

COUNTY OF WASHINGTON, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

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

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## INTRODUCTORY SECTION

## COUNTY OF WASHINGTON, VIRGINIA

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### BOARD OF SUPERVISORS

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Phillip B. McCall	Joseph C. Straten, Chair	William B. Gibson
Dulcie M. Mumpower		Randy L. Pennington
C. Wayne Stevens, Jr.		Odell Owens
	Mark K. Reeter, Clerk	

### COUNTY SCHOOL BOARD

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

### SOCIAL SERVICES BOARD

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

### OTHER OFFICIALS

---

Chief Judge of the Circuit Court .....	C. Randall Lowe, Presiding Judge
Judge of the Circuit Court .....	Issac St. C. Freeman
Judge of the Circuit Court .....	Sage B. Johnson
Judge of the District Court.....	V. Blake Mckinney, Presiding & Chief Judge
Judge of the District Court.....	Joseph S. Tate
Judge of Juvenile and Domestic Relations Court.....	Deanis L. Simmons
Judge of Juvenile and Domestic Relations Court .....	Florence A. Powell, Presiding & Chief Judge
Clerk of the Circuit Court.....	Patricia S. Phipps, Presiding Judge
Commonwealth's Attorney .....	Nicole M. Price
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 .....	Randall T. Blevins
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

### TO THE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF WASHINGTON, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit School Board, each major fund and the aggregate remaining fund information of the County of Washington, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of 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 Virginia Highlands Airport Authority, the Industrial Development Authority of Washington County or the Park Authority of Washington County which represent 65% and 19% of the total net assets and program revenues, respectively, of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion insofar as it related to the amounts included for the Virginia Highlands Airport Authority, the Industrial Development Authority of Washington County, or the Park Authority of Washington County in the discretely presented component units, are based on the report of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the County of Washington, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, 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 the 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 introductory section, other supplementary information, supporting schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the 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 other supplementary information, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Robinson, Turner, Cox Associates*

Blacksburg, Virginia  
December 13, 2012

## 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, 2012. 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 \$33,379,353 (net assets). Of this amount, \$20,385,524 was considered unrestricted.
- The assets of the School Board component unit exceeded its liabilities at the close of the fiscal year by \$17,443,539 (net assets). Of this amount \$(1,294,307) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$31,584,627. Of the amount \$14,996,781 was considered unassigned, \$6,100,822 was considered assigned, \$5,140,330 was considered committed, \$4,914,448 was considered restricted and \$432,246 was considered nonspendable.
- During the year, the County had governmental expenditures that were \$1,877,992 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 Internal Service Fund accounts for activities similar to those found in the private sector.

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

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

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

#### Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a County's financial position. In the case of the County's Primary Government, assets exceed liabilities by \$33,379,353 at the close of the most recent fiscal year.

A significant portion of the County's net assets \$8,079,381 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 \$4,914,448, are subject to restrictions on how they may be used. The remaining balance of net assets \$20,385,524 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 2012 and 2011.

#### Statement of Net Assets

	Governmental Activities	Governmental Activities
	2012	2011
Current and other assets	\$ 60,996,444	\$ 62,330,050
Capital and other assets	34,855,861	30,070,311
Total assets	<u>\$ 95,852,305</u>	<u>\$ 92,400,361</u>
Current and other liabilities	\$ 28,777,974	\$ 28,610,140
Long-term liabilities	33,694,978	35,249,478
Total Liabilities	<u>\$ 62,472,952</u>	<u>\$ 63,859,618</u>
Net assets:		
Invested in capital assets,		
net of related debt	\$ 8,079,381	\$ 13,989,174
Restricted	4,914,448	9,240,306
Unrestricted	20,385,524	5,311,263
Total net assets	<u>\$ 33,379,353</u>	<u>\$ 28,540,743</u>

## Statement of Activities

	Governmental Activities 2012	Governmental Activities 2011
Program revenues		
Charges for services	\$ 1,830,599	\$ 1,524,271
Operating grants and contributions	11,403,196	11,941,158
General revenues		
Property taxes	32,986,799	30,775,045
Other taxes	9,109,624	9,042,116
Revenue from use of money and property	193,751	255,378
Miscellaneous	1,582,918	1,541,929
Intergovernmental revenues		
Grants and contributions not restricted to specific programs	4,645,697	3,649,262
Total revenues	<u>61,752,584</u>	<u>58,729,159</u>
Expenses		
General government	3,392,022	2,758,254
Judicial administration	1,442,053	1,434,023
Public Safety	10,373,244	10,819,665
Public works	4,710,465	3,984,154
Health and welfare	7,571,268	7,631,737
Education	22,448,687	21,598,926
Parks, recreation and cultural	2,153,236	2,450,828
Community development	3,599,243	3,308,476
Interest on debt	1,223,756	1,546,660
Total expenses	<u>56,913,974</u>	<u>55,532,723</u>
Change in net assets	<u>\$ 4,838,610</u>	<u>\$ 3,196,436</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 \$31,584,627; 1% or \$432,246 constitutes nonspendable fund balance, 16% or \$4,914,448 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 16% or \$5,140,330 has been committed by action of the Board of Supervisors and 19% or \$6,100,822 has been assigned by the Board of Supervisors. The remaining balance, \$14,996,781 or 48% 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 \$27,615,124, of this amount \$14,996,781 was considered unassigned. The two Capital Improvement funds had restricted fund balances of \$3,969,503.

Total governmental fund revenues increased \$2,790,770 and expenses decreased \$18,852,992 over prior year amounts. For fiscal year ended June 30, 2012, expenses exceeded revenues by \$1,877,992, as compared to the fiscal year ended June 30, 2011, revenues exceeded expenses by \$23,521,754.

#### 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, 2012 amounts to \$34,855,861 (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	\$ 1,121,643
OPEB obligation	683,611
General obligation bonds	17,513,708
Lease revenue notes	13,070,000
Landfill post-closure costs	52,160
Literary Funds	2,913,136
Total	<u>\$ 35,354,258</u>

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

#### Economic Factors

The June 2012 unemployment rate for the County of Washington, Virginia was 7.4%, which is a decrease from a rate of 8.0% in June 2011. This is slightly above the state's average unemployment rate of 5.7% and below the national average rate of 8.2%.

#### 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.



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## Basic Financial Statements

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

	Primary Government		Component	
	Governmental		Units	
	Activities	School Board	Other	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 30,483,448	\$ 4,138,128	\$ 4,233,775	
Investments	902,418	-	-	
Receivables (net of allowance for uncollectibles):				
Taxes receivable	28,194,499	-	-	
Accounts receivable	654,086	-	583,007	
Notes receivable	-	339,020	13,070,000	
Internal balances	(2,321,321)	2,321,321	-	
Due from other governmental units	2,651,068	2,085,394	-	
Inventories	-	-	82,972	
Prepaid expenses	432,246	534,177	21,444	
Other assets:				
Unamortized bond issue costs	-	-	185,630	
Capital assets (net of accumulated depreciation):				
Land	1,926,515	3,029,475	24,216,211	
Buildings and system	25,205,666	9,579,408	4,068,005	
Improvements other than buildings	-	-	5,993,823	
Machinery and equipment	1,655,996	5,992,273	211,318	
Construction in progress	6,067,684	136,690	447,602	
Total assets	<u>\$ 95,852,305</u>	<u>\$ 28,155,886</u>	<u>\$ 53,113,787</u>	
<b>LIABILITIES</b>				
Accounts payable	\$ 1,160,888	\$ 960,217	\$ 556,781	
Accrued liabilities	-	745,271	106,174	
Accrued wages	-	3,785,518	12,866	
Accrued interest payable	558,549	-	366,726	
Unearned revenue	25,399,257	-	-	
Long-term liabilities:				
Due within one year	1,659,280	-	858,577	
Due in more than one year	33,694,978	5,221,341	18,487,626	
Total liabilities	<u>\$ 62,472,952</u>	<u>\$ 10,712,347</u>	<u>\$ 20,388,750</u>	
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 8,079,381	\$ 18,737,846	\$ 31,021,892	
Restricted	4,914,448	-	-	
Unrestricted (deficit)	20,385,524	(1,294,307)	1,703,145	
Total net assets	<u>\$ 33,379,353</u>	<u>\$ 17,443,539</u>	<u>\$ 32,725,037</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit	
						School Board	Other Component Units
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 3,392,022	\$ 90,546	\$ 141,919	\$ -	\$ (3,159,557)	\$ -	\$ -
Judicial administration	1,442,053	39,578	721,667	-	(680,808)	-	-
Public safety	10,373,244	1,054,560	3,203,112	-	(6,115,572)	-	-
Public works	4,710,465	556,436	1,664,920	-	(2,489,109)	-	-
Health and welfare	7,571,268	-	4,909,913	-	(2,661,355)	-	-
Education	22,448,687	-	507,482	-	(21,941,205)	-	-
Parks, recreation, and cultural	2,153,236	85,629	160,305	-	(1,907,302)	-	-
Community development	3,599,243	3,850	93,878	-	(3,501,515)	-	-
Interest on long-term debt	1,223,756	-	-	-	(1,223,756)	-	-
Total primary government	\$ 56,913,974	\$ 1,830,599	\$ 11,403,196	\$ -	\$ (43,680,179)	\$ -	\$ -
<b>COMPONENT UNITS:</b>							
School Board	\$ 70,244,136	\$ 2,825,874	\$ 45,593,184	\$ -	\$ -	\$ (21,825,078)	\$ -
Other Component Units	7,697,464	2,247,273	-	5,998,247	-	-	548,056
Total component units	\$ 77,941,600	\$ 5,073,147	\$ 45,593,184	\$ 5,998,247	\$ -	\$ (21,825,078)	\$ 548,056
General revenues:							
General property taxes					\$ 32,986,799	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					6,624,384	-	-
Consumers' utility taxes					1,104,472	-	-
Consumption taxes					124,410	-	-
Utility license taxes					39,327	-	-
Motor vehicle licenses					858,601	-	-
Bank stock taxes					28,860	-	-
Taxes on recordation and wills					293,516	-	-
Hotel and motel room taxes					36,054	-	-
Unrestricted revenues from use of money and property					193,751	22,123	14,516
Miscellaneous					1,582,918	1,554,811	104,781
Payments from Washington County					-	20,423,576	1,989,129
Grants and contributions not restricted to specific programs					4,645,697	-	-
Total general revenues					\$ 48,518,789	\$ 22,000,510	\$ 2,108,426
Change in net assets					\$ 4,838,610	\$ 175,432	\$ 2,656,482
Net assets - beginning, as restated					28,540,743	17,268,107	30,068,555
Net assets - ending					\$ 33,379,353	\$ 17,443,539	\$ 32,725,037

