



COUNTY OF HIGHLAND, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

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

County of Highland, Virginia

Board of Supervisors

David W. Blanchard, Chairman
Lee Blagg, Chariman
Kevin Wagner, Member

County School Board

John Moyers Jr., Chairman
Elizabeth H. Hefner, Vice-Chairman
Joseph T. Neil, Member

Welfare Board Members

David Johnston, Chairman
Jim White
Lori Botkin

Other Officials

Clerk of the Circuit Court.....	Lois Ralston
Commissioner of the Revenue.....	Darlene Crummett
Commonwealth's Attorney	Melissa Ann Dowd
Sheriff.....	Herbert R. Lightner
Treasurer	Lois E. White
County Attorney	Melissa Ann Dowd
Building Official/Inspector	James H. Whitelaw
Cooperative Extension Agent	Rodney Leech
Emergency Services Director.....	Harley Gardner
Fire Chief	Elmer Waybright
Health Director	Dr. Clifford W. Caplan
Chairman of Industrial Development Authority.....	Betty Mitchell
Planning Commission Chairman.....	Douglas Gutshall
Recycling Coordinator.....	Richard Waybright
Registrar	Alice Shumate
Senior Citizen Coordinator.....	Kelly S. Botkin
Social Services Director.....	Sharon W. Sponaugle
Zoning Administrator.....	James H. Whitelaw
County Administrator	Roberta A. Lambert
Superintendent of Schools.....	William R. Crawford

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF HIGHLAND, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Highland, 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 Highland, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Highland, 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 21, 2012 on our consideration of the County of Highland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 schedule of pension 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 the 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 schedule 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 schedule 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 Highland, Virginia's financial statements as a whole. The 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 statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 21, 2012

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Highland, Virginia for the fiscal year ended June 30, 2012.

Financial Highlights

Government-wide Financial Statements

The assets of the County of Highland, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$8,130,844 (net assets). Of this amount, \$5,839,238 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net assets were \$2,711,308 of which \$(22,690) is unrestricted. (See Exhibit 1.)

The Government's net assets increased by \$573,600 while the School Board's net assets decreased by \$(20,474). (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,757,856, or 83.2 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2012 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2012.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$5,205,730, a decrease of \$(95,713) in comparison with the prior year. (See Exhibit 3.)

Overview of the Financial Statements

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

Local government accounting and financial reporting originally focused on funds, which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with both justifications from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net assets and 2) the statement of activities.

The statement of net assets presents all of the County's permanent accounts, or assets, liabilities and net assets. The difference between assets and liabilities is reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The statement of activities presents information showing how the government's net assets changed during the fiscal year. The statement is focused on the gross and net cost of various government functions, which are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end in themselves.

Both government-wide financial statements separate governmental activities and business-type activities of the County. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently reports the McDowell Water System, Highland County Refuse Disposal and Recreation Commission as business-type activities.

The government-wide financial statements include, in addition to the primary government or County, two component units: 1) the Highland County School Board, and 2) the McDowell Water System. Although the component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. A primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant funding for operations of the component unit.

Fund Financial Statements

The fund financial statements will be more familiar to past financial statement users. The only difference from prior year presentation of the fund statements is that only major, or significant, funds will be presented. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds 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, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, a reconciliation between the two methods is provided on the exhibits following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

Proprietary funds

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

The McDowell Water System is a blended component unit of the County of Highland. This Fund and the Highland County Refuse Disposal Fund, a major fund of the County, meet proprietary fund classification criteria. The water system and refuse disposal financial statements are shown as enterprise funds in the County's fund financial statements. The water system provides a centralized source for the provision of water services to residents of the Village of McDowell and the refuse disposal provides a centralized source for the provision of refuse disposal for County residents and landowners.

The Highland County Recreation Commission is also a component unit of the County of Highland. The Recreation Commission provides for recreation activities of the County.

Internal service funds

The County of Highland has no internal service funds.

Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the County's own activities. A separate Statement of Fiduciary Net Assets and Combining Statements are provided in the report.

Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the County of Highland, assets exceeded liabilities by \$8,130,844 at the end of the fiscal year.

The County's net assets are divided into two categories: 1) invested in capital assets, net of related debt; and 2) unrestricted.

County of Highland's Net Assets

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 6,737,141	\$ 6,740,657	\$ 730,845	\$ 677,785	\$ 7,467,986	\$ 7,418,442
Capital assets	2,199,155	1,715,726	790,801	790,934	2,989,956	2,506,660
Total	<u>\$ 8,936,296</u>	<u>\$ 8,456,383</u>	<u>\$ 1,521,646</u>	<u>\$ 1,468,719</u>	<u>\$ 10,457,942</u>	<u>\$ 9,925,102</u>
Long-term liabilities	\$ 724,758	\$ 850,752	\$ 173,487	\$ 177,043	\$ 898,245	\$ 1,027,795
Other liabilities	1,410,287	1,326,946	18,566	13,117	1,428,853	1,340,063
Total	<u>\$ 2,135,045</u>	<u>\$ 2,177,698</u>	<u>\$ 192,053</u>	<u>\$ 190,160</u>	<u>\$ 2,327,098</u>	<u>\$ 2,367,858</u>
Net assets invested in capital assets, net of related debt	\$ 1,667,119	\$ 1,043,630	\$ 624,487	\$ 620,438	\$ 2,291,606	\$ 1,664,068
Unrestricted	5,134,132	5,235,055	705,106	658,121	5,839,238	5,893,176
Total net assets	<u>\$ 6,801,251</u>	<u>\$ 6,278,685</u>	<u>\$ 1,329,593</u>	<u>\$ 1,278,559</u>	<u>\$ 8,130,844</u>	<u>\$ 7,557,244</u>

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 24.5 percent of total net assets. The County uses these capital assets to provide services to citizens; therefore, the 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.

The remaining balance of unrestricted net assets, which is \$5,134,132 or 75.49 percent of total net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County is able to report a positive balance in both categories of net assets.

During the current fiscal year, the government's net assets increased by \$573,600.

Governmental Activities

Governmental activities increased the County's net assets by \$522,566.

County of Highland's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 26,045	\$ 28,723	\$ 387,175	\$ 401,742	\$ 413,220	\$ 430,465
Operating grants and contributions	1,235,107	1,108,132	47,916	31,910	1,283,023	1,140,042
Capital grants and contributions	440,362	-	25,082	99,100	465,444	99,100
General revenues:						
General property taxes	2,731,729	2,777,551	-	-	2,731,729	2,777,551
Other local taxes	368,844	357,076	-	-	368,844	357,076
Use of money and property	54,728	57,999	2,697	411	57,425	58,410
Other	118,328	83,641	-	1,186	118,328	84,827
Grants and contributions not restricted to specific programs	234,776	218,328	-	-	234,776	218,328
Total Revenues	\$ 5,209,919	\$ 4,631,450	\$ 462,870	\$ 534,349	\$ 5,672,789	\$ 5,165,799
Expenses:						
General government	\$ 1,059,513	\$ 965,091	\$ -	\$ -	\$ 1,059,513	\$ 965,091
Judicial administration	246,808	242,692	-	-	246,808	242,692
Public safety	789,037	765,268	-	-	789,037	765,268
Public works	137,181	53,114	-	-	137,181	53,114
Health and welfare	413,864	372,672	-	-	413,864	372,672
Education	1,823,472	1,845,772	-	-	1,823,472	1,845,772
Parks, recreational, and cultural	75,516	73,426	-	-	75,516	73,426
Community development	134,348	137,377	-	-	134,348	137,377
Interest on long-term debt	32,464	44,587	-	-	32,464	44,587
Recreation Commission	-	-	58,943	49,255	58,943	49,255
Landfill	-	-	267,858	257,445	267,858	257,445
Water	-	-	60,185	50,216	60,185	50,216
Total	\$ 4,712,203	\$ 4,499,999	\$ 386,986	\$ 356,916	\$ 5,099,189	\$ 4,856,915
Increase in net assets before transfers	\$ 497,716	\$ 131,451	\$ 75,884	\$ 177,433	\$ 573,600	\$ 308,884
Transfers	\$ 24,850	\$ (71,075)	\$ (24,850)	\$ 71,075	\$ -	\$ -
Increase / decrease in net assets	\$ 522,566	\$ 60,376	\$ 51,034	\$ 248,508	\$ 573,600	\$ 308,884
Net assets, beginning as adjusted	\$ 6,278,685	\$ 6,218,309	\$ 1,278,559	\$ 1,030,051	\$ 7,557,244	\$ 7,248,360
Net assets, ending	\$ 6,801,251	\$ 6,278,685	\$ 1,329,593	\$ 1,278,559	\$ 8,130,844	\$ 7,557,244

Financial Analysis of the Government's Funds

As earlier mentioned, 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 financial resources. Such information is useful in assessing the County's financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$5,205,730.

The general fund is the chief operating fund of the County. As of June 30, 2012, total fund balance of the general fund was \$4,404,182, of which \$3,757,856 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 85 percent and total fund balance represents 97 percent of total general fund expenditures, which includes contributions to the School Board component unit of \$1,823,472.

The fund balance of the County's general fund decreased by \$(144,250) during the current fiscal year.

Proprietary funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the McDowell Water System, Highland County Refuse Disposal and Highland County Recreation Commission at the end of the year were \$705,106. Other factors concerning the finances of these funds were discussed in the County's business-type activities section of this letter.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budget appropriations were a \$622,176 increase, which is 14.6 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were \$73,924, which is 1.7 percent of the total original budget.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2012 is \$2,199,155 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

County of Highland, Virginia Capital Assets for Governmental Activities (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 197,365	\$ 197,365	\$ 3,816	\$ 3,816	\$ 201,181	\$ 201,181
Buildings and system	1,598,669	1,123,430	-	-	1,598,669	1,123,430
Machinery and equipment	268,648	310,081	21,231	25,813	289,879	335,894
Utility plant and equipment	-	-	765,754	761,305	765,754	761,305
Construction in progress	134,473	84,850	-	-	134,473	84,850
Total	<u>\$ 2,199,155</u>	<u>\$ 1,715,726</u>	<u>\$ 790,801</u>	<u>\$ 790,934</u>	<u>\$ 2,989,956</u>	<u>\$ 2,506,660</u>

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 532,036	\$ 672,096	\$ -	\$ -	\$ 532,036	\$ 672,096
Landfill closure/ post-closure liability	51,560	50,956	-	-	51,560	50,956
Revenue Bonds	-	-	166,314	170,496	166,314	170,496
Compensated absences	141,162	127,700	7,173	6,547	148,335	134,247
Total	<u>\$ 724,758</u>	<u>\$ 850,752</u>	<u>\$ 173,487</u>	<u>\$ 177,043</u>	<u>\$ 898,245</u>	<u>\$ 1,027,795</u>

Legislation enacted in fiscal year ended June 30, 2002 requires that debt historically reported by the School Board be assumed by the Primary Government. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 6.1 percent, which is an increase from the rate of 5.9 percent a year ago. This compares favorably to the state's average unemployment rate of 6.0 percent and the national average rate of 8.4 percent.
- Earnings on investments, in general, continue to remain low.
- It is expected that funding from the Commonwealth of Virginia will be further decreased for constitutional officers, ABC profits, and wine taxes, care of prisoners, library aid and education.

All of these factors were considered in preparing the County's budget for the 2013 fiscal year.

During fiscal year 2012, unreserved fund balance in the general fund decreased \$193,779. Appropriations for County funds lapse at fiscal year end, with the exception of the Capital Projects Fund.

Requests for Information

This financial report is designed to provide readers with a general overview of the County of Highland's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Highland County Board of Supervisors, P. O. Box 130, Monterey, Virginia 24465.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 4,516,754	\$ 681,660	\$ 5,198,414	\$ 387,206
Investments	-	21,047	21,047	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,341,888	-	1,341,888	-
Accounts receivable	9,413	28,138	37,551	-
Notes receivable	45,000	-	45,000	-
Due from component unit	377,918	-	377,918	-
Due from other governmental units	430,032	-	430,032	347,055
Inventories	-	-	-	12,221
Prepaid expenses	16,136	-	16,136	36,172
Capital assets (net of accumulated depreciation):				
Land	197,365	3,816	201,181	13,035
Buildings and improvements	1,598,669	-	1,598,669	2,608,008
Machinery and equipment	268,648	-	268,648	91,560
Utility plant and equipment	-	786,985	786,985	-
Construction in progress	134,473	-	134,473	21,395
Total assets	<u>\$ 8,936,296</u>	<u>\$ 1,521,646</u>	<u>\$ 10,457,942</u>	<u>\$ 3,516,652</u>
LIABILITIES				
Accounts payable	\$ 115,653	\$ 18,276	\$ 133,929	\$ 3,695
Accrued liabilities	-	-	-	387,205
Accrued interest payable	14,716	290	15,006	-
Due to primary government	-	-	-	377,918
Unearned revenue	1,279,918	-	1,279,918	-
Long-term liabilities:				
Due within one year	143,691	4,396	148,087	-
Due in more than one year	581,067	169,091	750,158	36,526
Total liabilities	<u>\$ 2,135,045</u>	<u>\$ 192,053</u>	<u>\$ 2,327,098</u>	<u>\$ 805,344</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,667,119	\$ 624,487	\$ 2,291,606	\$ 2,733,998
Unrestricted	5,134,132	705,106	5,839,238	(22,690)
Total net assets	<u>\$ 6,801,251</u>	<u>\$ 1,329,593</u>	<u>\$ 8,130,844</u>	<u>\$ 2,711,308</u>

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

County of Highland, Virginia

Statement of Activities

For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,059,513	\$ 408	\$ 146,987	\$ -
Judicial administration	246,808	2,802	201,695	-
Public safety	789,037	22,835	591,791	-
Public works	137,181	-	-	440,362
Health and welfare	413,864	-	294,634	-
Education	1,823,472	-	-	-
Parks, recreation, and cultural	75,516	-	-	-
Community development	134,348	-	-	-
Interest on long-term debt	32,464	-	-	-
Total governmental activities	<u>\$ 4,712,203</u>	<u>\$ 26,045</u>	<u>\$ 1,235,107</u>	<u>\$ 440,362</u>
Business-type activities:				
Refuse Disposal	\$ 267,858	\$ 313,663	\$ 6,000	\$ -
McDowell Water System	60,185	33,181	-	25,082
Recreation Commission	58,943	40,331	41,916	-
Total business-type activities	<u>\$ 386,986</u>	<u>\$ 387,175</u>	<u>\$ 47,916</u>	<u>\$ 25,082</u>
Total primary government	<u><u>\$ 5,099,189</u></u>	<u><u>\$ 413,220</u></u>	<u><u>\$ 1,283,023</u></u>	<u><u>\$ 465,444</u></u>
COMPONENT UNIT:				
School Board	\$ 3,880,109	\$ 46,639	\$ 1,933,114	\$ 3,258
Total component unit	<u>\$ 3,880,109</u>	<u>\$ 46,639</u>	<u>\$ 1,933,114</u>	<u>\$ 3,258</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use taxes

