 assets.	561,832
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,184,206)
Net assets of governmental activities	<u>\$ 17,732,414</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, 2011

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 14,648
Charges for services	2,667,417
Miscellaneous	1,335,579
Recovered costs	76,330
Intergovernmental revenues:	
Local government	21,362,551
Commonwealth	35,417,617
Federal	7,401,671
Total revenues	<u>\$ 68,275,813</u>
EXPENDITURES	
Current:	
Education	<u>\$ 68,398,805</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (122,992)
Fund balances - beginning	3,221,626
Fund balances - ending	<u>\$ 3,098,634</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	\$ (122,992)
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 depreciation exceeded capital outlays in the current period.	(425,224)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	(48,016)
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.	(354,144)
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.	211,309
Change in net assets of governmental activities	<u>\$ (739,067)</u>

County of Washington, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2011

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 31,500	\$ 31,500	\$ 14,648	\$ (16,852)
Charges for services	2,680,655	2,680,655	2,667,417	(13,238)
Miscellaneous	1,035,681	1,094,856	1,335,579	240,723
Recovered costs	110,553	110,553	76,330	(34,223)
Intergovernmental revenues:				
Local government	24,489,314	25,341,246	21,362,551	(3,978,695)
Commonwealth	36,596,904	36,758,723	35,417,617	(1,341,106)
Federal	7,649,939	9,812,964	7,401,671	(2,411,293)
Total revenues	<u>\$ 72,594,546</u>	<u>\$ 75,830,497</u>	<u>\$ 68,275,813</u>	<u>\$ (7,554,684)</u>
EXPENDITURES				
Current:				
Education	\$ 75,328,760	\$ 79,570,742	\$ 68,398,805	\$ 11,171,937
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,734,214)</u>	<u>\$ (3,740,245)</u>	<u>\$ (122,992)</u>	<u>\$ 3,617,253</u>
Net change in fund balances	\$ (2,734,214)	\$ (3,740,245)	\$ (122,992)	\$ 3,617,253
Fund balances - beginning	-	-	3,221,626	3,221,626
Fund balances - ending	<u>\$ (2,734,214)</u>	<u>\$ (3,740,245)</u>	<u>\$ 3,098,634</u>	<u>\$ 6,838,879</u>

County of Washington, Virginia
Combining Statement of Net Assets
Other Component Units
June 30, 2011

	<u>Park Authority</u>	<u>Industrial Develop- ment Authority</u>	<u>Virginia Highlands Airport Authority</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 199,963	\$ 3,784,788	\$ 1,285,086	\$ 5,269,837
Receivables (net of allowance for uncollectibles):				-
Accounts receivable	-	539,710	79,821	619,531
Notes receivable	-	13,340,000	-	13,340,000
Inventories	-	-	78,771	78,771
Prepaid expenses	10,935	-	3,425	14,360
Other assets:				
Unamortized bond issue costs	-	201,628	9,479	211,107
Capital assets (net of accumulated depreciation):				
Land	753,776	11,948,271	8,531,041	21,233,088
Buildings and system	110,742	1,402,475	1,907,438	3,420,655
Improvements other than buildings	651,135	-	5,414,873	6,066,008
Machinery and equipment	51,400	-	135,005	186,405
Construction in progress	-	-	1,131,129	1,131,129
Total assets	<u>\$ 1,777,951</u>	<u>\$ 31,216,872</u>	<u>\$ 18,576,068</u>	<u>\$ 51,570,891</u>
LIABILITIES				
Accounts payable	\$ 1,611	\$ 409,110	\$ 305,793	\$ 716,514
Accrued wages	-	-	14,080	14,080
Accrued interest payable	-	448,949	15,929	464,878
Long-term liabilities:				
Due within one year	-	715,000	10,237	725,237
Due in more than one year	-	18,840,000	653,050	19,493,050
Total liabilities	<u>\$ 1,611</u>	<u>\$ 20,413,059</u>	<u>\$ 999,089</u>	<u>\$ 21,413,759</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,567,053	\$ 9,815,746	\$ 16,465,486	\$ 27,848,285
Unrestricted (deficit)	209,287	988,067	1,111,493	2,308,847
Total net assets	<u>\$ 1,776,340</u>	<u>\$ 10,803,813</u>	<u>\$ 17,576,979</u>	<u>\$ 30,157,132</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, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Component Unit			Total
				Washington County Park Authority	Industrial Development Authority	Virginia Highlands Airport Authority	
OTHER COMPONENT UNITS:							
Washington Park Authority	\$ 268,499	\$ 202,152	\$ -	(66,347)	\$ -	\$ -	(66,347)
Industrial Development Authority	759,847	227,383	-	-	1,327,738	-	1,327,738
Virginia Highlands Airport Authority	2,113,073	1,748,846	-	-	-	12,956	12,956
Total component units	\$ 3,141,419	\$ 2,178,381	\$ -	\$ (66,347)	\$ 1,327,738	\$ 12,956	\$ 1,274,347
General revenues:							
Unrestricted revenues from use of money and property							
Miscellaneous				\$ 545	\$ 8,585	\$ 5,583	\$ 14,713
Payments from Washington County				600	3,532	-	4,132
Total general revenues				71,000	982,885	88,539	1,142,424
Change in net assets				72,145	995,002	94,122	1,161,269
Net assets - beginning				5,798	2,322,740	107,078	2,435,616
Net assets - ending				1,770,542	8,481,073	17,469,901	27,721,516
Net assets - ending				\$ 1,776,340	\$ 10,803,813	\$ 17,576,979	\$ 30,157,132