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

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

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 26,413,794	\$ 2,842,016	\$ 1,227,638	\$ 30,483,448
Investments	902,418	-	-	902,418
Receivables (net of allowance for uncollectibles):				
Taxes receivable	28,194,499	-	-	28,194,499
Other receivables	654,086	-	-	654,086
Due from other governmental units	2,275,317	375,751	-	2,651,068
Prepaid items	432,246	-	-	432,246
Total assets	<u>\$ 58,872,360</u>	<u>\$ 3,217,767</u>	<u>\$ 1,227,638</u>	<u>\$ 63,317,765</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 684,986	\$ 470,902	5,000	\$ 1,160,888
Due to component unit	2,321,321	-	-	2,321,321
Deferred revenue	28,250,929	-	-	28,250,929
Total liabilities	<u>\$ 31,257,236</u>	<u>\$ 470,902</u>	<u>\$ 5,000</u>	<u>\$ 31,733,138</u>
Fund balances:				
Nonspendable	\$ 432,246	\$ -	\$ -	\$ 432,246
Restricted	944,945	2,746,865	1,222,638	4,914,448
Committed	5,140,330	-	-	5,140,330
Assigned	6,100,822	-	-	6,100,822
Unassigned	14,996,781	-	-	14,996,781
Total fund balances	<u>\$ 27,615,124</u>	<u>\$ 2,746,865</u>	<u>\$ 1,222,638</u>	<u>\$ 31,584,627</u>
Total liabilities and fund balances	<u>\$ 58,872,360</u>	<u>\$ 3,217,767</u>	<u>\$ 1,227,638</u>	<u>\$ 63,317,765</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, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 31,584,627
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,855,861
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,851,672
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(35,912,807)
Net assets of governmental activities	<u>\$ 33,379,353</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, 2012

	General	County Capital Improvements	Other Governmental Funds	Total
<b>REVENUES</b>				
General property taxes	\$ 32,681,231	\$ -	\$ -	\$ 32,681,231
Other local taxes	9,109,624	-	-	9,109,624
Permits, privilege fees, and regulatory licenses	119,384	-	-	119,384
Fines and forfeitures	897,988	-	-	897,988
Revenue from the use of money and property	191,382	-	2,369	193,751
Charges for services	813,227	-	-	813,227
Miscellaneous	973,715	609,203	-	1,582,918
Recovered costs	393,582	-	18,901	412,483
Intergovernmental revenues:				
Commonwealth	11,252,082	689,420	507,482	12,448,984
Federal	3,599,909	-	-	3,599,909
Total revenues	<u>\$ 60,032,124</u>	<u>\$ 1,298,623</u>	<u>\$ 528,752</u>	<u>\$ 61,859,499</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,236,958	\$ -	\$ -	\$ 3,236,958
Judicial administration	1,433,084	-	-	1,433,084
Public safety	10,380,260	-	-	10,380,260
Public works	3,750,554	3,883,601	-	7,634,155
Health and welfare	7,578,463	-	-	7,578,463
Education	21,022,831	-	1,962,619	22,985,450
Parks, recreation, and cultural	2,029,542	1,387,862	-	3,417,404
Community development	3,595,679	-	-	3,595,679
Nondepartmental	522,018	-	-	522,018
Debt service:				
Principal retirement	1,330,821	270,000	-	1,600,821
Interest and other fiscal charges	671,834	681,365	-	1,353,199
Total expenditures	<u>\$ 55,552,044</u>	<u>\$ 6,222,828</u>	<u>\$ 1,962,619</u>	<u>\$ 63,737,491</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,480,080</u>	<u>\$ (4,924,205)</u>	<u>\$ (1,433,867)</u>	<u>\$ (1,877,992)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 1,211,613	\$ 1,179,067	\$ 2,390,680
Transfers out	(2,390,680)	-	-	(2,390,680)
Total other financing sources (uses)	<u>\$ (2,390,680)</u>	<u>\$ 1,211,613</u>	<u>\$ 1,179,067</u>	<u>\$ -</u>
Net change in fund balances	\$ 2,089,400	\$ (3,712,592)	\$ (254,800)	\$ (1,877,992)
Fund balances - beginning	25,525,724	6,459,457	1,477,438	33,462,619
Fund balances - ending	<u>\$ 27,615,124</u>	<u>\$ 2,746,865</u>	<u>\$ 1,222,638</u>	<u>\$ 31,584,627</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, 2012

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

Net change in fund balances - total governmental funds	\$ (1,877,992)
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 capital outlays exceeded depreciation in the current period.	4,785,550
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	305,568
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 obligations and related items.	1,600,195
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.	25,289
Change in net assets of governmental activities	<u>\$ 4,838,610</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, 2012

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	Internal Service Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,331,388
<b>LIABILITIES</b>	
Current liabilities:	
Incurred but unpaid liability	\$ 745,271
<b>NET ASSETS</b>	
Unrestricted	\$ 586,117
Total net assets	\$ 586,117

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, 2012

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	Internal Service Fund
<b>OPERATING REVENUES</b>	
Charges for services:	
Insurance premiums	\$ 8,286,004
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	\$ 8,282,194
Miscellaneous	20
Total operating expenses	\$ 8,282,214
 Operating income (loss)	 \$ 3,790
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	\$ 20,495
 Change in net assets	 \$ 24,285
Total net assets - beginning	561,832
Total net assets - ending	\$ 586,117

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, 2012

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	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 8,286,004
Payments for premiums	(8,242,876)
Other receipts (payments)	(20)
Net cash provided by (used for) operating activities	<u>\$ 43,108</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	\$ 20,495
Net cash provided by (used for) investing activities	<u>\$ 20,495</u>
Net increase (decrease) in cash and cash equivalents	\$ 63,603
Cash and cash equivalents - beginning	1,267,785
Cash and cash equivalents - ending	<u><u>\$ 1,331,388</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 3,790
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in amounts incurred but unpaid	\$ 39,318
Net cash provided by (used for) operating activities	<u><u>\$ 43,108</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, 2012

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 240,116
Receivables:	
Other receivables	19,834
Total assets	<u>\$ 259,950</u>
<b>LIABILITIES</b>	
Amounts held for Social Services clients	\$ 226,293
Amounts held for County employee fringe benefits	33,657
Total liabilities	<u>\$ 259,950</u>

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

Other Discretely Presented Component Units:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010

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

A. Financial Reporting Entity (continued)

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

Jointly Governed Organizations - None

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net 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 net assets is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

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 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

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

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on May 20<sup>th</sup> and November 20<sup>th</sup>. Personal property taxes are due and collectible annually on November 20<sup>th</sup>. The County bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$275,133 at June 30, 2012 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.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

**Note 1-Summary of Significant Accounting Policies: (continued)****D. Assets, liabilities, and net assets or equity (continued)****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 asset life is not capitalized.

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

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

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

**7. Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

**8. Long-term obligations**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

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

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

8. Long-term obligations (continued)

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.

9. Fund equity

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

9. Fund equity (continued)

The County's Board of Supervisors has authorized the County Administrator to assign fund balance to a specific purpose as approved within the County fund balance policy.

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

10. Net Assets

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$35,912,807) and (\$5,221,341) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Literary loans	\$ (2,913,136)	\$ -
Bonds, bond premium and note	(30,583,708)	-
Accrued interest payable	(558,549)	-
Landfill accrued post-closure monitoring costs	(52,160)	-
Net OPEB obligation	(683,611)	(1,743,648)
Compensated absences	(1,121,643)	(3,477,693)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (35,912,807)	\$ (5,221,341)

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$4,785,550 and \$996,906 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 6,067,213	\$ 3,112,976
Depreciation expenses	(1,281,663)	(2,116,070)
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>	\$ 4,785,550	\$ 996,906

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,600,195 difference in the primary government, are as follows:

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$25,289 and (\$572,826) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
	<u>                    </u>	<u>                    </u>
(Increase) decrease in compensated absences	\$ 45,023	\$ (241,890)
(Increase) decrease in accrued interest	115,261	-
(Increase) decrease in net OPEB obligation	(149,177)	(330,936)
(Increase) decrease in premium amortization	<u>14,182</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes</i> <i>in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>25,289</u>	\$ <u>(572,826)</u>

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

- A. Budgetary information

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

1. Prior to April 1st, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

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

A. Budgetary information (continued)

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

B. Excess of expenditures over appropriations

For fiscal year 2012, the health and welfare department had an excess of expenditures over appropriations.

C. Deficit fund equity

At June 30, 2012, no funds had deficit fund equity.

**Note 4-Deposits and Investments:**

Deposits:

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

Investments:

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



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**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, 2012 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, 2012 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale for LGIP and SNAP investments and Moody's rating scale for commercial paper.

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	AAm
LGIP	\$ 254,688	\$ -
SNAP	-	647,730

Concentration of Credit Risk

At June 30, 2012, 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, 2012, 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, 2012

**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>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 212,360	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	1,101,562	-
State sales tax	-	1,232,941
Categorical aid-shared expenses	295,667	-
Categorical aid-other	580,280	-
Non-categorical aid	73,566	-
Categorical aid-VPA funds	151,631	-
Categorical aid-CSA funds	76,410	-
Other state aid	-	391
<u>Federal Government:</u>		
Categorical aid-VPA funds	159,592	-
Categorical aid-other	-	852,062
Totals	\$ 2,651,068	\$ 2,085,394

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

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ 2,321,321	\$ -
Component Unit - School Board:		
School Fund	\$ -	\$ 2,321,321

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

Primary Government - Governmental Activity Indebtedness:

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

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General Obligation bonds and note	\$ 18,271,671	\$ -	\$ (1,048,798)	\$ 17,222,873
General Obligation bond premium	305,017	-	(14,182)	290,835
Literary loans	3,195,159	-	(282,023)	2,913,136
Lease revenue notes	13,340,000	-	(270,000)	13,070,000
Landfill post-closure liability	51,534	626	-	52,160
Net OPEB obligation	534,434	236,177	(87,000)	683,611
Compensated absences	1,166,666	-	(45,023)	1,121,643
Total	<u>\$ 36,864,481</u>	<u>\$ 236,803</u>	<u>\$ (1,747,026)</u>	<u>\$ 35,354,258</u>

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

Year Ending June 30,	Literary Loans		GO Bonds and Note		Lease Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 282,023	\$ 87,394	\$ 1,013,075	\$ 504,033	\$ 350,000	\$ 599,157
2014	282,022	78,933	1,036,579	456,436	350,000	592,158
2015	282,024	70,473	1,176,154	407,729	360,000	584,833
2016	282,023	62,012	1,316,805	357,486	365,000	576,445
2017	282,023	53,551	1,385,603	314,166	385,000	566,589
2018-2022	1,359,397	140,930	6,622,888	930,193	2,100,000	2,630,081
2023-2027	143,624	7,746	4,380,006	257,340	2,595,000	2,123,856
2028-2032	-	-	291,763	7,441	2,580,000	1,403,619
2033-2037	-	-	-	-	1,970,000	837,375
2038-2042	-	-	-	-	2,015,000	228,937
Totals	<u>\$ 2,913,136</u>	<u>\$ 501,039</u>	<u>\$ 17,222,873</u>	<u>\$ 3,234,824</u>	<u>\$ 13,070,000</u>	<u>\$ 10,143,050</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Note						
GO Bond	6.1-6.6%	11/22/1994	2015	\$ 585,000	\$ 75,000	\$ 25,000
GO Bond	6.1-6.6%	11/22/1994	2015	143,947	28,786	9,172
GO Bond	5.4-5.975%	5/18/1995	2016	1,260,000	240,000	60,000
GO Bond	5.1-6.1%	12/21/1995	2016	2,086,692	512,972	122,616
GO Bond	4.1-5.225%	5/13/1999	2020	1,400,000	560,000	70,000
GO Bond	3.1-5.35%	11/15/2001	2022	1,217,614	648,088	59,945
GO Bond	3.1-5.35%	12/23/2003	2024	972,237	619,078	46,991
GO Bond	5.05%	11/1/2007	2027	1,565,886	1,288,979	71,882
GO Bond	5.05%	11/1/2007	2027	1,204,508	991,512	55,293
GO Bond	5.05%	11/1/2007	2027	1,243,435	1,023,554	57,080
GO Bond	5.05%	11/1/2007	2027	989,925	814,878	45,443
Early retirement refunding note	6.77%	7/15/2001	2021	3,889,483	2,460,026	204,653
QSC Bond	5.31%	7/1/2010	2027	8,145,000	7,960,000	185,000
Total General Obligation Bonds and Note					<u>\$ 17,222,873</u>	<u>\$ 1,013,075</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