Consumers' utility taxes

Motor vehicle licenses

E-911 tax

Bank stock taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	School Board
\$ (912,118)	\$ -	\$ (912,118)	\$ -
(42,311)	-	(42,311)	-
(174,411)	-	(174,411)	-
303,181	-	303,181	-
(119,230)	-	(119,230)	-
(1,823,472)	-	(1,823,472)	-
(75,516)	-	(75,516)	-
(134,348)	-	(134,348)	-
(32,464)	-	(32,464)	-
<u>\$ (3,010,689)</u>	<u>\$ -</u>	<u>\$ (3,010,689)</u>	<u>\$ -</u>
\$ -	\$ 51,805	\$ 51,805	\$ -
-	(1,922)	(1,922)	-
-	23,304	23,304	-
<u>\$ -</u>	<u>\$ 73,187</u>	<u>\$ 73,187</u>	<u>\$ -</u>
<u>\$ (3,010,689)</u>	<u>\$ 73,187</u>	<u>\$ (2,937,502)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (1,897,098)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,897,098)</u>
\$ 2,731,729	\$ -	\$ 2,731,729	\$ -
107,600	-	107,600	-
138,686	-	138,686	-
53,724	-	53,724	-
33,000	-	33,000	-
13,806	-	13,806	-
22,028	-	22,028	-
54,728	2,697	57,425	-
118,328	-	118,328	53,152
234,776	-	234,776	1,823,472
24,850	(24,850)	-	-
<u>\$ 3,533,255</u>	<u>\$ (22,153)</u>	<u>\$ 3,511,102</u>	<u>\$ 1,876,624</u>
\$ 522,566	\$ 51,034	\$ 573,600	\$ (20,474)
6,278,685	1,278,559	7,557,244	2,731,782
<u>\$ 6,801,251</u>	<u>\$ 1,329,593</u>	<u>\$ 8,130,844</u>	<u>\$ 2,711,308</u>

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FUND FINANCIAL STATEMENTS

County of Highland, Virginia

Balance Sheet
Governmental Funds
June 30, 2012

	General	Virginia Public Assistance	E-911	County Capital Improvements	School Capital Projects
ASSETS					
Cash and cash equivalents	\$ 3,711,442	\$ -	\$ 140,350	\$ 423,490	\$ 217,367
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,341,888	-	-	-	-
Accounts receivable	9,413	-	-	-	-
Notes receivable	45,000	-	-	-	-
Due from other funds	20,244	-	-	-	-
Due from component unit	377,918	-	-	-	-
Due from other governmental units	362,454	20,244	3,334	44,000	-
Prepaid items	5,950	-	-	8,186	-
Total assets	<u>\$ 5,874,309</u>	<u>\$ 20,244</u>	<u>\$ 143,684</u>	<u>\$ 475,676</u>	<u>\$ 217,367</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 54,369	\$ -	1,281	\$ 47,020	\$ 12,983
Due to other funds	-	20,244	-	-	-
Deferred revenue	1,415,758	-	-	-	-
Total liabilities	<u>\$ 1,470,127</u>	<u>\$ 20,244</u>	<u>\$ 1,281</u>	<u>\$ 47,020</u>	<u>\$ 12,983</u>
Fund balances:					
Nonspendable:					
Prepaid expenditures	\$ 5,950	\$ -	\$ -	\$ 8,186	\$ -
Notes receivable	45,000	-	-	-	-
Restricted:					
Fire prevention programs	1,600	-	-	-	-
Recording equipment	768	-	-	-	-
Law library	6,557	-	-	-	-
Courthouse maintenance	24,593	-	-	-	-
E911	-	-	142,403	-	-
Forfeited assets	-	-	-	-	-
Committed:					
Assessor	82,000	-	-	-	-
Equipment replacement	81,430	-	-	-	-
Recreation commission	10,000	-	-	-	-
Auditor	4,333	-	-	-	-
Emergency food & shelter	4,529	-	-	-	-
Communications equipment	46,529	-	-	-	-
Regional jail	60,000	-	-	-	-
Comprehensive plan	15,000	-	-	-	-
Bus reserve	15,000	-	-	-	-
Transportation enhancement project	232,679	-	-	-	-
Veteran's memorial	6,196	-	-	-	-
Assigned:					
Fire prevention programs	691	-	-	-	-
Gypsy moth spraying	3,471	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	420,470	204,384
Unassigned, reported in:					
General fund	3,757,856	-	-	-	-
Total fund balances	<u>\$ 4,404,182</u>	<u>\$ -</u>	<u>\$ 142,403</u>	<u>\$ 428,656</u>	<u>\$ 204,384</u>
Total liabilities and fund balances	<u>\$ 5,874,309</u>	<u>\$ 20,244</u>	<u>\$ 143,684</u>	<u>\$ 475,676</u>	<u>\$ 217,367</u>

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

Exhibit 3

<u>Other Governmental Funds</u>		<u>Total</u>	
\$	24,105	\$	4,516,754
	-		1,341,888
	-		9,413
	-		45,000
	-		20,244
	-		377,918
	-		430,032
	2,000		16,136
\$	<u>26,105</u>	\$	<u>6,757,385</u>
\$	-	\$	115,653
	-		20,244
	-		1,415,758
\$	<u>-</u>	\$	<u>1,551,655</u>
\$	2,000	\$	16,136
	-		45,000
	-		1,600
	-		768
	-		6,557
	-		24,593
	-		142,403
	23,388		23,388
	-		82,000
	-		81,430
	-		10,000
	-		4,333
	-		4,529
	-		46,529
	-		60,000
	-		15,000
	-		15,000
	-		232,679
	-		6,196
	-		691
	-		3,471
	717		717
	-		624,854
	-		3,757,856
\$	<u>26,105</u>	\$	<u>5,205,730</u>
\$	<u>26,105</u>	\$	<u>6,757,385</u>

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Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 5,205,730
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,199,155
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	135,840
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(739,474)</u>
Net assets of governmental activities	\$ <u><u>6,801,251</u></u>

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

County of Highland, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General	Virginia Public Assistance	E-911	County Capital Improvements
REVENUES				
General property taxes	\$ 2,726,798	\$ -	\$ -	\$ -
Other local taxes	335,844	-	33,000	-
Permits, privilege fees, and regulatory licenses	11,660	-	-	-
Fines and forfeitures	271	-	-	-
Revenue from the use of money and property	54,728	-	-	-
Charges for services	14,114	-	-	-
Miscellaneous	107,228	2,906	-	-
Intergovernmental revenues:				
Commonwealth	985,775	116,528	127,000	-
Federal	452,618	178,106	-	44,000
Total revenues	<u>\$ 4,689,036</u>	<u>\$ 297,540</u>	<u>\$ 160,000</u>	<u>\$ 44,000</u>
EXPENDITURES				
Current:				
General government administration	\$ 885,180	\$ -	\$ -	\$ -
Judicial administration	241,077	-	-	-
Public safety	712,158	-	99,004	-
Public works	564,859	-	-	-
Health and welfare	85,898	314,869	-	-
Education	1,802,076	-	-	-
Parks, recreation, and cultural	39,236	-	-	-
Community development	134,348	-	-	-
Nondepartmental	41,052	-	-	-
Capital projects	9,442	-	-	183,900
Debt service:				
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>\$ 4,515,326</u>	<u>\$ 314,869</u>	<u>\$ 99,004</u>	<u>\$ 183,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 173,710</u>	<u>\$ (17,329)</u>	<u>\$ 60,996</u>	<u>\$ (139,900)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 408,812	\$ 47,798	\$ -	\$ 120,000
Transfers out	(726,772)	(30,469)	-	-
Total other financing sources (uses)	<u>\$ (317,960)</u>	<u>\$ 17,329</u>	<u>\$ -</u>	<u>\$ 120,000</u>
Net change in fund balances	\$ (144,250)	\$ -	\$ 60,996	\$ (19,900)
Fund balances - beginning	4,548,432	-	81,407	448,556
Fund balances - ending	<u>\$ 4,404,182</u>	<u>\$ -</u>	<u>\$ 142,403</u>	<u>\$ 428,656</u>

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

Exhibit 5

School Capital Projects		Other Governmental Funds	Total
\$	-	\$ -	\$ 2,726,798
	-	-	368,844
	-	-	11,660
	-	-	271
	-	-	54,728
	-	-	14,114
	-	8,194	118,328
	-	6,218	1,235,521
	-	-	674,724
\$	-	\$ 14,412	\$ 5,204,988
\$	-	\$ -	\$ 885,180
	-	-	241,077
	-	14,041	825,203
	-	-	564,859
	-	-	400,767
21,396	-	-	1,823,472
-	-	-	39,236
-	-	-	134,348
-	-	-	41,052
565	-	-	193,907
140,061	-	-	140,061
36,389	-	-	36,389
\$ 198,411	\$ 14,041	\$	\$ 5,325,551
\$ (198,411)	\$ 371	\$	\$ (120,563)
\$ 376,451	\$ 5,481	\$	\$ 958,542
(176,451)	-		(933,692)
\$ 200,000	\$ 5,481	\$	\$ 24,850
\$ 1,589	\$ 5,852	\$	\$ (95,713)
202,795	20,253		5,301,443
\$ 204,384	\$ 26,105	\$	\$ 5,205,730

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

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

Net change in fund balances - total governmental funds	\$ (95,713)
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.	483,429
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,931
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	139,456
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.	<u>(9,537)</u>
Change in net assets of governmental activities	\$ <u><u>522,566</u></u>

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

Statement of Net Assets
 Proprietary Funds
 June 30, 2012

	Enterprise Funds			
	<u>McDowell Water System</u>	<u>Refuse Disposal</u>	<u>Recreation Commission</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 117,527	\$ 473,262	\$ 90,871	\$ 681,660
Investments	-	-	21,047	21,047
Accounts receivable	5,566	22,572	-	28,138
Total current assets	<u>\$ 123,093</u>	<u>\$ 495,834</u>	<u>\$ 111,918</u>	<u>\$ 730,845</u>
Noncurrent assets:				
Capital assets:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Utility plant and equipment	1,151,174	78,215	6,851	1,236,240
Less accumulated depreciation	(385,420)	(62,995)	(840)	(449,255)
Total capital assets	<u>\$ 769,570</u>	<u>\$ 15,220</u>	<u>\$ 6,011</u>	<u>\$ 790,801</u>
Total assets	<u>\$ 892,663</u>	<u>\$ 511,054</u>	<u>\$ 117,929</u>	<u>\$ 1,521,646</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,556	\$ 15,720	\$ -	\$ 18,276
Accrued interest payable	290	-	-	290
Bonds payable - current portion	4,396	-	-	4,396
Total current liabilities	<u>\$ 7,242</u>	<u>\$ 15,720</u>	<u>\$ -</u>	<u>\$ 22,962</u>
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ 161,918	\$ -	\$ -	\$ 161,918
Compensated absences	-	7,173	-	7,173
Total noncurrent liabilities	<u>\$ 161,918</u>	<u>\$ 7,173</u>	<u>\$ -</u>	<u>\$ 169,091</u>
Total liabilities	<u>\$ 169,160</u>	<u>\$ 22,893</u>	<u>\$ -</u>	<u>\$ 192,053</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 603,256	\$ 15,220	\$ 6,011	\$ 624,487
Unrestricted	120,247	472,941	111,918	705,106
Total net assets	<u>\$ 723,503</u>	<u>\$ 488,161</u>	<u>\$ 117,929</u>	<u>\$ 1,329,593</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2012

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 33,181	\$ -	\$ -	\$ 33,181
Refuse disposal	-	297,842	-	297,842
Recycling revenues	-	3,162	-	3,162
Tire disposal	-	3,355	-	3,355
Program income	-	-	36,141	36,141
Operating grants	-	-	41,916	41,916
Other revenues	-	9,304	4,190	13,494
Total operating revenues	\$ 33,181	\$ 313,663	\$ 82,247	\$ 429,091
OPERATING EXPENSES				
Personal services	\$ 9,600	\$ 56,011	\$ 14,259	\$ 79,870
Fringe benefits	727	11,958	-	12,685
Contractual services	5,793	177,820	300	183,913
Rentals and leases	-	-	704	704
Depreciation	28,327	7,610	509	36,446
Supplies	-	-	14,302	14,302
Contribution to Highland County	-	-	9,750	9,750
Staff expenses	-	-	533	533
Utilities	-	-	4,408	4,408
Other charges	7,786	14,459	14,178	36,423
Total operating expenses	\$ 52,233	\$ 267,858	\$ 58,943	\$ 379,034
Operating income (loss)	\$ (19,052)	\$ 45,805	\$ 23,304	\$ 50,057
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue (expense)	\$ -	\$ 6,000	\$ -	\$ 6,000
Investment earnings	345	-	2,352	2,697
Rural Business Enterprise Grant	25,082	-	-	25,082
Interest expense	(7,952)	-	-	(7,952)
Total nonoperating revenues (expenses)	\$ 17,475	\$ 6,000	\$ 2,352	\$ 25,827
Income before contributions and transfers	\$ (1,577)	\$ 51,805	\$ 25,656	\$ 75,884
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 32,777	\$ -	\$ -	\$ 32,777
Transfers out	(29,444)	(28,183)	-	(57,627)
Total other financing sources and uses	\$ 3,333	\$ (28,183)	\$ -	\$ (24,850)
Change in net assets	\$ 1,756	\$ 23,622	\$ 25,656	\$ 51,034
Total net assets - beginning , as adjusted	\$ 721,747	\$ 464,539	\$ 92,273	\$ 1,278,559
Total net assets - ending	\$ 723,503	\$ 488,161	\$ 117,929	\$ 1,329,593

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2012

	Enterprise Fund McDowell Water System	Enterprise Fund Refuse Disposal	Enterprise Fund Recreation Commission	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 33,892	\$ 314,956	\$ 78,057	\$ 426,905
Payments to suppliers	(10,760)	(189,649)	(15,306)	(215,715)
Payments to employees	(10,327)	(67,343)	(14,259)	(91,929)
Other receipts (payments)	4,955	-	(24,679)	(19,724)
Net cash provided by (used in) operating activities	\$ 17,760	\$ 57,964	\$ 23,813	\$ 99,537
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ (29,444)	\$ (28,183)	\$ -	\$ (57,627)
Transfers from other funds	32,777	-	-	32,777
Intergovernmental revenues	-	6,000	-	6,000
Net cash provided by (used in) noncapital financing activities	\$ 3,333	\$ (22,183)	\$ -	\$ (18,850)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital grants	\$ 25,082	\$ -	\$ -	\$ 25,082
Principal payments on bonds	(4,182)	-	-	(4,182)
Interest payments	(7,952)	-	-	(7,952)
Purchase of capital assets	(32,776)	-	(3,537)	(36,313)
Net cash provided by (used in) capital and related financing activities	\$ (19,828)	\$ -	\$ (3,537)	\$ (23,365)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	\$ 345	\$ -	\$ 893	\$ 1,238
Net cash provided by (used in) investing activities	\$ 345	\$ -	\$ 893	\$ 1,238
Net increase (decrease) in cash and cash equivalents	\$ 1,610	\$ 35,781	\$ 21,169	\$ 58,560
Cash and cash equivalents - beginning	\$ 115,917	\$ 437,481	\$ 69,702	\$ 623,100
Cash and cash equivalents - ending	\$ 117,527	\$ 473,262	\$ 90,871	\$ 681,660
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (19,052)	\$ 45,805	\$ 23,304	\$ 50,057
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	\$ 28,327	\$ 7,610	\$ 509	\$ 36,446
(Increase) decrease in accounts receivable	711	1,293	-	2,004
(Increase) decrease in intergovernmental receivables	4,955	-	-	4,955
Increase (decrease) in accounts payable	2,529	2,630	-	5,159
Increase (decrease) in accrued interest payable	290	-	-	290
Increase (decrease) in compensated absences	-	626	-	626
Total adjustments	\$ 36,812	\$ 12,159	\$ 509	\$ 49,480
Net cash provided by (used in) operating activities	\$ 17,760	\$ 57,964	\$ 23,813	\$ 99,537

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

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County of Highland, Virginia

Notes to Financial Statements As of June 30, 2012

Note 1—Summary of Significant Accounting Policies:

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

A. Reporting Entity

The County of Highland, Virginia (government) is a municipal corporation governed by an elected three-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 - The McDowell Water System has been determined to be a component unit of Highland County in accordance with Governmental Accounting Standards Board Statement 14. The System is a legally separate organization whose Board members are appointed by the Highland County Board of Supervisors. During the year ended June 30, 2012 all members of the Board of Supervisors were also members of the three-member System Board. Since the Board of Supervisors is able to impose its will on the System, the System is a component unit of Highland County.