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

SUPPORTING SCHEDULES

County of Washington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 21,097,078	\$ 21,097,078	\$ 21,315,670	\$ 218,592
Real and personal public service corporation taxes	1,139,294	1,139,294	1,027,141	(112,153)
Personal property taxes	4,757,000	4,757,000	5,014,751	257,751
Mobile home taxes	111,500	111,500	102,531	(8,969)
Machinery and tools taxes	2,480,000	2,480,000	2,475,696	(4,304)
Penalties	235,000	235,000	299,496	64,496
Interest	180,000	180,000	298,650	118,650
Total general property taxes	<u>\$ 29,999,872</u>	<u>\$ 29,999,872</u>	<u>\$ 30,533,935</u>	<u>\$ 534,063</u>
Other local taxes:				
Local sales and use taxes	\$ 6,200,000	\$ 6,200,000	\$ 6,495,835	\$ 295,835
Consumers' utility taxes	1,125,000	1,125,000	1,124,352	(648)
Utility license taxes	120,000	120,000	166,159	46,159
Motor vehicle licenses	825,000	825,000	859,132	34,132
Bank stock taxes	31,000	31,000	32,523	1,523
Taxes on recordation and wills	302,000	302,000	329,510	27,510
Hotel and motel room taxes	40,000	40,000	34,605	(5,395)
Total other local taxes	<u>\$ 8,643,000</u>	<u>\$ 8,643,000</u>	<u>\$ 9,042,116</u>	<u>\$ 399,116</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses and other animal related fees	\$ 50,000	\$ 50,000	\$ 40,682	\$ (9,318)
Zoning, subdivision plat and soil erosion permits	4,500	4,500	4,857	357
Transfer and public hearing fees	1,250	1,250	600	(650)
Building permits	80,000	80,000	65,837	(14,163)
Waste hauling fees	14,500	14,500	7,000	(7,500)
Total permits, privilege fees, and regulatory licenses	<u>\$ 150,250</u>	<u>\$ 150,250</u>	<u>\$ 118,976</u>	<u>\$ (31,274)</u>
Fines and forfeitures:				
Court fines, forfeitures and interest	\$ 760,000	\$ 760,000	\$ 834,151	\$ 74,151
Revenue from use of money and property				
Revenue from use of money	\$ 225,000	\$ 225,000	\$ 216,797	\$ (8,203)
Revenue from use of property	33,500	33,500	27,283	(6,217)
Total revenue from use of money and property	<u>\$ 258,500</u>	<u>\$ 258,500</u>	<u>\$ 244,080</u>	<u>\$ (14,420)</u>
Charges for services:				
Excess fees of clerk	\$ 25,000	\$ 25,000	\$ 10,633	\$ (14,367)
Charges for law enforcement and traffic contro	28,000	28,000	31,000	3,000
Charges for transportation of prisoners	2,000	2,000	6,767	4,767
Charges for copies	8,000	8,000	4,119	(3,881)
Law library fees	8,500	8,500	11,222	2,722
Charges for Commonwealth's Attorney	2,000	2,000	3,542	1,542
Charges for highways and streets	10,000	10,000	27,021	17,021
Commission fees	7,500	62,120	70,815	8,695
Charges for sanitation and waste removal and other related fees	375,000	375,000	353,567	(21,433)
Charges for parks and recreation	31,500	31,500	28,800	(2,700)
Charges for library	29,000	29,000	23,658	(5,342)
Total charges for services	<u>\$ 526,500</u>	<u>\$ 581,120</u>	<u>\$ 571,144</u>	<u>\$ (9,976)</u>