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

**Primary Government - Governmental Activity Indebtedness: (continued)**

Details of long-term indebtedness: (continued)

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Literary Loans:						
State Literary Fund Loan	3%	12/15/2000	2021	\$ 957,237	\$ 429,237	\$ 48,000
State Literary Fund Loan	3%	10/1/2001	2022	1,001,149	500,579	50,057
State Literary Fund Loan	3%	10/1/2001	2022	1,172,618	586,318	58,630
State Literary Fund Loan	3%	10/1/2001	2022	530,000	265,000	26,500
State Literary Fund Loan	3%	10/1/2001	2022	661,338	330,678	33,066
State Literary Fund Loan	3%	7/15/1991	2012	164,300	82,150	8,215
State Literary Fund Loan	3%	3/15/2004	2024	302,206	181,326	15,110
State Literary Fund Loan	3%	3/15/2004	2024	279,506	167,706	13,975
State Literary Fund Loan	3%	5/1/2005	2025	439,616	285,756	21,980
State Literary Fund Loan	3%	5/1/2005	2025	129,816	84,386	6,490
Total Literary Loans					\$ 2,913,136	\$ 282,023
Leave Revenue Notes:						
Lease Revenue Note	2% - 5%	12/16/2010	2041	\$ 4,860,000	\$ 4,690,000	\$ 195,000
Lease Revenue Note	2% - 5%	12/16/2010	2041	8,480,000	8,380,000	155,000
Total Lease Revenue Notes					\$ 13,070,000	\$ 350,000
Other Obligations:						
Landfill Post-closure liability	n/a	n/a	n/a	n/a	\$ 52,160	\$ -
Premium on \$972,237 GO bond	n/a	n/a	n/a	n/a	37,420	3,118
Premium on \$5,003,754 2007 bonds	n/a	n/a	n/a	n/a	253,415	11,064
Net OPEB obligation	n/a	n/a	n/a	n/a	683,611	-
Compensated Absences	n/a	n/a	n/a	n/a	1,121,643	-
Total Other Obligations					\$ 2,148,249	\$ 14,182
Total Long-term obligations					\$ 35,354,258	\$ 1,659,280

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COUNTY OF WASHINGTON, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

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

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

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

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Compensated absences	\$ 3,235,803	\$ 241,890	\$ -	\$ 3,477,693
Net OPEB obligation	1,412,712	1,171,736	(840,800)	1,743,648
<b>Total</b>	<b>\$ 4,648,515</b>	<b>\$ 1,413,626</b>	<b>\$ (840,800)</b>	<b>\$ 5,221,341</b>

**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	\$ 3,477,693	\$ -
Net OPEB Obligation	n/a	n/a	n/a	n/a	1,743,648	-
<b>Total Other Obligations</b>					<b>\$ 5,221,341</b>	<b>\$ -</b>

**Note 8-Employee Retirement System and Defined Benefit Pension Plans:**

**A. Plan Description**

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service. 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 five years of service credit or at age 50 with at least 10 years of service credit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 8-Employee Retirement System and Defined Benefit 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 the most recent report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**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. All or part of 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 2012 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. All or part of this 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2012 was 11.43% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the County of Washington, Virginia's annual pension cost of \$963,188 and \$277,364 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) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2010	766,507	100.00%	-
	6/30/2011	943,781	100.00%	-
	6/30/2012	963,188	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2010	288,943	100.00%	-
	6/30/2011	278,732	100.00%	-
	6/30/2012	277,364	100.00%	-

<sup>1</sup> Employer portion only

The 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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

C. Annual Pension Cost (continued)

available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County 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 was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 74.26% funded. The actuarial accrued liability for benefits was \$38,709,070, and the actuarial value of assets was \$28,747,194, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,961,876. The covered payroll (annual payroll of active employees covered by the plan) was \$8,598,964, and ratio of the UAAL to the covered payroll was 115.85%.

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

As of June 30, 2011, the most recent actuarial valuation date, the plan was 76.46% funded. The actuarial accrued liability for benefits was \$13,843,158, and the actuarial value of assets was \$10,584,143, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,259,015. The covered payroll (annual payroll of active employees covered by the plan) was \$2,449,930, and ratio of the UAAL to the covered payroll was 133.02%.

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

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

Plan Description

The Washington County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. The most recent report may be downloaded from the System's web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**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 \$2,047,185, \$1,269,544, and \$2,266,366, for the fiscal years ended 2012, 2011, and 2010, respectively. Employer contributions represented 6.33%, 3.93%, and 8.81% of covered payroll for the fiscal years ended 2012, 2011, and 2010, respectively.

**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, employees must be a full-time employee who retires directly from the County and is eligible to receive an early or regular retirement benefit from VRS. Retirees of the Public Schools must also be employed for at least ten consecutive years. The benefit provisions, including employer and employee contributions, are governed by County and can be amended through County Council action. The Program does not issue a publicly available financial report.

B. Funding Policy

The Washington County Government establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will be partially funded or fully funded in the upcoming fiscal year. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the County. For fiscal year 2012, 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, 2012

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

B. Funding Policy (continued)

The following are the 2012 blended medical rates for active employees and early retirees:

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

C. Annual OPEB Cost and Net OPEB Obligation

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

	County	School Board	Total
Annual required contribution	\$ 237,300	\$ 1,174,600	\$ 1,411,900
Interest on net OPEB obligation	27,353	69,768	97,121
Adjustment to annual required contribution	(28,476)	(72,632)	(101,108)
Annual OPEB cost (expense)	236,177	1,171,736	1,407,913
Contributions made	(87,000)	(840,800)	(927,800)
Increase in net OPEB obligation	149,177	330,936	480,113
Net OPEB obligation - beginning of year	534,434	1,412,712	1,947,146
Net OPEB obligation - end of year	\$ 683,611	\$ 1,743,648	\$ 2,427,259

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 236,177	37%	\$ 683,611
6/30/2011	224,801	33%	534,434
6/30/2010	280,500	32%	382,837

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 1,171,736	72%	\$ 1,743,648
6/30/2011	1,135,421	71%	1,412,712
6/30/2010	1,190,300	58%	1,086,762

D. Funded Status and Funding Progress

County:

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

School Board:

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

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

E. Actuarial Methods and Assumptions

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

E. Actuarial Methods and Assumptions (continued)

In the July 1, 2012 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 and payroll growth of 2.5%. An annual healthcare cost trend rate of 8 percent initially, reduced by decrements of 0.5 percent each year until 5 percent is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2012, was 30 years.

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

A. Plan Description

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

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

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

B. Funding Policy

As a participating local political subdivision, the County and School Board are required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County and School Board's contribution rate for the fiscal year ended 2012 was 0.03% and 0.78%, respectively, of annual covered payroll.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

C. Annual OPEB Cost and Net OPEB Obligation

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

For 2012, the County and School Board's contribution of \$2,606 and \$18,928, respectively, was equal to the ARC and OPEB cost. The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and preceding two years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
County:			
June 30, 2012	\$ 2,606	100%	-
June 30, 2011	2,553	100%	-
June 30, 2010	6,651	100%	-
School Board:			
June 30, 2012	\$ 18,928	100%	-
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, 2011, the most recent actuarial valuation date, is as follows:

	<u>County</u>	<u>School Board</u>
Actuarial accrued liability (AAL)	\$ 189,053	\$ 321,979
Actuarial value of plan assets	\$ 200,128	\$ 34,021
Unfunded actuarial accrued liability (UAAL)	\$ (11,075)	\$ 287,958
Funded ratio (actuarial value of plan assets/AAL)	105.86%	10.57%
Covered payroll (active plan members)	\$ 2,654,927	\$ 2,449,930
UAAL as a percentage of covered payroll	-0.42%	11.75%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

D. Funded Status and Funding Progress (continued)

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.5% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2011 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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

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, 2012 was \$194,046 and equaled the required contributions.

**Note 11-Capital Assets:**

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,926,515	\$ -	\$ -	\$ 1,926,515
Construction in progress	7,620,060	5,245,970	(6,798,346)	6,067,684
Total capital assets not being depreciated	<u>\$ 9,546,575</u>	<u>\$ 5,245,970</u>	<u>\$ (6,798,346)</u>	<u>\$ 7,994,199</u>
Capital assets, being depreciated:				
Buildings	\$ 23,731,445	\$ 6,486,658	\$ -	\$ 30,218,103
Improvements other than buildings	178,924	-	-	178,924
Machinery and equipment	8,151,579	1,132,931	(461,602)	8,822,908
Total capital assets being depreciated	<u>\$ 32,061,948</u>	<u>\$ 7,619,589</u>	<u>\$ (461,602)</u>	<u>\$ 39,219,935</u>
Less: accumulated depreciation for:				
Buildings	\$ (4,398,267)	\$ (614,170)	\$ -	\$ (5,012,437)
Improvements other than buildings	(170,744)	(8,180)	-	(178,924)
Machinery and equipment	(6,969,201)	(659,313)	461,602	(7,166,912)
Total accumulated depreciation	<u>\$ (11,538,212)</u>	<u>\$ (1,281,663)</u>	<u>\$ 461,602</u>	<u>\$ (12,358,273)</u>
Total capital assets being depreciated, net	<u>\$ 20,523,736</u>	<u>\$ 6,337,926</u>	<u>\$ -</u>	<u>\$ 26,861,662</u>
Governmental activities capital assets, net	<u>\$ 30,070,311</u>	<u>\$ 11,583,896</u>	<u>\$ (6,798,346)</u>	<u>\$ 34,855,861</u>



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

Governmental activities:		
General government administration	\$	21,200
Judicial administration		8,268
Public safety		512,050
Public works		376,006
Health and welfare		36,097
Education		301,585
Parks, recreation, and cultural		<u>26,457</u>
Total depreciation expense-primary government	\$	<u>1,281,663</u>

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

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,819,475	\$ 210,000	\$ -	\$ 3,029,475
Construction in progress	-	136,690	-	136,690
Total capital assets not being depreciated	<u>\$ 2,819,475</u>	<u>\$ 346,690</u>	<u>\$ -</u>	<u>\$ 3,166,165</u>
Capital assets, being depreciated:				
Buildings	\$ 37,979,130	\$ 1,390,932	\$ -	\$ 39,370,062
Machinery and equipment	16,869,970	1,375,354	(312,826)	17,932,498
Total capital assets being depreciated	<u>\$ 54,849,100</u>	<u>\$ 2,766,286</u>	<u>\$ (312,826)</u>	<u>\$ 57,302,560</u>
Less: accumulated depreciation for:				
Buildings	\$ (28,923,809)	\$ (866,845)	\$ -	\$ (29,790,654)
Machinery and equipment	(11,003,826)	(1,249,225)	312,826	(11,940,225)
Total accumulated depreciation	<u>\$ (39,927,635)</u>	<u>\$ (2,116,070)</u>	<u>\$ 312,826</u>	<u>\$ (41,730,879)</u>
Total capital assets being depreciated, net	<u>\$ 14,921,465</u>	<u>\$ 650,216</u>	<u>\$ -</u>	<u>\$ 15,571,681</u>
Governmental activities capital assets, net	<u>\$ 17,740,940</u>	<u>\$ 996,906</u>	<u>\$ -</u>	<u>\$ 18,737,846</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 12-Risk Management:**

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

**Note 13-Contingent Liabilities:**

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

**Note 14-Surety Bonds:**

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:		
<hr/>		
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
Virginia Association of Counties		
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All Social Services employees: blanket bond	\$	250,000
All County employees-blanket bond		250,000

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

Component Unit – School Board:

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

**Note 15-Landfill Liability:**

State and federal laws and regulations required the County to place a final cover on its landfill site which was closed on March 20, 1995, and to perform certain maintenance and monitoring functions at the site for ten years after closure. While the County has completed its required 10 year monitoring period, its landfill has not been released from (Department of Environmental Quality) DEQ monitoring requirements. The \$52,160 liability is the total estimated post-closure care liability at June 30, 2012 and represents what it would cost to perform all post-closure care in 2012. 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.