The Highland County Recreation Commission is included as a component unit because the Commission's primary use of funds is to provide for recreation activities of the County, thereby benefiting the County even though it does not provide services directly to the County. The Recreation Commission does not issue separate financial statements.

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

The Highland County School Board operates the elementary and secondary public schools in the County. School Board members are popularly 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 does not issue separate financial statements.

The County Board of Supervisors appoints the governing body of the School Board.

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment. The Board of Supervisors appoints the board members of the Highland County Industrial Development Authority.

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.

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

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

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

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

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

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

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

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

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

The government 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 another fund. The general fund includes the activities of the gypsy moth, damage stamp, various grants, county reserve, CATS, fire prevention, law library, courthouse maintenance, and recordation equipment funds.

The *special revenue funds* account for and report the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Virginia Public Assistance and E-911 funds.

The *capital projects funds* account for and report financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital projects funds consist of the County Capital Improvements Fund and the School Capital Projects Fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Nonmajor special revenue funds consist of the Sheriff's grants fund.

The government reports the following major proprietary funds:

The *McDowell Water System Fund* accounts for the activities of the McDowell Water System, a blended component unit of the government. The System operates the water distribution system for the village of McDowell.

The *Refuse Disposal Fund* accounts for the activities of the County's refuse transfer station.

The *Recreation Commission* is a blended component unit that accounts for the activities of the County's recreation activities.

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 water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 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.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. The principal operating revenues of the Water System and Refuse Disposal enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents

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

Investments for the government, as well as for its component units, are reported at fair value.

2. Receivables and payables

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

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

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 in two installments on June 5th and December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

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

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

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 \$7,489, at June 30, 2012 and is comprised solely of property taxes. This allowance represents 0.044% of the total levies for the previous six years.

5. Use of Estimates

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

6. Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Buildings improvements	50
Other improvements	15
Machinery and equipment	5-10
Furniture and vehicles	5-10
Utility plant	50

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

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

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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The County accrues salary-related payments associated with the payment of compensated absences.

8. *Long-term obligations*

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

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

9. *Fund equity*

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

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

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

9. Fund equity (continued)

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

10. Net Assets

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

Note 2—Reconciliation of Government-Wide and Fund Financial Statements:**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement 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 (\$739,474) and (\$36,526) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds payable	\$ (532,036)	\$ -
Landfill accrued post-closure monitoring costs	(51,560)	-
Accrued interest payable	(14,716)	-
Compensated absences	(141,162)	(36,526)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (739,474)	\$ (36,526)

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 that 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 \$483,429, and \$(14,708), differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlay	\$ 703,740	\$ 21,395
Depreciation expense	(112,735)	(143,679)
Allocation of debt financed school assets based on current year repayments	(107,576)	107,576
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>	\$ 483,429	\$ (14,708)

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 that 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 \$139,456 difference in the primary government are as follows:

	Primary Government
Increase in accrued landfill closure and post-closure monitoring costs	\$ (604)
Principal repayments:	
General obligation debt	140,060
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 139,456

Another element of that reconciliation states that 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 this (\$9,537) and (\$3,967) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Compensated absences	\$ (13,462)	\$ (3,967)
Accrued interest	3,925	-
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>	\$ (9,537)	\$ (3,967)

County of Highland, Virginia

Notes to Financial Statements June 30, 2012 (Continued)

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 March 30, the County Treasurer and County Administrator submit 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.
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 department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories.
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), and the County Capital Improvements Fund. The School 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. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

B. Excess of expenditures over appropriations at June 30, 2012:

Fund	Function	Excess of Expenditures over Appropriations
General	Public works	\$ 25,036
County capital improvements fund	Capital projects	39,200
Total All Funds		<u>\$ 64,236</u>

County of Highland, Virginia

Notes to Financial Statements June 30, 2012 (Continued)

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 the County 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).

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investing activities are managed under the custody of the Treasurer. The County has not adopted a policy regarding credit risk of debt securities.

The County's rated debt investments as of June 30, 2012 were rated by Moody's and/or an equivalent national rating organization and the ratings are presented below using the Moody's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAA</u>
Local Government Investment Pool	\$ 41
Total	\$ 41

External Investment Pool

The fair value of the positions in the 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 Highland, Virginia

Notes to Financial Statements
June 30, 2012 (Continued)

Note 5—Due from Other Governmental Units:

	Primary Government	Component Unit
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 42,121
Local sales taxes	19,619	-
Communication taxes	13,154	-
DMV select	538	-
Rolling Stock	139	-
Recordation tax	1,012	-
Public assistance and welfare administration	8,515	-
Wireless	3,334	-
Commonwealth attorney	5,787	-
Clerk of Circuit Court	11,142	-
Treasurer	5,991	-
Commissioner of Revenue	4,949	-
Sheriff	40,097	-
Fire programs	1,600	-
Federal Government:		
School grants	-	304,934
ISTEA Grant	257,822	-
Energy efficiency grant	44,000	-
Timber sales	604	-
Public assistance and welfare administration	11,729	-
Total	<u>\$ 430,032</u>	<u>\$ 347,055</u>

Note 6—Interfund Obligations:

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	\$ 20,244	\$ -	\$ -	\$ 377,918
VPA Fund	-	20,244	-	-
Sub-total	<u>\$ 20,244</u>	<u>\$ 20,244</u>	<u>\$ -</u>	<u>\$ 377,918</u>
Component Unit-School Board				
School Fund	\$ -	\$ -	\$ 377,918	\$ -
Total	<u>\$ 20,244</u>	<u>\$ 20,244</u>	<u>\$ 377,918</u>	<u>\$ 377,918</u>

The purpose of the interfund obligations is to report the balance of local appropriations unspent at year-end due back to the respective funds.

County of Highland, Virginia**Notes to Financial Statements
June 30, 2012 (Continued)**

Note 7—Interfund Transfers:

Interfund transfers for the year ended June 30, 2012 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 408,812	\$ 726,772
Virginia Public Assistance Fund	47,798	30,469
Refuse Disposal Fund	-	28,183
McDowell Water System	32,777	29,444
County Capital Improvements Fund	120,000	-
School Capital Projects Fund	376,451	176,451
Sheriff's grants	5,481	-
Total	<u>\$ 991,319</u>	<u>\$ 991,319</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 8—Long-Term Obligations:

Primary Government-Governmental Activity Indebtedness:

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

<u>Years Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 143,691	\$ 27,660
2014	147,611	18,638
2015	151,794	9,356
2016	44,208	3,492
2017	44,732	1,168
Total	<u>\$ 532,036</u>	<u>\$ 60,314</u>

County of Highland, Virginia

Notes to Financial Statements
June 30, 2012 (Continued)

Note 8—Long-Term Obligations: (continued)

Primary Government-Governmental Activity Obligations: (continued)

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

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General obligation bonds	\$ 672,096	\$ -	\$ 140,060	\$ 532,036
Landfill closure/post-closure liability	50,956	604	-	51,560
Compensated absences	127,700	13,462	-	141,162
Total Long-Term Liabilities	<u>\$ 850,752</u>	<u>\$ 14,066</u>	<u>\$ 140,060</u>	<u>\$ 724,758</u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>General obligation bonds:</u>		
\$1,654,607 Virginia Public School Authority Bonds, issued 11/22/94, maturing annually with interest payable semiannually at rates varying from 6.1% to 6.6%	\$ 313,355	\$ 100,899
\$812,178 Virginia Public School Authority Bonds, issued 11/14/96, maturing annually with interest payable semiannually at rates varying from 5.1% to 6.1%	218,681	42,792
Sub-total general obligations bonds	<u>\$ 532,036</u>	<u>\$ 143,691</u>
Landfill accrued post-closure monitoring costs	<u>\$ 51,560</u>	<u>\$ -</u>
Compensated Absences (payable from the General Fund)	<u>\$ 141,162</u>	<u>\$ -</u>
Total	<u><u>\$ 724,758</u></u>	<u><u>\$ 143,691</u></u>

County of Highland, Virginia

Notes to Financial Statements
June 30, 2012 (Continued)

Note 8—Long-Term Obligations: (continued)

Primary Government-Enterprise Activity Obligations:

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

Years Ending June 30,	Revenue Bonds	
	Principal	Interest
2013	\$ 4,396	\$ 7,448
2014	4,609	7,235
2015	4,831	7,013
2016	5,064	6,780
2017	5,310	6,534
2018	5,565	6,279
2019	5,835	6,009
2020	6,117	5,727
2021	6,412	5,432
2022	6,721	5,122
2023	7,047	4,797
2024	7,388	4,456
2025	7,746	4,098
2026	8,120	3,724
2027	8,513	3,331
2028	8,925	2,919
2029	4,417	2,575
2030	3,693	2,415
2031	3,856	2,252
2032	4,025	2,084
2033	4,203	1,905
2034	4,387	1,721
2035	4,581	1,527
2036	3,520	1,338
2037	2,457	1,227
2038	2,560	1,124
2039	2,668	1,016
2040	2,780	905
2041	2,897	787
2042	3,018	666
2043	3,145	539
2044	3,278	406
2045	3,415	269
2046	3,559	125
2047	1,256	9
Total	\$ <u>166,314</u>	\$ <u>109,794</u>

County of Highland, Virginia

Notes to Financial Statements
June 30, 2012 (Continued)

Note 8—Long-Term Obligations: (continued)

Primary Government-Enterprise Activity Obligations: (continued)

The following is a summary of long-term obligation transactions of the enterprise funds for the year ended June 30, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Revenue Bonds	\$ 170,496	\$ -	\$ 4,182	\$ 166,314
Compensated absences	6,547	626	-	7,173
Total Long-Term Liabilities	<u>\$ 177,043</u>	<u>\$ 626</u>	<u>\$ 4,182</u>	<u>\$ 173,487</u>

Details of long-term debt:

	Total Amount	Amount Due Within One Year
<u>McDowell Water System:</u>		
\$58,000 loan from Farmers Home Administration, \$283 payable monthly at a rate of 5%	\$ 37,490	\$ 1,554
\$40,000 loan from Farmers Home Administration, \$192 payable monthly at a rate of 5%	25,941	1,065
\$44,300 loan from Rural Development, \$202 payable monthly at a rate of 4.5%	35,161	863
\$71,000 loan from Rural Development, \$307 payable monthly at a rate of 4.125%	<u>67,722</u>	<u>914</u>
Subtotal revenue bonds	<u>\$ 166,314</u>	<u>\$ 4,396</u>
<u>Refuse Disposal Fund:</u>		
Compensated Absences	\$ 7,173	\$ -
Total	<u>\$ 173,487</u>	<u>\$ 4,396</u>

County of Highland, Virginia

Notes to Financial Statements
June 30, 2012 (Continued)

Note 8—Long-Term Obligations: (continued)

Component Unit-School Board Long-Term Liabilities:

The following is a summary of long-term liability 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	\$ 32,559	\$ 3,967	\$ -	36,526
Total Long-Term Liabilities	<u>\$ 32,559</u>	<u>\$ 3,967</u>	<u>\$ -</u>	<u>\$ 36,526</u>

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Note 9—Employee Retirement System and Pension Plans:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

Note 9—Employee Retirement System and Pension Plans: (continued)

A. Plan Description (continued)

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site 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.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their 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 and School Board's contribution rate for the fiscal year ended 2012 were 12.69% and 11.57%, respectively, of annual covered payroll.

The School Board's contributions for professional employees were \$114,033, \$71,313, and \$114,382, to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011 and 2010, respectively and these contributions represented 6.33%, 3.93%, and 8.81% respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the County's annual pension cost of \$135,000 was equal to the County's required and actual contributions.

For fiscal year 2012, the County School Board's annual pension cost for the board's non-professional employees was \$23,156 which was equal to the Board's required and actual contributions.

Notes to Financial Statements
June 30, 2012 (Continued)

Note 9—Employee Retirement System and Pension Plans: (continued)

C. Annual Pension Cost (continued)

Three-Year Trend Information for the County and School Board

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County			
June 30, 2012	\$ 135,000	100%	\$ -
June 30, 2011	135,217	100%	-
June 30, 2010	94,946	100%	-
School Board Non Professional			
June 30, 2012	\$ 23,156	100%	\$ -
June 30, 2011	21,794	100%	-
June 30, 2010	29,957	100%	-

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the County School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and the School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress:

As of June 30, 2011, the most recent actuarial valuation date, the County's plan was 75.53% funded. The actuarial accrued liability for benefits was \$5,745,353, and the actuarial value of assets was \$4,339,239, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,406,114. The covered payroll (annual payroll of active employees covered by the plan) was \$1,076,445, and ratio of the UAAL to the covered payroll was 130.63%.

As of June 30, 2011, the most recent actuarial valuation date, the County School Board's plan was 63.09% funded. The actuarial accrued liability for benefits was \$1,063,890, and the actuarial value of assets was \$671,249, resulting in an unfunded actuarial accrued liability (UAAL) of \$392,641. The covered payroll (annual payroll of active employees covered by the plan) was \$187,621, and ratio of the UAAL to the covered payroll was 209.27%.

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

Note 10—VRS Health Insurance Credit – Other Post-Employment Benefits:

A. Plan Description

The School board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing multiple-employer defined 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.

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.

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 9.

B. Funding Policy

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 .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011 and 2010 were \$10,809, \$10,878, and \$0, respectively and equaled the required contributions for each year.

Note 11—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.