County of Washington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 43,767	\$ 50,905	\$ 35,451	\$ (15,454)
Bristol, Tenn.-payment in lieu of taxes	900	900	1,170	270
Bristol, VA utilities board	48,671	48,671	48,671	-
Tennessee Valley Authority-payment in lieu of taxes	365,000	365,000	623,592	258,592
Total miscellaneous revenue	<u>\$ 458,338</u>	<u>\$ 465,476</u>	<u>\$ 708,884</u>	<u>\$ 243,408</u>
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 34,289	\$ 34,289
Facility management CS building	100,000	100,000	177,197	77,197
Alcohol, tobacco and firearms funds	10,000	10,000	6,037	(3,963)
Other recovered costs	415,383	491,833	132,270	(359,563)
Total recovered costs	<u>\$ 525,383</u>	<u>\$ 601,833</u>	<u>\$ 349,793</u>	<u>\$ (252,040)</u>
Total revenue from local sources	<u>\$ 41,321,843</u>	<u>\$ 41,460,051</u>	<u>\$ 42,403,079</u>	<u>\$ 943,028</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 37,500	\$ 37,500	\$ 63,620	\$ 26,120
Mobile home titling tax	90,000	90,000	84,354	(5,646)
Grantors tax	135,000	135,000	115,877	(19,123)
Communications sales taxes	1,800,000	1,800,000	1,683,882	(116,118)
Personal property tax relief funds	2,559,281	2,559,281	2,559,286	5
Total noncategorical aid	<u>\$ 4,621,781</u>	<u>\$ 4,621,781</u>	<u>\$ 4,507,019</u>	<u>\$ (114,762)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 364,813	\$ 364,813	\$ 361,797	\$ (3,016)
Sheriff	2,090,744	2,090,744	2,134,050	43,306
Commissioner of revenue	147,697	147,697	150,926	3,229
Treasurer	143,869	143,869	141,487	(2,382)
Registrar/electoral board	48,727	48,727	48,101	(626)
Clerk of the Circuit Court	319,223	336,134	337,510	1,376
Total shared expenses	<u>\$ 3,115,073</u>	<u>\$ 3,131,984</u>	<u>\$ 3,173,871</u>	<u>\$ 41,887</u>
Other categorical aid:				
Virginia Public Assistance	\$ 2,205,025	\$ 2,205,025	\$ 2,127,441	\$ (77,584)
Comprehensive services	1,114,182	1,114,182	767,439	(346,743)
Victim witness grant	40,000	40,000	50,148	10,148
Litter control grant	12,500	12,500	12,659	159
EMS grant-Four for life	60,000	60,000	52,105	(7,895)
Fire programs	125,000	125,000	117,526	(7,474)
Dog and cat sterilization grant	-	-	1,154	1,154
E-911 wireless grant	32,000	594,753	495,532	(99,221)
Library state aid	150,766	150,881	150,881	-
Asset forfeiture funds	-	75,048	75,048	-
Arts grant	5,000	5,000	5,000	-
DCJS-Edward Byrne IT grant	-	2,309	2,152	(157)
DEQ Mining rent and royalties	2,000	2,000	1,482	(518)
SLC E-rate	-	-	8,619	8,619
Library of VA preservation of records	-	2,903	-	(2,903)

County of Washington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Schedule 1
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
DOJ - internet crimes against children	\$ -	\$ 71,521	\$ 2,674	\$ (68,847)
Homeland security grant	-	34,235	17,000	(17,235)
Bullet proof vest	-	15,178	5,485	(9,693)
Forest land management	-	-	2,251	2,251
VDEM - tornado recovery	-	-	194,168	194,168
Emergency medical services	4,500	4,500	4,325	(175)
Total other categorical aid	\$ 3,750,973	\$ 4,515,035	\$ 4,093,089	\$ (421,946)
Total categorical aid	\$ 6,866,046	\$ 7,647,019	\$ 7,266,960	\$ (380,059)
Total revenue from the Commonwealth	\$ 11,487,827	\$ 12,268,800	\$ 11,773,979	\$ (494,821)
Revenue from the federal government:				
Payments in lieu of taxes	\$ 35,000	\$ 35,000	\$ 22,461	\$ (12,539)
Categorical aid:				
Virginia Public Assistance	\$ 2,425,350	\$ 2,425,350	\$ 2,340,013	\$ (85,337)
VDEM - citizen alerting grant	-	6,719	5,000	(1,719)
CDBG projects grant	-	156,131	74,954	(81,177)
CDBG SW VA Artisan Center grant	-	1,092,713	1,026,489	(66,224)
CDBG Meadowview community facility grant	-	-	150,000	150,000
DMV Highway safety	-	32,613	33,812	1,199
VDEM - radio project	-	-	94,336	94,336
DCJS-Byrne justice assistance grant	-	39,122	37,767	(1,355)
DCJS-VSTOP grant	35,000	35,654	31,609	(4,045)
Total categorical aid	\$ 2,460,350	\$ 3,788,302	\$ 3,793,980	\$ 5,678
Total revenue from the federal government	\$ 2,495,350	\$ 3,823,302	\$ 3,816,441	\$ (6,861)
Total General Fund	\$ 55,305,020	\$ 57,552,153	\$ 57,993,499	\$ 441,346
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 720,000	\$ 1,199,500	\$ 833,045	\$ (366,455)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT-Industrial access road funds	\$ -	\$ 442,730	\$ -	\$ (442,730)
VTC Grant	-	437,488	-	(437,488)
Total categorical aid	\$ -	\$ 880,218	\$ -	\$ (880,218)
Total revenue from the Commonwealth	\$ -	\$ 880,218	\$ -	\$ (880,218)
Total County Capital Improvements Fund	\$ 720,000	\$ 2,079,718	\$ 833,045	\$ (1,246,673)

County of Washington, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2011

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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>
Capital Projects Funds: (continued)				
School Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property				
Revenue from the use of money	\$ -	\$ -	\$ 11,298	\$ 11,298
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 230,887	\$ 230,887
Total revenue from local sources	\$ -	\$ -	\$ 242,185	\$ 242,185
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Literary subsidy proceeds	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
Total School Capital Improvements Fund	\$ 250,000	\$ 250,000	\$ 242,185	\$ (7,815)
Total Primary Government	\$ 56,275,020	\$ 59,881,871	\$ 59,068,729	\$ (813,142)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property				
Revenue from the use of money	\$ 26,500	\$ 26,500	\$ 14,313	\$ (12,187)
Revenue from the use of property	5,000	5,000	335	(4,665)
Total revenue from use of money and property	\$ 31,500	\$ 31,500	\$ 14,648	\$ (16,852)
Charges for services:				
Charges for education	\$ 521,100	\$ 521,100	\$ 616,044	\$ 94,944
Governor's School	140,536	140,536	414,375	273,839
Transportation of pupils	50,000	50,000	89,753	39,753
Cafeteria sales	1,969,019	1,969,019	1,547,245	(421,774)
Total charges for services	\$ 2,680,655	\$ 2,680,655	\$ 2,667,417	\$ (13,238)
Miscellaneous revenue:				
Other miscellaneous	\$ 1,035,681	\$ 1,094,856	\$ 1,335,579	\$ 240,723
Recovered costs:				
Other recovered costs	\$ 110,553	\$ 110,553	\$ 76,330	\$ (34,223)
Total revenue from local sources	\$ 3,858,389	\$ 3,917,564	\$ 4,093,974	\$ 176,410
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Washington, Virginia	\$ 24,489,314	\$ 25,341,246	\$ 21,362,551	\$ (3,978,695)