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 17 – Deferred/Unearned 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. Unearned revenue totaling \$28,250,929 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled \$419,749 at June 30, 2012.

Property Taxes Receivable – Taxes billed and not due until after June 30, 2012, less amounts received 60 days after the period end totaled \$27,831,180 at June 30, 2012.

**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 2012, a total of \$8,282,194 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 \$745,271 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 2012 were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2011-12	\$ 705,953	\$ 8,282,194	(8,242,876)	\$ 745,271

**Note 19 – Restatement of Net Assets:**

	<u>Component Unit - School Board</u>
Net Assets, as previously reported	\$ 17,732,414
Additional accrued leave from prior year	(464,307)
Net Assets, as restated	<u>\$ 17,268,107</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 20 – Fund Balance:**

	General Fund	County Capital Improvements	School Capital Improvements	School Fund
Nonspendable:				
Prepays	\$ 432,245	\$ -	\$ -	\$ -
Restricted:				
Forfeited Asset Sharing	\$ 140,099	\$ -	\$ -	\$ -
Special Grant Projects	15,400	-	-	-
Disaster Recovery	440,114	-	-	-
Soil Erosion	11,250	-	-	-
Health Insurance	260,220	-	-	-
Economic Development	20,600	-	-	-
Capital Improvements	57,262	2,746,865	1,222,638	-
	<u>\$ 944,945</u>	<u>\$ 2,746,865</u>	<u>\$ 1,222,638</u>	<u>\$ -</u>
Committed:				
Law Library	\$ 19,240	\$ -	\$ -	\$ -
Road Improvements	91,090	-	-	-
Cash Flows	5,000,000	-	-	-
Agricultural Easements	30,000	-	-	-
Special Revenue Funds	-	-	-	2,806,740
	<u>\$ 5,140,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,806,740</u>
Assigned:				
Economic Development	\$ 20,061	\$ -	\$ -	\$ -
Utilities	64,723	-	-	-
Traffic Enforcement	654,257	-	-	-
School Board	2,331,023	-	-	-
Library	129,498	-	-	-
Social Services	100,000	-	-	-
School Revenue Needs	1,624,875	-	-	-
School Capital Needs	1,176,385	-	-	-
Capital Improvements	-	-	-	-
	<u>\$ 6,100,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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## Required Supplementary Information

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 30,625,825	\$ 30,625,825	\$ 32,681,231	\$ 2,055,406
Other local taxes	8,838,000	8,838,000	9,109,624	271,624
Permits, privilege fees, and regulatory licenses	144,500	144,500	119,384	(25,116)
Fines and forfeitures	720,000	720,000	897,988	177,988
Revenue from the use of money and property	266,500	266,500	191,382	(75,118)
Charges for services	511,000	762,731	813,227	50,496
Miscellaneous	709,571	809,804	973,715	163,911
Recovered costs	516,500	789,570	393,582	(395,988)
Intergovernmental revenues:				
Commonwealth	10,991,027	11,380,279	11,252,082	(128,197)
Federal	2,464,529	3,945,365	3,599,909	(345,456)
Total revenues	\$ 55,787,452	\$ 58,282,574	\$ 60,032,124	\$ 1,749,550
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,402,955	\$ 3,696,549	\$ 3,236,958	\$ 459,591
Judicial administration	1,474,356	1,599,062	1,433,084	165,978
Public safety	10,465,996	11,522,969	10,380,260	1,142,709
Public works	3,393,799	4,071,903	3,750,554	321,349
Health and welfare	7,037,128	7,192,128	7,578,463	(386,335)
Education	23,236,606	24,289,884	21,022,831	3,267,053
Parks, recreation, and cultural	2,033,113	2,182,028	2,029,542	152,486
Community development	2,064,722	3,890,350	3,595,679	294,671
Nondepartmental	573,139	662,584	522,018	140,566
Debt service:				
Principal retirement	-	-	1,330,821	(1,330,821)
Interest and other fiscal charges	-	-	671,834	(671,834)
Total expenditures	\$ 53,681,814	\$ 59,107,457	\$ 55,552,044	\$ 3,555,413
Excess (deficiency) of revenues over (under) expenditures	\$ 2,105,638	\$ (824,883)	\$ 4,480,080	\$ 5,304,963
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (1,819,067)	\$ (2,311,864)	\$ (2,390,680)	\$ (78,816)
Total other financing sources (uses)	\$ (1,819,067)	\$ (2,311,864)	\$ (2,390,680)	\$ (78,816)
Net change in fund balances	\$ 286,571	\$ (3,136,747)	\$ 2,089,400	\$ 5,226,147
Fund balances - beginning	4,018,067	7,412,519	25,525,724	18,113,205
Fund balances - ending	\$ 4,304,638	\$ 4,275,772	\$ 27,615,124	\$ 23,339,352

County of Washington, Virginia  
Schedule of Pension and OPEB Funding Progress  
For the Year Ended June 30, 2012

**Primary Government:**  
County Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2011	\$ 28,747,194	\$ 38,709,070	\$ 9,961,876	74.26%	\$ 8,598,964	115.85%
June 30, 2010	28,070,208	37,172,928	9,102,720	75.51%	8,377,940	108.65%
June 30, 2009	28,096,019	34,112,983	6,016,964	82.36%	8,350,870	72.05%

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

County VRS Health Insurance Credit:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2011	\$ 200,128	\$ 189,053	\$ (11,075)	105.86%	\$ 2,654,927	-0.42%
June 30, 2010	174,166	153,825	(20,341)	113.22%	8,377,940	-0.24%
June 30, 2009	155,845	147,325	(8,520)	105.78%	8,350,870	-0.10%

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

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2011	\$ 10,584,143	\$ 13,843,158	\$ 3,259,015	76.46%	\$ 2,449,930	133.02%
June 30, 2010	10,701,034	13,919,236	3,218,202	76.88%	2,449,548	131.38%
June 30, 2009	11,000,576	13,314,234	2,313,658	82.62%	2,755,609	83.96%



County of Washington, Virginia  
Schedule of Pension and OPEB Funding Progress  
For the Year Ended June 30, 2012

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

## School Board Post-Retirement Medical Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio 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, 2012	\$ -	\$ 15,543,864	\$ 15,543,864	0.00%	\$ 38,697,882	40.17%
July 1, 2010	-	12,434,361	12,434,361	0.00%	39,665,329	31.35%
January 31, 2008	-	14,354,306	14,354,306	0.00%	37,754,031	38.02%

## School Board Non-Professional VRS Health Insurance Credit:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2011	\$ 34,021	\$ 321,979	\$ 287,958	10.57%	\$ 2,449,930	11.75%
June 30, 2010	34,879	331,837	296,958	10.51%	2,449,548	12.12%
June 30, 2009	25,120	292,396	267,276	8.59%	2,755,609	9.70%

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## Other Supplementary Information

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County of Washington, Virginia  
Capital Projects Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2012

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ 420,000	\$ 832,752	\$ 609,203	\$ (223,549)
Intergovernmental revenues:				
Commonwealth	623,910	961,398	689,420	(271,978)
Total revenues	<u>\$ 1,043,910.00</u>	<u>\$ 1,794,150.00</u>	<u>\$ 1,298,623</u>	<u>\$ (495,527)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 1,890,000	\$ 5,265,832	\$ 3,883,601	\$ 1,382,231
Parks, recreation, and cultural	1,565,910	2,223,527	1,387,862	835,665
Debt service:				
Principal retirement	266,902	270,000	270,000	-
Interest and other fiscal charges	673,556	681,365	681,365	-
Total expenditures	<u>\$ 4,396,368</u>	<u>\$ 8,440,724</u>	<u>\$ 6,222,828</u>	<u>\$ 2,217,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,352,458)</u>	<u>\$ (6,646,574)</u>	<u>\$ (4,924,205)</u>	<u>\$ 1,722,369</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 640,000	\$ 1,061,613	\$ 1,211,613	\$ 150,000
Issuance of debt	-	2,300,554	-	(2,300,554)
Total other financing sources (uses)	<u>\$ 640,000</u>	<u>\$ 3,362,167</u>	<u>\$ 1,211,613</u>	<u>\$ (2,150,554)</u>
Net change in fund balances	<u>\$ (2,712,458)</u>	<u>\$ (3,284,407)</u>	<u>\$ (3,712,592)</u>	<u>\$ (428,185)</u>
Fund balances - beginning	5,012,544	1,500,000	6,459,457	4,959,457
Fund balances - ending	<u>\$ 2,300,086</u>	<u>\$ (1,784,407)</u>	<u>\$ 2,746,865</u>	<u>\$ 4,531,272</u>

County of Washington, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
School Capital Projects Fund  
For the Year Ended June 30, 2012

	School Capital Projects Fund			Variance with Final Budget Positive Negative
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 12,000	\$ 12,000	\$ 2,369	\$ (9,631)
Recovered costs	-	-	18,901	18,901
Intergovernmental revenues:				
Commonwealth	504,000	504,000	507,482	3,482
Total revenues	\$ 516,000	\$ 516,000	\$ 528,752	\$ 12,752
EXPENDITURES				
Current:				
Education	\$ 2,211,067	\$ 3,087,363	\$ 1,962,619	\$ 1,124,744
Total expenditures	\$ 2,211,067	\$ 3,087,363	\$ 1,962,619	\$ 1,124,744
Excess (deficiency) of revenues over (under) expenditures	\$ (1,695,067.00)	\$ (2,571,363.00)	\$ (1,433,867)	\$ 1,137,496
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,179,067	\$ 1,179,067	\$ 1,179,067	\$ -
Total other financing sources (uses)	\$ 1,179,067	\$ 1,179,067	\$ 1,179,067	\$ -
Net change in fund balances	\$ (516,000)	\$ (1,392,296)	\$ (254,800)	\$ 1,137,496
Fund balances - beginning	1,652,985	842,400	1,477,438	635,038
Fund balances - ending	\$ 1,136,985	\$ (549,896)	\$ 1,222,638	\$ 1,772,534