County of Highland, Virginia

**Notes to Financial Statements
June 30, 2012 (Continued)**

Note 12—Unearned/Deferred Revenue:

The following is a summary of deferred revenue for the year ended June 30, 2012:

	Government- wide Statements Governmental Activities	Balance Sheet Governmental Funds
Primary Government:		
Deferred property tax revenue:		
Deferred revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures	\$ 1,191,288	\$ 1,327,128
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	63,118	63,118
Emergency services grants revenue and payment in lieu of taxes revenue representing monies received in fiscal years 2003, 2004, and 2006, but to be expended in subsequent years	25,512	25,512
Total primary government	\$ <u>1,279,918</u>	\$ <u>1,415,758</u>

Note 13—Surety Bonds:

Fidelity and Deposit Company of Maryland - Surety:	
David W. Blanchard Supervisor	\$ 1,000
Lee Blagg Supervisor	1,000
Kevin Wagner Supervisor	1,000
Jerry A. Rexrode McDowell Water System, Chairman	5,000
Roberta A. Lambert County Administrator	3,000
Karen DeVore Clerk of the School Board	10,000
Division of Risk Management:	
All County employees - blanket bond	250,000
Blanket Bond Premiums Paid by State Compensation Board:	
Lois Ralston Clerk of the Circuit Court	25,000
Lois E. White Treasurer	300,000
Darlene Crummett Commissioner of the Revenue	3,000
Herbert R. Lightner Sheriff	30,000
St. Paul Fire and Marine Insurance Company:	
Social Services - blanket bond	75,000

County of Highland, Virginia

Notes to Financial Statements June 30, 2012 (Continued)

Note 14—Capital Assets:

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

Governmental Activities

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 197,365	\$ -	\$ -	\$ 197,365
Construction in progress	84,850	49,623	-	134,473
Total capital assets not being depreciated	\$ 282,215	\$ 49,623	\$ -	\$ 331,838
Capital assets being depreciated:				
Buildings and improvements	\$ 1,604,486	\$ 645,658	\$ (140,061)	\$ 2,110,083
Furniture, equipment and vehicles	835,143	8,459	-	843,602
Total capital assets being depreciated	\$ 2,439,629	\$ 654,117	\$ (140,061)	\$ 2,953,685
Less accumulated depreciation for:				
Buildings and improvements	\$ (481,056)	\$ (62,843)	\$ 32,485	\$ (511,414)
Furniture, equipment and vehicles	(525,062)	(49,892)	-	(574,954)
Total accumulated depreciation	\$ (1,006,118)	\$ (112,735)	\$ 32,485	\$ (1,086,368)
Total capital assets being depreciated, net	\$ 1,433,511	\$ 541,382	\$ (107,576)	\$ 1,867,317
Governmental activities capital assets, net	\$ 1,715,726	\$ 591,005	\$ (107,576)	\$ 2,199,155

Business-Type Activities

McDowell Water System

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Total capital assets not being depreciated	\$ 3,816	\$ -	\$ -	\$ 3,816
Other capital assets:				
Utility plant and equipment	\$ 1,118,398	\$ 32,776	\$ -	\$ 1,151,174
Less accumulated depreciation	(357,093)	(28,327)	-	(385,420)
Total other capital assets	\$ 761,305	\$ 4,449	\$ -	\$ 765,754
Net capital assets	\$ 765,121	\$ 4,449	\$ -	\$ 769,570

County of Highland, Virginia

Notes to Financial Statements
June 30, 2012 (Continued)

Note 14—Capital Assets: (continued)

Refuse Disposal Fund

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Other capital assets being depreciated:				
Machinery and equipment	\$ 78,215	\$ -	\$ -	\$ 78,215
Less accumulated depreciation	(55,385)	(7,610)	-	(62,995)
Total other capital assets	\$ 22,830	\$ (7,610)	\$ -	\$ 15,220
Net capital assets	\$ 22,830	\$ (7,610)	\$ -	\$ 15,220

Recreation Commission Fund

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Other capital assets being depreciated:				
Furniture and equipment	\$ 3,314	\$ 3,537	\$ -	\$ 6,851
Less accumulated depreciation	(331)	(509)	-	(840)
Total other capital assets	\$ 2,983	\$ 3,028	\$ -	\$ 6,011
Net capital assets	\$ 2,983	\$ 3,028	\$ -	\$ 6,011

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

Governmental activities:	
General government	\$ 16,823
Judicial administration	3,418
Public safety	42,191
Public works	15,040
Parks and Recreation	35,263
Total depreciation expense - governmental activities	\$ 112,735
Business-type activities:	
McDowell Water System	\$ 28,327
Refuse disposal	7,610
Recreation Commission	509
Total depreciation expense - business type activities	\$ 36,446

County of Highland, Virginia

Notes to Financial Statements
June 30, 2012 (Continued)

Note 14—Capital Assets: (continued)

Component Unit: School Board

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

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 13,035	\$ -	\$ -	\$ 13,035
Construction in progress	-	21,395	-	21,395
Total capital assets not being depreciated	\$ 13,035	\$ 21,395	\$ -	\$ 34,430
Capital assets being depreciated:				
Buildings and improvements	\$ 3,722,527	\$ 140,061	\$ -	\$ 3,862,588
Furniture, equipment and vehicles	656,927	-	(55,989)	600,938
Total capital assets being depreciated	\$ 4,379,454	\$ 140,061	\$ (55,989)	\$ 4,463,526
Less accumulated depreciation for:				
Buildings and improvements	\$ (1,120,122)	\$ (134,458)	\$ -	\$ (1,254,580)
Furniture, equipment and vehicles	(523,661)	(41,706)	55,989	(509,378)
Total accumulated depreciation	\$ (1,643,783)	\$ (176,164)	\$ 55,989	\$ (1,763,958)
Total capital assets being depreciated, net	\$ 2,735,671	\$ (36,103)	\$ -	\$ 2,699,568
School Board capital assets, net	\$ 2,748,706	\$ (14,708)	\$ -	\$ 2,733,998

Depreciation expense was charged to education in the amount of \$176,164.

- 1) Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, as amended, changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the new law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Highland, Virginia for the year ended June 30, 2012, is that school financed assets in the amount of \$532,036 are reported in the Primary Government for financial reporting purposes.

County of Highland, Virginia

Notes to Financial Statements June 30, 2012 (Continued)

Note 15—Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association and the Virginia Association of Counties Group Self Insurance Risk Pool, public entity risk pools currently operating as a common risk management and insurance programs for participating local governments. The County pays an annual premium to VML for its general workers compensation insurance coverage, and VACo for general liability coverage. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 16—Landfill Closure and Post-Closure Monitoring Costs:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure approval is received from the Department of Environmental Quality. The County closed its landfill in 1993. Reported landfill post-closure care liability is \$51,560 at June 30, 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

Note 17—Notes Receivable:

On December 9, 2008, the County loaned \$25,000 to the Highland Volunteer Fire Department and on June 13, 2011, the County loaned \$35,000 to the McDowell Volunteer Fire Department for the purpose of purchasing new fire trucks to better serve the Highland community. The balances of these loans at June 30, 2012 were \$15,000 and \$30,000, respectively.

Note 18—Litigation:

At June 30, 2012, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

REQUIRED SUPPLEMENTARY INFORMATION

(Note: Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.)

General Fund

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 2,708,753	\$ 2,713,907	\$ 2,726,798	\$ 12,891
Other local taxes	328,300	331,800	335,844	4,044
Permits, privilege fees, and regulatory licenses	11,850	11,850	11,660	(190)
Fines and forfeitures	500	500	271	(229)
Revenue from the use of money and property	58,000	58,000	54,728	(3,272)
Charges for services	10,627	11,415	14,114	2,699
Miscellaneous	41,402	128,687	107,228	(21,459)
Intergovernmental revenues:				
Commonwealth	1,009,806	999,003	985,775	(13,228)
Federal	55,000	43,000	452,618	409,618
Total revenues	<u>\$ 4,224,238</u>	<u>\$ 4,298,162</u>	<u>\$ 4,689,036</u>	<u>\$ 390,874</u>
EXPENDITURES				
Current:				
General government administration	\$ 907,782	\$ 901,632	\$ 885,180	\$ 16,452
Judicial administration	245,570	247,569	241,077	6,492
Public safety	711,046	734,095	712,158	21,937
Public works	31,596	539,823	564,859	(25,036)
Health and welfare	85,842	86,942	85,898	1,044
Education	2,022,595	2,117,777	1,802,076	315,701
Parks, recreation, and cultural	39,390	39,390	39,236	154
Community development	160,496	148,196	134,348	13,848
Nondepartmental	42,599	44,228	41,052	3,176
Capital projects	3	9,443	9,442	1
Total expenditures	<u>\$ 4,246,919</u>	<u>\$ 4,869,095</u>	<u>\$ 4,515,326</u>	<u>\$ 353,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (22,681)</u>	<u>\$ (570,933)</u>	<u>\$ 173,710</u>	<u>\$ 744,643</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 408,812	\$ 408,812
Transfers out	-	-	(726,772)	(726,772)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (317,960)</u>	<u>\$ (317,960)</u>
Net change in fund balances	<u>\$ (22,681)</u>	<u>\$ (570,933)</u>	<u>\$ (144,250)</u>	<u>\$ 426,683</u>
Fund balances - beginning	1,287,951	2,435,922	4,548,432	2,112,510
Fund balances - ending	<u>\$ 1,265,270</u>	<u>\$ 1,864,989</u>	<u>\$ 4,404,182</u>	<u>\$ 2,539,193</u>

Special Revenue Fund-Virginia Public Assistance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 2,906	\$ 2,906
Intergovernmental revenues:				
Commonwealth	170,142	170,142	116,528	(53,614)
Federal	206,582	206,582	178,106	(28,476)
Total revenues	<u>\$ 376,724</u>	<u>\$ 376,724</u>	<u>\$ 297,540</u>	<u>\$ (79,184)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 506,063	\$ 317,719	\$ 314,869	\$ 2,850
Total expenditures	<u>\$ 506,063</u>	<u>\$ 317,719</u>	<u>\$ 314,869</u>	<u>\$ 2,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (129,339)</u>	<u>\$ 59,005</u>	<u>\$ (17,329)</u>	<u>\$ (76,334)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 47,798	\$ 47,798
Transfers out	-	-	(30,469)	(30,469)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,329</u>	<u>\$ 17,329</u>
Net change in fund balances	<u>\$ (129,339)</u>	<u>\$ 59,005</u>	<u>\$ -</u>	<u>\$ (59,005)</u>
Fund balances - beginning	<u>129,339</u>	<u>(59,005)</u>	<u>-</u>	<u>59,005</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Special Revenue Fund-E-911 Fund

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ 1	\$ -	\$ 33,000	\$ 33,000
Intergovernmental revenues:				
Commonwealth	-	-	127,000	127,000
Total revenues	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 160,000</u>
EXPENDITURES				
Current:				
Public safety	\$ 1	\$ 99,100	\$ 99,004	\$ 96
Total expenditures	<u>\$ 1</u>	<u>\$ 99,100</u>	<u>\$ 99,004</u>	<u>\$ 96</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (99,100)</u>	<u>\$ 60,996</u>	<u>\$ 160,096</u>
Net change in fund balances	\$ -	\$ (99,100)	\$ 60,996	\$ 160,096
Fund balances - beginning	-	-	81,407	81,407
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ (99,100)</u></u>	<u><u>\$ 142,403</u></u>	<u><u>\$ 241,503</u></u>

Schedule of Pension Funding Progress
As of June 30, 2012

PRIMARY GOVERNMENT:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/11	\$ 4,339,239	\$ 5,745,353	\$ 1,406,114	75.53%	\$ 1,076,445	130.63%
06/30/10	4,208,988	5,565,253	1,356,265	75.63%	1,050,922	129.05%
06/30/09	4,205,800	5,111,566	905,766	82.28%	1,050,922	86.19%
06/30/08	4,194,214	4,908,118	713,904	85.45%	1,000,677	71.34%
06/30/07	3,890,541	4,229,127	338,586	91.99%	978,578	34.60%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/11	\$ 671,249	\$ 1,063,890	\$ 392,641	63.09%	\$ 187,621	209.27%
06/30/10	703,604	1,047,922	344,318	67.14%	195,428	176.19%
06/30/09	720,317	938,233	217,916	76.77%	201,842	107.96%
06/30/08	726,325	875,689	149,364	82.94%	200,711	74.42%
06/30/07	669,518	830,870	161,352	80.58%	199,542	80.86%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental revenues:				
Federal	\$ -	\$ -	\$ 44,000	\$ 44,000
Total revenues	\$ -	\$ -	\$ 44,000	\$ 44,000
EXPENDITURES				
Capital projects	\$ 120,000	\$ 144,700	\$ 183,900	\$ (39,200)
Total expenditures	\$ 120,000	\$ 144,700	\$ 183,900	\$ (39,200)
Excess (deficiency) of revenues over (under) expenditures	\$ (120,000)	\$ (144,700)	\$ (139,900)	\$ 4,800
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 120,000	\$ 120,000
Total other financing sources and uses	\$ -	\$ -	\$ 120,000	\$ 120,000
Net change in fund balances	\$ (120,000)	\$ (144,700)	\$ (19,900)	\$ 124,800
Fund balances - beginning	120,000	144,700	448,556	303,856
Fund balances - ending	\$ -	\$ -	\$ 428,656	\$ 428,656

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current:				
Education	\$ -	\$ 81,584	\$ 21,396	\$ 60,188
Capital projects	1,201	9,612	565	9,047
Debt service:				
Principal retirement	140,061	140,061	140,061	-
Interest and other fiscal charges	36,390	36,390	36,389	1
Total expenditures	<u>\$ 177,652</u>	<u>\$ 267,647</u>	<u>\$ 198,411</u>	<u>\$ 69,236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (177,652)</u>	<u>\$ (267,647)</u>	<u>\$ (198,411)</u>	<u>\$ 69,236</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 376,451	\$ 376,451
Transfers out	-	-	(176,451)	(176,451)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Net change in fund balances	<u>\$ (177,652)</u>	<u>\$ (267,647)</u>	<u>\$ 1,589</u>	<u>\$ 269,236</u>
Fund balances - beginning	<u>177,652</u>	<u>267,647</u>	<u>202,795</u>	<u>(64,852)</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 204,384</u></u>	<u><u>\$ 204,384</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

	Sheriff's Grants Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ 5	\$ -	\$ 8,194	\$ 8,194
Intergovernmental revenues:				
Commonwealth	2	-	6,218	6,218
Total revenues	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 14,412</u>	<u>\$ 14,412</u>
EXPENDITURES				
Current:				
Public safety	\$ 7	\$ 17,700	\$ 14,041	\$ 3,659
Total expenditures	<u>\$ 7</u>	<u>\$ 17,700</u>	<u>\$ 14,041</u>	<u>\$ 3,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (17,700)</u>	<u>\$ 371</u>	<u>\$ 18,071</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 5,481	\$ 5,481
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,481</u>	<u>\$ 5,481</u>
Net change in fund balances	\$ -	\$ (17,700)	\$ 5,852	\$ 23,552
Fund balances - beginning	-	17,700	20,253	2,553
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,105</u>	<u>\$ 26,105</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

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 government as well as by contributions from the General Fund.

Cafeteria Fund – The Cafeteria Fund is a special revenue fund that accounts for the County's school lunch program. Financing is provided from school lunch sales and State and Federal reimbursements.