County of Washington, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 6,211,575	\$ 6,211,575	\$ 6,465,499	\$ 253,924
Basic school aid	20,642,027	20,642,027	19,325,365	(1,316,662)
GED funding	23,576	23,576	23,576	-
Regular foster care	376,755	376,755	122,343	(254,412)
Adult high school courses	4,200	4,200	22,063	17,863
Gifted and talented	222,564	222,564	220,040	(2,524)
Remedial education	544,046	544,046	537,876	(6,170)
National board certified teacher	-	17,500	17,500	-
Preschool initiative	467,514	467,514	369,090	(98,424)
Special education	1,928,891	1,928,891	1,907,017	(21,874)
Textbook payment	364,094	364,094	256,909	(107,185)
Vocational education	727,044	727,044	718,799	(8,245)
Vocational adult education	188,054	188,054	62,854	(125,200)
Vocational equipment	-	-	16,449	16,449
Vocational educational occupational tech ec	-	-	110,694	110,694
Social security fringe benefits	1,246,360	1,246,360	1,232,226	(14,134)
Retirement fringe benefits	736,935	736,935	728,578	(8,357)
Life insurance fringe benefits	44,513	44,513	44,008	(505)
Early reading intervention	43,612	43,612	39,458	(4,154)
Governors school	849,464	849,464	686,841	(162,623)
Jobs for Virginia graduates-lottery proceeds	-	-	21,000	21,000
Adult literacy	171,235	315,554	325,026	9,472
Homebound	45,772	45,772	45,258	(514)
School food	-	-	54,472	54,472
Regional programs	189,268	189,268	112,402	(76,866)
Special education - foster care	-	-	234,518	234,518
At risk payments	453,955	453,955	448,723	(5,232)
Mentor teacher program	2,693	2,693	4,270	1,577
Primary class size	535,806	535,806	528,720	(7,086)
Technology	466,000	466,000	518,000	52,000
Special ed jail program	2,461	2,461	2,421	(40)
SOL algebra readiness	74,547	74,547	72,366	(2,181)
English as a second language	33,943	33,943	43,167	9,224
GED testing	-	-	10,000	10,000
GED	-	-	75,000	75,000
Other state funds	-	-	15,089	15,089
Total categorical aid	\$ 36,596,904	\$ 36,758,723	\$ 35,417,617	\$ (1,341,106)
Total revenue from the Commonwealth	\$ 36,596,904	\$ 36,758,723	\$ 35,417,617	\$ (1,341,106)