## **FIDUCIARY FUNDS**

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

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

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

	<u>Agency Funds</u>		<u>Total</u>
	<u>Special Welfare</u>	<u>Fringe Benefits</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 206,459	\$ 33,657	\$ 240,116
Receivables:			
Other receivables	19,834	-	19,834
Total assets	<u>\$ 226,293</u>	<u>\$ 33,657</u>	<u>\$ 259,950</u>
<b>LIABILITIES</b>			
Amounts held for social services clients	\$ 226,293	\$ -	\$ 226,293
Amounts held for County employee fringe benefits	-	33,657	33,657
Total liabilities	<u>\$ 226,293</u>	<u>\$ 33,657</u>	<u>\$ 259,950</u>

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

### **MAJOR GOVERNMENTAL FUNDS**

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

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

	School Operating <u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,806,740
Accounts receivable	339,020
Due from primary government	2,321,321
Due from other governmental units	2,085,394
Total assets	<u>\$ 7,552,475</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 960,217
Accrued wages	3,785,518
Total liabilities	<u>\$ 4,745,735</u>
Fund balances:	
Committed	\$ 2,806,740
Total fund balances	<u>\$ 2,806,740</u>
Total liabilities and fund balances	<u>\$ 7,552,475</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,806,740
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,737,846
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	534,177
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.	586,117
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,221,341)
Net assets of governmental activities	<u>\$ 17,443,539</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, 2012

	School Operating Fund
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 22,123
Charges for services	2,825,874
Miscellaneous	1,554,811
Recovered costs	85,000
Intergovernmental revenues:	
Local government	20,941,438
Commonwealth	37,148,855
Federal	8,444,329
Total revenues	<u>\$ 71,022,430</u>
<b>EXPENDITURES</b>	
Current:	
Education	<u>\$ 71,314,326</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (291,896)
Net change in fund balances	\$ (291,896)
Fund balances - beginning	3,098,636
Fund balances - ending	<u><u>\$ 2,806,740</u></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	\$ (291,896)
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.	996,906
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	18,963
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.	(572,826)
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.	24,285
Change in net assets of governmental activities	<u><u>\$ 175,432</u></u>

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

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 23,500	\$ 23,500	\$ 22,123	\$ (1,377)
Charges for services	2,845,936	2,845,936	2,825,874	(20,062)
Miscellaneous	992,536	1,042,536	1,554,811	512,275
Recovered costs	114,300	114,300	85,000	(29,300)
Intergovernmental revenues:				
Local government	23,155,213	24,208,491	20,941,438	(3,267,053)
Commonwealth	37,008,868	37,168,868	37,148,855	(20,013)
Federal	8,764,532	10,219,357	8,444,329	(1,775,028)
Total revenues	<u>\$ 72,904,885</u>	<u>\$ 75,622,988</u>	<u>\$ 71,022,430</u>	<u>\$ (4,600,558)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 75,822,518	\$ 78,806,851	\$ 71,314,326	\$ 7,492,525
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,917,633)</u>	<u>\$ (3,183,863)</u>	<u>\$ (291,896)</u>	<u>\$ 2,891,967</u>
Net change in fund balances	\$ (2,917,633)	\$ (3,183,863)	\$ (291,896)	\$ 2,891,967
Fund balances - beginning	-	-	3,098,636	3,098,636
Fund balances - ending	<u>\$ (2,917,633)</u>	<u>\$ (3,183,863)</u>	<u>\$ 2,806,740</u>	<u>\$ 5,990,603</u>

County of Washington, Virginia  
Combining Statement of Net Assets  
Other Component Units  
June 30, 2012

	<u>Park Authority</u>	<u>Industrial Develop- ment Authority</u>	<u>Virginia Highlands Airport Authority</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 267,164	\$ 3,198,996	\$ 767,615	\$ 4,233,775
Accounts receivable	-	487,023	95,984	583,007
Notes receivable	-	13,070,000	-	13,070,000
Inventories	-	-	82,972	82,972
Prepaid expenses	13,179	-	8,265	21,444
Other assets:				
Unamortized bond issue costs	-	176,615	9,015	185,630
Capital assets (net of accumulated depreciation):				
Land	753,776	14,931,394	8,531,041	24,216,211
Buildings and system	107,036	1,337,911	2,623,058	4,068,005
Improvements other than buildings	618,398	-	5,375,425	5,993,823
Machinery and equipment	42,978	-	168,340	211,318
Construction in progress	-	-	447,602	447,602
Total assets	<u>\$ 1,802,531</u>	<u>\$ 33,201,939</u>	<u>\$ 18,109,317</u>	<u>\$ 53,113,787</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,311	\$ 424,398	\$ 131,072	\$ 556,781
Accrued liabilities	46,174	60,000	-	106,174
Accrued wages	-	-	12,866	12,866
Accrued interest payable	-	360,699	6,027	366,726
Due within one year	-	830,000	28,577	858,577
Due in more than one year	-	18,010,000	477,626	18,487,626
Total liabilities	<u>\$ 47,485</u>	<u>\$ 19,685,097</u>	<u>\$ 656,168</u>	<u>\$ 20,388,750</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 1,522,188	\$ 12,844,305	\$ 16,655,399	\$ 31,021,892
Unrestricted (deficit)	232,858	672,537	797,750	1,703,145
Total net assets	<u>\$ 1,755,046</u>	<u>\$ 13,516,842</u>	<u>\$ 17,453,149</u>	<u>\$ 32,725,037</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Unit			
					Washington County Park Authority	Industrial Development Authority	Virginia Highlands Airport Authority	Total
OTHER COMPONENT UNITS:								
Washington Park Authority	\$ 258,803	\$ 194,129	\$ -	\$ -	\$ (64,674)	\$ -	\$ -	\$ (64,674)
Industrial Development Authority	5,154,363	216,825	-	5,701,443	-	763,905	-	763,905
Virginia Highlands Airport Authority	2,284,298	1,836,319	-	296,804	-	-	(151,175)	(151,175)
Total other component units	<u>\$ 7,697,464</u>	<u>\$ 2,247,273</u>	<u>\$ -</u>	<u>\$ 5,998,247</u>	<u>\$ (64,674)</u>	<u>\$ 763,905</u>	<u>\$ (151,175)</u>	<u>\$ 548,056</u>
General revenues:								
Unrestricted revenues from use of money and property					\$ 550	\$ 9,690	\$ 4,276	\$ 14,516
Miscellaneous					1,530	80,182	23,069	104,781
Payments from Washington County					41,300	1,947,829	-	1,989,129
Total general revenues					<u>\$ 43,380</u>	<u>\$ 2,037,701</u>	<u>\$ 27,345</u>	<u>\$ 2,108,426</u>
Change in net assets					<u>\$ (21,294)</u>	<u>\$ 2,801,606</u>	<u>\$ (123,830)</u>	<u>\$ 2,656,482</u>
Net assets - beginning, as restated					1,776,340	10,715,236	17,576,979	30,068,555
Net assets - ending					<u>\$ 1,755,046</u>	<u>\$ 13,516,842</u>	<u>\$ 17,453,149</u>	<u>\$ 32,725,037</u>

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

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## Supporting Schedules

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

Schedule 1  
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 21,173,450	\$ 21,173,450	\$ 24,144,629	\$ 2,971,179
Real and personal public service corporation taxes	975,850	975,850	1,033,553	57,703
Personal property taxes	5,260,300	5,260,300	5,107,002	(153,298)
Mobile home taxes	111,100	111,100	110,138	(962)
Machinery and tools taxes	2,600,125	2,600,125	1,708,343	(891,782)
Penalties	290,000	290,000	305,037	15,037
Interest	215,000	215,000	272,529	57,529
Total general property taxes	\$ 30,625,825	\$ 30,625,825	\$ 32,681,231	\$ 2,055,406
Other local taxes:				
Local sales and use taxes	\$ 6,350,000	\$ 6,350,000	\$ 6,624,384	\$ 274,384
Consumers' utility taxes	1,125,000	1,125,000	1,104,472	(20,528)
Consumption taxes	-	-	124,410	124,410
Utility license taxes	165,000	165,000	39,327	(125,673)
Motor vehicle licenses	850,000	850,000	858,601	8,601
Bank stock taxes	31,000	31,000	28,860	(2,140)
Taxes on recordation and wills	277,000	277,000	293,516	16,516
Hotel and motel room taxes	40,000	40,000	36,054	(3,946)
Total other local taxes	\$ 8,838,000	\$ 8,838,000	\$ 9,109,624	\$ 271,624
Permits, privilege fees, and regulatory licenses				
Animal licenses and other animal related fees	\$ 44,000	\$ 44,000	\$ 36,969	\$ (7,031)
Zoning, subdivision plat and soil erosion permits	5,000	5,000	3,550	(1,450)
Transfer and public hearing fees	1,000	1,000	300	(700)
Building permits	80,000	80,000	62,065	(17,935)
Waste hauling fees	14,500	14,500	16,500	2,000
Total permits, privilege fees, and regulatory licenses	\$ 144,500	\$ 144,500	\$ 119,384	\$ (25,116)
Fines and forfeitures:				
Court fines, forfeitures and interest	\$ 720,000	\$ 720,000	\$ 897,988	\$ 177,988
Revenue from use of money and property				
Revenue from use of money	\$ 235,000	\$ 235,000	\$ 166,133	\$ (68,867)
Revenue from use of property	31,500	31,500	25,249	(6,251)
Total revenue from use of money and property	\$ 266,500	\$ 266,500	\$ 191,382	\$ (75,118)
Charges for services:				
Excess fees of clerk	\$ 15,000	\$ 15,000	\$ 32,677	\$ 17,677
Charges for law enforcement and traffic contro	28,000	28,000	43,059	15,059
Charges for transportation of prisoners	4,000	4,000	14,479	10,479
Charges for copies	8,000	8,000	3,822	(4,178)
Law library fees	12,000	12,000	10,975	(1,025)
Charges for Commonwealth's Attorney	2,500	2,500	6,901	4,401
Charges for highways and streets	5,000	5,000	12,899	7,899
Commission fees	7,500	74,231	86,724	12,493
Charges for sanitation and waste removal and other related fees	340,000	525,000	527,037	2,037
Charges for parks and recreation	62,500	62,500	44,648	(17,852)
Charges for library	26,500	26,500	30,006	3,506
Total charges for services	\$ 511,000	\$ 762,731	\$ 813,227	\$ 50,496