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 375,579	\$ 11,627	\$ 387,206
Due from other governmental units	346,041	1,014	347,055
Inventories	-	12,221	12,221
Prepaid items	35,572	600	36,172
Total assets	<u>\$ 757,192</u>	<u>\$ 25,462</u>	<u>\$ 782,654</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,695	\$ -	\$ 3,695
Accrued liabilities	375,579	11,626	387,205
Due to primary government	377,918	-	377,918
Total liabilities	<u>\$ 757,192</u>	<u>\$ 11,626</u>	<u>\$ 768,818</u>
Fund balances:			
Nonspendable:			
Inventory	\$ -	\$ 12,221	12,221
Prepaid expenditures	35,572	600	36,172
Assigned to:			
School cafeteria	-	1,015	1,015
Unassigned	<u>(35,572)</u>	<u>-</u>	<u>(35,572)</u>
Total fund balances	<u>\$ -</u>	<u>\$ 13,836</u>	<u>\$ 13,836</u>
Total liabilities and fund balances	<u>\$ 757,192</u>	<u>\$ 25,462</u>	<u>\$ 782,654</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances per above	\$ 13,836
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,733,998
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(36,526)</u>
Net assets of governmental activities	<u>\$ 2,711,308</u>

Combining 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	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Charges for services	\$ -	\$ 46,639	\$ 46,639
Miscellaneous	53,152	-	53,152
Intergovernmental revenues:			
Local government	1,806,451	17,021	1,823,472
Commonwealth	1,437,439	3,373	1,440,812
Federal	378,691	116,869	495,560
Total revenues	<u>\$ 3,675,733</u>	<u>\$ 183,902</u>	<u>\$ 3,859,635</u>
EXPENDITURES			
Current:			
Education	\$ 3,679,209	\$ 182,225	\$ 3,861,434
Total expenditures	<u>\$ 3,679,209</u>	<u>\$ 182,225</u>	<u>\$ 3,861,434</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (3,476)	\$ 1,677	\$ (1,799)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 3,476	\$ -	\$ 3,476
Transfers out	-	(3,476)	(3,476)
Total other financing sources and uses	<u>\$ 3,476</u>	<u>\$ (3,476)</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (1,799)	\$ (1,799)
Fund balances - beginning	-	15,635	15,635
Fund balances - ending	<u>\$ -</u>	<u>\$ 13,836</u>	<u>\$ 13,836</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	\$ (1,799)
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.	(14,708)
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.	(3,967)
Change in net assets of governmental activities	<u>\$ (20,474)</u>

County of Highland, 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			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	53,152	53,152
Intergovernmental revenues:				
Local government	2,022,595	2,117,777	1,806,451	(311,326)
Commonwealth	1,453,886	1,453,886	1,437,439	(16,447)
Federal	239,925	239,925	378,691	138,766
Total revenues	<u>\$ 3,716,406</u>	<u>\$ 3,811,588</u>	<u>\$ 3,675,733</u>	<u>\$ (135,855)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 3,716,406</u>	<u>\$ 3,811,588</u>	<u>\$ 3,679,209</u>	<u>\$ 132,379</u>
Total expenditures	<u>\$ 3,716,406</u>	<u>\$ 3,811,588</u>	<u>\$ 3,679,209</u>	<u>\$ 132,379</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,476)</u>	<u>\$ (3,476)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 3,476	\$ 3,476
Transfers out	-	-	-	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,476</u>	<u>\$ 3,476</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 19

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 77,000	\$ 77,000	\$ 46,639	\$ (30,361)
-	-	-	-
-	-	17,021	17,021
4,245	4,245	3,373	(872)
75,000	75,000	116,869	41,869
<u>\$ 156,245</u>	<u>\$ 156,245</u>	<u>\$ 183,902</u>	<u>\$ 27,657</u>
\$ 174,111	\$ 188,114	\$ 182,225	\$ 5,889
<u>\$ 174,111</u>	<u>\$ 188,114</u>	<u>\$ 182,225</u>	<u>\$ 5,889</u>
\$ (17,866)	\$ (31,869)	\$ 1,677	\$ 33,546
\$ -	\$ -	\$ -	\$ -
-	-	(3,476)	(3,476)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,476)</u>	<u>\$ (3,476)</u>
\$ (17,866)	\$ (31,869)	\$ (1,799)	\$ 30,070
17,866	31,869	15,635	(16,234)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,836</u>	<u>\$ 13,836</u>

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SUPPORTING SCHEDULES

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,480,558	\$ 2,480,558	\$ 2,489,191	\$ 8,633
Real and personal public service corporation taxes	60,000	54,300	50,803	(3,497)
Personal property taxes	146,000	157,000	159,873	2,873
Mobile home taxes	2,000	2,000	2,045	45
Machinery and tools taxes	375	375	426	51
Merchants Capital taxes	2,820	2,674	2,654	(20)
Penalties	11,000	11,000	14,605	3,605
Interest	6,000	6,000	7,201	1,201
Total general property taxes	\$ 2,708,753	\$ 2,713,907	\$ 2,726,798	\$ 12,891
Other local taxes:				
Local sales and use taxes	\$ 98,000	\$ 98,000	\$ 107,600	\$ 9,600
Consumers' utility taxes	143,500	143,500	138,686	(4,814)
Consumption taxes	6,400	6,400	6,091	(309)
Motor vehicle licenses	48,000	51,500	53,724	2,224
Bank stock taxes	12,400	12,400	13,806	1,406
Taxes on recordation and wills	20,000	20,000	15,937	(4,063)
Total other local taxes	\$ 328,300	\$ 331,800	\$ 335,844	\$ 4,044
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 3,000	\$ 3,000	\$ 3,051	\$ 51
Transfer fees	150	150	147	(3)
Permits and other licenses	8,700	8,700	8,462	(238)
Total permits, privilege fees, and regulatory licenses	\$ 11,850	\$ 11,850	\$ 11,660	\$ (190)
Fines and forfeitures:				
Court fines and forfeitures	\$ 500	\$ 500	\$ 271	\$ (229)
Total fines and forfeitures	\$ 500	\$ 500	\$ 271	\$ (229)
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 45,918	\$ (4,082)
Revenue from use of property	8,000	8,000	8,810	810
Total revenue from use of money and property	\$ 58,000	\$ 58,000	\$ 54,728	\$ (3,272)
Charges for services:				
Charges for law enforcement and traffic control	\$ 10,375	\$ 11,075	\$ 11,175	\$ 100
Charges for courthouse maintenance	1	-	2,015	2,015
Charges for Commonwealth's Attorney	50	140	330	190
Charges for other services	200	200	408	208
Charges for law library	1	-	186	186
Total charges for services	\$ 10,627	\$ 11,415	\$ 14,114	\$ 2,699
Miscellaneous revenue:				
Miscellaneous	\$ 41,400	\$ 128,687	\$ 106,113	\$ (22,574)
Donations	2	-	1,115	1,115
Total miscellaneous revenue	\$ 41,402	\$ 128,687	\$ 107,228	\$ (21,459)
Total revenue from local sources	\$ 3,159,432	\$ 3,256,159	\$ 3,250,643	\$ (5,516)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 4,000	\$ 200	\$ 740	\$ 540
Taxes on deeds	7,000	5,000	4,579	(421)
Motor vehicle carriers' tax	100	100	139	39
State recordation tax	10,000	10,000	6,010	(3,990)
Personal property tax relief funds	167,000	167,000	167,052	52
Total noncategorical aid	<u>\$ 188,100</u>	<u>\$ 182,300</u>	<u>\$ 178,520</u>	<u>\$ (3,780)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 66,087	\$ 66,087	\$ 65,534	\$ (553)
Sheriff	465,428	465,428	439,664	(25,764)
Commissioner of revenue	54,252	54,252	54,114	(138)
Treasurer	57,365	57,365	57,443	78
Registrar/electoral board	33,000	30,000	29,427	(573)
Clerk of the Circuit Court	135,572	135,571	136,161	590
Total shared expenses	<u>\$ 811,704</u>	<u>\$ 808,703</u>	<u>\$ 782,343</u>	<u>\$ (26,360)</u>
Other categorical aid:				
Two-for-life grant	\$ 3,000	\$ 3,000	\$ 2,909	\$ (91)
Fire prevention program	1	-	16,000	16,000
Reduction in State aid	7,001	5,000	6,003	1,003
Total other categorical aid	<u>\$ 10,002</u>	<u>\$ 8,000</u>	<u>\$ 24,912</u>	<u>\$ 16,912</u>
Total categorical aid	<u>\$ 821,706</u>	<u>\$ 816,703</u>	<u>\$ 807,255</u>	<u>\$ (9,448)</u>
Total revenue from the Commonwealth	<u>\$ 1,009,806</u>	<u>\$ 999,003</u>	<u>\$ 985,775</u>	<u>\$ (13,228)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	<u>\$ 55,000</u>	<u>\$ 43,000</u>	<u>\$ 56,256</u>	<u>\$ 13,256</u>
Categorical aid:				
ISTEA grant	\$ -	\$ -	\$ 396,132	\$ 396,132
DEQ royalty grants	-	-	230	230
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 396,362</u>	<u>\$ 396,362</u>
Total revenue from the federal government	<u>\$ 55,000</u>	<u>\$ 43,000</u>	<u>\$ 452,618</u>	<u>\$ 409,618</u>
Total General Fund	<u>\$ 4,224,238</u>	<u>\$ 4,298,162</u>	<u>\$ 4,689,036</u>	<u>\$ 390,874</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous reimbursements and refunds	\$ -	\$ -	\$ 2,906	\$ 2,906
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,906</u>	<u>\$ 2,906</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

<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>
Special Revenue Funds: (continued)				
Virginia Public Assistance Fund: (continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 37,010	\$ 37,010	\$ 108,805	\$ 71,795
Comprehensive Services Act program	133,132	133,132	7,723	(125,409)
Total categorical aid	<u>\$ 170,142</u>	<u>\$ 170,142</u>	<u>\$ 116,528</u>	<u>\$ (53,614)</u>
Total revenue from the Commonwealth	<u>\$ 170,142</u>	<u>\$ 170,142</u>	<u>\$ 116,528</u>	<u>\$ (53,614)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 206,582	\$ 206,582	\$ 178,106	\$ (28,476)
Total revenue from the federal government	<u>\$ 206,582</u>	<u>\$ 206,582</u>	<u>\$ 178,106</u>	<u>\$ (28,476)</u>
Total Virginia Public Assistance Fund	<u><u>\$ 376,724</u></u>	<u><u>\$ 376,724</u></u>	<u><u>\$ 297,540</u></u>	<u><u>\$ (79,184)</u></u>
E-911 Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 tax	\$ 1	\$ -	\$ 33,000	\$ 33,000
Total other local taxes	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 33,000</u>	<u>\$ 33,000</u>
Total revenue from local sources	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 33,000</u>	<u>\$ 33,000</u>
Revenue from the Commonwealth:				
Categorical aid:				
E-911 grant	\$ -	\$ -	\$ 127,000	\$ 127,000
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,000</u>	<u>\$ 127,000</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,000</u>	<u>\$ 127,000</u>
Total E-911 fund	<u><u>\$ 1</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 160,000</u></u>	<u><u>\$ 160,000</u></u>
Sheriff's Grants Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ 5	\$ -	\$ 8,194	\$ 8,194
Total revenue from local sources	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 8,194</u>	<u>\$ 8,194</u>
Revenue from the Commonwealth:				
Categorical aid:				
VA Juvenile Community Crime Control Act grant	\$ 2	\$ -	\$ 6,218	\$ 6,218
Total revenue from the Commonwealth	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 6,218</u>	<u>\$ 6,218</u>
Total Sheriff's Grants fund	<u><u>\$ 7</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,412</u></u>	<u><u>\$ 14,412</u></u>
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from the federal government:				
Categorical aid:				
Energy Efficiency Block Grant	\$ -	\$ -	\$ 44,000	\$ 44,000
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,000</u>	<u>\$ 44,000</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,000</u>	<u>\$ 44,000</u>
Total County Capital Improvements fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 44,000</u></u>	<u><u>\$ 44,000</u></u>
Total Primary Government	<u><u>\$ 4,600,971</u></u>	<u><u>\$ 4,674,886</u></u>	<u><u>\$ 5,204,988</u></u>	<u><u>\$ 530,102</u></u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 53,152	\$ 53,152
Total miscellaneous revenue	\$ -	\$ -	\$ 53,152	\$ 53,152
Total revenue from local sources	\$ -	\$ -	\$ 53,152	\$ 53,152
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from school capital projects fund	\$ -	\$ -	\$ 21,396	\$ 21,396
Contribution from County of Highland, Virginia	2,022,595	2,117,777	1,785,055	(332,722)
Total revenues from local governments	\$ 2,022,595	\$ 2,117,777	\$ 1,806,451	\$ (311,326)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 282,027	\$ 282,027	\$ 277,896	\$ (4,131)
Basic school aid	860,110	860,110	786,568	(73,542)
Hold harmless	36,801	36,801	36,801	-
Gifted and talented	2,022	2,022	1,881	(141)
Remedial education	5,515	5,515	6,216	701
Special education	57,128	57,128	49,641	(7,487)
Textbook payment	1,864	1,864	1,734	(130)
Vocational standards of quality payments	24,265	24,265	21,690	(2,575)
Vocational adult education	-	-	886	886
Social security fringe benefits	19,807	19,807	18,428	(1,379)
Retirement fringe benefits	17,923	17,923	16,675	(1,248)
Group life insurance instructional	735	735	684	(51)
Early reading intervention	1,362	1,362	1,959	597
Vocational education - equipment	2,450	2,450	-	(2,450)
ISAEP - GED prep program	7,859	7,859	7,859	-
Technology	102,000	102,000	102,000	-
Standards of Learning algebra readiness	7,299	7,299	3,625	(3,674)
At risk funding	8,158	8,158	7,621	(537)
English as a second language	356	356	237	(119)
School construction funds	-	-	3,258	3,258
Other state funds	16,205	16,205	91,780	75,575
Total categorical aid	\$ 1,453,886	\$ 1,453,886	\$ 1,437,439	\$ (16,447)
Total revenue from the Commonwealth	\$ 1,453,886	\$ 1,453,886	\$ 1,437,439	\$ (16,447)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 70,000	\$ 70,000	\$ 70,723	\$ 723
Title I	71,224	71,224	64,557	(6,667)
Jobs fund - recovery act	-	-	17,947	17,947
Title VI-B, special education flow-through	67,000	67,000	122,443	55,443
Title VI-B, special education pre-school	9,000	9,000	1,973	(7,027)
Improving teacher quality	17,526	17,526	16,967	(559)
Perkins carryover	5,175	5,175	4,802	(373)
Rural education achievement program	-	-	35,136	35,136
State fiscal stabilization	-	-	30,485	30,485
Academic achievement	-	-	13,658	13,658
Total categorical aid	<u>\$ 239,925</u>	<u>\$ 239,925</u>	<u>\$ 378,691</u>	<u>\$ 138,766</u>
Total revenue from the federal government	<u>\$ 239,925</u>	<u>\$ 239,925</u>	<u>\$ 378,691</u>	<u>\$ 138,766</u>
Total School Operating Fund	<u>\$ 3,716,406</u>	<u>\$ 3,811,588</u>	<u>\$ 3,675,733</u>	<u>\$ (135,855)</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 77,000	\$ 77,000	\$ 46,639	\$ (30,361)
Total revenue from local sources	<u>\$ 77,000</u>	<u>\$ 77,000</u>	<u>\$ 46,639</u>	<u>\$ (30,361)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ -	\$ -	\$ 17,021	\$ 17,021
Total revenues from local governments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,021</u>	<u>\$ 17,021</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 4,245	\$ 4,245	\$ 3,373	\$ (872)
Total revenue from the Commonwealth	<u>\$ 4,245</u>	<u>\$ 4,245</u>	<u>\$ 3,373</u>	<u>\$ (872)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 75,000	\$ 75,000	\$ 99,782	\$ 24,782
Child nutrition discretionary grant	-	-	7,251	7,251
USDA commodities received	-	-	9,836	9,836
Total categorical aid	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 116,869</u>	<u>\$ 41,869</u>
Total revenue from the federal government	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 116,869</u>	<u>\$ 41,869</u>
Total School Cafeteria Fund	<u>\$ 156,245</u>	<u>\$ 156,245</u>	<u>\$ 183,902</u>	<u>\$ 27,657</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 3,872,651</u>	<u>\$ 3,967,833</u>	<u>\$ 3,859,635</u>	<u>\$ (108,198)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 24,313	\$ 24,863	\$ 24,856	\$ 7
Total legislative	\$ 24,313	\$ 24,863	\$ 24,856	\$ 7
General and financial administration:				
County administrator	\$ 75,097	\$ 75,097	\$ 72,318	\$ 2,779
Legal services	50,000	50,000	48,418	1,582
Independent Auditor	18,000	27,500	27,405	95
Commissioner of revenue	110,666	110,666	108,597	2,069
Assessor	107,536	107,536	105,045	2,491
Treasurer	119,447	119,447	117,837	1,610
Central Purchasing	351,814	333,114	330,048	3,066
Total general and financial administration	\$ 832,560	\$ 823,360	\$ 809,668	\$ 13,692
Board of elections:				
Electoral board and officials	\$ 10,697	\$ 13,197	\$ 13,161	\$ 36
Registrar	40,212	40,212	37,495	2,717
Total board of elections	\$ 50,909	\$ 53,409	\$ 50,656	\$ 2,753
Total general government administration	\$ 907,782	\$ 901,632	\$ 885,180	\$ 16,452
Judicial administration:				
Courts:				
Circuit court	\$ 996	\$ 1,795	\$ 1,650	\$ 145
Clerk of the circuit court	164,828	164,828	158,501	6,327
Total courts	\$ 165,824	\$ 166,623	\$ 160,151	\$ 6,472
Commonwealth's attorney:				
Commonwealth's attorney	\$ 79,746	\$ 80,946	\$ 80,926	\$ 20
Total commonwealth's attorney	\$ 79,746	\$ 80,946	\$ 80,926	\$ 20
Total judicial administration	\$ 245,570	\$ 247,569	\$ 241,077	\$ 6,492
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 577,995	\$ 577,995	\$ 575,750	\$ 2,245
Total law enforcement and traffic control	\$ 577,995	\$ 577,995	\$ 575,750	\$ 2,245
Fire and rescue services:				
Volunteer emergency operations	\$ 15,446	\$ 31,045	\$ 19,645	\$ 11,400
Total fire and rescue services	\$ 15,446	\$ 31,045	\$ 19,645	\$ 11,400
Correction and detention:				
Sheriff	\$ 45,000	\$ 52,100	\$ 52,085	\$ 15
Total correction and detention	\$ 45,000	\$ 52,100	\$ 52,085	\$ 15
Inspections:				
Building	\$ 57,837	\$ 57,837	\$ 50,355	\$ 7,482
Total inspections	\$ 57,837	\$ 57,837	\$ 50,355	\$ 7,482