County of Washington, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2011

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ 11,000	\$ 11,000	\$ 27,793	\$ 16,793
Adult basic education	400,000	400,000	366,168	(33,832)
Title I	-	654,540	348,553	(305,987)
Title VI-B, special education flow-through ARRA	1,454,440	1,454,440	1,354,011	(100,429)
Title VI-B, special education flow-through	-	1,073,863	799,769	(274,094)
Title VI-B, special education preschool	47,722	47,722	46,346	(1,376)
Title VI-B, special education preschool ARRA	-	-	35,679	35,679
Vocational education	130,000	130,000	141,587	11,587
Title II Part D ARRA	-	-	15,090	15,090
Drug free schools	42,389	42,389	1,958	(40,431)
Smiles VI grant fund	372,358	372,358	419,612	47,254
School breakfast and lunch program	1,525,000	1,525,000	1,909,363	384,363
Education technology formula grant	-	-	15,897	15,897
State fiscal stabilization funds	500,000	1,155,616	500,000	(655,616)
Title V	1,461,627	1,461,627	1,387,895	(73,732)
Other federal funds	1,705,403	1,484,409	31,950	(1,452,459)
Total categorical aid	<u>\$ 7,649,939</u>	<u>\$ 9,812,964</u>	<u>\$ 7,401,671</u>	<u>\$ (2,411,293)</u>
Total revenue from the federal government	<u>\$ 7,649,939</u>	<u>\$ 9,812,964</u>	<u>\$ 7,401,671</u>	<u>\$ (2,411,293)</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 72,594,546</u>	 <u>\$ 75,830,497</u>	 <u>\$ 68,275,813</u>	 <u>\$ (7,554,684)</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>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 171,450	\$ 180,897	\$ 152,124	\$ 28,773
General and financial administration:				
County administrator	\$ 213,049	\$ 317,903	\$ 305,853	\$ 12,050
Legal services	208,131	217,652	210,316	7,336
Commissioner of revenue	566,006	566,006	551,474	14,532
Treasurer	641,836	729,456	627,742	101,714
Central accounting and purchasing	267,858	267,858	261,225	6,633
Information technology	622,935	549,188	502,347	46,841
Assessor	100,000	100,000	33,425	66,575
Auditor	60,000	99,587	69,600	29,987
Total general and financial administration	\$ 2,679,815	\$ 2,847,650	\$ 2,561,982	\$ 285,668
Board of elections:				
Registrar	\$ 132,861	\$ 132,861	\$ 129,364	\$ 3,497
Electoral board	102,248	102,248	57,055	45,193
Total board of elections	\$ 235,109	\$ 235,109	\$ 186,419	\$ 48,690
Total general government administration	\$ 3,086,374	\$ 3,263,656	\$ 2,900,525	\$ 363,131
Judicial administration:				
Courts:				
Circuit court	\$ 64,676	\$ 64,676	\$ 59,882	\$ 4,794
General district court	29,721	29,721	25,662	4,059
Special magistrates	5,820	5,820	3,294	2,526
Clerk of the circuit court	610,717	634,531	579,907	54,624
Law library	8,500	11,676	7,573	4,103
Total courts	\$ 719,434	\$ 746,424	\$ 676,318	\$ 70,106
Commonwealth's attorney:				
Commonwealth's attorney	\$ 770,046	\$ 814,973	\$ 731,001	\$ 83,972
Total judicial administration	\$ 1,489,480	\$ 1,561,397	\$ 1,407,319	\$ 154,078
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,448,343	\$ 2,484,687	\$ 2,415,431	\$ 69,256
Litter Control	114,178	114,178	97,768	16,410
Victim witness assistance	56,055	56,543	51,370	5,173
Animal control	280,226	318,840	246,403	72,437
Interstate enforcement	1,683,099	1,711,954	1,636,275	75,679
Court security	258,838	262,162	249,129	13,033
Other Sheriff grants	144,367	510,873	304,651	206,222
Total law enforcement and traffic control	\$ 4,985,106	\$ 5,459,237	\$ 5,001,027	\$ 458,210
Fire and rescue services:				
Volunteer fire departments	\$ 838,678	\$ 838,678	\$ 816,799	\$ 21,879
Volunteer emergency operations	892,520	892,520	801,125	91,395
E-911	584,545	1,292,933	940,634	352,299
Other fire and rescue services	-	122,719	99,602	23,117
Total fire and rescue services	\$ 2,315,743	\$ 3,146,850	\$ 2,658,160	\$ 488,690