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

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>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 35,000	\$ 135,233	\$ 220,269	\$ 85,036
Bristol, Tenn.-payment in lieu of taxes	900	900	9,423	8,523
Bristol, VA utilities board	48,671	48,671	49,802	1,131
Tennessee Valley Authority-payment in lieu of taxes	625,000	625,000	694,221	69,221
Total miscellaneous revenue	<u>\$ 709,571</u>	<u>\$ 809,804</u>	<u>\$ 973,715</u>	<u>\$ 163,911</u>
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 1,512	\$ 1,512
Facility management CS building	100,000	100,000	146,155	46,155
Alcohol, tobacco and firearms funds	10,000	10,000	2,310	(7,690)
Other recovered costs	406,500	679,570	243,605	(435,965)
Total recovered costs	<u>\$ 516,500</u>	<u>\$ 789,570</u>	<u>\$ 393,582</u>	<u>\$ (395,988)</u>
Total revenue from local sources	<u>\$ 42,331,896</u>	<u>\$ 42,956,930</u>	<u>\$ 45,180,133</u>	<u>\$ 2,223,203</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 55,000	\$ 55,000	\$ 35,632	\$ (19,368)
Mobile home titling tax	90,000	90,000	104,614	14,614
Motor vehicle rental tax	-	-	48,969	48,969
Grantors tax	150,000	150,000	81,932	(68,068)
State recordation tax	-	-	139,811	139,811
Communications sales taxes	1,650,000	1,650,000	1,649,662	(338)
Personal property tax relief funds	2,559,286	2,559,286	2,559,286	-
Total noncategorical aid	<u>\$ 4,504,286</u>	<u>\$ 4,504,286</u>	<u>\$ 4,619,906</u>	<u>\$ 115,620</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 350,000	\$ 350,000	\$ 378,259	\$ 28,259
Sheriff	1,950,000	1,950,000	2,132,325	182,325
Commissioner of revenue	137,500	137,500	150,030	12,530
Treasurer	135,000	135,000	143,882	8,882
Registrar/electoral board	25,000	25,000	64,948	39,948
Clerk of the Circuit Court	315,000	340,796	343,408	2,612
Reduction in State Aid	(217,200)	(217,200)	(216,941)	259
Total shared expenses	<u>\$ 2,695,300</u>	<u>\$ 2,721,096</u>	<u>\$ 2,995,911</u>	<u>\$ 274,815</u>
Other categorical aid:				
Virginia Public Assistance	\$ 2,244,993	\$ 2,244,993	\$ 2,078,732	\$ (166,261)
Comprehensive services	1,114,182	1,114,182	627,876	(486,306)
Victim witness grant	40,000	40,000	48,967	8,967
Litter control grant	12,500	12,500	10,732	(1,768)
EMS grant-Four for life	60,000	60,000	50,515	(9,485)
Fire programs	125,000	125,000	118,730	(6,270)
Dog and cat sterilization grant	-	-	1,142	1,142
E-911 wireless grant	37,500	37,500	55,116	17,616
Library state aid	150,766	150,766	148,597	(2,169)
Asset forfeiture funds	-	1,685	1,685	-
DEQ Mining rent and royalties	2,000	2,000	831	(1,169)
Library of VA preservation of records	-	6,708	6,708	-

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Virginia Tobacco Grant	\$ -	\$ 64,000	\$ 20,600	\$ (43,400)
Commission for the Arts Grant	-	5,000	5,000	-
DOJ - internet crimes against children	-	69,135	2,246	(66,889)
Bullet proof vest	-	4,008	4,036	28
VDEM - tornado recovery	-	199,168	452,693	253,525
Forest land management	-	-	2,059	2,059
EMS financial assistance grant	-	13,752	-	(13,752)
Emergency medical services	4,500	4,500	-	(4,500)
Total other categorical aid	\$ 3,791,441	\$ 4,154,897	\$ 3,636,265	\$ (518,632)
Total categorical aid	\$ 6,486,741	\$ 6,875,993	\$ 6,632,176	\$ (243,817)
Total revenue from the Commonwealth	\$ 10,991,027	\$ 11,380,279	\$ 11,252,082	\$ (128,197)
Revenue from the federal government:				
Payments in lieu of taxes	\$ 25,000	\$ 25,000	\$ 25,791	\$ 791
Categorical aid:				
Virginia Public Assistance	\$ 2,379,529	\$ 2,379,529	\$ 2,203,305	\$ (176,224)
CDBG projects grant	-	2,021	-	(2,021)
CDBG Block grant	-	975,500	975,500	-
CDBG SW VA Artisan Center grant	-	128,250	38,388	(89,862)
CDBG Disaster Recovery/Relief	25,000	25,000	32,000	7,000
DMV Highway safety	-	40,035	24,628	(15,407)
VDEM - radio project	-	303,554	209,216	(94,338)
Homeland security grant	-	13,000	12,209	(791)
JAG Funds - ARRA	-	18,476	48,607	30,131
DCJS-VSTOP grant	35,000	35,000	30,265	(4,735)
Total categorical aid	\$ 2,439,529	\$ 3,920,365	\$ 3,574,118	\$ (346,247)
Total revenue from the federal government	\$ 2,464,529	\$ 3,945,365	\$ 3,599,909	\$ (345,456)
Total General Fund	\$ 55,787,452	\$ 58,282,574	\$ 60,032,124	\$ 1,749,550
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 420,000	\$ 832,752	\$ 609,203	\$ (223,549)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT-Industrial access road funds	\$ 523,910	\$ 523,910	\$ 577,312	\$ 53,402
VTC Grant	100,000	437,488	112,108	(325,380)
Total categorical aid	\$ 623,910	\$ 961,398	\$ 689,420	\$ (271,978)
Total revenue from the Commonwealth	\$ 623,910	\$ 961,398	\$ 689,420	\$ (271,978)
Total County Capital Improvements Fund	\$ 1,043,910	\$ 1,794,150	\$ 1,298,623	\$ (495,527)



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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Capital Projects Funds: (continued)</b>				
<b>School Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property				
Revenue from the use of money	\$ 12,000	\$ 12,000	\$ 2,369	\$ (9,631)
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 18,901	\$ 18,901
Total revenue from local sources	\$ 12,000	\$ 12,000	\$ 21,270	\$ 9,270
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Literary subsidy proceeds	\$ 504,000	\$ 504,000	\$ 507,482	\$ 3,482
Total revenue from the Commonwealth	\$ 504,000	\$ 504,000	\$ 507,482	\$ 3,482
Total School Capital Projects Fund	\$ 516,000	\$ 516,000	\$ 528,752	\$ 12,752
Total Primary Government	\$ 57,347,362	\$ 60,592,724	\$ 61,859,499	\$ 1,266,775
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property				
Revenue from the use of money	\$ 18,500	\$ 18,500	\$ 12,875	\$ (5,625)
Revenue from the use of property	5,000	5,000	9,248	4,248
Total revenue from use of money and property	\$ 23,500	\$ 23,500	\$ 22,123	\$ (1,377)
Charges for services:				
Charges for education	\$ 558,100	\$ 558,100	\$ 780,805	\$ 222,705
Governor's School	266,537	266,537	363,349	96,812
Transportation of pupils	50,000	50,000	72,172	22,172
Cafeteria sales	1,971,299	1,971,299	1,609,548	(361,751)
Total charges for services	\$ 2,845,936	\$ 2,845,936	\$ 2,825,874	\$ (20,062)
Miscellaneous revenue:				
Other miscellaneous	\$ 992,536	\$ 1,042,536	\$ 1,554,811	\$ 512,275
Recovered costs:				
Other recovered costs	\$ 114,300	\$ 114,300	\$ 85,000	\$ (29,300)
Total revenue from local sources	\$ 3,976,272	\$ 4,026,272	\$ 4,487,808	\$ 461,536
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Washington, Virginia	\$ 23,155,213	\$ 24,208,491	\$ 20,941,438	\$ (3,267,053)

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<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 6,692,356	\$ 6,692,356	\$ 6,827,755	\$ 135,399
Basic school aid	19,904,902	19,904,902	19,917,858	12,956
GED funding	23,576	23,576	23,576	-
Regular foster care	377,962	377,962	130,317	(247,645)
Adult high school courses	4,200	4,200	21,355	17,155
Gifted and talented	218,434	218,434	219,155	721
Remedial education	533,949	533,949	535,713	1,764
National board certified teacher	-	-	12,500	12,500
Preschool initiative	471,615	471,615	369,090	(102,525)
Special education	1,893,091	1,893,091	1,899,348	6,257
Textbook payment	196,882	196,882	246,949	50,067
Student achievement grants	-	-	74,850	74,850
Vocational education	713,550	713,550	715,908	2,358
Vocational adult education	176,539	176,539	64,062	(112,477)
Vocational equipment	-	-	15,665	15,665
Vocational educational occupational tech ec	-	-	103,268	103,268
Social security fringe benefits	1,223,228	1,223,228	1,227,271	4,043
Retirement fringe benefits	1,106,730	1,106,730	1,110,388	3,658
Life insurance fringe benefits	43,687	43,687	43,831	144
State lottery payments	629,186	-	104,847	104,847
Early reading intervention	39,458	39,458	31,151	(8,307)
Governors school	813,463	813,463	557,816	(255,647)
Jobs for Virginia graduates-lottery proceeds	-	-	21,000	21,000
Adult literacy	165,913	325,913	329,209	3,296
Homebound	47,973	47,973	51,468	3,495
Regional programs	160,577	160,577	100,446	(60,131)
Special education - foster care	-	-	258,222	258,222
Electronic classroom	-	-	3,318	3,318
At risk payments	446,477	446,477	448,091	1,614
Mentor teacher program	2,693	2,693	5,066	2,373
Primary class size	534,474	534,474	519,240	(15,234)
Technology	466,000	466,000	492,000	26,000
Special ed jail program	2,722	2,722	1,484	(1,238)
SOL algebra readiness	72,566	72,566	72,366	(200)
English as a second language	46,665	46,665	44,783	(1,882)
GED testing	-	-	10,000	10,000
Support for school operation costs	-	629,186	526,418	(102,768)
Other state funds	-	-	13,071	13,071
Total categorical aid	\$ 37,008,868	\$ 37,168,868	\$ 37,148,855	\$ (20,013)
Total revenue from the Commonwealth	\$ 37,008,868	\$ 37,168,868	\$ 37,148,855	\$ (20,013)

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ 11,000	\$ 11,000	\$ 25,462	\$ 14,462
Adult basic education	400,000	400,000	336,514	(63,486)
Title I - ARRA	321,380	321,380	305,812	(15,568)
Title VI-B, special education flow-through	1,341,735	1,341,735	1,636,628	294,893
Title VI-B, special education flow-through - ARRA	-	483,677	265,786	(217,891)
Title VI-B, special education preschool	46,000	46,000	46,245	245
Title VI-B, special education preschool ARRA	840,041	840,041	7,634	(832,407)
Vocational education	130,000	130,000	137,253	7,253
Title II Part D ARRA	68,062	68,062	-	(68,062)
Drug free schools	332	332	312	(20)
Improving teacher quality	369,049	369,049	293,214	(75,835)
School breakfast and lunch program	1,525,000	1,525,000	1,999,172	474,172
Education technology formula grant	5,996	5,996	4,270	(1,726)
State fiscal stabilization funds	1,524,620	2,384,388	1,515,385	(869,003)
Title I	1,738,744	1,738,744	1,793,198	54,454
Statewide data systems - ARRA	-	-	47,472	47,472
Gear up	442,573	553,953	29,972	(523,981)
Total categorical aid	\$ 8,764,532	\$ 10,219,357	\$ 8,444,329	\$ (1,775,028)
Total revenue from the federal government	\$ 8,764,532	\$ 10,219,357	\$ 8,444,329	\$ (1,775,028)
Total Discretely Presented Component Unit - School Board	\$ 72,904,885	\$ 75,622,988	\$ 71,022,430	\$ (4,600,558)