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 13,068	\$ 13,418	\$ 13,418	\$ -
Medical examiner	200	200	-	200
Emergency management grants	1,500	1,500	905	595
Total other protection	<u>\$ 14,768</u>	<u>\$ 15,118</u>	<u>\$ 14,323</u>	<u>\$ 795</u>
Total public safety	<u>\$ 711,046</u>	<u>\$ 734,095</u>	<u>\$ 712,158</u>	<u>\$ 21,937</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration - ISTEAFunds	\$ 1	\$ 508,228	\$ 533,371	\$ (25,143)
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 1</u>	<u>\$ 508,228</u>	<u>\$ 533,371</u>	<u>\$ (25,143)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 31,595	\$ 31,595	\$ 31,488	\$ 107
Total maintenance of general buildings and grounds	<u>\$ 31,595</u>	<u>\$ 31,595</u>	<u>\$ 31,488</u>	<u>\$ 107</u>
Total public works	<u>\$ 31,596</u>	<u>\$ 539,823</u>	<u>\$ 564,859</u>	<u>\$ (25,036)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 53,960	\$ 55,060	\$ 54,966	\$ 94
Total health	<u>\$ 53,960</u>	<u>\$ 55,060</u>	<u>\$ 54,966</u>	<u>\$ 94</u>
Mental health and mental retardation:				
Community services board	\$ 5,932	\$ 5,932	\$ 5,932	\$ -
Total mental health and mental retardation	<u>\$ 5,932</u>	<u>\$ 5,932</u>	<u>\$ 5,932</u>	<u>\$ -</u>
Welfare:				
Valley Program for the Aging	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
State and local hospitalization	950	950	-	950
Total welfare	<u>\$ 25,950</u>	<u>\$ 25,950</u>	<u>\$ 25,000</u>	<u>\$ 950</u>
Total health and welfare	<u>\$ 85,842</u>	<u>\$ 86,942</u>	<u>\$ 85,898</u>	<u>\$ 1,044</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 2,022,595	\$ 2,117,777	\$ 1,802,076	\$ 315,701
Total education	<u>\$ 2,022,595</u>	<u>\$ 2,117,777</u>	<u>\$ 1,802,076</u>	<u>\$ 315,701</u>
Parks, recreation, and cultural:				
Library:				
Library Administration	\$ 39,390	\$ 39,390	\$ 39,236	\$ 154
Total library	<u>\$ 39,390</u>	<u>\$ 39,390</u>	<u>\$ 39,236</u>	<u>\$ 154</u>
Total parks, recreation, and cultural	<u>\$ 39,390</u>	<u>\$ 39,390</u>	<u>\$ 39,236</u>	<u>\$ 154</u>
Community development:				
Planning and community development:				
Planning	\$ 14,958	\$ 14,958	\$ 15,158	\$ (200)
Community development	28,176	28,976	28,903	73
Swimming pool	60,737	60,737	54,342	6,395
Industrial Development Authority	6,500	6,500	-	6,500
Total planning and community development	<u>\$ 110,371</u>	<u>\$ 111,171</u>	<u>\$ 98,403</u>	<u>\$ 12,768</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (continued)				
Cooperative extension program:				
Extension office	\$ 50,125	\$ 37,025	\$ 35,945	\$ 1,080
Total cooperative extension program	\$ 50,125	\$ 37,025	\$ 35,945	\$ 1,080
 Total community development	 \$ 160,496	 \$ 148,196	 \$ 134,348	 \$ 13,848
 Nondepartmental:				
Miscellaneous	\$ 42,599	\$ 44,228	\$ 41,052	\$ 3,176
Total nondepartmental	\$ 42,599	\$ 44,228	\$ 41,052	\$ 3,176
 Capital projects:				
Capital outlay	\$ 3	\$ 9,443	\$ 9,442	\$ 1
Total capital projects	\$ 3	\$ 9,443	\$ 9,442	\$ 1
 Total General Fund	 \$ 4,246,919	 \$ 4,869,095	 \$ 4,515,326	 \$ 353,769
 Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 291,186	\$ 302,630	\$ 302,630	\$ -
Comprehensive services	214,877	15,089	12,239	2,850
Total welfare and social services	\$ 506,063	\$ 317,719	\$ 314,869	\$ 2,850
 Total health and welfare	 \$ 506,063	 \$ 317,719	 \$ 314,869	 \$ 2,850
 Total Virginia Public Assistance Fund	 \$ 506,063	 \$ 317,719	 \$ 314,869	 \$ 2,850
 E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	\$ 1	\$ 99,100	\$ 99,004	\$ 96
 Total public safety	 \$ 1	 \$ 99,100	 \$ 99,004	 \$ 96
 Total E-911 Fund	 \$ 1	 \$ 99,100	 \$ 99,004	 \$ 96
 Sheriff's Grants Fund:				
Public safety:				
Other protection:				
Drug enforcement and crime control	\$ 7	\$ 17,700	\$ 14,041	\$ 3,659
 Total Sheriff's Grants Fund	 \$ 7	 \$ 17,700	 \$ 14,041	 \$ 3,659
 Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County courthouse and other capital outlay	\$ 120,000	\$ 144,700	\$ 183,900	\$ (39,200)
 Total County Capital Improvements Fund	 \$ 120,000	 \$ 144,700	 \$ 183,900	 \$ (39,200)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Capital Projects Fund:				
Education:				
Other instructional costs:				
Contribution to County School Board	\$ -	\$ -	\$ 21,396	\$ (21,396)
Total education	\$ -	\$ -	\$ 21,396	\$ (21,396)
Capital projects expenditures:				
Building services	\$ 1,201	\$ 9,612	\$ 565	\$ 9,047
Total capital projects	\$ 1,201	\$ 9,612	\$ 565	\$ 9,047
Debt service:				
Principal retirement	\$ 140,061	\$ 140,061	\$ 140,061	\$ -
Interest and other fiscal charges	36,390	36,390	36,389	1
Total debt service	\$ 176,451	\$ 176,451	\$ 176,450	\$ 1
Total School Capital Projects Fund	\$ 177,652	\$ 186,063	\$ 198,411	\$ (12,348)
Total Primary Government	\$ 5,050,642	\$ 5,634,377	\$ 5,325,551	\$ 308,826
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 6,389	\$ 6,389	\$ 6,222	\$ 167
Executive administration services	147,828	147,828	146,029	1,799
Total administration of schools	\$ 154,217	\$ 154,217	\$ 152,251	\$ 1,966
Instruction costs:				
Elementary and secondary schools	\$ 2,480,215	\$ 2,575,397	\$ 2,352,565	\$ 222,832
Guidance services	67,449	67,449	45,180	22,269
Media services	263,590	263,590	345,130	(81,540)
Office of the principal	177,756	177,756	231,075	(53,319)
Total instruction costs	\$ 2,989,010	\$ 3,084,192	\$ 2,973,950	\$ 110,242
Operating costs:				
Pupil transportation	\$ 236,482	\$ 236,482	\$ 211,963	\$ 24,519
Operation and maintenance of school plant	336,697	336,697	341,045	(4,348)
Total operating costs	\$ 573,179	\$ 573,179	\$ 553,008	\$ 20,171
Total education	\$ 3,716,406	\$ 3,811,588	\$ 3,679,209	\$ 132,379
Total School Operating Fund	\$ 3,716,406	\$ 3,811,588	\$ 3,679,209	\$ 132,379
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 174,111	\$ 188,114	\$ 182,225	\$ 5,889
Total school food services	\$ 174,111	\$ 188,114	\$ 182,225	\$ 5,889
Total education	\$ 174,111	\$ 188,114	\$ 182,225	\$ 5,889
Total School Cafeteria Fund	\$ 174,111	\$ 188,114	\$ 182,225	\$ 5,889
Total Discretely Presented Component Unit - School Board	\$ 3,890,517	\$ 3,999,702	\$ 3,861,434	\$ 138,268

STATISTICAL TABLES

STATISTICAL TABLES

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

1 - 5

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

6 - 10

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

11 - 13

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

14

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.

15-16

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

County of Highland, Virginia

Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 21,663	\$ 77,457	\$ 199,582	\$ 326,986
Unrestricted	1,815,787	2,159,813	2,009,168	3,546,379
Total governmental activities net assets	<u>\$ 1,837,450</u>	<u>\$ 2,237,270</u>	<u>\$ 2,208,750</u>	<u>\$ 3,873,365</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 601,831	\$ 583,361	\$ 567,220	\$ 600,955
Unrestricted	179,512	178,710	387,482	274,262
Total business-type activities net assets	<u>\$ 781,343</u>	<u>\$ 762,071</u>	<u>\$ 954,702</u>	<u>\$ 875,217</u>
Primary government				
Invested in capital assets, net of related debt	\$ 623,494	\$ 660,818	\$ 766,802	\$ 927,941
Unrestricted	1,995,299	2,338,523	2,396,650	3,820,641
Total primary government net assets	<u>\$ 2,618,793</u>	<u>\$ 2,999,341</u>	<u>\$ 3,163,452</u>	<u>\$ 4,748,582</u>

Table 1

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 707,028	\$ 673,965	\$ 1,079,506	\$ 1,039,441	\$ 1,043,630	\$ 1,667,119
3,913,617	4,279,522	4,595,275	5,130,351	5,235,055	5,134,132
<u>\$ 4,620,645</u>	<u>\$ 4,953,487</u>	<u>\$ 5,674,781</u>	<u>\$ 6,169,792</u>	<u>\$ 6,278,685</u>	<u>\$ 6,801,251</u>
\$ 607,726	\$ 520,366	\$ 504,096	\$ 541,856	\$ 620,438	\$ 624,487
272,742	333,345	382,659	414,814	658,121	705,106
<u>\$ 880,468</u>	<u>\$ 853,711</u>	<u>\$ 886,755</u>	<u>\$ 956,670</u>	<u>\$ 1,278,559</u>	<u>\$ 1,329,593</u>
\$ 1,314,754	\$ 1,194,331	\$ 1,583,602	\$ 1,581,297	\$ 1,664,068	\$ 2,291,606
4,186,359	4,612,867	4,977,934	5,545,165	5,893,176	5,839,238
<u>\$ 5,501,113</u>	<u>\$ 5,807,198</u>	<u>\$ 6,561,536</u>	<u>\$ 7,126,462</u>	<u>\$ 7,557,244</u>	<u>\$ 8,130,844</u>