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>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Regional jail payments	\$ 2,144,203	\$ 2,144,203	\$ 2,143,554	\$ 649
Juvenile probation and detention	273,200	273,200	273,200	-
Total correction and detention	<u>\$ 2,417,403</u>	<u>\$ 2,417,403</u>	<u>\$ 2,416,754</u>	<u>\$ 649</u>
Inspections:				
Building	\$ 322,112	\$ 465,319	\$ 342,968	\$ 122,351
Other protection:				
Medical examiner	\$ 1,000	\$ 1,000	\$ 940	\$ 60
Emergency services	289,930	290,430	224,735	65,695
Total other protection	<u>\$ 290,930</u>	<u>\$ 291,430</u>	<u>\$ 225,675</u>	<u>\$ 65,755</u>
Total public safety	<u>\$ 10,331,294</u>	<u>\$ 11,780,239</u>	<u>\$ 10,644,584</u>	<u>\$ 1,135,655</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 2,193,167	\$ 2,193,167	\$ 2,029,674	\$ 163,493
Maintenance of general buildings and grounds				
General properties	\$ 1,199,886	\$ 1,231,875	\$ 1,125,593	\$ 106,282
Disaster recovery	-	357,500	394,553	(37,053)
Total maintenance of general buildings and grounds	<u>\$ 1,199,886</u>	<u>\$ 1,589,375</u>	<u>\$ 1,520,146</u>	<u>\$ 69,229</u>
Total public works	<u>\$ 3,393,053</u>	<u>\$ 3,782,542</u>	<u>\$ 3,549,820</u>	<u>\$ 232,722</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 476,491	\$ 476,491	\$ 476,491	\$ -
Mental health and mental retardation:				
Community services board	\$ 329,337	\$ 329,337	\$ 329,337	\$ -
Welfare:				
Virginia public assistance	\$ 5,693,443	\$ 5,753,443	\$ 5,297,462	\$ 455,981
Parent aide services grant	5,383	5,383	1,410	3,973
Area agency on aging	44,927	44,927	44,927	-
Community action agency	360,080	365,080	378,326	(13,246)
Community services	-	-	1,060,505	(1,060,505)
Indigent care	5,000	5,000	920	4,080
Total welfare	<u>\$ 6,108,833</u>	<u>\$ 6,173,833</u>	<u>\$ 6,783,550</u>	<u>\$ (609,717)</u>
Total health and welfare	<u>\$ 6,914,661</u>	<u>\$ 6,979,661</u>	<u>\$ 7,589,378</u>	<u>\$ (609,717)</u>
Education:				
Other instructional costs:				
Contributions to community college	\$ 82,532	\$ 82,532	\$ 82,532	\$ -
Contribution to County School Board	24,489,314	25,341,246	21,362,551	3,978,695
Total education	<u>\$ 24,571,846</u>	<u>\$ 25,423,778</u>	<u>\$ 21,445,083</u>	<u>\$ 3,978,695</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>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Parks	\$ 6,500	\$ 6,500	\$ 6,440	\$ 60
Recreation	254,718	261,422	234,428	26,994
Washington County Park Authority	71,000	71,000	71,000	-
Community centers	119,490	119,490	119,490	-
Athletic group activities	64,990	64,990	50,875	14,115
Total parks and recreation	<u>\$ 516,698</u>	<u>\$ 523,402</u>	<u>\$ 482,233</u>	<u>\$ 41,169</u>
Cultural enrichment:				
Cultural enrichment	\$ 152,720	\$ 152,720	\$ 148,220	\$ 4,500
Library:				
Washington County library	\$ 1,384,811	\$ 1,479,383	\$ 1,374,486	\$ 104,897
Branch libraries	111,703	114,644	118,251	(3,607)
Total library	<u>\$ 1,496,514</u>	<u>\$ 1,594,027</u>	<u>\$ 1,492,737</u>	<u>\$ 101,290</u>
Total parks, recreation, and cultura	<u>\$ 2,165,932</u>	<u>\$ 2,270,149</u>	<u>\$ 2,123,190</u>	<u>\$ 146,959</u>
Community development:				
Planning and community development:				
Regional planning	\$ 41,141	\$ 41,141	\$ 41,141	\$ -
Planning commission	23,807	23,807	23,062	745
Zoning	143,064	143,064	122,195	20,869
Community development	181,543	178,631	161,729	16,902
Economic development	216,342	216,342	214,992	1,350
Contribution to Virginia Highlands Airport	303,089	303,089	303,089	-
Contribution to Smyth/Washington Industrial Facility	365,142	365,142	346,940	18,202
Contribution to Washington County Industrial Development Authority	1,073,770	1,023,770	815,215	208,555
Contribution to Economic development	20,000	2,284,371	1,118,044	1,166,327
Total planning and community development	<u>\$ 2,367,898</u>	<u>\$ 4,579,357</u>	<u>\$ 3,146,407</u>	<u>\$ 1,432,950</u>
Environmental management:				
Contribution to soil and water district	\$ 30,330	\$ 30,330	\$ 30,330	\$ -
Cooperative extension program:				
Extension office	\$ 117,506	\$ 117,506	\$ 109,754	\$ 7,752
Total community development	<u>\$ 2,515,734</u>	<u>\$ 4,727,193</u>	<u>\$ 3,286,491</u>	<u>\$ 1,440,702</u>
Nondepartmental:				
Revenue refunds	\$ -	\$ -	\$ 46,731	\$ (46,731)
Other non departmental	415,920	422,323	185,245	237,078
Total nondepartmental	<u>\$ 415,920</u>	<u>\$ 422,323</u>	<u>\$ 231,976</u>	<u>\$ 190,347</u>
Debt service:				
Principal retirement	\$ -	\$ -	\$ 984,980	\$ (984,980)
Interest and other fiscal charges	-	-	506,210	(506,210)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,491,190</u>	<u>\$ (1,491,190)</u>
Total General Fund	<u>\$ 54,884,294</u>	<u>\$ 60,210,938</u>	<u>\$ 54,669,556</u>	<u>\$ 5,541,382</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>
Capital Projects Fund:				
County Capital Improvements Fund:				
Public works:				
Maintenance of general buildings and grounds				
Administration	\$ 520,000	\$ 527,500	\$ 102,041	\$ 425,459
Sheriff's office	165,000	3,238,435	235,775	3,002,660
Solid waste equipment	155,000	155,000	1,959	153,041
Solid waste facilities	25,000	25,000	19,013	5,987
Total maintenance of general building and grounds	<u>\$ 865,000</u>	<u>\$ 3,945,935</u>	<u>\$ 358,788</u>	<u>\$ 3,587,147</u>
Total public works	<u>\$ 865,000</u>	<u>\$ 3,945,935</u>	<u>\$ 358,788</u>	<u>\$ 3,587,147</u>
Parks, recreation, and cultural:				
Parks and recreation:				
White's Mill restoration	\$ -	\$ 409,623	\$ 40,981	\$ 368,642
Damascus branch library project	25,000	996,609	35,624	960,985
Glade Spring branch library project	345,000	452,500	449,153	3,347
Main branch library project	-	15,000	14,500	500
Beaverdam Creek park	25,000	803,715	439,787	363,928
Capital Contributions	200,000	255,288	243,667	11,621
Total parks, recreation, and cultural	<u>\$ 595,000</u>	<u>\$ 2,932,735</u>	<u>\$ 1,223,712</u>	<u>\$ 1,709,023</u>
Debt service:				
Principal retirement	\$ 130,000	\$ 604,756	\$ 9,750,000	\$ (9,145,244)
Interest and other fiscal charges	506,255	837,753	450,954	386,799
Total debt service	<u>\$ 636,255</u>	<u>\$ 1,442,509</u>	<u>\$ 10,200,954</u>	<u>\$ (8,758,445)</u>
Total Capital Projects Fund	<u>\$ 2,096,255</u>	<u>\$ 8,321,179</u>	<u>\$ 11,783,454</u>	<u>\$ (3,462,275)</u>
School Capital Improvements Fund:				
Education:				
Operating costs:				
Facilities	\$ 4,957,000	\$ 6,462,150	\$ 5,693,625	\$ 768,525
Debt service:				
Principal retirement	\$ -	\$ -	\$ 10,200,000	\$ (10,200,000)
Interest and other fiscal charges	-	-	243,848	(243,848)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,443,848</u>	<u>\$ (10,443,848)</u>
Total School Capital Improvements Fund	<u>\$ 4,957,000</u>	<u>\$ 6,462,150</u>	<u>\$ 16,137,473</u>	<u>\$ (9,675,323)</u>
Total Primary Government	<u>\$ 66,894,549</u>	<u>\$ 81,456,417</u>	<u>\$ 88,284,108</u>	<u>\$ (6,827,691)</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>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration, attendance and health	\$ 2,662,376	\$ 2,713,087	\$ 2,429,931	\$ 283,156
Instruction	56,619,632	59,479,961	49,413,090	10,066,871
Instructional technology	1,552,156	1,655,265	1,646,803	8,462
Total instruction costs	<u>\$ 60,834,164</u>	<u>\$ 63,848,313</u>	<u>\$ 53,489,824</u>	<u>\$ 10,358,489</u>
Operating costs:				
Pupil transportation	\$ 4,128,441	\$ 4,837,479	\$ 4,806,379	\$ 31,100
Operation and maintenance of school plant	6,343,341	6,608,418	6,443,918	164,500
School food services	4,022,814	4,276,532	3,658,684	617,848
Total operating costs	<u>\$ 14,494,596</u>	<u>\$ 15,722,429</u>	<u>\$ 14,908,981</u>	<u>\$ 813,448</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 75,328,760</u>	<u>\$ 79,570,742</u>	<u>\$ 68,398,805</u>	<u>\$ 11,171,937</u>