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 172,549	\$ 235,239	\$ 147,119	\$ 88,120
General and financial administration:				
County administrator	\$ 328,625	\$ 328,625	\$ 314,053	\$ 14,572
Legal services	271,063	327,063	279,367	47,696
Commissioner of revenue	565,356	565,356	553,093	12,263
Treasurer	639,665	747,800	614,876	132,924
Central accounting and purchasing	287,283	287,283	276,830	10,453
Information technology	663,530	665,299	550,462	114,837
Assessor	150,000	195,000	201,627	(6,627)
Auditor	67,500	87,500	59,650	27,850
Total general and financial administration	\$ 2,973,022	\$ 3,203,926	\$ 2,849,958	\$ 353,968
Board of elections:				
Registrar	\$ 155,136	\$ 155,136	\$ 140,261	\$ 14,875
Electoral board	102,248	102,248	99,620	2,628
Total board of elections	\$ 257,384	\$ 257,384	\$ 239,881	\$ 17,503
Total general government administration	\$ 3,402,955	\$ 3,696,549	\$ 3,236,958	\$ 459,591
Judicial administration:				
Courts:				
Circuit court	\$ 70,771	\$ 70,771	\$ 61,068	\$ 9,703
General district court	30,471	34,482	29,501	4,981
Special magistrates	5,820	5,820	2,807	3,013
Clerk of the circuit court	594,153	626,657	582,255	44,402
Law library	12,000	19,549	-	19,549
Total courts	\$ 713,215	\$ 757,279	\$ 675,631	\$ 81,648
Commonwealth's attorney:				
Commonwealth's attorney	\$ 761,141	\$ 841,783	\$ 757,453	\$ 84,330
Total judicial administration	\$ 1,474,356	\$ 1,599,062	\$ 1,433,084	\$ 165,978
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,461,009	\$ 2,521,556	\$ 2,497,674	\$ 23,882
Litter Control	116,208	107,208	100,647	6,561
Victim witness assistance	58,907	58,907	48,979	9,928
Animal control	257,369	250,108	230,197	19,911
Interstate enforcement	1,655,296	1,766,280	1,717,293	48,987
Court security	256,908	256,908	249,837	7,071
Other Sheriff grants	146,435	380,645	144,895	235,750
Total law enforcement and traffic control	\$ 4,956,632	\$ 5,346,112	\$ 4,994,022	\$ 352,090
Fire and rescue services:				
Volunteer fire departments	\$ 738,247	\$ 738,247	\$ 711,510	\$ 26,737
Volunteer emergency operations	526,775	526,775	484,790	41,985
E-911	615,337	727,160	645,960	81,200
Other fire and rescue services	415,000	814,714	715,611	99,103
Total fire and rescue services	\$ 2,295,359	\$ 2,806,896	\$ 2,557,871	\$ 249,025

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Correction and detention:				
Regional jail payments	\$ 2,327,288	\$ 2,451,142	\$ 2,088,359	\$ 362,783
Juvenile probation and detention	190,444	190,444	190,444	-
Total correction and detention	<u>\$ 2,517,732</u>	<u>\$ 2,641,586</u>	<u>\$ 2,278,803</u>	<u>\$ 362,783</u>
Inspections:				
Building	\$ 391,386	\$ 409,236	\$ 319,441	\$ 89,795
Other protection:				
Medical examiner	\$ 1,000	\$ 1,000	\$ 800	\$ 200
Emergency services	303,887	318,139	229,323	88,816
Total other protection	<u>\$ 304,887</u>	<u>\$ 319,139</u>	<u>\$ 230,123</u>	<u>\$ 89,016</u>
Total public safety	<u>\$ 10,465,996</u>	<u>\$ 11,522,969</u>	<u>\$ 10,380,260</u>	<u>\$ 1,142,709</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 2,076,375	\$ 2,261,375	\$ 2,273,759	\$ (12,384)
Maintenance of general buildings and grounds:				
General properties	\$ 1,317,424	\$ 1,356,840	\$ 1,184,484	\$ 172,356
Disaster recovery	-	453,688	292,311	161,377
Total maintenance of general buildings and grounds	<u>\$ 1,317,424</u>	<u>\$ 1,810,528</u>	<u>\$ 1,476,795</u>	<u>\$ 333,733</u>
Total public works	<u>\$ 3,393,799</u>	<u>\$ 4,071,903</u>	<u>\$ 3,750,554</u>	<u>\$ 321,349</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 487,248	\$ 487,248	\$ 487,248	\$ -
Mental health and mental retardation:				
Community services board	\$ 331,482	\$ 331,482	\$ 331,482	\$ -
Welfare:				
Virginia public assistance	\$ 5,693,443	\$ 5,773,443	\$ 5,137,593	\$ 635,850
Parent aide services grant	5,383	5,383	885	4,498
Area agency on aging	44,927	44,927	44,927	-
Community action agency	469,645	544,645	503,228	41,417
Community services	-	-	1,073,100	(1,073,100)
Indigent care	5,000	5,000	-	5,000
Total welfare	<u>\$ 6,218,398</u>	<u>\$ 6,373,398</u>	<u>\$ 6,759,733</u>	<u>\$ (386,335)</u>
Total health and welfare	<u>\$ 7,037,128</u>	<u>\$ 7,192,128</u>	<u>\$ 7,578,463</u>	<u>\$ (386,335)</u>
Education:				
Other instructional costs:				
Contributions to community college	\$ 81,393	\$ 81,393	\$ 81,393	\$ -
Contribution to County School Board	23,155,213	24,208,491	20,941,438	3,267,053
Total education	<u>\$ 23,236,606</u>	<u>\$ 24,289,884</u>	<u>\$ 21,022,831</u>	<u>\$ 3,267,053</u>

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural:				
Parks and recreation:				
Parks	\$ 6,500	\$ 7,000	\$ 6,600	\$ 400
Recreation	280,619	299,033	257,884	41,149
Washington County Park Authority	43,530	43,530	43,530	-
Athletic group activities	46,820	46,820	46,820	-
Total parks and recreation	<u>\$ 377,469</u>	<u>\$ 396,383</u>	<u>\$ 354,834</u>	<u>\$ 41,549</u>
Cultural enrichment:				
Cultural enrichment	<u>\$ 136,220</u>	<u>\$ 136,220</u>	<u>\$ 136,220</u>	<u>\$ -</u>
Library:				
Washington County library	\$ 1,395,243	\$ 1,515,244	\$ 1,413,390	\$ 101,854
Branch libraries	124,181	134,181	125,098	9,083
Total library	<u>\$ 1,519,424</u>	<u>\$ 1,649,425</u>	<u>\$ 1,538,488</u>	<u>\$ 110,937</u>
Total parks, recreation, and cultural	<u>\$ 2,033,113</u>	<u>\$ 2,182,028</u>	<u>\$ 2,029,542</u>	<u>\$ 152,486</u>
Community development:				
Planning and community development:				
Regional planning	\$ 42,956	\$ 42,956	\$ 42,956	\$ -
Planning commission	23,807	23,807	23,041	766
Zoning	133,366	133,366	124,412	8,954
Community development	312,022	322,772	291,281	31,491
Economic development	162,596	828,743	789,596	39,147
Contribution to Virginia Highlands Airport	145,300	145,300	145,300	-
Contribution to Smyth/Washington Industrial Facility	172,650	172,650	153,058	19,592
Contribution to Washington County Industrial Development Authority	878,414	916,305	883,157	33,148
Contribution to Economic development	45,000	1,155,840	1,015,291	140,549
Total planning and community development	<u>\$ 1,916,111</u>	<u>\$ 3,741,739</u>	<u>\$ 3,468,092</u>	<u>\$ 273,647</u>
Environmental management:				
Contribution to soil and water district	<u>\$ 31,105</u>	<u>\$ 31,105</u>	<u>\$ 31,105</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	<u>\$ 117,506</u>	<u>\$ 117,506</u>	<u>\$ 96,482</u>	<u>\$ 21,024</u>
Total community development	<u>\$ 2,064,722</u>	<u>\$ 3,890,350</u>	<u>\$ 3,595,679</u>	<u>\$ 294,671</u>
Nondepartmental:				
Revenue refunds	\$ -	\$ -	\$ 201,634	\$ (201,634)
Other non departmental	573,139	662,584	320,384	342,200
Total nondepartmental	<u>\$ 573,139</u>	<u>\$ 662,584</u>	<u>\$ 522,018</u>	<u>\$ 140,566</u>
Debt service:				
Principal retirement	\$ -	\$ -	\$ 1,330,821	\$ (1,330,821)
Interest and other fiscal charges	-	-	671,834	(671,834)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,002,655</u>	<u>\$ (2,002,655)</u>
Total General Fund	<u>\$ 53,681,814</u>	<u>\$ 59,107,457</u>	<u>\$ 55,552,044</u>	<u>\$ 3,555,413</u>

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Public works:				
Maintenance of general buildings and grounds:				
Administration	\$ 1,270,000	\$ 1,319,999	\$ 659,688	\$ 660,311
Sheriff's office	350,000	3,446,865	2,864,126	582,739
Solid waste equipment	245,000	467,284	342,421	124,863
Solid waste facilities	25,000	31,684	17,366	14,318
Total maintenance of general building and grounds	\$ 1,890,000	\$ 5,265,832	\$ 3,883,601	\$ 1,382,231
Total public works	\$ 1,890,000	\$ 5,265,832	\$ 3,883,601	\$ 1,382,231
Parks, recreation, and cultural:				
Parks and recreation:				
White's Mill restoration	\$ -	\$ 366,832	\$ 20,405	\$ 346,427
Damascus branch library project	1,318,410	1,374,056	1,281,662	92,394
Glade Spring branch library project	-	9,935	450	9,485
Main branch library project	115,000	115,000	-	115,000
Beaverdam Creek park	82,500	96,083	23,815	72,268
Capital Contributions	50,000	261,621	61,530	200,091
Total parks, recreation, and cultural	\$ 1,565,910	\$ 2,223,527	\$ 1,387,862	\$ 835,665
Debt service:				
Principal retirement	\$ 266,902	\$ 270,000	\$ 270,000	\$ -
Interest and other fiscal charges	673,556	681,365	681,365	-
Total Capital Projects Fund	\$ 4,396,368	\$ 8,440,724	\$ 6,222,828	\$ 2,217,896
<b>School Capital Projects Fund:</b>				
Education:				
Operating costs:				
Facilities	\$ 2,211,067	\$ 3,087,363	\$ 1,962,619	\$ 1,124,744
Total School Capital Projects Fund	\$ 2,211,067	\$ 3,087,363	\$ 1,962,619	\$ 1,124,744
Total Primary Government	\$ 60,289,249	\$ 70,635,544	\$ 63,737,491	\$ 6,898,053
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Administration, attendance and health	\$ 2,680,268	\$ 2,990,165	\$ 2,584,460	\$ 405,705
Instruction	53,421,221	52,928,856	51,640,287	1,288,569
Instructional technology	1,533,789	1,663,325	1,618,254	45,071
Total instruction costs	\$ 57,635,278	\$ 57,582,346	\$ 55,843,001	\$ 1,739,345
Operating costs:				
Pupil transportation	\$ 4,487,319	\$ 4,933,675	\$ 4,799,915	\$ 133,760
Operation and maintenance of school plant	6,911,355	8,753,116	7,053,516	1,699,600
School food services	6,788,566	7,537,714	3,617,894	3,919,820
Total operating costs	\$ 18,187,240	\$ 21,224,505	\$ 15,471,325	\$ 5,753,180
Total Discretely Presented Component Unit - School Board	\$ 75,822,518	\$ 78,806,851	\$ 71,314,326	\$ 7,492,525