County of Highland, Virginia

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 421,312	\$ 429,481	\$ 549,711	\$ 860,577	\$ 776,408
Judicial administration	198,352	200,535	260,244	219,832	241,760
Public safety	692,791	689,075	846,942	926,287	1,198,081
Public works	130,330	94,056	61,038	175,570	87,089
Health and welfare	510,192	475,387	322,873	330,460	333,795
Education	1,384,960	1,315,127	1,686,641	1,432,227	1,431,224
Parks, recreation and cultural	26,392	32,139	31,479	33,106	35,402
Community development	79,914	135,483	74,405	88,628	80,706
Interest on long-term debt	102,325	95,280	87,922	80,412	72,752
Total governmental activities expenses	\$ 3,546,568	\$ 3,466,563	\$ 3,921,255	\$ 4,147,099	\$ 4,257,217
Business-type activities:					
Refuse Disposal	\$ 257,721	\$ 244,679	\$ 232,607	\$ 250,209	\$ 247,289
McDowell Water System	36,399	38,253	39,399	42,280	46,868
Recreation Commission	-	-	-	-	-
Total business-type activities expenses	\$ 294,120	\$ 282,932	\$ 272,006	\$ 292,489	\$ 294,157
Total primary government expenses	\$ 3,840,688	\$ 3,749,495	\$ 4,193,261	\$ 4,439,588	\$ 4,551,374
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ -	\$ -	\$ -	\$ 654	\$ 375
Judicial administration	8,004	826	512	2,376	2,898
Public safety	3,762	32,282	28,864	23,421	16,411
Operating grants and contributions	1,198,054	1,172,722	1,171,560	1,125,305	1,089,220
Capital grants and contributions	-	-	-	194,716	-
Total governmental activities program revenues	\$ 1,209,820	\$ 1,205,830	\$ 1,200,936	\$ 1,346,472	\$ 1,108,904
Business-type activities:					
Charges for services:					
Landfill	\$ 238,662	\$ 242,826	\$ 232,907	\$ 328,710	\$ 257,618
McDowell Water System	17,562	17,697	18,080	19,044	27,241
Recreation commission	-	-	-	-	-
Operating grants and contributions	-	-	5,375	7,662	6,307
Capital grants and contributions	50	356	-	-	-
Total business-type activities program revenues	\$ 256,274	\$ 260,879	\$ 256,362	\$ 355,416	\$ 291,166
Total primary government program revenues	\$ 1,466,094	\$ 1,466,709	\$ 1,457,298	\$ 1,701,888	\$ 1,400,070
Net (expense) / revenue					
Governmental activities	\$ (2,336,748)	\$ (2,260,733)	\$ (2,720,319)	\$ (2,800,627)	\$ (3,148,313)
Business-type activities	(37,846)	(22,053)	(15,644)	62,927	(2,991)
Total primary government net expense	\$ (2,374,594)	\$ (2,282,786)	\$ (2,735,963)	\$ (2,737,700)	\$ (3,151,304)

Table 2
Page 1 of 2

2008	2009	2010	2011	2012
\$ 757,883	\$ 791,245	\$ 719,027	\$ 965,091	\$ 1,059,513
245,520	200,400	239,727	242,692	246,808
910,751	992,983	861,875	765,268	789,037
93,749	92,289	93,272	53,114	137,181
335,396	313,429	354,901	372,672	413,864
1,652,975	1,502,149	1,659,005	1,845,772	1,823,472
99,877	64,508	66,781	73,426	75,516
105,946	106,318	123,846	137,377	134,348
65,228	57,454	45,770	44,587	32,464
<u>\$ 4,267,325</u>	<u>\$ 4,120,775</u>	<u>\$ 4,164,204</u>	<u>\$ 4,499,999</u>	<u>\$ 4,712,203</u>
\$ 239,734	\$ 257,635	\$ 256,381	\$ 257,445	\$ 267,858
47,085	46,351	46,748	50,216	60,185
-	-	-	49,255	58,943
<u>\$ 286,819</u>	<u>\$ 303,986</u>	<u>\$ 303,129</u>	<u>\$ 356,916</u>	<u>\$ 386,986</u>
<u>\$ 4,554,144</u>	<u>\$ 4,424,761</u>	<u>\$ 4,467,333</u>	<u>\$ 4,856,915</u>	<u>\$ 5,099,189</u>
\$ 238	\$ 226	\$ 110,401	\$ 260	\$ 408
2,706	5,057	3,713	2,705	2,802
23,996	25,895	31,959	25,758	22,835
1,117,621	1,067,711	1,101,652	1,108,132	1,235,107
71,817	-	1,000	-	440,362
<u>\$ 1,216,378</u>	<u>\$ 1,098,889</u>	<u>\$ 1,248,725</u>	<u>\$ 1,136,855</u>	<u>\$ 1,701,514</u>
\$ 320,011	\$ 315,278	\$ 318,311	\$ 324,182	\$ 313,663
37,834	34,992	34,771	35,833	33,181
-	-	-	41,727	40,331
7,592	7,393	6,125	31,910	47,916
-	-	-	99,100	25,082
<u>\$ 365,437</u>	<u>\$ 357,663</u>	<u>\$ 359,207</u>	<u>\$ 532,752</u>	<u>\$ 460,173</u>
<u>\$ 1,581,815</u>	<u>\$ 1,456,552</u>	<u>\$ 1,607,932</u>	<u>\$ 1,669,607</u>	<u>\$ 2,161,687</u>
\$ (3,050,947)	\$ (3,021,886)	\$ (2,915,479)	\$ (3,363,144)	\$ (3,010,689)
78,618	53,677	56,078	175,836	73,187
<u>\$ (2,972,329)</u>	<u>\$ (2,968,209)</u>	<u>\$ (2,859,401)</u>	<u>\$ (3,187,308)</u>	<u>\$ (2,937,502)</u>

County of Highland, Virginia

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 1,860,782	\$ 2,046,044	\$ 2,235,763	\$ 3,617,277	\$ 2,654,559
Local sales and use taxes	85,097	84,699	90,298	92,865	99,550
Consumer utility taxes	105,466	110,465	110,945	112,041	124,755
Motor vehicle licenses	42,634	42,573	44,778	43,918	1,783
E-911 taxes	-	21,671	25,351	30,507	30,280
Bank stock taxes	12,880	13,089	13,343	21,999	13,162
Other local taxes	23,902	19,593	38,233	40,676	34,547
Unrestricted grants and contributions	223,138	247,950	234,432	239,591	275,707
Unrestricted revenues from use of money and property	58,535	46,941	58,162	97,193	146,115
Miscellaneous	21,964	29,128	44,644	71,108	108,487
Transfers	1,500	(1,600)	(204,150)	142,568	(8,054)
Total governmental activities	\$ 2,435,898	\$ 2,660,553	\$ 2,691,799	\$ 4,509,743	\$ 3,480,891
Business-type activities:					
Unrestricted revenues from use of money and property	\$ 165	\$ 105	\$ 113	\$ 156	\$ 188
Miscellaneous	1,292	1,046	4,012	-	-
Transfers	(1,500)	1,600	204,150	(142,568)	8,054
Total business-type activities	\$ (43)	\$ 2,751	\$ 208,275	\$ (142,412)	\$ 8,242
Total primary government	\$ 2,435,855	\$ 2,663,304	\$ 2,900,074	\$ 4,367,331	\$ 3,489,133
Change in Net Assets					
Governmental activities	\$ 99,150	\$ 399,820	\$ (28,520)	\$ 1,709,116	\$ 332,578
Business-type activities	(37,889)	(19,302)	192,631	(79,485)	5,251
Total primary government	\$ 61,261	\$ 380,518	\$ 164,111	\$ 1,629,631	\$ 337,829

Fiscal Year				
2008	2009	2010	2011	2012
\$ 2,696,267	\$ 2,823,719	\$ 2,694,439	\$ 2,777,551	\$ 2,731,729
97,120	93,017	95,657	97,125	107,600
149,008	141,631	141,131	140,241	138,686
34,003	47,859	55,842	51,219	53,724
36,429	29,572	24,000	30,000	33,000
4,484	12,487	12,481	12,656	13,806
36,309	32,314	24,035	25,835	22,028
249,566	100,362	73,747	217,784	234,776
135,833	116,701	89,922	58,543	54,728
221,956	324,768	213,004	83,641	118,328
105,550	20,750	(13,768)	(71,075)	24,850
\$ 3,766,525	\$ 3,743,180	\$ 3,410,490	\$ 3,423,520	\$ 3,533,255
\$ 175	\$ 117	\$ 69	\$ 411	\$ 2,697
-	-	-	1,186	-
(105,550)	(20,750)	13,768	71,075	(24,850)
\$ (105,375)	\$ (20,633)	\$ 13,837	\$ 72,672	\$ (22,153)
\$ 3,661,150	\$ 3,722,547	\$ 3,424,327	\$ 3,496,192	\$ 3,511,102
\$ 715,578	\$ 721,294	\$ 495,011	\$ 60,376	\$ 522,566
(26,757)	33,044	69,915	248,508	51,034
\$ 688,821	\$ 754,338	\$ 564,926	\$ 308,884	\$ 573,600

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Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License	E-911 Tax	Bank Stock Tax	Other Local Tax	Total
2012	\$ 2,731,729	\$ 107,600	\$ 138,686	\$ 53,724	\$ 33,000	\$ 13,806	\$ 22,028	\$ 3,100,573
2011	2,777,551	97,125	140,241	51,219	30,000	12,656	25,835	3,134,627
2010	2,700,353	95,657	141,131	55,842	24,000	12,481	24,035	3,053,499
2009	2,812,841	93,017	141,631	47,859	29,572	12,487	32,314	3,169,721
2008	2,706,867	97,120	149,008	34,003	36,429	4,484	36,309	3,064,220
2007	2,654,559	99,550	124,755	1,783	30,280	13,162	34,547	2,958,636
2006	3,617,277	92,865	112,041	43,918	30,507	21,999	40,676	3,959,283
2005	2,235,763	90,298	110,945	44,778	25,351	13,343	38,233	2,558,711
2004	2,046,044	84,699	110,465	42,573	21,671	13,089	19,593	2,338,134
2003	1,860,782	85,097	105,466	42,634	-	12,880	23,902	2,130,761

County of Highland, Virginia

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,455,569	1,873,649	1,526,107	3,182,757	3,220,466
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 1,455,569</u>	<u>\$ 1,873,649</u>	<u>\$ 1,526,107</u>	<u>\$ 3,182,757</u>	<u>\$ 3,220,466</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds	\$ 92,859	\$ 147,411	\$ 260,612	\$ 227,588	\$ 568,502
Capital projects funds	309,665	264,781	299,039	256,542	248,895
Nonspendable, reported in:					
Special revenue funds	-	-	-	-	-
Restricted, reported in:					
Special revenue funds	-	-	-	-	-
Assigned, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Unassigned, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 402,524</u>	<u>\$ 412,192</u>	<u>\$ 559,651</u>	<u>\$ 484,130</u>	<u>\$ 817,397</u>

Table 4

Fiscal Year				
2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ -	\$ -
3,868,862	4,166,881	4,273,643	-	-
-	-	-	50,785	50,950
-	-	-	31,317	33,518
-	-	-	510,933	557,696
-	-	-	3,762	4,162
-	-	-	3,951,635	3,757,856
<u>\$ 3,868,862</u>	<u>\$ 4,166,881</u>	<u>\$ 4,273,643</u>	<u>\$ 4,548,432</u>	<u>\$ 4,404,182</u>
\$ 131,621	\$ 111,228	\$ 77,649	\$ -	\$ -
410,182	422,554	889,686	-	-
-	-	-	-	10,186
-	-	-	100,425	165,791
-	-	-	-	717
-	-	-	-	624,854
-	-	-	1,235	-
-	-	-	651,351	-
<u>\$ 541,803</u>	<u>\$ 533,782</u>	<u>\$ 967,335</u>	<u>\$ 753,011</u>	<u>\$ 801,548</u>

County of Highland, Virginia

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
General property taxes	\$ 1,822,785	\$ 2,078,808	\$ 2,228,621	\$ 3,621,834	\$ 2,644,502
Other local taxes	269,979	292,090	322,948	342,006	304,077
Permits, privilege fees and regulatory licenses	23,060	23,751	22,514	19,361	12,318
Fines and forfeitures	5,631	826	512	511	1,059
Revenue from use of money and property	58,535	46,941	58,162	97,193	146,115
Charges for services	6,135	8,531	6,350	6,579	6,307
Miscellaneous	21,964	29,128	44,644	71,108	108,487
Intergovernmental:					
Commonwealth	1,166,190	1,166,217	1,183,203	1,095,016	1,521,614
Federal	255,002	255,908	222,789	464,596	253,751
Total revenues	\$ 3,629,281	\$ 3,902,200	\$ 4,089,743	\$ 5,718,204	\$ 4,998,230
Expenditures					
General government administration	\$ 370,732	\$ 378,783	\$ 459,264	\$ 606,853	\$ 557,066
Judicial administration	196,551	198,372	208,968	223,133	240,034
Public safety	688,315	659,609	838,493	884,776	1,370,500
Public works	127,907	93,629	75,233	174,324	87,089
Health and welfare	508,263	473,336	325,334	330,961	331,330
Education	1,019,914	1,181,866	1,556,971	1,278,049	1,386,156
Parks, recreation and cultural	25,613	28,740	30,677	31,533	35,402
Community development	78,014	135,483	74,405	86,728	80,706
Nondepartmental	22,244	26,356	46,520	26,098	27,523
Capital projects	260,512	79,428	257,661	430,138	301,444
Debt service					
Principal	116,847	118,739	120,850	123,193	125,684
Interest and other fiscal charges	105,504	98,511	91,300	83,857	76,266
Total expenditures	\$ 3,520,416	\$ 3,472,852	\$ 4,085,676	\$ 4,279,643	\$ 4,619,200
Excess of revenues over (under) expenditures	\$ 108,865	\$ 429,348	\$ 4,067	\$ 1,438,561	\$ 379,030
Other financing sources (uses)					
Transfers in	\$ 632,796	\$ 351,151	\$ 566,643	\$ 513,369	\$ 1,104,890
Transfers out	(631,296)	(352,751)	(770,793)	(370,801)	(1,112,944)
Total other financing sources (uses)	\$ 1,500	\$ (1,600)	\$ (204,150)	\$ 142,568	\$ (8,054)
Net change in fund balances	\$ 110,365	\$ 427,748	\$ (200,083)	\$ 1,581,129	\$ 370,976
Debt service as a percentage of noncapital expenditures	6.821%	6.402%	5.542%	5.379%	4.677%

Table 5

Fiscal Year				
2008	2009	2010	2011	2012
\$ 2,706,867	\$ 2,812,841	\$ 2,700,353	\$ 2,720,255	\$ 2,726,798
357,353	356,880	353,146	357,076	368,844
14,809	12,504	18,593	13,069	11,660
729	2,386	1,006	148	271
135,833	100,362	73,747	58,543	54,728
11,402	16,288	126,474	15,506	14,114
221,956	116,701	89,922	83,641	118,328
1,170,907	1,150,594	1,110,210	1,104,672	1,235,521
268,097	241,885	205,446	221,244	674,724
\$ 4,887,953	\$ 4,810,441	\$ 4,678,897	\$ 4,574,154	\$ 5,204,988
\$ 498,386	\$ 470,406	\$ 486,392	\$ 734,770	\$ 885,180
242,188	263,146	237,262	240,966	241,077
844,971	924,520	846,162	744,614	825,203
92,760	91,210	92,620	52,035	564,859
337,223	313,429	354,901	372,672	400,767
1,621,412	1,454,487	1,654,434	1,845,195	1,806,451
37,318	39,220	38,305	39,621	39,236
105,946	106,318	123,846	137,377	134,348
52,818	37,874	37,379	40,442	41,052
208,093	648,833	66,863	53,372	193,907
128,176	130,728	133,586	136,715	140,061
68,674	61,022	53,064	44,835	36,389
\$ 4,237,965	\$ 4,541,193	\$ 4,124,814	\$ 4,442,614	\$ 5,308,530
\$ 649,988	\$ 269,248	\$ 554,083	\$ 131,540	\$ (103,542)
\$ 715,354	\$ 636,234	\$ 879,660	\$ 603,532	\$ 958,542
(609,804)	(615,484)	(893,428)	(674,607)	(950,713)
\$ 105,550	\$ 20,750	\$ (13,768)	\$ (71,075)	\$ 7,829
\$ 755,538	\$ 289,998	\$ 540,315	\$ 60,465	\$ (95,713)
4.885%	4.926%	4.600%	4.136%	3.450%