STATISTICAL SECTION

Table 1

County of Washington, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

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
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
2002-03	1,965,513	907,096	6,199,608	2,636,127	5,660,015	18,636,740	1,767,870	2,203,361	-	764,540	40,740,870

(1) Information has only been available for 9 years.

Table 2

County of Washington, Virginia
Government-Wide Revenues
Last Ten Fiscal Years (1)

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		
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	
2006-07	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	
2002-03	1,009,977	7,804,373	-	21,394,709	7,857,865	160,768	265,955	2,810,066	41,303,713	

(1) Information has only been available for 9 years.

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
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	2,968,124	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	2,214,886	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	-	1,565,256	105,007,059
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	60,747,665	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
2002-03	1,974,159	891,155	6,490,676	2,775,497	5,655,059	52,941,775	1,812,792	1,640,176	-	-	1,702,725	75,884,014
2001-02	2,004,168	961,544	6,273,257	2,759,583	5,273,000	51,901,352	1,690,285	1,051,687	-	1,553,224	1,502,666	74,970,766

(1) Includes General, Special Revenue funds of the Primary Government and its Discretely Presented Component Units. (Excludes County Capital Improvements Fund and School Capital Improvements Fund)

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

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
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	738,157	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	51,939,363	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	80,568,059
2002-03	20,954,014	7,857,865	159,222	38,101	169,320	3,005,906	910,321	601,200	42,853,981	76,549,930
2001-02	20,367,934	7,440,430	190,769	46,270	313,267	3,089,810	669,185	229,100	42,519,287	74,866,052

(1) Includes General, Special Revenue funds of the Primary Government and its Discretely Presented Component Units. (Excludes County Capital Improvements Fund and School Capital Improvements 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	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 (1,2,3)	Percent of Delinquent Taxes to Tax Levy
2010-11	\$ 30,081,650	\$ 28,926,556	96.16%	\$ 1,149,142	\$ 30,075,798	99.98%	\$ 2,776,060	9.23%
2009-10 (4)	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%
2002-03	23,080,947	22,418,839	97.13%	489,539	22,908,378	99.25%	715,056	3.10%
2001-02	22,411,076	21,863,723	97.56%	455,267	22,318,990	99.59%	561,003	2.50%

(1) Exclusive of penalties and interest.

(2) Includes current year taxes receivable only.

(3) Excludes bills totalling \$128,957 that are before the tax commissioner and are not considered delinquent until a ruling is reached.

(4) 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	
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
2002-03	2,415,334,275	367,167,603	171,601,551	214,914,064		3,169,017,493
2001-02	2,376,123,800	366,583,026	192,089,250	124,865,310		3,059,661,386

(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
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
2002-03	0.57	1.55	1.55
2001-02	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
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
2002-03	51,103	3,169,017	15,582,385	15,582,385	0.49%	305
2001-02	51,103	3,059,661	15,656,012	15,656,012	0.51%	306

(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
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%
2002-03	940,192	762,533	1,702,725	75,884,014	2.24%
2001-02	619,624	883,042	1,532,211	74,970,766	2.04%

(1) Includes General fund of the Primary Government and operating fund of 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

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

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

We have audited the financial statements of the governmental 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, 2011, which collectively comprise the County of Washington, Virginia's basic financial statements and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Washington, Virginia in a separate letter dated November 28, 2011.