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## Statistical Information

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Table 1

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

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

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2011-12	\$ 1,830,599	\$ 11,403,196	\$ -	\$ 32,986,799	\$ 9,109,624	\$ 193,751	\$ 1,582,918	\$ 4,645,697	\$ 61,752,584
2010-11	1,524,271	11,941,158	-	30,775,045	9,042,116	255,378	1,541,929	3,649,262	58,729,159
2009-10	1,485,955	9,857,596	-	39,788,130	8,725,269	190,909	647,220	4,386,748	65,081,827
2008-09	1,570,422	10,464,847	96,650	27,016,329	10,579,402	298,747	737,526	2,990,777	53,754,700
2007-08	1,597,834	9,367,762	145,954	27,402,967	10,300,503	772,256	375,646	2,984,398	52,947,320
2006-08	1,504,305	8,271,422	950,924	27,165,999	9,989,193	962,314	290,841	3,076,887	52,211,885
2005-06	1,430,988	8,145,800	558,988	26,006,562	9,658,574	677,984	228,164	2,984,389	49,691,449
2004-05	1,103,253	7,613,600	106,713	22,923,994	8,818,508	304,809	283,502	2,781,514	43,935,893
2003-04	864,568	8,031,632	113,694	21,794,488	8,109,926	149,444	310,098	3,054,045	42,427,895
2002-03	1,009,977	7,804,373	-	21,394,709	7,857,865	160,768	265,955	2,810,066	41,303,713

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
2011-12	\$ 3,236,958	\$ 1,433,084	\$ 10,380,260	\$ 3,750,554	\$ 7,578,463	\$ 71,395,719	\$ 2,029,542	\$ 3,595,679	\$ 522,018	\$ -	\$ 2,002,655	\$ 105,924,932
2010-11	2,900,525	1,407,319	10,644,584	3,549,820	7,589,378	68,481,337	2,123,190	3,286,491	231,976	-	1,491,190	101,705,810
2009-10	2,770,049	1,362,945	10,569,641	2,968,124	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	2,214,686	2,057,953	169,856	-	1,985,076	109,554,292
2007-08	2,842,081	1,368,456	8,699,315	3,138,392	7,822,985	74,909,110	2,234,793	2,321,698	104,973	-	1,565,256	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

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2011-12	\$ 32,681,231	\$ 9,109,624	\$ 119,384	\$ 897,988	\$ 213,505	\$ 3,639,101	\$ 2,528,526	\$ 478,582	\$ 60,445,175	\$ 110,113,116
2010-11	30,533,935	9,042,116	118,976	834,151	258,728	3,238,561	2,044,463	426,123	58,409,708	104,906,761
2009-10	39,065,655	8,725,269	154,291	722,986	204,914	3,107,170	1,877,392	748,070	60,875,451	115,481,198
2008-09	26,768,962	10,319,402	125,669	854,554	277,468	3,280,511	1,517,479	725,498	61,985,504	105,855,047
2007-08	27,299,486	10,300,503	157,441	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	51,939,383	94,562,913
2004-05	22,978,358	8,818,508	189,395	203,629	320,188	2,888,994	1,260,837	875,276	48,641,733	86,176,918
2003-04	21,736,872	8,109,926	163,692	52,500	156,575	2,930,174	1,401,782	796,201	45,220,337	80,568,059
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

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2,3)	Percent of Delinquent Taxes to Tax Levy
2011-12	\$ 30,637,829	\$ 29,876,309	97.51%	\$ 2,227,356	\$ 32,103,665	104.78%	\$ 3,074,774	10.04%
2010-11	30,081,650	28,926,656	96.16%	1,149,142	30,075,798	99.98%	2,776,060	9.23%
2009-10 (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%

(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) Real Estate and Personal Property	Total
2011-12	\$ 3,644,529,884	\$ 513,404,833	\$ 162,194,740	\$ 177,754,621	\$ 4,497,884,078
2010-11	3,714,880,800	498,040,367	160,572,846	176,316,906	4,549,810,919
2009-10	3,684,810,300	470,661,432	158,176,655	171,979,877	4,485,628,264
2008-09	3,269,165,800	492,537,196	129,910,105	161,732,484	4,053,345,585
2007-08	3,269,046,000	463,976,908	310,175,750	181,363,006	4,224,561,664
2006-07	3,176,091,700	436,066,753	229,222,785	203,630,931	4,045,012,169
2005-06	3,112,082,500	410,332,545	229,320,270	216,983,390	3,968,718,705
2004-05	2,529,993,382	376,789,058	196,611,365	184,733,489	3,288,127,294
2003-04	2,464,931,423	377,647,003	190,009,524	211,993,150	3,244,581,100
2002-03	2,415,334,275	367,167,603	171,601,551	214,914,064	3,169,017,493

(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
2011-12	\$ 0.63	\$ 1.55	\$ 1.55
2010-11	0.58	1.55	1.55
2009-10	0.57	1.55	1.55
2008-09	0.57	1.55	1.55
2007-08	0.57	1.55	1.55
2006-07	0.57	1.55	1.55
2005-06	0.57	1.55	1.55
2004-05	0.60	1.55	1.55
2003-04	0.57	1.55	1.55
2002-03	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
2011-12	54,876	\$ 4,497,884	\$ 20,136,009	\$ 20,136,009	0.45%	367
2010-11	54,876	4,549,811	21,466,830	21,466,830	0.47%	391
2009-10	51,103	4,485,628	22,397,804	22,397,804	0.50%	438
2008-09	51,103	4,053,346	15,474,811	15,474,811	0.38%	303
2007-08	51,103	4,224,562	16,610,898	16,610,898	0.39%	325
2006-07	51,103	4,045,012	12,545,145	12,545,145	0.31%	245
2005-06	51,103	3,968,719	13,532,193	13,532,193	0.34%	265
2004-05	51,103	3,288,127	14,549,075	14,549,075	0.44%	285
2003-04	51,103	3,244,581	15,520,021	15,520,021	0.48%	304
2002-03	51,103	3,169,017	15,582,385	15,582,385	0.49%	305

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit School Board and each major fund and the aggregate remaining fund information of the County of Washington, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Washington, Virginia's basic financial statements and have issued our report thereon dated December 13, 2012. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Virginia Highlands Airport Authority of Washington County, the Industrial Development Authority of Washington County, and the Park Authority of Washington County as described in our report on the County of Washington, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

### Internal Control over Financial Reporting

Management of the County of Washington, Virginia is responsible for establishing and maintaining effective 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 December 13, 2012.

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

*Robinson, Turner, Cox Associates*

Blacksburg, Virginia  
December 13, 2012

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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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, 2012. 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, 2012.

### 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, Cox Associates*

Blacksburg, Virginia  
December 13, 2012

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

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:			
<i>Child Care and Development Fund Cluster:</i>			
Child Care and Development Block Grant	93.575	90544, 90545	\$ 79,043
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	90116, 90117, 90118, 90236 90237, 90238, 90378 90249, 90360	87,430
Promoting Safe and Stable Families	93.556		24,287
Temporary Assistance for Needy Families	93.558	90109, 90110, 90111, 90112 90127, 90229, 90230, 90231 90232, 90247, 90366, 90409 90411, 90412, 90413	448,140
Refugee and Entrant Assistance - State Administered Programs	93.566	90113, 90233, 90413, 90713	667
Low-Income Home Energy Assistance	93.568	90114, 90115, 90234, 90235	34,837
Stephanie Tubbs Jones Child Welfare Services Programs	96.645	90251	1,521
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	284,629
Adoption Assistance	93.659	90108, 90214, 90228, 90408 90806, 90708	217,942
Social Services Block Grant	93.667	90120, 90122, 90123, 90240 90242, 90243, 90262, 90306 90312, 90322, 90339, 90340	303,761
Chafee Foster Care Independence Program	93.674	90254	5,823
Children's Health Insurance Program	93.767	90102, 90222, 90402, 90702	12,734
Medical Assistance Program	93.778	90101, 90146, 90213, 90221 90266, 90401, 90446, 90701 90746	265,336
Total Department of Health and Human Services			\$ 1,766,150
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster-Food Distribution (Note 3)	10.555	40623	\$ 155,971
Department of Education:			
Child Nutrition Cluster-National School Lunch Program	10.555	40623	1,393,281
Child Nutrition Cluster-School Breakfast Program	10.553		449,920
Schools and Roads--Grants to States	10.665	43841	25,462
Department of Social Services:			
State Admin Matching Grants for the Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704	437,153
Total Department of Agriculture			\$ 2,461,787
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	08WFA0050; 09WFA0037	\$ 30,265
Compensation Board:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program - Grants to States and Territories	16.803	09SUB9033	\$ 48,607
Total Department of Justice			\$ 78,872
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600		\$ 24,628
Department of Homeland Security			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Preparedness Demonstration Program	97.001		\$ 21,664
Inoperable Emergency Communications Grant	97.055		187,554
State Homeland Security Grant	97.073		12,209
Total Department of Homeland Security			\$ 221,427

County of Washington, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
<i>Title I, Part A Cluster:</i>			
Title I: Grants to local educational agencies	84.010	42901; 42999	\$ 1,793,198
ARRA - Title I: Grants to local educational agencies	84.389	42913	305,812
<i>Special Education Cluster:</i>			
Special Education - Grants to states	84.027	43071	1,636,628
ARRA - Special Education - Grants to states	84.391	61245	265,786
Special Education - Preschool grants	84.173	62521	46,245
ARRA - Special Education - Preschool grants	84.392	62521	7,634
Improving Teacher Quality State Grants	84.367	61480	293,214
Adult Education Basic Grants to States	84.002	42801; 61111	336,514
Career and Technical Education: Basic grants to states	84.048	61095	137,253
Safe and drug-free schools and communities - state grants	84.186	65011	312
Education Technology State Grants	84.318	61600	4,270
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		29,972
ARRA - Statewide Data Systems	84.384		47,472
ARRA - State Fiscal Stabilization Funds - Education State Grants	84.397	62532A; 62532	1,515,385
Total Department of Education			\$ 6,419,695
Appalachian Regional Commission:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant / State's Program and Non-Entitlements Grants in Hawaii	14.228	50797	\$ 1,045,888
Total Expenditures of Federal Awards			\$ 12,018,447
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, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> . Because the Schedule presents only a selected portion of the operations of the County of Washington, Virginia, it is not intended to and does not present the financial position, changes in net 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, <i>Cost Principles for State, Local, and Indian Tribal Governments</i> , wherein certain types of expenditures are not allowable or are limited as to reimbursement.			
(2) Pass-through entity identifying numbers are presented where available.			
Note 3 -- Food Donation			
Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2012, 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			\$ 3,599,909
Less: Payment in lieu of taxes			(25,791)
Total primary government:			\$ 3,574,118
Component Unit Schools:			
School Operating Fund			\$ 8,444,329
Total federal expenditures per basic financial statements			\$ 12,018,447
Total federal expenditures per the Schedule of Expenditures of Federal Awards			\$ 12,018,447



# COUNTY OF WASHINGTON, VIRGINIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

### Section I – Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance  
for major programs: Unqualified

Any findings disclosed that are required to be  
reported in accordance with Circular A-133  
Section 510(a)? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.010/84.389	Title I, Part A Cluster
93.558	Temporary Assistance for Needy Families (TANF)
84.397	ARRA - State Fiscal Stabilization Funds-Education State Grants
84.027/84.173/84.391/84.392	Special Education

Dollar threshold used to distinguish between type A  
and type B programs: \$360,553

Auditee qualified as low-risk auditee? Yes

COUNTY OF WASHINGTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012

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Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Status of Prior Audit Findings

None