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General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License	E-911 Tax	Bank Stock Tax	Other Local Tax	Total
2012	\$ 107,600	\$ 138,686	\$ 53,724	\$ 33,000	\$ 13,806	\$ 22,028	\$ 368,844
2011	97,125	140,241	51,219	30,000	12,656	25,835	357,076
2010	95,657	141,131	55,842	24,000	12,481	24,035	353,146
2009	93,017	141,631	47,859	29,572	12,487	32,314	356,880
2008	97,120	149,008	34,003	36,429	4,484	36,309	357,353
2007	99,550	124,755	1,783	30,280	13,162	34,547	304,077
2006	92,865	112,041	43,918	30,507	21,999	40,676	342,006
2005	90,298	110,945	44,778	25,351	13,343	38,233	322,948
2004	84,699	110,465	42,573	21,671	13,089	19,593	292,090
2003	85,097	105,466	42,634	-	12,880	23,902	269,979

County of Highland, Virginia

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Real Estate		Personal Property		Machinery and Tools		Minerals/ Mineral Lands		Merchants' Capital
2012	\$	678,681,200	\$	22,041,643	\$	42,601	\$	96,200	\$	266,699
2011		625,543,500		22,152,201		39,388		96,200		281,830
2010		621,402,600		21,025,889		54,246		96,200		282,699
2009		618,813,500		30,335,430		128,810		96,200		261,513
2008		613,889,600		26,757,134		65,200		96,200		260,642
2007		609,965,800		28,362,526		43,141		96,200		267,887
2006		605,945,300		25,715,330		51,640		114,700		227,196
2005		286,194,100		22,963,900		93,860		114,700		236,740
2004		285,474,000		21,677,710		81,960		114,700		236,400
2003		281,567,200		21,432,510		79,800		114,700		220,580

(1) Estimated Actual Taxable Value includes information for Real Estate only.

Source: Commissioner of Revenue

Table 7

	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value (1)
\$	14,394,553	\$ 715,522,896	\$ 693,007,542	97.93%
	16,973,783	665,086,902	640,213,450	97.71%
	14,732,716	657,594,350	636,072,550	97.69%
	15,941,274	665,576,727	634,670,491	97.50%
	16,409,311	657,478,087	630,246,905	97.40%
	19,306,039	658,041,593	633,613,036	96.27%
	12,989,355	645,043,521	628,449,075	96.42%
	13,992,300	323,595,600	448,555,745	63.80%
	16,894,372	324,479,142	414,291,993	68.91%
	16,669,131	320,083,921	359,954,949	78.22%

Property Tax Rates (1)
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital
2012	\$ 0.37	\$ 1.50	\$ 0.40	\$ 1.00	\$ 1.00
2011	0.40	1.50	0.40	1.00	1.00
2010	0.40	1.50	0.40	1.00	1.00
2009	0.40	1.50	0.40	1.00	1.00
2008	0.40	1.50	0.40	1.00	1.00
2007	0.38	1.50	0.38	1.00	1.00
2006 (2)	.73/.38	1.50	0.73	1.00	1.00
2005	0.67	1.50	0.67	1.00	1.00
2004	0.62	1.50	0.62	1.00	1.00
2003	0.55	1.50	0.55	1.00	1.00

(1) Per \$100 of assessed value.

(2) County began twice a year billings for real estate taxes during FY06. Additionally, the County had a general reassessment on real estate during the year, resulting in an adjustment to the tax rate.

Principal Property Taxpayers
Current Year and the Period Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2012		Fiscal Year 2002	
		2012 Assessed Valuation	% of Total Assessed Valuation	2002 Assessed Valuation	% of Total Assessed Valuation
Karin Banks	Farm	\$ 7,663,900	1.225%	\$ 4,950,300	2.509%
Red Oak Ranch	Farm	2,509,700	0.401%	1,334,800	0.677%
Hayfields Ltd.	Farm	2,776,700	0.444%	894,400	0.453%
Dividing Waters Farm	Farm	2,188,300	0.350%	948,800	0.481%
Bull Pasture Mtn Ranch	Farm	2,028,600	0.324%	310,200	0.157%
		<u>\$ 17,167,200</u>	<u>2.744%</u>	<u>\$ 8,438,500</u>	<u>4.277%</u>

Source: Commissioner of Revenue

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	(1) Total Tax Levy for Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$	2,940,562	\$ 2,800,386	95.23%	\$ -	\$ 2,800,386	95.23%
2011		2,949,448	2,815,516	95.46%	90,597	2,906,113	98.53%
2010		2,913,404	2,783,033	95.53%	107,960	2,890,993	99.23%
2009		3,033,067	2,884,198	95.09%	141,387	3,025,585	99.75%
2008		2,856,079	2,780,175	97.34%	73,302	2,853,477	99.91%
2007		2,805,927	2,721,421	96.99%	83,089	2,804,510	99.95%
2006		3,755,547	3,724,780	99.18%	30,561	3,755,341	99.99%
2005		2,379,612	2,347,508	98.65%	31,960	2,379,468	99.99%
2004		2,203,604	2,179,593	98.91%	23,924	2,203,517	100.00%
2003		1,965,588	1,903,635	96.85%	61,953	1,965,588	100.00%

Source: Commissioner of Revenue, County Treasurer's office

(1) Includes PPTRA reimbursement from Commonwealth of Virginia.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)	
	General Obligation Bonds		Revenue Bonds					
2012	\$	532,036	\$	166,314	\$	698,350	1.02%	288
2011		672,096		170,496		842,592	1.14%	380
2010		808,810		174,498		983,308	1.32%	433
2009		942,396		178,310		1,120,706	1.70%	493
2008		1,073,124		181,906		1,255,030	1.73%	500
2007		1,201,300		113,682		1,314,982	1.81%	524
2006		1,326,984		116,282		1,443,266	2.18%	601
2005		1,450,177		118,795		1,568,972	2.37%	654
2004		1,571,027		121,060		1,692,087	2.56%	705
2003		1,689,766		123,310		1,813,076	3.03%	755

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 14.

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2012	\$ 532,036	\$ -	\$ 532,036	0.07%	219
2011	672,096	-	672,096	0.10%	303
2010	808,810	-	808,810	0.12%	356
2009	942,396	(46,372)	988,768	0.15%	435
2008	1,073,124	101,896	971,228	0.15%	387
2007	1,201,300	72,558	1,128,742	0.17%	450
2006	1,326,984	128,831	1,198,153	0.19%	499
2005	1,450,177	98,320	1,351,857	0.42%	563
2004	1,571,027	76,993	1,494,034	0.46%	623
2003	1,689,766	97,500	1,592,266	0.50%	663

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7.

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds						
	Water	Less:	Net	Debt Service		Coverage	
	Charges and Other	Operating Expenses	Available Revenue	Principal	Interest		
2012	\$ 33,181	\$ 52,233	\$ (19,052)	\$ 4,182	\$ 7,662	-160.86%	
2011	35,333	42,374	(7,041)	4,002	7,842	-59.45%	
2010	34,771	38,716	(3,945)	3,813	8,032	-33.31%	
2009	34,992	38,176	(3,184)	3,597	10,831	-22.07%	
2008	37,834	39,045	(1,211)	2,776	5,384	-14.84%	
2007	27,241	41,310	(14,069)	2,602	5,558	-172.41%	
2006	19,044	36,630	(17,586)	2,510	5,650	-215.51%	
2005	18,153	33,506	(15,353)	2,265	5,893	-188.20%	
2004	17,823	32,343	(14,520)	2,250	5,910	-177.94%	
2003	17,767	30,524	(12,757)	2,285	5,875	-156.34%	

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age (1)	School Enrollment	Unemploy- ment Rate
2012	2,426	\$ 68,648,522	\$ 28,297	53	228	6.10%
2011	2,215	74,052,000	31,673	53	226	6.20%
2010	2,273	74,774,000	31,497	51	232	8.10%
2009	2,273	65,998,828	29,036	49	243	9.60%
2008	2,510	72,549,040	28,904	49	272	3.30%
2007	2,510	72,549,040	28,904	49	285	3.00%
2006	2,400	66,189,600	27,579	49	305	3.30%
2005	2,400	66,189,600	27,579	-	310	3.30%
2004	2,400	66,189,600	27,579	-	298	2.10%
2003	2,400	59,748,000	24,895	-	294	3.50%

Source: Weldon Cooper Center, Annual school report - prepared by the School Board, www.fedstats.gov

Full-time Equivalent County Government Employees by Function
Last Five Fiscal Years (1)

Function	Fiscal Year				
	2008	2009	2010	2011	2012
General government	15	15	15	16	16
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	14	15	15	15	15
Fire & rescue					
Building inspections	2	1	1	1	2
Animal control	1	1	1	1	1
Public works					
General maintenance	3	3	3	3	3
Landfill	6	6	6	6	7
Health and welfare					
Department of social services	4	4	4	4	4
Culture and recreation					
Library	2	2	2	2	2
Totals	<u>52</u>	<u>52</u>	<u>52</u>	<u>53</u>	<u>55</u>

(1) Complete data only available for the past five fiscal years.

Source: Individual county departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	1	1	1	1	1	1	1	1	2	2
Public safety										
Sheriffs department:										
Patrol units	9	9	9	9	9	9	9	9	9	9
Building inspections:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	-	-	-	-	-	-	-	-	-	1
Landfill:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Equipment	2	2	2	2	2	2	2	2	2	2
Sites	1	1	1	1	1	1	1	1	1	1
Component Unit - School Board										
Education:										
Schools	2	2	2	2	2	2	2	2	2	2
School buses	12	12	12	12	12	12	12	12	10	10

Source: Individual county departments

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF HIGHLAND, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Highland, Virginia as of and for the year ended June 30, 2012, which collectively comprise the County of Highland, Virginia's basic financial statements and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

Management of County of Highland, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County of Highland, 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 Highland, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Highland, 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 Highland, 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 involving the internal control structure and its operation that we have reported to the management of the County of Highland, Virginia in a separate letter dated December 21, 2012.

This report is intended solely for the information and use of the management, 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, Farmer, Cox Associates

Staunton, Virginia
December 21, 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

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF HIGHLAND, VIRGINIA

Compliance

We have audited County of Highland, 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 Highland, Virginia's major federal programs for the year ended June 30, 2012. County of Highland, 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 Highland, Virginia's management. Our responsibility is to express an opinion on the County of Highland, 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 Highland, 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 Highland, Virginia's compliance with those requirements.

In our opinion, County of Highland, 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 County of Highland, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered County of Highland, 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 purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Highland, 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, 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, Farmer, Cox Associates

Staunton, Virginia
December 21, 2012

County of Highland, Virginia

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

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	n/a	\$ 6,229
Temporary Assistance for Needy Families (TANF)	93.558	n/a	15,977
Refugee and Entrant Assistance - State Administered Programs	93.566	n/a	45
Low-Income Home Energy Assistance	93.568	n/a	3,951
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	n/a	2,734
Stephanie Tubbs Jones Child Welfare Services Program	93.645	n/a	46
Foster Care - Title IV-E	93.658	n/a	38,437
Adoption Assistance	93.659	n/a	5,522
Social Services Block Grant	93.667	n/a	19,748
Chafee Foster Care Independence Program	93.674	n/a	3,976
Children's Health Insurance Program	93.767	n/a	1,136
Medical Assistance Program	93.778	n/a	29,953
Total Department of Health and Human Services			\$ <u>127,754</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Rural Business Enterprise Grant	10.769	n/a	\$ 25,083
Child Nutrition Discretionary Grant	10.579	n/a	7,251
Department of Education:			
Child Nutrition Cluster:			
Food Distribution	10.555	n/a	\$ 9,836
National school lunch program	10.555	n/a	75,479
School breakfast program	10.553	n/a	17,549
Total Child Nutrition Cluster			\$ <u>102,864</u>
Fresh fruit and vegetable program	10.552	n/a	\$ 6,753
Schools and Roads - Grants to States	10.665	n/a	70,723
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	n/a	\$ <u>50,352</u>
Total Department of Agriculture			\$ <u>263,026</u>
Department of Energy:			
Pass Through Payments:			
Virginia Department of Mines Minerals and Energy:			
Energy Efficiency Block Grant	81.128	n/a	\$ <u>44,000</u>
Department of the Interior:			
Direct payments:			
Bureau of Land Management			
Payment in lieu of taxes	15.226	n/a	\$ <u>56,256</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Planning and Construction	20.205	n/a	\$ <u>396,132</u>

County of Highland, Virginia

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

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
Environmental Protection Agency: Pass Through Payments: Department of Environmental Quality: DEQ Royalty Grants	66.000	n/a	\$ 230
Department of Education: Pass Through Payments: Department of Education: Title I, Part A Cluster			
Title I: Grants to Local Educational Agencies	84.010	n/a	\$ 46,889
ARRA-Title I: Grants to Local Educational Agencies	84.389	n/a	31,326
Special Education Cluster:			
Special Education-Grants to States	84.027	n/a	53,008
ARRA-Special Education-Grants to States	84.391	n/a	69,435
Special Education-Preschool Grants	84.173	n/a	1,973
Education Jobs Fund	84.410	n/a	17,947
Rural Education Achievement Program	84.358	n/a	35,136
Improving Teacher Quality State Grants	84.367	n/a	16,967
ARRA-State Fiscal Stabilization Fund, Education State Grants	84.394	n/a	30,485
Career and Technical Education-Basic Grants to States	84.048	n/a	4,802
Total Department of Education			\$ 307,968
Total Expenditures of Federal Awards			\$ 1,195,366

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Highland, 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, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Highland, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Highland, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE C - FOOD DISTRIBUTION

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

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

Primary government:	
Governmental funds	\$ 674,724
Proprietary funds	25,082
School fund	495,560
Total primary government	\$ 1,195,366

COUNTY OF HIGHLAND, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified? yes x none reported

Non compliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified? yes x none reported

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

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? yes x no

Identification of major programs:

CFDA

<u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
----------------	---

Special Education Cluster:

84.027 Title VI-B handicapped state grants
84.391 ARRA - Title VI-B Handicapped state grants
84.173 Title VI-B Handicapped preschool incentive grant

Other:

10.665 Schools and Roads-Grants to States
20.205 Highway Planning and Construction
93.667 Social Services Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes x no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

COUNTY OF HIGHLAND, VIRGINIA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

There are no prior year audit findings which have not been resolved.