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

Robinson, Turner, Cox Associates

Christiansburg, Virginia
November 28, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

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, 2011. The County of Washington, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Washington, Virginia's management. Our responsibility is to express an opinion on the County of Washington, Virginia's compliance based on our audit.

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

In our opinion, the County of Washington, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

Robinson, Turner, & Associates

Christiansburg, Virginia
November 28, 2011

County of Washington, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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 and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	90544, 90545	\$ 135,864
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	90116, 90117, 90118, 90236 90237, 90238, 90378	118,147
ARRA - Child Care and Development Block Grant	93.713	90116, 90117, 90118, 90236 90237, 90238, 90378	14,853
Promoting Safe and Stable Families	93.556	90249, 90360	25,602
Temporary Assistance for Needy Families (TANF)	93.558	90109, 90110, 90111, 90112 90127, 90229, 90230, 90231 90232, 90247, 90366, 90409 90411, 90412, 90413	461,029
Refugee and Entrant Assistance - State Administered Programs	93.566	90113, 90233, 90413, 90713	845
Low-Income Home Energy Assistance	93.568	90114, 90115, 90234, 90235	29,195
Stephanie Tubbs Jones Child Welfare Services Program	93.645	90251	1,805
Foster Care - Title IV-E	93.658	90105, 90106, 90107, 90209 90225, 90226, 90227, 90253 90258, 90405, 90406, 90407 90636, 90637, 90639, 90658 90705, 90706, 90707, 90733 90738	401,959
Adoption Assistance	93.659	90108, 90214, 90228, 90408 90606, 90708	109,697
Social Services Block Grant	93.667	90120, 90122, 90123, 90240 90242, 90243, 90262, 90306 90312, 90322, 90339, 90340 90254	317,181
Chafee Foster Care Independence Program	93.674	90102, 90222, 90402, 90702	8,251
Children's Health Insurance Program	93.767	90101, 90146, 90213, 90221	13,095
Medical Assistance Program	93.778	90266, 90401, 90446, 90701 90746	261,239
Total Department of Health and Human Services			\$ 1,898,762
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster-Food Distribution (Note 3)	10.555	40623	\$ 240,217
Department of Education:			
Child Nutrition Cluster-National school lunch program	10.555	40623	\$ 1,569,146
Schools and Roads Cluster-Schools and Roads--Grants to States	10.665	43841	\$ 27,793
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704	441,251
Total Department of Agriculture			\$ 2,378,407
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226	Not applicable	\$ 22,461
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	08WFAX0050; 09WFAX0037	\$ 31,609
Compensation Board:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program - Grants to States and Territories	16.803	09SUB9033	\$ 37,767
Total Department of Justice			\$ 69,376
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607		\$ 33,812

County of Washington, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Emergency Management Agency: Pass Through Payments: Department of Emergency Management: State and Local All Hazards Emergency Operations Planning	83.562	99910	\$ 5,000
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 ARRA - Special Education - Grants to states Special Education - Preschool grants ARRA - Special Education - Preschool grants Improving Teacher Quality State Grants ARRA - Teacher Quality Enhancement Partnerships Adult Education - Basic grants to states Career and Technical Education - Basic grants to states Safe and drug-free schools and communities - state grants Education Technology State Grants Gaining Early Awareness and Readiness for Undergraduate Programs ARRA - State Fiscal Stabilization Funds - Education State Grants	84.010 84.389 84.027 84.391 84.173 84.392 84.367 84.405 84.002 84.048 84.186 84.318 84.334 84.394	42901; 42999 42913 43071 61245 62521 62521 61480 61480 42801; 61111 61095 65011 61600 62532A; 62532	\$ 1,387,895 348,553 1,354,011 799,769 46,346 35,679 419,612 15,090 366,168 141,587 1,958 15,897 31,950 500,000
Total Department of Education			\$ 5,464,515
Department of Housing and Urban Development: Pass Through Payments: Department of Housing and Community Development: Community development block grant	14.228	50797	\$ 1,251,443
Department of Homeland Security: Pass Through Payments: Department of Emergency Services: Inoperable Emergency Communications Grant	97.001		\$ 94,336
Total Expenditures of Federal Awards			\$ 11,218,112

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, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Washington, Virginia, it is not intended to and does not present the financial position, changes in net assets, 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, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
(2) Pass-through entity identifying numbers are presented where available.

Note 3 -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2011, 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	\$ 3,816,441
Component Unit Schools: School Operating Fund	\$ 7,401,671
Total federal expenditures per basic financial statements	\$ 11,218,112
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 11,218,112

COUNTY OF WASHINGTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Type of auditor's report issued on compliance for major programs:	Unqualified
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Any findings disclosed that are required to be reported in accordance with Circular A-133 Section 510(a)?	No
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010/84.389	Title I, Part A Cluster
93.575/93.596/93.713	Child Care and Development Funds Cluster
84.367/84.405	Improving Teacher Quality State Grants
84.394	ARRA - State Fiscal Stabilization Funds-Education State Grants
84.027/84.173/84.391/84.392	Special Education - IDEA Cluster
14.228	Community Development Block Grant
84.002	Adult Basic Education
93.667	Social Services Block Grant

COUNTY OF WASHINGTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

Section I – Summary of Auditor's Results (Continued)

Federal Awards (Continued)

Dollar threshold used to distinguish between type A and type B programs:	\$ 342,368
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Status of Prior Audit Findings

None